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Opportunity Calling: The Future of Mobile Communications

September 22, 2010

Contents

Introduction

Today, mobile service providers operate in a dynamic market – and face exponentially increasing requirements for network bandwidth, growing competition from non-traditional service providers, and sophisticated consumer demands for superior service and killer content.

Against this backdrop, Oracle launched the *Opportunity Calling: The Future of Mobile Communications* report, surveying more than 3,000 mobile phone users around the world* to examine:

- Global use and perceptions of mobile phones
- Interest in new mobile technologies, such as mobile advertising and purchasing capabilities
- Expectations for the next generation of mobile communication

*Mobile phone users 18 and older from North America, Europe, Asia Pacific, Latin America, and the Middle East

Executive Summary

- Mobile customers are generally happy with their service providers, but the market is ripe for competition
  - ✓ While 82% of customers believe their current provider is doing a good job**, 77% would be willing to switch to a provider with better pricing
  - ✓ Additionally, 83% of all customers say they would be willing to consider a non-traditional (non-telecom) company (such as Google, Sony, or Facebook) if it offered similar pricing and quality as their current mobile phone provider

- Mobile customers around the world are using their phones for much more than voice
  - ✓ While almost all customers say they use their phone primarily as a communications device, 35% use it as an entertainment device, and 28% use it as a mini computer*
  - ✓ 88% have sent a text message using their phone, 49% have read or sent an e-mail, and 21% have updated their status on a social media Web site

- Providers must overcome privacy concerns before they can take full advantage of new mobile opportunities
  - ✓ 64% of customers say they would be willing to listen to or watch advertisements on their mobile phone in exchange for a 5% credit on their monthly bill
  - ✓ But, just 33% say they would like to receive specific ad content based on their location – the majority of those who were not interested in this option expressed privacy concerns

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*Percent of respondents who indicated they used their phone in this way by selecting 6-10 for each on a scale of 1-10, where 1 was “not at all” and 10 was “completely”
**Percent of respondents who gave their provider a 6-10 on a scale of 1-10, where 1 was “very bad” and 10 was “very good” ***Somewhat or very comfortable

The Mobile Landscape

- In 2010, the number of mobile subscriptions is expected to reach five billion globally.* Analysts also predict that within five years, more users may connect to the Internet from mobile devices than from desktop PCs**

What we are seeing:

7	Average rating mobile phone users give their current service provider, on a scale of 1-10
59%	Percent of users that use one mobile phone
41%	Percent of users that use *two or more* mobile phones

Men are more likely than women to carry multiple phones – 47% vs. 33%

Take Away: Mobile Needs Will Trigger Rapid Change, Growth

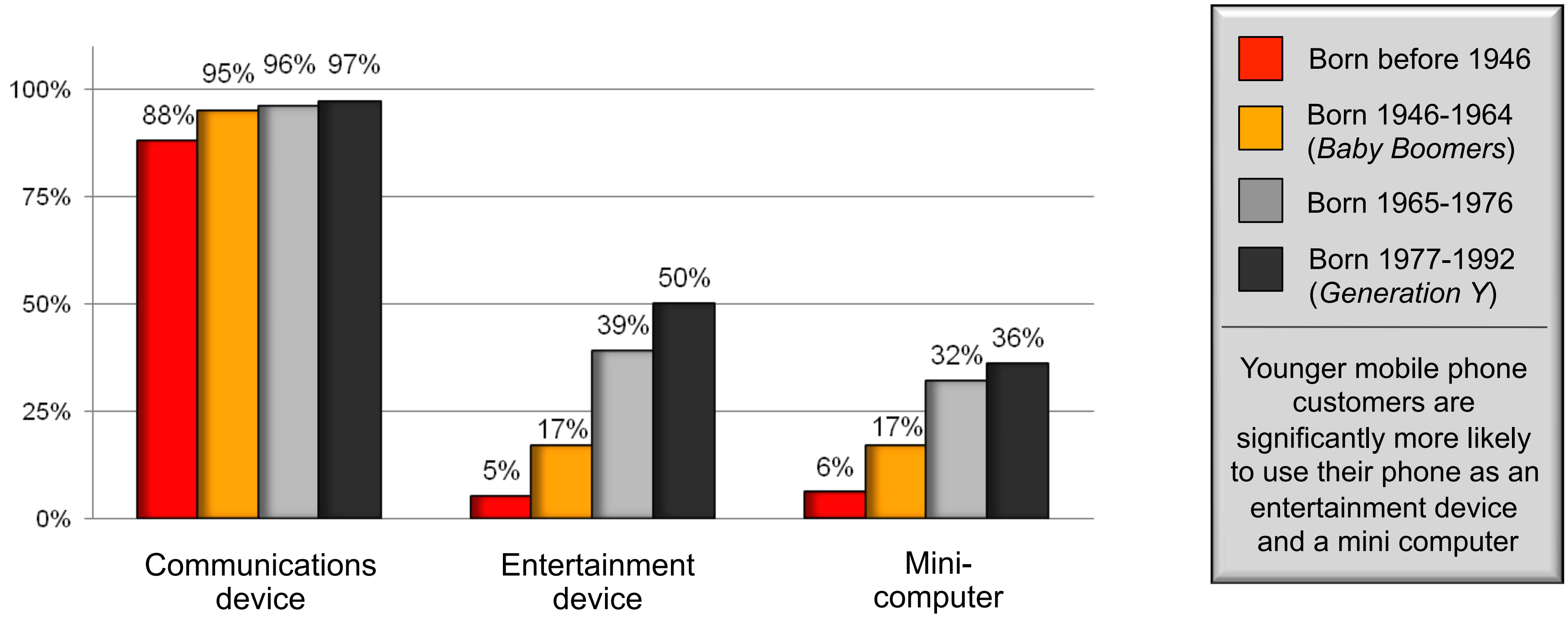
*International Telecommunication Union, February 15, 2010, http://www.itu.int/newsroom/press_releases/2010/06.html

**Morgan Stanley Technology Research, The Mobile Internet Report, December 15, 2009, http://www.morganstanley.com/institutional/techresearch/mobile_internet_report122009.html

What's It To You?

- While nearly all mobile phone customers use their phone primarily as a communications device, younger customers also use their phone as an entertainment device and sometimes as a mini computer

How do you use your phone?*



Take Away: Younger Users = New Multimedia Demands

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*Percent of respondents who indicated they used their phone in this way by selecting 6-10 for each on a scale of 1-10, where 1 was "not at all" and 10 was "completely"

Beyond the Call

- “Communications device” may mean more than it used to, as customers now communicate via texts, e-mails, videos, and social media sites

Which of the following have you done using your mobile phone?*

88%	Sent a text message
85%	Taken a picture
60%	Listened to music
49%	Read or sent e-mail
41%	Watched a video
23%	Opened a word processing document or spreadsheet
21%	Updated status on a social media Web site
18%	Accessed online banking
9%	Purchased an item online

Take Away: Voice Important, but a Smaller Slice of the Pie

*Respondents asked to select all that apply

Purchasing Habits

What Customers Look For

- Mobile phone customers value reliability and price over innovation

Most important qualities in a mobile service provider:*

85% Reliability (call and data service)

81% Price (phones and plan options)

75% Ease of use (services, billing methods, plan options, etc.)

70% Responsiveness (sales, customer, and technical support)

49% State of the art technology (phones, apps, etc.)

Based on this criteria, ***82%*** of customers said their provider was doing a **good job****

Mobile phone users in Europe and North America are the most satisfied with their service providers; users in the Middle East are the least satisfied

Take Away: Focus on Brass Tacks Before Bells and Whistles

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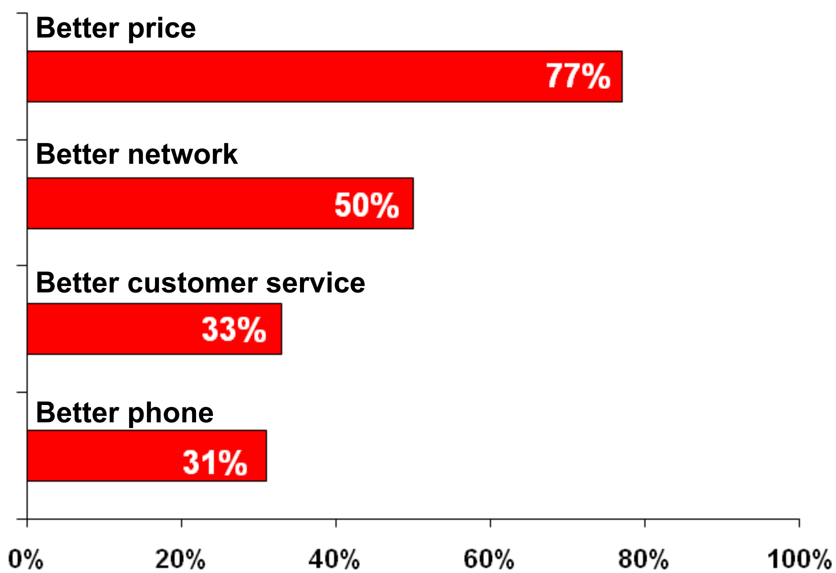
*Percent of respondents who rated each attribute a 8, 9, or 10 on a scale of 1-10, where 1 was “not at all important” and 10 was “very important”

**Percent of respondents who gave their provider a 6-10 on a scale of 1-10, where 1 was “very bad” and 10 was “very good”

Motivations for Change

- While customers rate reliability as the most important quality of a provider, they are more likely to change providers because of price

Which of the following would most motivate you to switch mobile phone service providers?*



83% of customers say they would be willing to consider purchasing mobile phone services from a non-traditional (non-telecom) provider. Top choices:*

51%	Google
48%	Sony
44%	Apple
15%	Facebook
15%	American Express

*Percent of all respondents willing to consider service from named company. Respondents were asked to select all that apply

Take Away: Price Can Tip the Market and Open a Door for New Providers

*Respondents asked to select all that apply

Bundling Communication Services

- Less than a third of mobile phone users currently bundle their mobile phone bill with other communications services*, but nearly all of those who do not would be interested in the option

66%

Do not currently have any bundled products

and…

88%

Say they would be interested in bundled products

#1 Motivator: Overall Cost Savings

Take Away: Consumers are Willing to Buy More to Save

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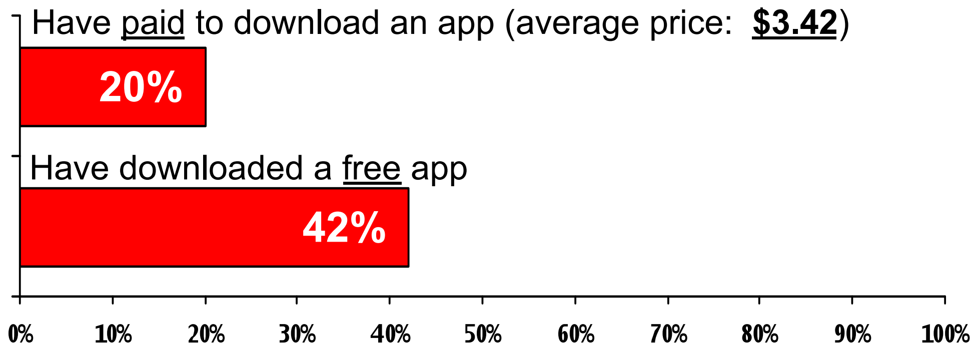
*Asia-Pacific customers were most likely to report bundling

Adding Apps

- Mobile phone users, particularly those in Gen Y, are using their phones to access a wide variety of applications or "apps"



App Use by Generation:

	Gen Y	Boomers
Paid for an app	26%	12%
Downloaded a free app	54%	26%

What will users pay for?*

40% Songs
34% Ringtones
28% Driving directions
27% Books
23% Movies
20% News
15% Video clips
14% TV shows

Take Away: App Market Still Young; Opportunity for Providers

*Respondents asked to select all that apply

Pay-for-Play

- Mobile phone users want unlimited access and say they are willing to foot the bill

When considering your current mobile phone plan, how much extra would you be willing to pay for the following features?

	Percent of mobile phone users willing to pay for feature*	Percent of bill increase that users would be willing to pay**
Unlimited data access	**61%**	**7%**
Unlimited text messaging	**59%**	**5%**
Faster data access	**58%**	**6%**
Bundle of 50 app downloads	**42%**	**5%**

Take Away: Data is in Demand

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*Of those who do not currently have the feature **Respondents asked, "When considering your current mobile phone plan, how much extra would you be willing to pay for the following features?"

What's Next?

All-in-One Expectations

- More than half of mobile phone users expect their phones to replace their GPS systems, MP3 players, and/or digital cameras by 2015

Five years from now, do you think your mobile phone will replace any of the following?*

- ✓ **54%** GPS
- ✓ **54%** iPod or MP3 player
- ✓ **52%** Digital camera
- ✓ **31%** Credit card
- ✓ **27%** Personal computer
- ✓ **27%** Video recorder
- ✓ **24%** Car keys
- ✓ **22%** e-Reader
- ✓ **18%** Personal identification card
- ✓ **16%** Television

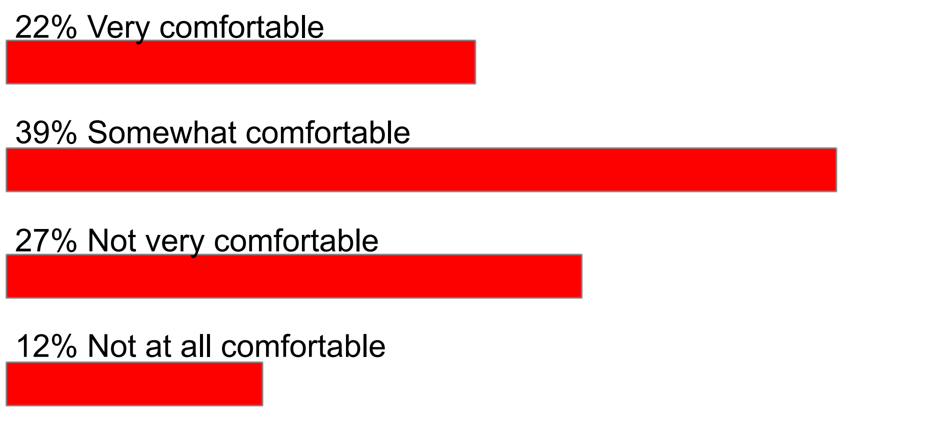
Take Away: What WON'T it do?

*Respondents asked to select all that apply

Please Swipe Your Phone

- 58% of users said they would want the ability to make purchases with their mobile phone instead of using cash or a credit card

How comfortable would you be making a purchase using your mobile phone?



Gen Y is more comfortable* with this concept than Boomers – 69% to 52%. Males are also more comfortable than females – 68% to 53%

Take Away: Consumers Interested in, but Cautious of, Mobile Payments

*Very or somewhat comfortable

Opportunity for Mobile Ads

- While older mobile phone users are reluctant to accept ads on their phones in exchange for credits or services, younger users show interest in the trade

Six

The number of 15-second advertisements that the average mobile customer would be willing to receive on their phone each month in exchange for a 5% credit on their monthly phone bill

Percent Interested in the Ad Exchange:

76%	*vs.*	48%
Gen Y (Born 1977 – 1992)		Boomers (Born 1946 – 1964)

Aside from a credit, what would Gen Y want in exchange for these ads?***

#1 Mobile Internet access (35%)
or
Additional calling minutes (35%)

#2 Additional texts (18%)

#3 Free app downloads (12%)

Take Away: Mobile Ads Create Opt-in, Personalized Channels

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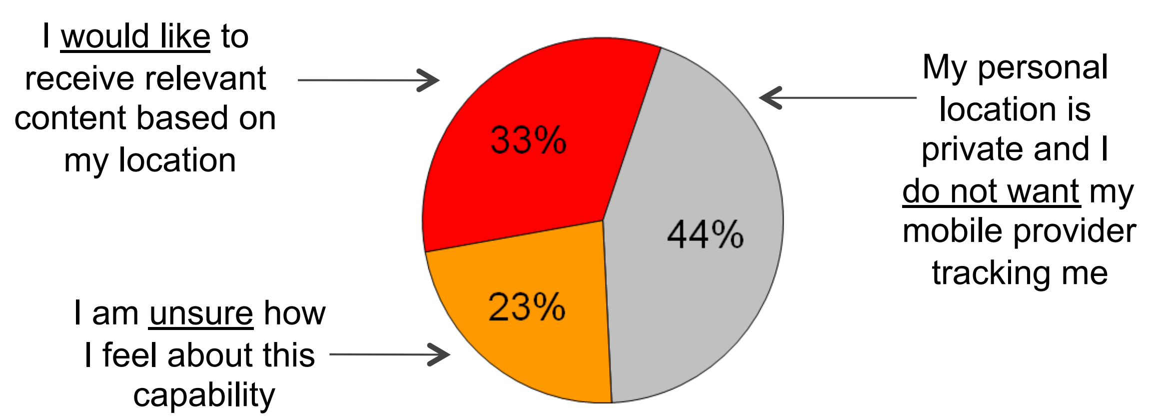
*Respondents asked to consider if they did not have these features and select the one option they would most want

Location-Based Services

- Despite some interest in mobile advertising, users are hesitant to trade privacy for localized content



Younger customers are significantly more interested in this service than older customers – 40% of Gen Y would like this feature, vs. just 24% of Boomers

Take Away: Service Providers Have Opportunity to Educate

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Privacy Concerns

- Users say they are willing to try new technologies such mobile advertising and purchasing capabilities, but privacy concerns may hold them back

Of all mobile users:

64% would be willing to receive ads on their phone in exchange for a 5% credit on their mobile phone bill

and

61% would feel comfortable* making a purchase using their mobile phone

but

Just ***33%*** would like to receive relevant ad content based on their location – the majority of those who were not interested in this option expressed privacy concerns

Take Away: Providers Must Address Privacy, Security

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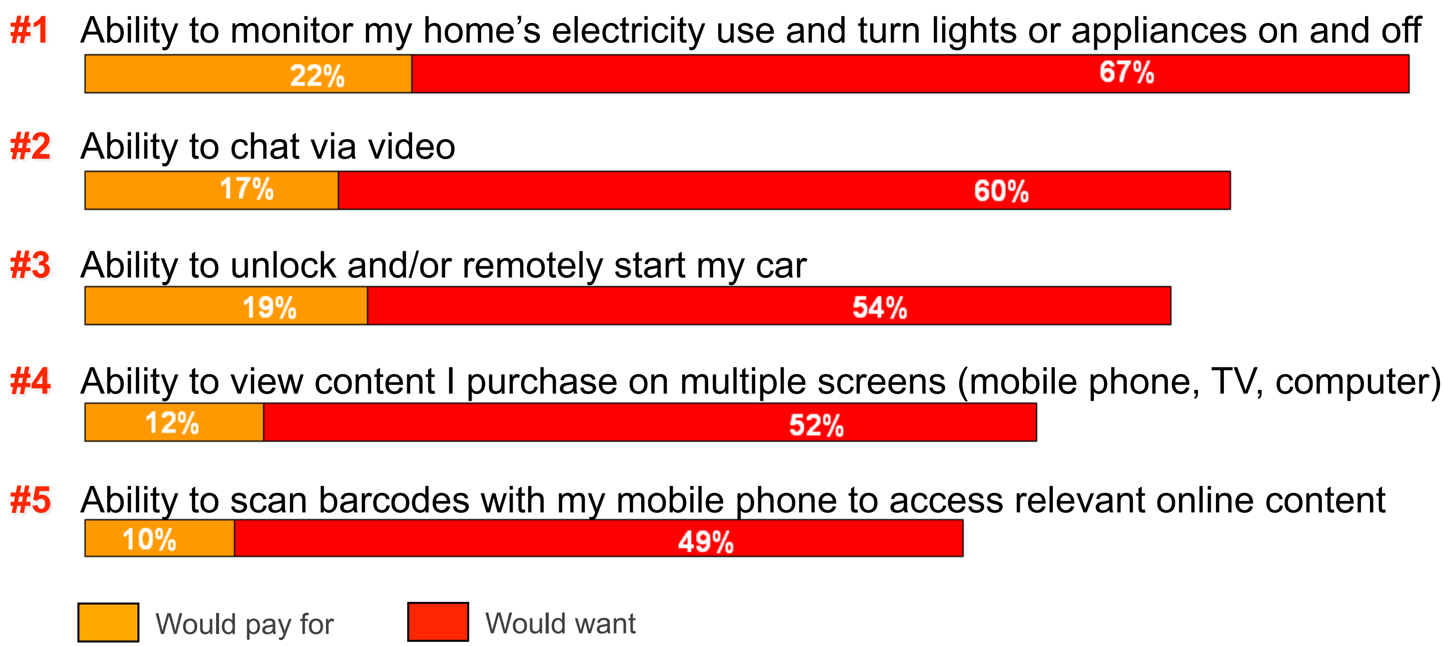
*Very or somewhat comfortable

On the Horizon

- When thinking of future mobile phone features, users express the greatest interest in the ability to monitor and manage their home's electricity use

Which of the following features that are new or "on the horizon" would you want?



Take Away: Providers Should Consider Value-added Services

Recommendations

- Build on the Basics: Mobile customer loyalty hinges on service reliability and price. Don’t sacrifice fundamentals for fads
- Know your Customer: Build and analyze customer data repositories to understand and meet consumer needs more quickly
- Provide Seamless Service: Customers want a multi-purpose device and bundled communications services. New industry players are accelerating competition while demand for cutting-edge services grows. Content partnerships will be critical – but service activation, delivery, and billing must be seamless and fast
- Barter with Customers: Customers say they will listen to or watch advertisements in exchange for credits or service discounts, but are not yet fully on board with location-based services. Learn more about customers’ privacy concerns, promote benefits of personalized data, and roll out pilot programs to test
- Plan for the Future: Customers expect future phones to include video, scanning, and even purchasing capabilities. Work with your technology providers and partners to ensure your network and back-end systems are scalable, securely open to developers, and integrated across services

Methodology

- Oracle conducted the online survey of more than 3,000 mobile phone users around the world* in June 2010. Respondents were asked to answer each question based on their primary phone

Respondent Profile

Location:

- **20%** North America (U.S. and Canada)
- **20%** Europe (U.K., Germany, France, Finland, Sweden, Poland, Czech Republic, and Russia)
- **20%** Asia Pacific (China, Japan, South Korea, Australia, and New Zealand)
- **21%** Latin America (Brazil and Mexico)
- **19%** Middle East (United Arab Emirates)

Year Born:

- **5%** Before 1946
- **27%** 1946-1964
- **32%** 1965-1976
- **36%** 1977-1992

Gender

- **56%** Male
- **44%** Female

Employment Status:

- **9%** Student
- **5%** Unemployed
- **6%** Full-time parent
- **11%** Employed part time
- **60%** Employed full time
- **9%** Retired

Margin of Error:

- ±1.75% at a 95% confidence level for the full sample (N = 3,138)
- ±3.99% at a 95% confidence level for each region (N = 604+)

*Mobile phone users 18 and older from North America, Europe, Asia Pacific, Latin America, and the Middle East

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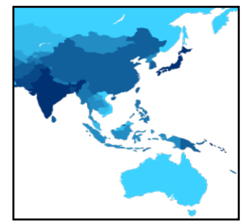
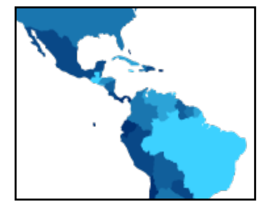
Regional Snapshots





North America

26% **of adult mobile phone customers in North America use <u>two or more</u> mobile phones**

Mobile phone use:*

96% use their phone as a communications device

20% use it as an entertainment device

22% use it as a mini computer

What have you done with your phone?**

78% Sent a text message

42% Read or sent e-mail

21% Updated status on a social media site

What's next:

Five years from now, what will your mobile phone replace?**

40% Digital camera

18% Credit card

13% Personal computer

Additionally –

84% would be willing to switch to another service provider if they offered better pricing

77% would be willing to consider a non-traditional (non-telecom) company if they offered similar prices and quality as their current provider

54% would be willing to listen to or watch mobile advertisements in exchange for a 5% credit on their monthly phone bill

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*Percent of respondents who indicated they used their phone in this way by selecting 6-10 for each on a scale of 1-10, where 1 was "not at all" and 10 was "completely"

**Respondents asked to select all that apply

North America

How do North American mobile phone customers differ from the rest of the world*?

They are:

- Less likely to use their phone as an entertainment device – 20% to 39%
- Less likely to have read the news on their phone – 27% to 45%
- More likely to value their providers' data and service reliability – 92% to 83%
- Less likely to say their phone will replace their credit card by 2015 – 18% to 34%

North American Demographics:

11% Born before 1946

35% Born 1946-1964 (*Baby Boomers*)

24% Born 1965-1976

30% Born 1977-1992 (*Generation Y*)

46% Male

54% Female

*Average of customers in Europe, Asia Pacific, Latin America, and the Middle East

Europe

41% **of adult mobile phone customers in Europe use <u>two or more</u> mobile phones**

Mobile phone use:*

97% use their phone as a communications device

33% use it as an entertainment device

22% use it as a mini computer

What have you done with your phone?**

92%	Sent a text message
39%	Read or sent e-mail
14%	Updated status on a social media site

What's next:

Five years from now, what will your mobile phone replace?**

42%	Digital camera
25%	Credit card
16%	Personal computer

Additionally –

80%	would be willing to switch to another service provider if they offered better pricing
73%	would be willing to consider a non-traditional (non-telecom) company if they offered similar prices and quality as their current provider
57%	would be willing to listen to or watch mobile advertisements in exchange for a 5% credit on their monthly phone bill

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**Respondents asked to select all that apply

Europe

How do European mobile phone customers differ from the rest of the world*?

They are:

- Less like to want the ability to monitor their home's electricity use from their phone – 53% to 70%

- Less likely to want the ability to unlock and/or remotely start their car from their phone – 32% to 60%

- Less likely to want the ability to chat via video on their phone – 45% to 63%

European Demographics:

7% Born before 1946

28% Born 1946-1964 (*Baby Boomers*)

26% Born 1965-1976

39% Born 1977-1992 (*Generation Y*)

50% Male

50% Female

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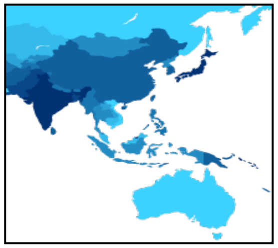
*Average of customers in North America, Asia Pacific, Latin America, and the Middle East

Asia Pacific



26% **of adult mobile phone customers in Asia Pacific use two or more mobile phones**

Mobile phone use:*

94% use their phone as a communications device

38% use it as an entertainment device

29% use it as a mini computer

What have you done with your phone?**

81%	Sent a text message
47%	Read or sent e-mail
18%	Updated status on a social media site

What's next:

Five years from now, what will your mobile phone replace?**

49%	Digital camera
34%	Credit card
30%	Personal computer

Additionally –

73%	would be willing to switch to another service provider if they offered better pricing
78%	would be willing to consider a non-traditional (non-telecom) company if they offered similar prices and quality as their current provider
66%	would be willing to listen to or watch mobile advertisements in exchange for a 5% credit on their monthly phone bill

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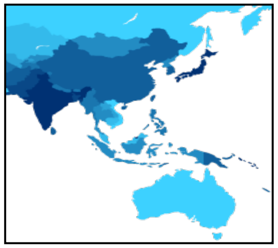
**Respondents asked to select all that apply

Asia Pacific



How do Asia Pacific mobile phone customers differ from the rest of the world*?

They are:

- More likely to bundle two or more of their communications services – 42% to 26%
- More likely to have used their mobile phone to purchase an item online – 14% to 7%
- More likely to report having the ability to chat via video on their phones – 11% to 6%
- More likely to be interested in receiving free app downloads in exchange for listening to or watching advertisements on their mobile phone – 13% to 7%

Asia Pacific Demographics:

3% Born before 1946

25% Born 1946-1964 (*Baby Boomers*)

29% Born 1965-1976

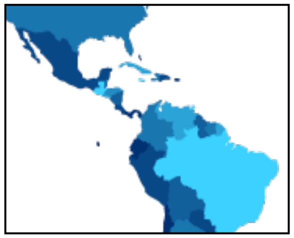
43% Born 1977-1992 (*Generation Y*)

48% Male

52% Female

*Average of consumers in North America, Europe, Latin America, and the Middle East

Latin America



50% **of adult mobile phone customers in Latin America use <u>two or more</u> mobile phones**

Mobile phone use:*

96% use their phone as a communications device

50% use it as an entertainment device

29% use it as a mini computer

What have you done with your phone?**

90% Sent a text message

47% Read or sent e-mail

17% Updated status on a social media site

What's next:

Five years from now, what will your mobile phone replace?**

68% Digital camera

41% Credit card

39% Personal computer

Additionally –

77% would be willing to switch to another service provider if they offered better pricing

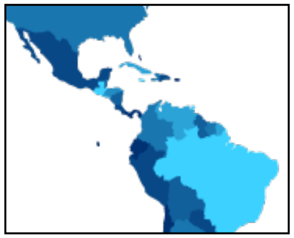
95% would be willing to consider a non-traditional (non-telecom) company if they offered similar prices and quality as their current provider

84% would be willing to listen to or watch mobile advertisements in exchange for a 5% credit on their monthly phone bill

*Percent of respondents who indicated they used their phone in this way by selecting 6-10 for each on a scale of 1-10, where 1 was "not at all" and 10 was "completely"

**Respondents asked to select all that apply

Latin America



How do Latin American mobile phone customers differ from the rest of the world*?

They are:

- More willing to pay for the ability to scan barcodes to access additional content with their mobile phone – 20% to 7%
- More willing to pay for the ability to change the channel on their television with their mobile phone – 16% to 6%
- More willing to consider a non-traditional (non-telecom) company for mobile services – 95% to 79%
- More likely to listen to or watch more than 15 mobile advertisements each month in exchange for a 5% credit on their monthly phone bill – 13% to 7%

Latin American Demographics:

2% Born before 1946

23% Born 1946-1964 (*Baby Boomers*)

39% Born 1965-1976

36% Born 1977-1992 (*Generation Y*)

62% Male

38% Female

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*Average of consumers in North America, Europe, Asia Pacific, and the Middle East

Middle East

62% **of adult mobile phone customers in the Middle East use <u>two or more</u> mobile phones**

Mobile phone use:*

98% use their phone as a communications device

32% use it as an entertainment device

39% use it as a mini computer

What have you done with your phone?**

97%	Sent a text message
70%	Read or sent e-mail
33%	Updated status on a social media site

What's next:

Five years from now, what will your mobile phone replace?**

58%	Digital camera
36%	Credit card
34%	Personal computer

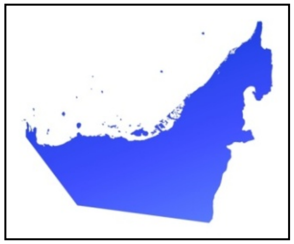
Additionally –

69%	would be willing to switch to another service provider if they offered better pricing
88%	would be willing to consider a non-traditional (non-telecom) company if they offered similar prices and quality as their current provider
58%	would be willing to listen to or watch mobile advertisements in exchange for a 5% credit on their monthly phone bill

*Percent of respondents who indicated they used their phone in this way by selecting 6-10 for each on a scale of 1-10, where 1 was "not at all" and 10 was "completely"

**Respondents asked to select all that apply

Middle East



How do Middle Eastern mobile phone customers differ from the rest of the world*?

They are:

- More likely to use two or more mobile phones – 62% to 36%

- More likely to use their mobile phone as a mini computer – 39% to 25%

- More likely to have used certain features on their phones:
  - Sent a text – 97% to 86%
  - Taken a picture – 93% to 84%
  - Looked up a phone number or address – 75% to 54%
  - Read or sent an e-mail – 70% to 44%
  - Obtained driving directions – 34% to 21%

Middle Eastern Demographics:

1% Born before 1946

26% Born 1946-1964 (*Baby Boomers*)

40% Born 1965-1976

33% Born 1977-1992 (*Generation Y*)

72% Male

28% Female

*Average of consumers in North America, Europe, Asia Pacific, and Latin America