CONSUMERLAB

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THE CHANGING MOBILE BROADBAND LANDSCAPE

Understanding the diverse behavior and needs of smartphone mobile internet users in urban India

An Ericsson Consumer Insight Summary Report
April 2015

Indian cities researched

- Top 8 metro
- Big non-metro
- Large cities
- Mid-size cities
- Small cities/towns

CONTENTS

METHODOLOGY

In-depth interviews were conducted with 50 urban smartphone internet users on 2G, 3G and 4G networks in 10 cities across India. The interviewees were aged 15–75. 15,000 urban households were surveyed in 33 cities. 4,500 face-to-face interviews were carried out with smartphone mobile internet users in households in these cities. The cities covered range from the top 10 Indian metros and large cities, to middle-sized and small cities and towns. This sample is estimated to represent 127 million smartphone users in urban India.

Users on all networks (2G, 3G or 4G) are referred to as mobile internet users in the report. Users on 3G or 4G networks only are referred to as mobile broadband users.

THE VOICE OF THE CONSUMER

Ericsson ConsumerLab has 20 years' experience of studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically representing the views of 1.1 billion people.

Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures. To be close to the market and consumers, Ericsson ConsumerLab has analysts in all regions where Ericsson is present, developing a thorough global understanding of the ICT market and business models.

All reports can be found at:
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THE DIVERSE MARKETPLACE

This report highlights the widening adoption of smartphone and mobile broadband use in India. As attitudes towards these change and more people wish to be connected, the number of senior users and users from smaller cities and towns is increasing. With such a fragmented and diverse marketplace in terms of income, education, profession, attitudes and interests, the motivations for smartphone and mobile internet use vary significantly.

This report focuses on how these different motivations and attitudes affect the perceived value of services and create a demand for more personalized offerings.

KEY FINDINGS

The Indian mobile broadband landscape is evolving

> The adoption of smartphones and mobile broadband by people in the lower socioeconomic strata of society is rising. This is also the case for the middle and senior age groups who see value in mobile. Around one in three people are using smartphones in urban India

Barriers to mobile broadband

> For those who do not use mobile broadband, affordability and digital literacy are prime obstacles to adoption. 48 percent of those using mobile internet on 2G or 3G are unable to perceive any difference between 2G and 3G services

Social networking and entertainment

> Some of the most widely used services on smartphones in India are for social networking and instant messaging. With 70 percent of users streaming videos and 40 percent streaming music weekly, entertainment services are also greatly valued

Rising use of mobile financial services

> Indian smartphone users are increasingly adopting online navigation, e-commerce and cloud storage services. 36 percent of urban mobile internet users access financial services weekly on their smartphones

Different locations, different challenges

> Users face differing mobile data issues depending upon location. Network performance continues to be a challenge. 68 percent of mobile internet users experience session failures and lengthy loading times while outdoors and 63 percent face quality and reliability issues indoors

Variations of perceived value

> The definition of a good mobile internet experience varies significantly between different users, contexts and frames of reference. For some, account management and customer service are important while others value speed, outdoor connectivity, price, or tiered data plans

EVOLVING DEMOGRAPHICS

Case study: Israr, 3G user
Israr is a 50 year old wallpaper contractor. He comes from a low socioeconomic background and has limited education. He uses a smartphone with 3G connection to send pictures of completed jobs to the furnishing houses he receives contracts from. Communicating and advertising via email and WhatsApp has improved Israr's productivity, while increasing his income by 20 percent.

"I pay for a 3G connection as it gives me email and communication facilities which I was not able to have earlier, but I don't spend much of my data plan on entertainment services"

Blurring age and gender boundaries

India has one of the youngest populations in the world, with a median age of 26 years. As a result, the Indian youth market remains the largest for smartphone and mobile internet use. More recently however, there has been an increase in users over the age of 50 adopting mobile broadband (Figure 1a).

The primary motivation for this is the desire to stay connected with loved ones scattered across both India and the rest of the world, particularly through email, chat applications and instant messaging.

In addition, the ability to indulge in activities and hobbies later in life, or during retirement is a key factor. For others, keeping pace with the younger generation or on top of work-related news are compelling drivers.

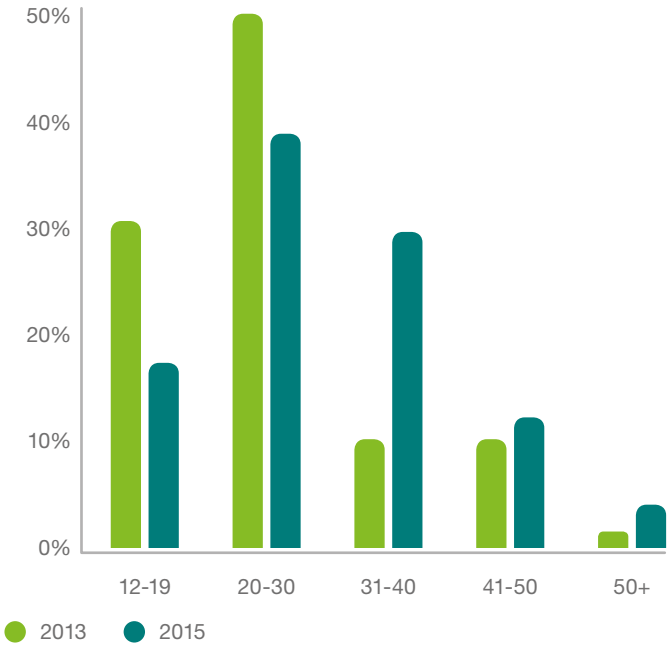
Women's use of technology is also increasing in urban India, with 34 percent now accessing mobile internet on smartphones, in comparison to 20 percent in 2013.

More low income users

Households with larger incomes are more likely to buy technology products, however income does not explain the difference when it comes to a consumer's inclination to use mobile internet services. As smartphone prices in India have decreased, those from low income backgrounds have a greater opportunity to fulfill their aspirations – to own a smartphone and use the internet services offered (Figure 1b).

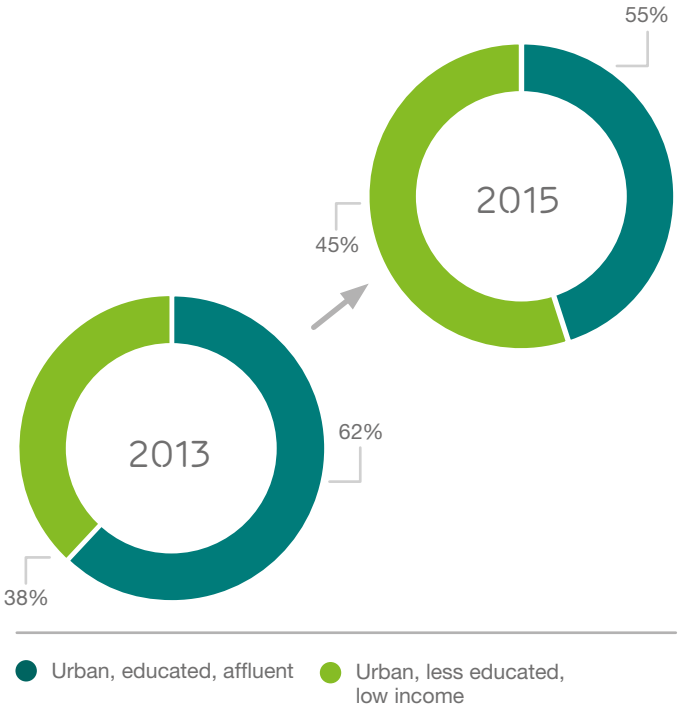
Regardless of income, age, gender and education, Indians are immersing themselves in the networked society by using smartphones and mobile internet.

Figure 1a: Change in distribution of smartphone mobile internet users based on age



Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone mobile internet users

Figure 1b: Mobile data users based on socioeconomic backgrounds



Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone mobile internet users

CHANGING URBAN LANDSCAPE

The smartphone mobile broadband revolution in India began in key metropolitan areas, and continues to be dominant in these places. Metros are advanced urban centers that offer a wide choice of recreational facilities. In contrast, smaller cities and towns have fewer entertainment options such as digital theatres, large retail chains and shopping malls.

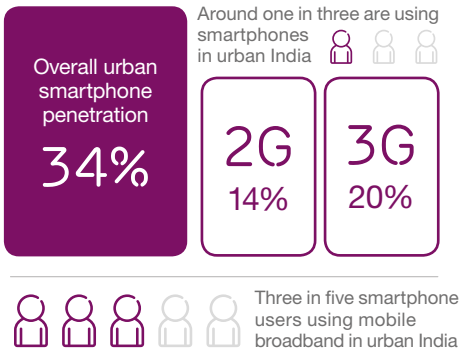
Consumers in smaller cities and towns are rapidly embracing smartphones and mobile internet to bridge the gap and bring new, affordable entertainment. For many, mobile technology represents an easy to carry and less expensive alternative to other personal technology devices.

> “Smartphones are cheaper than buying a laptop or a computer and I can be mobile while still connected.”
>
> **Student, 21 years old, Sonipat**

Those migrating from smaller villages and towns to large cities and metros for job opportunities, value the connectivity of smartphones for work. Equally as important to migrants is the ability to communicate with family back home.

This increasing adoption of smartphones and mobile internet is also driven by social and image-conscious aspirations to connect to the wider world.

Figure 2: Urban Indian smartphone penetration

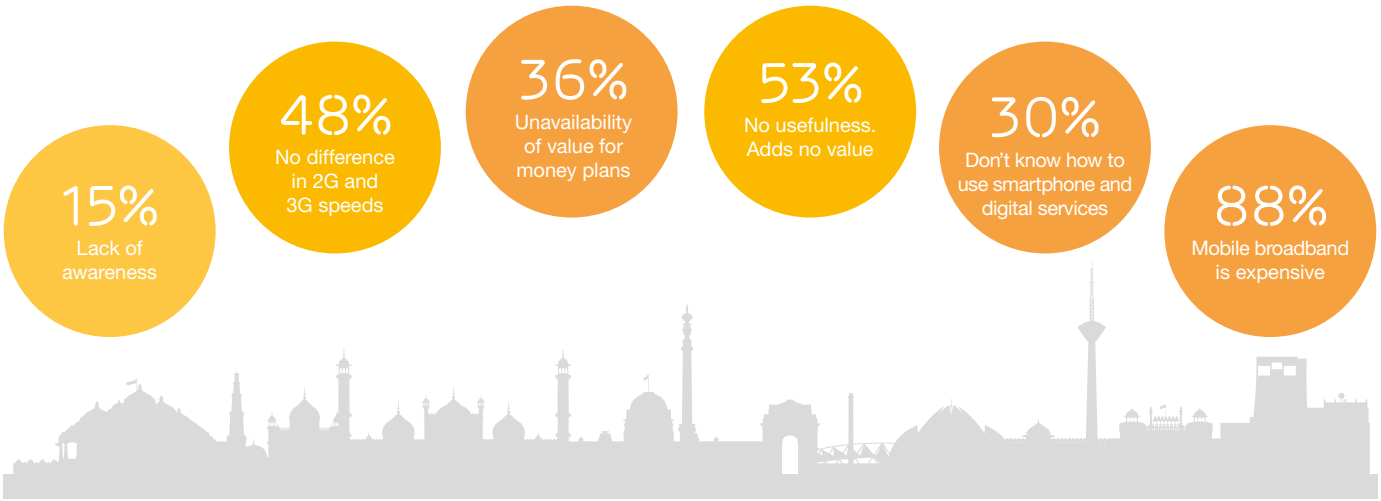


Top 8 metros	4 million
Big non-metros	1.5–4 million
Large cities	1–1.5 million
Mid-size cities	0.5–1 million
Small cities/towns	0.2–0.5 million

Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban households, urban smartphone mobile internet users

BARRIERS TO ADOPTION

Figure 3: Reasons given for not adopting mobile broadband



Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone users, not using mobile broadband

Affordability poses a major barrier to mobile broadband adoption, particularly in a market as diverse as India where hugely varied socioeconomic factors affect price sensitivity. 88 percent of Indian smartphone owners who do not use mobile broadband feel that it is too expensive, as seen in Figure 3.

For many, there exists a digital literacy gap between ownership of smartphones and the ability to use all of the features offered. 30 percent of smartphone users not using mobile broadband stated that they do not have the digital knowledge to effectively use apps and digital services, and therefore do not perceive any value in subscribing to mobile broadband.

A further 48 percent are unable to distinguish between 2G and 3G speeds and thus see no advantage in switching to a high speed service.

Consumers will always need to recognize a clear personal benefit to using mobile broadband. The lack of added value attributed to the service continues to act as a deterrent to its adoption.

GROWING APPETITE FOR SERVICES

Social networking and chatting with friends and family via instant messaging is becoming common in India. With 70 percent of urban mobile internet users streaming videos on their smartphones, entertainment services are highly valued, as seen in Figure 4.

In addition, greater use of cloud storage services indicates that smartphone users view protecting their personal information as important.

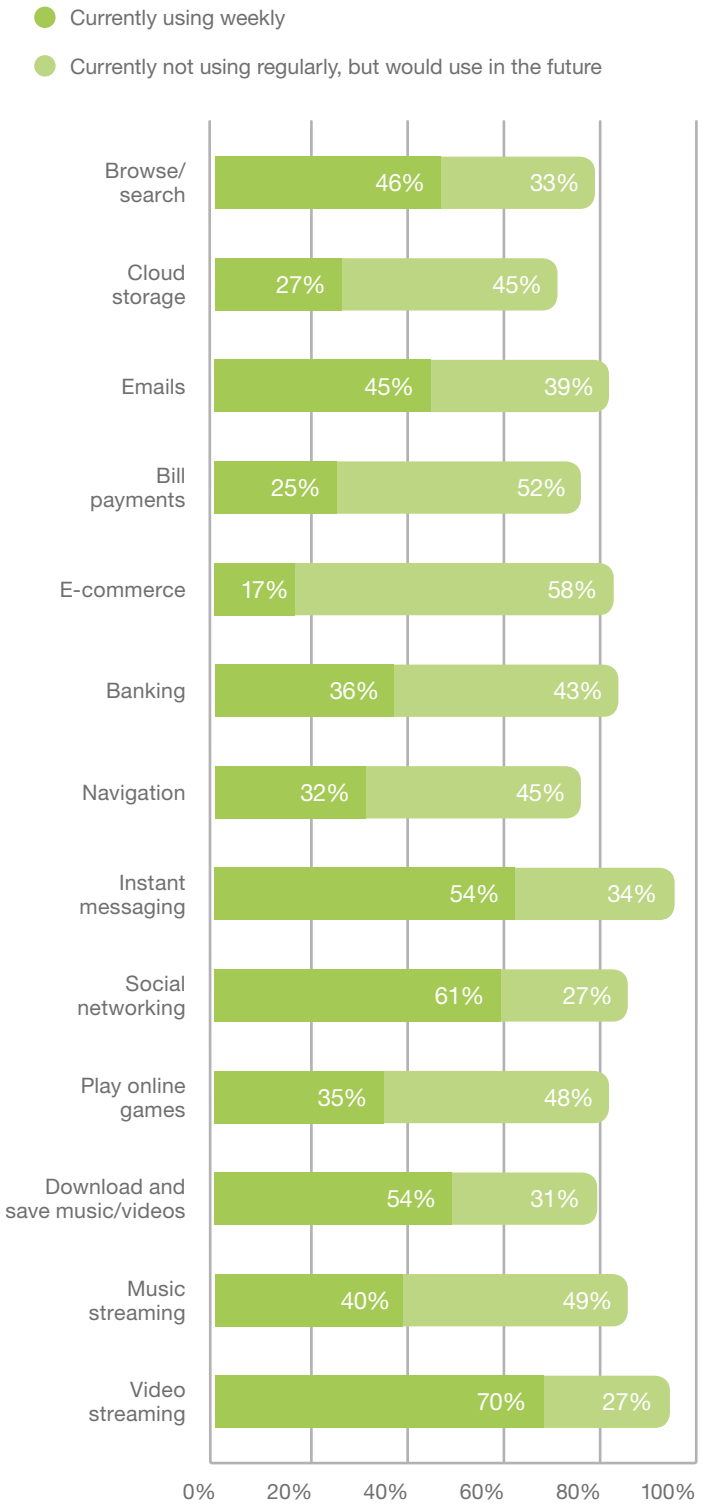
There has been a rise in financial services being used. This is likely due to India's regulatory financial inclusion mandates, the push by financial institutions towards online digital services, and mobile money services launched by operators. Quick and easy online financial transactions help to increase personal finance control and experience, while saving on time and travel.

Indian smartphone users are increasingly adopting navigation, financial services, and cloud storage services

Online purchasing by smartphone users has been driven by heavy discounts, electronic payment options and cash-on-delivery schemes offered by e-commerce businesses. Of those users not currently using e-commerce services, 58 percent stated that they would begin to do so in the next 6 months.

Adoption of these multiple online services is becoming a way of life, particularly as urban mobile internet users want to be more efficient, more productive and better informed.

Figure 4: Smartphone users utilizing mobile data services weekly vs. users planning to in next six months



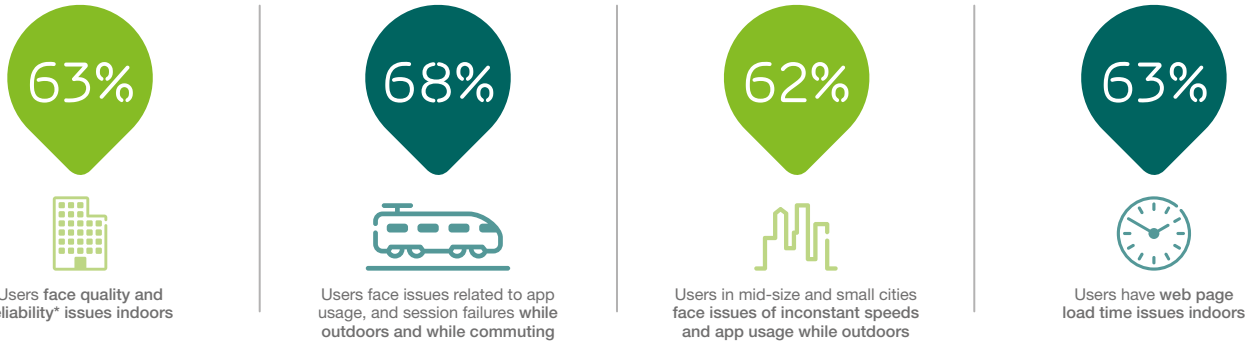
Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone mobile internet users

LOCATION IMPACTS EXPERIENCE

Consumers' perception of their mobile data experience is influenced by many different factors, in particular their location. For example, Figure 5 shows that 63 percent of urban mobile internet users face quality and reliability issues, such as lost connections and inconsistent network speeds, when using mobile networks indoors.

App-related issues while outdoors or commuting affects 68 percent of urban mobile internet users. These include not being able to play online games due to a lengthy lag time, apps taking a long time to refresh, maps failing to load, and session failures. Such problems are more common in mid-size and small towns than in large cities.

Figure 5: Percentage of users facing certain issues in particular locations



Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone users, mobile internet users

*Quality and reliability: Voice drops; connection breaks; inconsistent speed; no availability of 3G

UNDERSTANDING DATA PLANS

Better data plan knowledge equals higher usage

When choosing a data plan, it is important that consumers select the tariff that best suits their needs. However, 55 percent of urban mobile internet users say they do not understand their data plan options, and that they are confused by the details. Only 12 percent of urban mobile internet users visit their operator's website to recharge, pay bills or use other services.

Figure 6a shows that only 10 percent of people say they understand their plan perfectly, and are able to make an accurate judgment when deciding on a plan. If consumers are confident in their understanding of what is offered, they tend to perceive better value from it. In fact, they consume twice as much data compared to users who find it difficult to understand their plan (Figure 6b).

Figure 6a: Consumer understanding of data plan options

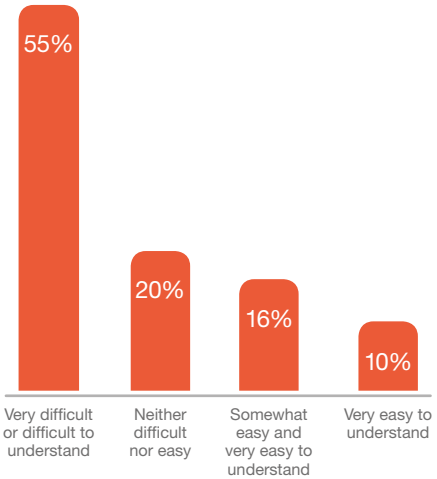
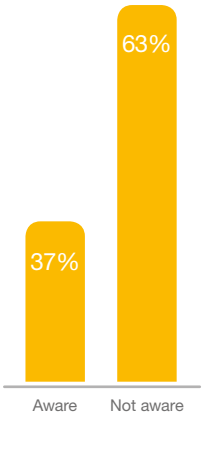


Figure 6b: Understanding data plan impacts usage

Figure 6c: Users' awareness of services like "Create your own plan" from operators



Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone users, mobile internet users

DECIPHERING THE HETEROGENEITY

To address the evolving needs of consumers who use smartphones to access mobile broadband, research was conducted to determine both motivations for and needs when buying and using services. The research also addressed the attitudes and interests concerning technology and paying for services in the future (Figure 8).

Seven types of consumer groups were identified. Each group has different characteristics and motivations, levels of willingness to adopt and values perceived for an overall great mobile internet experience.

Figure 7: Deciphering the heterogeneity

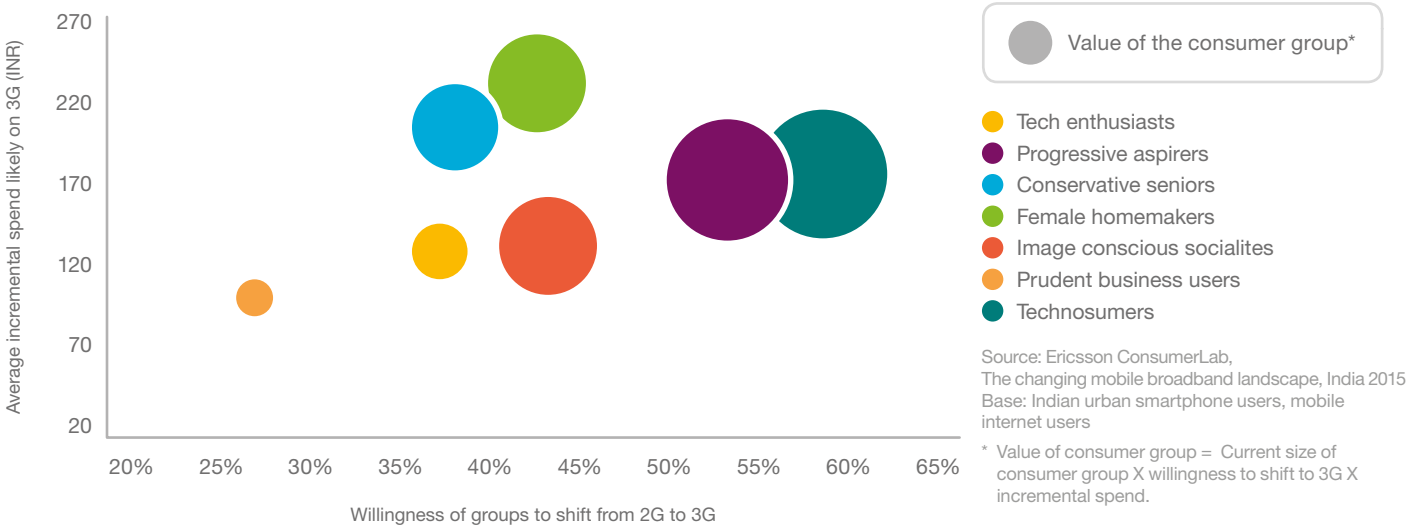
	Characteristics	Motivations	Needs
 Tech enthusiasts	15–19 years old. From wealthier socioeconomic backgrounds, but sensitive to pricing. Early adopters, comfortable with and positive about technology. Willingness to pay is low.	> Entertainment > Socializing	> Cost control > Cheaper, flexible plans > Consistent speed
 Progressive aspirers	20–25 years old. From modest backgrounds but aim to advance in life. Study and work simultaneously, very price conscious. Not early adopters, however, have a high interest in mobile broadband but low willingness to pay for it.	> Professional growth > Education	> Coverage while outdoors and commuting > Cheaper, flexible plans > Flexibility to choose services on recharge
 Conservative seniors	Mostly 50+. Relatively new users of mobile broadband and view technology as complicated. They recognize the value of using smartphones, and in the future are likely to be willing to pay for mobile broadband. .	> Keeping in touch with family > Engaging in new learning experiences	> Support in using smartphone features and digital services > Account management > Initial purchase process > Good indoor coverage
 Female homemakers	20–30 years old. Price conscious but see worth in mobile broadband. They don't mind spending on it and are keen to learn more.	> Connecting with friends and family > To improve efficiency and productivity in the home	> Customer support > Unlimited usage of frequently used apps > Good indoor coverage
 Image conscious socialites	Mostly young to middle-aged smartphone users. Mainly from mid-size and smaller cities and low income backgrounds. Early adopters and positive about mobile broadband. Interested in high speed but not ready to pay for it.	> Self-expression > Improved social status	> Good outdoor coverage > Uninterrupted data sessions > Cheaper 3G plans
 Prudent business users	Mostly middle-aged smartphone users. Willing to pay more for services that meet clear business objectives. Not trend setters, but see worth in adopting mobile broadband to aid business and professional growth.	> Business purposes > Social connections for work	> Consistent speed > Account management > Cheaper roaming data plans
 Technosumers	Mostly middle-aged, are predominantly from the top eight metros, early adopters. Attitude towards mobile broadband is positive but they have a low tolerance of network issues.	> Work/business purposes > Entertainment and socializing	> Quality and reliability of mobile internet connection > Speed > Unlimited data usage

Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015

Base: Urban mobile smartphone internet users

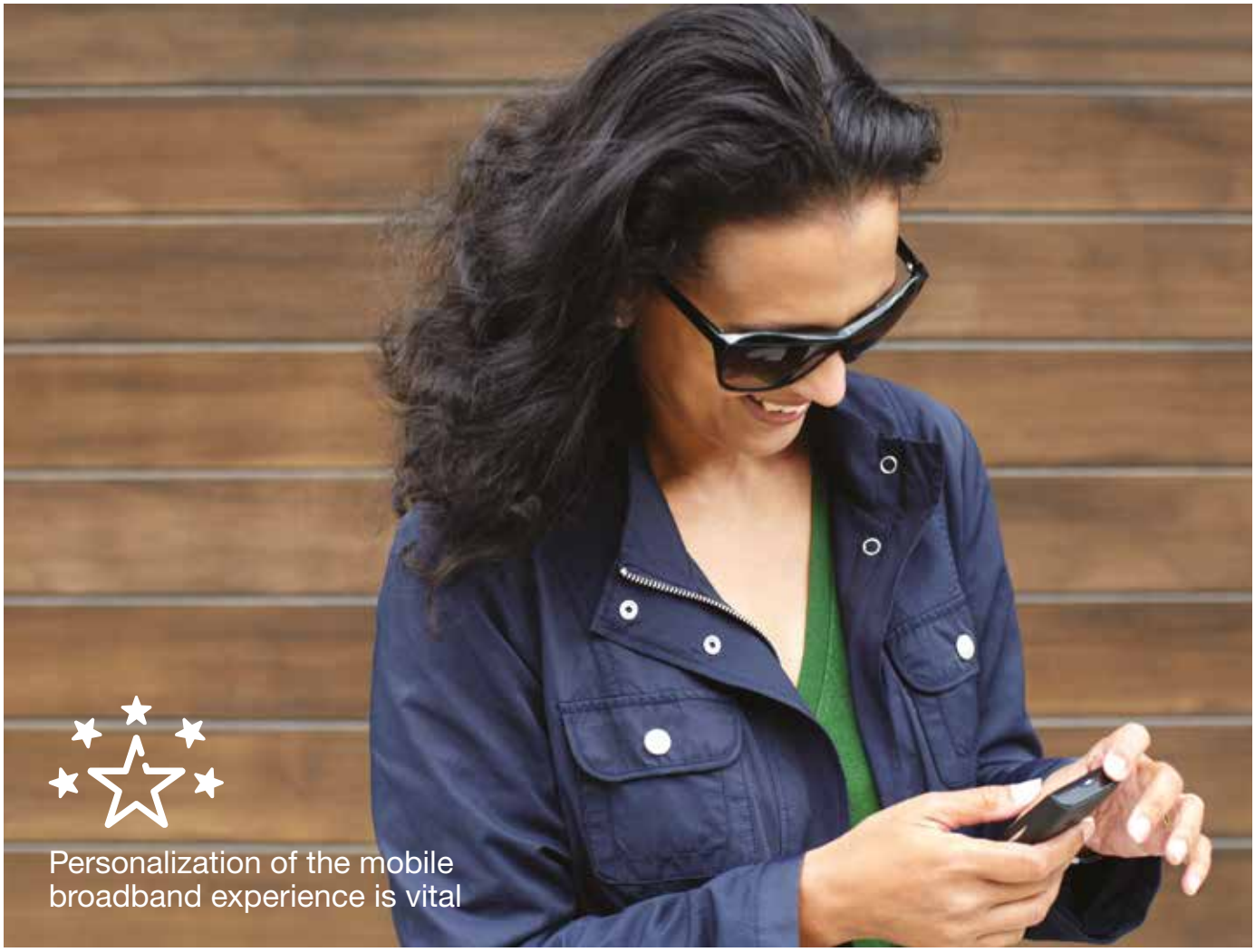
Figure 8 conveys the size of the identified consumer groups and their varying willingness to spend more on 3G in the future.

Figure 8: Different consumer groups show varied willingness to adopt and pay for 3G



Source: Ericsson ConsumerLab,
The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone users, mobile internet users

* Value of consumer group = Current size of consumer group X willingness to shift to 3G X incremental spend.



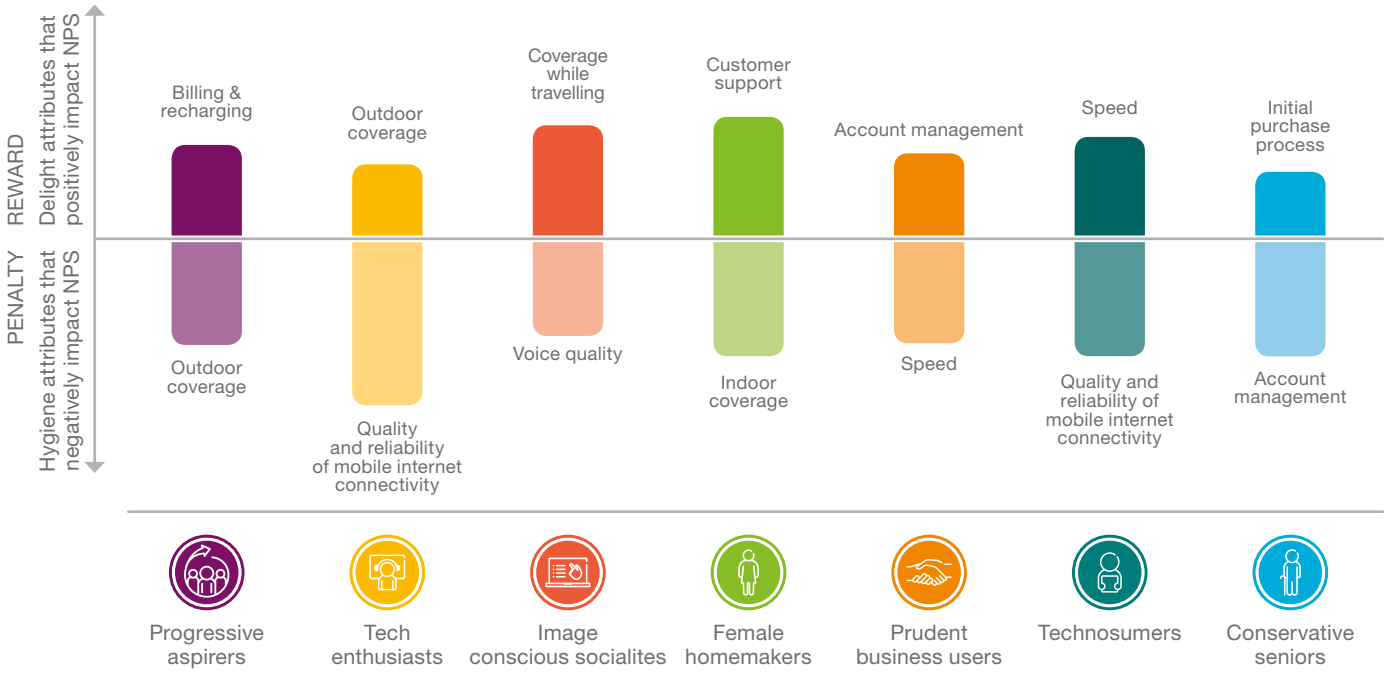
PERSONALIZING THE EXPERIENCE

Different Indian urban consumer groups view different attributes as important and expect a certain level of performance on these. This manifests in both a reward and penalty effect on the Net Promoter Score (NPS), as seen in Figure 9. An NPS measures how likely a consumer would be to recommend a company or brand. If not satisfied with an attribute that is very important to them, a consumer will not recommend the provider.

This is regardless of high performance on other attributes of the mobile internet experience. However, if satisfied with another attribute they consider important, they would reward with a positive impact on NPS.

For example, Technosumers have zero tolerance for mobile internet quality and reliability issues and will penalize providers, irrespective of any satisfaction gained in other aspects of the experience.

Figure 9: Different consumer, different needs*



Source: Ericsson ConsumerLab, The changing mobile broadband landscape, India 2015
Base: Indian urban smartphone users, mobile internet users

* For each consumer group the top penalty and top reward factors have been shown

Different future needs

India is a fragmented marketplace and the smartphone mobile broadband landscape is evolving. The diverse consumer base is adopting mobile broadband and using a wide variety of services, beyond chat and messaging. Consumers have different motivations for and behaviors when using mobile broadband services. Personalized services are viewed positively and are demanded by consumers.

Different users value and care about different aspects of their mobile broadband experience, dissatisfaction with these aspects results in a negative impact on loyalty. Understanding consumer behavior and attitudes becomes important, in order to provide a great consumer experience and maintain a long-term relationship with them.

Those in smaller cities are adopting smartphones and mobile broadband, bringing their own set of unique needs. In particular, smartphone users are facing outdoor coverage issues in these cities. In big cities, smartphone users continue to face indoor coverage issues. Network performance is also an ongoing challenge and improvement in network quality would lead to a better consumer experience. Simplicity is key, as consumers need easy to understand data plans. Understanding the plan, in turn helps boost data usage. Knowing what aspects are valued by which consumers can help service providers differentiate and personalize their offerings.

Ericsson is the driving force behind the Networked Society – a world leader in communications technology and services. Our long-term relationships with every major telecom operator in the world allow people, business and society to fulfill their potential and create a more sustainable future.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities.

With approximately 115,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world's mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

Founded in 1876, Ericsson has its headquarters in Stockholm, Sweden. Net sales in 2014 were SEK 228.0 billion (USD 33.1 billion). Ericsson is listed on NASDAQ OMX stock exchange in Stockholm and the NASDAQ in New York.

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