

# Non-Stimulated Customer Needs

**The telecommunications industry recovers slowly and the economics are still unstable. Therefore, in order to return to and to maintain a profitable business, the providers have to be very selective with their investments in new technologies and the development of applications.**

**There is a clear trend to move from fixed to mobile handsets. Another trend is that the fixed analogue and ISDN telephone lines are rapidly transforming into asynchronous digital subscriber lines (ADSLs). Competition drives the prices downwards and the available bandwidth upwards. ADSL creates additional or at least replacement revenues on existing infrastructure. With 1 Mbit/s fixed ADSL capacity at home and the general packet radio service (GPRS) slowly becoming available, many potentially needed services are being catered for; infrastructure is not the immediate bottleneck.**

**Do we know what the needed services are and what customers expect?**

**Do people need mobile broadband and on which scale?**

**Based on a questionnaire sent out to more than 100 individuals in the Dutch market, covering gender, age and professional segments, an analysis is prepared on the ideas and expectations of these people. Responses (about 70%) indicate that non-stimulated† requirements are very modest.**

## The Current Situation

During the past four years nothing else has been heard but complaints about the telecommunications market, the job opportunities and the developments. Slowly these miserable times are being forgotten—we should learn before we forget!—and a more optimistic future seems to lure around the corner. This sentence states as much as that we are not there yet. Investment money is still hard to get, due to overexposure in telecoms in the banking sector. The surviving operators, mainly the incumbents, are still laying off many people. This happens not only for just saving out-of-pocket expenses, the nature of the business and therefore the need for certain categories of skills and people have changed as

well. A lot of traditional telephone traffic is being substituted by mobile communications and therefore many people working in the traditional operations are no longer required.

## State of Developments of ADSL, UMTS, GPRS

Although hesitant at first, the operators have seen the light and they did realise that declining revenues in the traditional fixed telephone business can be compensated by provision of ADSL services over the same infrastructure with relatively low investments, instead of protecting old investments in, for instance, ISDN. At the same time, a fierce competition has emerged between the old PTTs, the cable companies and a few surviving new companies. This has resulted in a situation whereby the costs per megabit ADSL have fallen sharply. In September 2003, Planet charged €35 for 240 kbit/s ADSL; today one gets 1 Mbit/s for the same price, while there are always special offers for free modems, connection costs, etc.

Penetration of ADSL is going really fast, especially when break-even, compared with, for instance, ISDN for Internet use is reached rather fast.

Most cellphone operators have GPRS available for service, and international roaming is coming together. Vodafone Live and KPN's I-mode are selling well, although selling may not be the correct wording as expensive handsets and subscriptions are being given for free with commitments to have one or two year contracts. KPN seems to reduce staff also in their mobile business and one should wonder what that means. Giving away subscriptions and expensive handsets rides on the idea that once customers have the special extra options available to them, they will automatically start using them. The question is whether that is a correct assumption. It seems not to be fully correct.

The progress of Universal Mobile Telecommunications System (UMTS) is hardly noticeable in the market. Most people don't know what it is and what it is for. According to a recent statement from a

† Non-stimulated means not based on suggestions from providers. It is what people think themselves. It does not mean that people will not use options if they are offered because they did not think of them.

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product development manager<sup>1</sup> from one of the Vodafone companies, maybe 50 million UMTS sets will be in the market worldwide (190 countries) by the end of 2005. Comparing these figures to the data presented during last year's<sup>2</sup> FITCE Congress, where the estimated number of users required on the way to profit in three countries was 25 million, the 50 million worldwide is certainly not optimistic. As will be demonstrated later on, the general public is rather satisfied with what they have. Since GPRS and UMTS will not sell for prices which can be seriously higher than GSM, it can be assumed that from the users' point of view it really does not matter which technology is used. It is more interesting to see what can be done in the mobile era with applications that are offered to the market and are needed by this market.

## Applications to Satisfy Customers and to Load the Infrastructure

In earlier papers and presentations<sup>3</sup> it was pointed out that a successful business must at least be profitable on the bottom line. One of the conditions to be profitable is that the sales portfolio is attractive enough for customers to use and to pay for, and that these payments result in profits. Although price developments give reason to believe that again competition for market share is more important than profits, this paper rather focuses on the customer needs. Marketeers always have a mouthful on their knowledge of the customer base, but unfortunately they do not have very strong track records in general. The analysts have been very quiet as well since they have lost a part of their credibility.

There is little doubt that once customers are provided with facilities, especially if they are under test conditions—that is, cheap or free—people will start using them. Having a camera in your handset will stimulate use and there will always be a segment in the market, the early adopters and the wiskids, who will keep using those facilities. In general, it can be stated that once the early excitement has tempered, people fall back to earlier, simpler and cheaper habits.

As stated in previous papers, the success-rate of product/application development in telecom services lies around 20%. The majority of efforts leads to nothing. This seems to be especially true for services that require skills, memorising keystroke sequences and to go through many screens before reaching the wanted information. Using the handset as a cordless phone and, if users fall in lower age brackets, utilising short message service (SMS) is very well

accepted. Most other options are left alone or are used only temporarily.

In May 2004, the joined mobile operators in the Netherlands announced that there is a stable number of 400 000 people who can not pay the charges for mobile usage. The average debt per individual is €600, which brings it to a permanent deficit of about €250 000 000. The in- and outflow per year is 80 000 persons because of new debtors and subscription cut-offs. Mobile telephony is an expensive plaything if used for other purposes than speech!

## The Questionnaire

In order to get a feel for what regular people expect to use from the wide spectrum of telecommunications services, a questionnaire was constructed which was sent out to over 100 individuals. These people are all from various professional sectors and they cover a wide range of age brackets as well as gender. The return rate for answered documents was near 70%. To avoid any bias, no suggestions were made in the document for possible attractive services one could use with mobile broadband. This is the reason why this study is called 'non-stimulated'. Therefore the responses are based on respondents' own imagination or the lack of it. A number of respondents state that they could not answer some questions because they lacked the knowledge. This approach was chosen because people are easily tempted to react positively when they are teased with appetising options, although this may not relate to reality at all. This of course has the disadvantage that the responses can be on the pessimistic side.

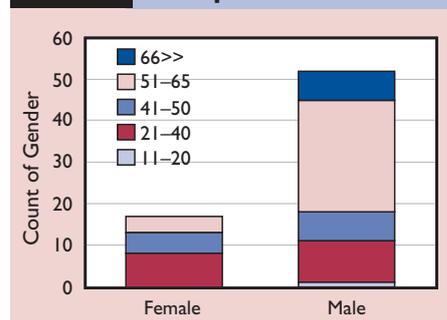
The questions asked are the following:

- 1 age range,
- 2 gender,
- 3 type of Internet connection (PSTN, ISDN, ADSL, cable, Wi-Fi),
- 4 Internet application usage (10 different options),
- 5 connection decision criteria,
- 6 prepared to pay for information and how (Internet, safe credit card, invoice),
- 7 teleworker or maybe in the future,
- 8 mobile phone applications usage (a range of options),
- 9 expectations to use mobile broadband (GPRS/UMTS),
- 10 preparedness to pay for mobile broadband applications and how, and
- 11 general free remarks.

## Results

All incoming data was collected into an Excel database which, with help of pivot-tables, allowed analysis of the data against various parameters.

**Figure 1** Age distribution of respondents



### A first analysis

Apart from the age peak in males between 51 and 65 there is roughly an even distribution for males as for females (Figure 1). It is interesting to see that ISDN and ADSL are typical male things. Fifty percent of all respondents use ADSL of which only six females. It has also to do with age which in turn is probably related with income. The majority of younger people still use the PSTN for Internet services (Figure 2).

Despite the offensive market approach of the cable TV distributors, broadband Internet via cable does basically not occur. A logical reason for this, which has been explained during earlier years in the FITCE Congress, is that the cable is too closely related to the television set. This is by definition the wrong positioning because one does not place the computer close by the TV and nobody will use the TV as a computer. The TV set is typically for family amusement and news.

Most participants do not trust the Internet for payments. They prefer an invoice.

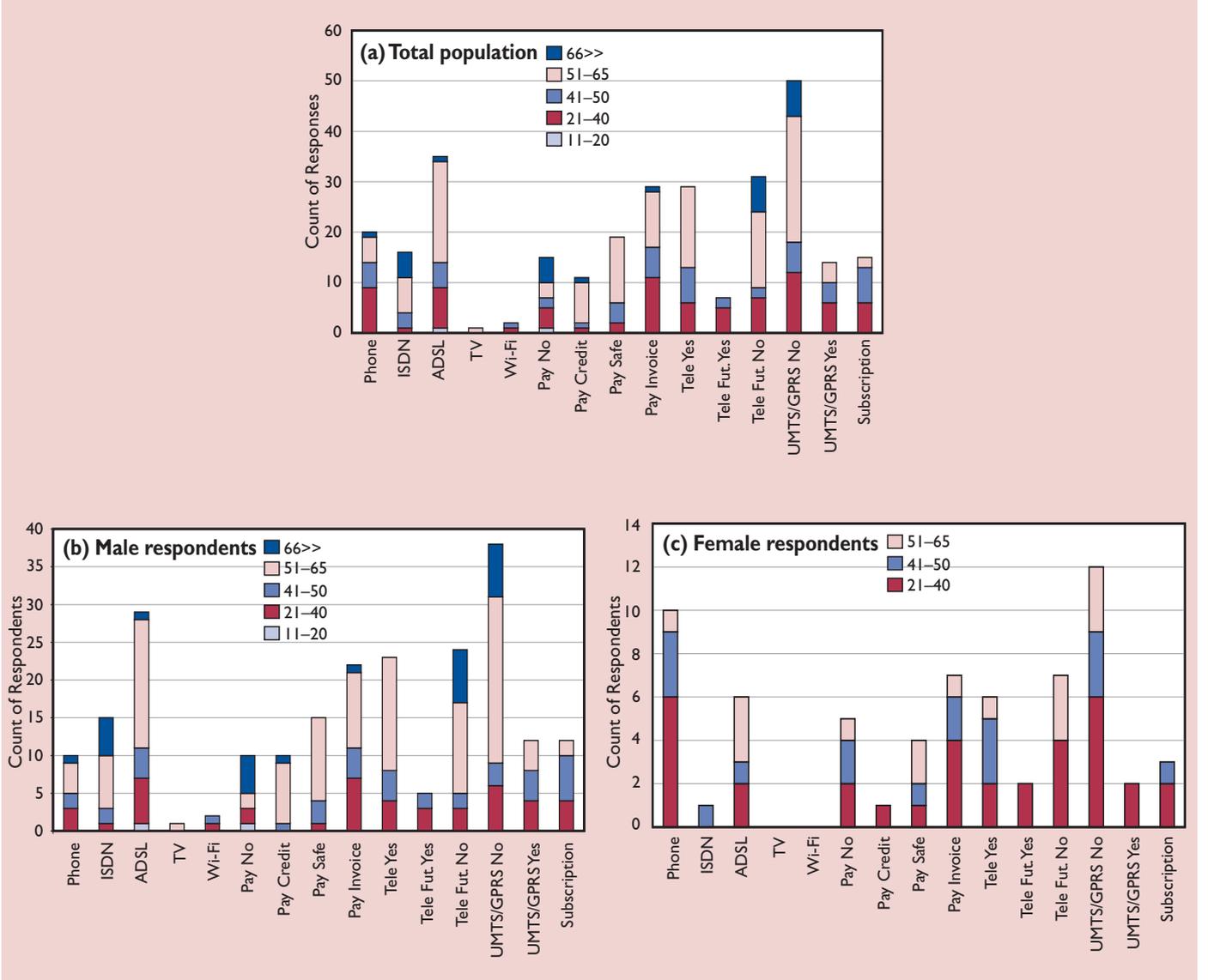
Of all respondents 75% will not use broadband mobile (GPRS/UMTS). This includes individuals who probably do not know what it is. Some respondents state that they could not answer for this reason.

About 54% of respondents do some form of teleworking or will do so in the near future. The remaining 46% who will not telework include a number (7) of retired people.

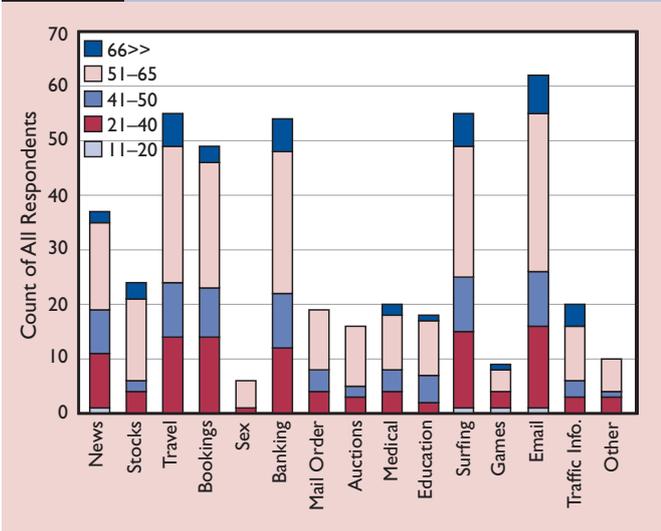
Looking at the distribution of Internet applications usage (Figure 3), it is clear that the travel sector, home banking, email and browsing are the real popular applications. Although common knowledge tells that email and sex are the pillars of the Internet, only five respondents admitted to looking at sex sites. Overall there is a to-be-expected distribution of applications that are used by private persons. Mail-orders and auctions (like eBay) for shopping and education and medical for dedicated information are rather popular.

Comparing this with the stated usage of mobile services (Figure 4), the difference is

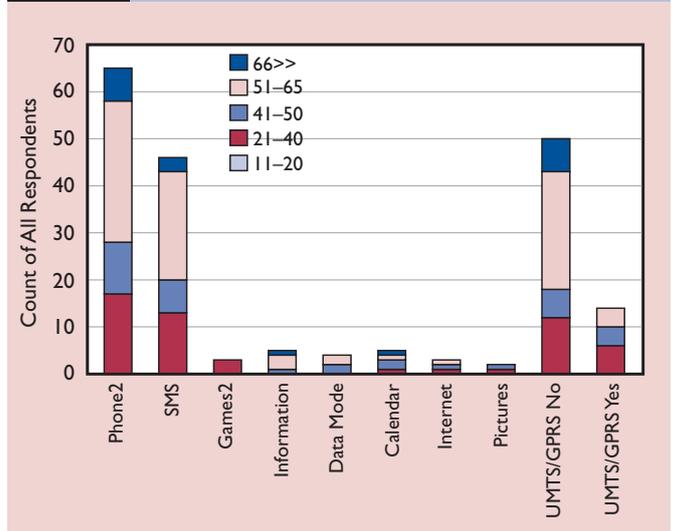
**Figure 2 Responses on key topics**



**Figure 3 Usage of Internet services**



**Figure 4 Usage of mobile services**



striking. Mobile sets are used for speech and for messages in the form of SMS. It is interesting to note that SMS is used by younger people and the age group 51–65 years. This group is the strongest present in this research, therefore there is most likely some distortion.

The usage of other applications is of neglectable level.

The 14 people who responded positively on the GPRS/UMTS question are professionals who are very much involved in business and/or are frequent travellers who need an operational and complete office when they are underway. These professionals have a clearly defined need to live up to the concept of 'anywhere and anytime' and they will not be limited by bandwidth constraints. A high-tech medical equipment supplier in the Netherlands has equipped its staff with laptops with UMTS facility built-in, so that they can work underway, in traffic jams and at their customers' premises during introductions and negotiations.

For private purposes, people seem to have no need for this, at least in the researched age brackets. A number of those individuals use handsets with GPRS capability but they do not want to use it because they do not know how to use it or they find it too expensive. Why pay for a weather forecast if you have a radio, a TV or you can take a look out of the window?

## Conclusions

The following summarises the results:

- The questionnaire resulted in a 70% response.
- Respondents cover age brackets from 20 to 65+ in a near even distribution.
- All respondents male and female are higher educated and are, or were, in professional and responsible positions in industry, consultancy and retail.
- ADSL has a high penetration especially in the male 51–65 age bracket. It seems that age, gender and income level are influential factors of importance.
- Mobile services are used exclusively for speech and SMS.
- People are hardly interested in other mobile applications for private purposes.
- People are not familiar with GPRS/UMTS even when they have these functions in their handsets.
- Professionals who travel will use mobile broadband to create a mobile office with comparable possibilities as the fixed office.

The main conclusions from this research are that:

- in the foreseeable future mobile broadband will not be consciously used on any scale by private persons; and
- the application builders and providers should therefore focus on the professional segments, and especially where there are economies of scale, speed, multi-location usage of same data, and fast coordination between individuals is relevant.

## References

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- 3 Gerrese, Jos (Ganesha consult). Pricing in the Newest Economy. Proceedings, FITCE Congress 2002.

## Biography



**Jos Gerrese**  
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Jos Gerrese graduated in 1973 from the Technical University of Delft – Telecommunications Technologies. Currently, he is president-owner of GANESHA consult, which he started in August 2001, operating in the telecom/ICT and interim management arena. He began his career with PTT Telecommunications—now KPN—and held a large range of positions in research, marketing, organisation development and new services introduction. From 1984–1989, he was director of a post and telecoms consultancy firm Nepostel in Indonesia responsible for South East Asia. From 1989–May 2001, he held senior product- and marketing management positions in KPN, AT&T-Unisource and latest Ipulsys. He is a long-time member of FITCE, in which he has held several positions.