GSMA Low-Cost LTE Smartphone Survey

Executive Summary

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Overview

The GSMA has been promoting the use of digital dividend spectrum for mobile, mindful that there are 3.8 billion people in the world who do not have a mobile phone let alone access to the Internet on a personal device.

To encourage the release of spectrum the GSMA wishes to accelerate the supply of low-cost LTE devices in the digital dividend bands (700 MHz and 800 MHz). A key part of this effort is a consumer survey to understand the opportunity for a low-cost LTE smartphone in the relevant countries and find out what the priorities should be for features and functionality.

Headlines

- The survey included 8,000 people, split evenly between smartphone and feature phone users, in Brazil, China, India, Indonesia, Kenya, Mexico, Nigeria and Saudi Arabia.
- We explored consumer trade-offs between features that have a large effect on the bill of materials of a phone. We were only able to focus on aspects of the phone itself, not on service and tariff aspects at this stage, although we recognise that this would be useful input from operators later.
- There appears to be a substantial international opportunity for a low-cost LTE phone that gives priority to data coverage and battery life over other features such as data speed, processor and memory capacity.
- A smartphone is the right device to start with, but there may also be an opportunity for a low-cost LTE tablet as a second phase of the initiative.

Summary

As with all surveys, there were constraints on this one. To cover the right countries within the budget and timescale it was necessary to conduct an online survey, gathering responses from people on their smartphones and feature phones. This meant the questionnaire needed to be kept to about 20 questions, because response rates fall quickly after that. Also it meant that we surveyed people who already have a data plan, and we were not able to gather responses from people who do not yet have full Internet access on their phone.

In preparing the survey we had useful input from discussions with operators. One key factor that emerged was the importance of operator tariffs and services in purchase decisions and how they affect the suitability of a low-cost device. This is a large and difficult area to study and it was not possible to address this in a short questionnaire. In addition, operators themselves have good data on tariff and service usage, better than we could obtain in a survey. With those points in mind, we focused only on the qualities of the device itself in this survey at this stage.

We know from earlier research that consumers grow into their first smartphone, with the range of uses expanding as they find more apps and services that suit them. So we designed the survey to include both smartphone and feature phone users, to compare their responses. In our conclusions we give greater weight to the views of smartphone users as they have direct experience with such a device.

In a survey it is not sensible to ask consumers technical questions, such as frequency bands used or number of megapixels they want for the camera, but it is possible to ask them about trade-offs between features, and that steered the design of the questionnaire. The core of it focused on aspects that have the biggest effect on the bill of materials for a phone, namely battery life, screen quality, camera quality, access to thousands of apps, data coverage and data speed, and price.

In order to validate the responses to the trade-offs we asked other questions, including price expectations compared with their existing phone, features that they would not like to give up or that they miss (if they already have a smartphone), features they would sacrifice to get the price down, factors that would help trigger a purchase, and about regular travel to other countries (for roaming needs).

Results

Overall we found that the highest consumer priorities were similar across countries, with data coverage ("reasonable speed data that works in all areas") and battery life standing out as the strongest needs, both in the trade-offs and in the supporting questions.

Where we found variations in priorities they were more to do with segments in the sample than demographic or country differences. User segments we could identify accounted for 70% of the responses we received, and included what we call Content-Led (20%), Apps-Led (7%), Just Want It to Work (33%), who give strong emphasis to data coverage and battery life, and Price-Led (12%).

The Price-Led segment should be a key target group for a low-cost LTE device. This group's highest priorities after price were very similar to the Just Want It to Work segment, that is, battery life and data coverage. But they have lower priorities for roaming, access to thousands of apps and high-speed data.

Pricing expectations are reasonable, with 70% of all respondents seeing a smartphone as a significant trade up in price terms. Interestingly, around a third of feature phone owners expect to pay the same as or less than their current phone when they get a smartphone — this is now feasible, given how quickly smartphones are falling in price.

People with lower pricing expectations are realistic about what they will get in a phone, with the Price-Led segment more willing to give up higher-speed data, a higher-quality camera, a better screen and roaming if that means the phone will be cheaper.

As expected there is some disagreement between smartphone users and feature phone users. Smartphone owners are less concerned about the toughness of the device, but are more worried about battery life and less willing to sacrifice data speed and camera quality. Once they have those features, people find them more valuable than expected.

Implications for the Industry

As result of this survey we see an opportunity for a low-cost LTE smartphone that provides reasonable data speed, gives good data coverage and prioritises battery life over processor speed, memory capacity and screen quality. This device does not need really high data speeds, nor does it need to support a lot of bands for roaming, so there may be some savings by having a simpler radio.

The survey has delivered strong and consistent findings. They are not detailed enough to specify a device fully but they show clearly where trade-offs can be made, while still finding a significant target market across countries.

It is possible to make a first estimate of the size of that target market by looking at replacement rates for existing phones, and devices for people getting a data plan for the first time. In the eight countries surveyed, and using cautious assumptions, we estimate that 100 million people are addressable, rising to 400 million people if we use the most optimistic assumptions. The digital dividend bands around 700 MHz and 800 MHz should become available across Latin America, Africa, much of Asia and some of Europe, so the total worldwide addressable market will be much larger than this. Of course any new low-cost LTE phone would win only a share of the addressable opportunity because there will be competition and substitution from other low-cost smartphones on 2G and 3G networks.

From the survey we see that a smartphone is the best device the manufacturers could focus on now. But we also see strong interest in connected tablets and manufacturers may wish to consider specifying a tablet as an additional low-cost LTE device.

Lastly it would be useful if operators studied the tariff and service aspects using the data they already hold, to complement the research carried out on the hardware.

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