

THE SMARTPHONE PURCHASE EXPERIENCE



Introduction

As the smartphone market heads towards maturity across the globe, future sales and vendors' success rely on converting featurephone users to smartphones as much as luring existing smartphones users to upgrade. Hardware, fantastic as many of us see it, will not always sell itself. Understanding what drives first-time users to invest in a smartphone and how they can benefit from it is vital. Coupled with what drives a loyal customer to shift to a different brand, these are key aspects of the purchasing process that vendors as well as carriers need to understand.

Kantar Worldpanel ComTech's newly launched Retail Module helps shed light on what shapes the final part of the smartphone purchasing process for consumers across nine countries.

This report highlights some interesting findings for the US smartphone market.

What influences the last mile of the smartphone purchasing experience?

The US market's smartphone penetration stood at 55% in 1Q14 and smartphone sales were 76% of overall mobile phone sales. The level of maturity and the highly competitive nature of the US market make it particularly challenging for vendors.

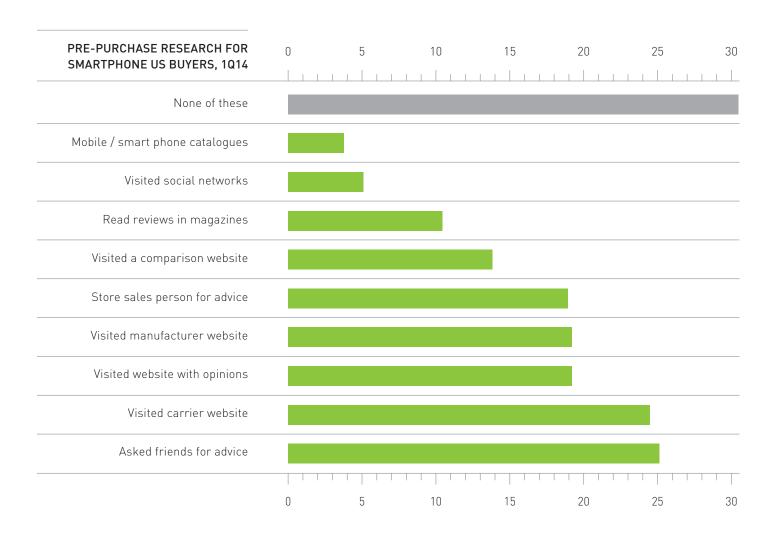
As much as consumers can be familiar with the term "smartphone," they still do their due diligence before purchasing their device. Only 30% of

buyers in 1Q14 did not conduct any research before buying a smartphone.

For the 70% who did conduct research prior to buying, recommendation and advice from people were huge influencers.

One fifth of consumers interacted with store sales assistants before going back into a store to buy, and one quarter sought advice from friends.

ONLY 30% OF BUYERS IN 1Q14 DID NOT CONDUCT ANY RESEARCH BEFORE BUYING A SMARTPHONE



APPLE BUYERS ARE ON A MISSION: BUYING AN IPHONE



Overall, consumers purchasing Apple's iPhone models are the ones doing the least amount of pre-purchase research. iPhone 5c buyers buck the trend compared to the 5s buyers.

Our research shows that the iPhone 5c attracts a higher proportion of first-time smartphone owners and these consumers usually need more reassurance when making their purchase.

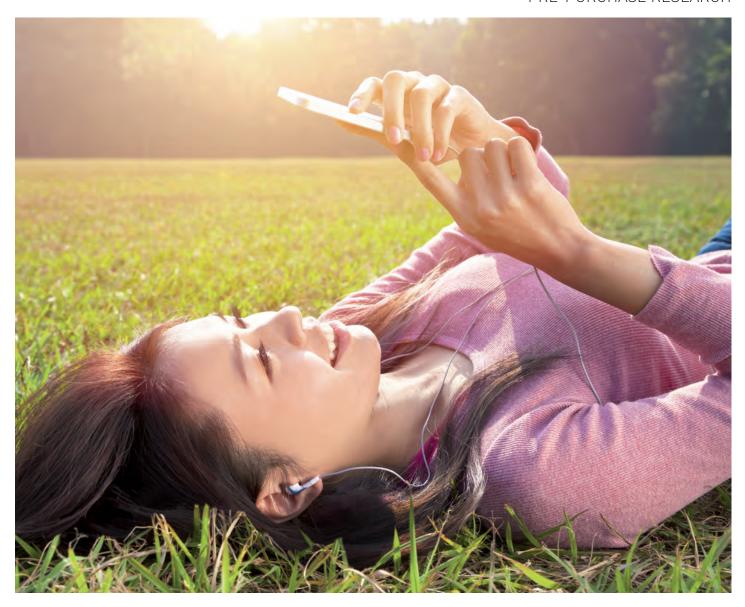
We put Apple buyers' inclination to not

conduct research prior to purchase down to three factors:

- Loyalty through experience (the highest device satisfaction rates after 14 months of ownership)
- 2- Advocacy (the highest recommendation rates)
- 3. Brand strength (linked to the above, but iPhone buyers also recall TV advertising the most: 41% vs. an average of 34% for other brands)

Apple product ads tend to focus on specific features of the device, such as the camera, Siri, the video camera or even some applications. This potentially makes it easier for consumers to grasp the value of the devices, thus decreasing their need to find out more through pre-purchase research. Ads that drive a strong emotional connection with the Apple brand and its devices (such as the ad "Misunderstood," which aired over the Christmas holiday) could also contribute to high consumer recall.

CONSUMERS PURCHASING APPLE'S IPHONE MODELS ARE THE ONES DOING THE LEAST AMOUNT OF PRE-PURCHASE RESEARCH

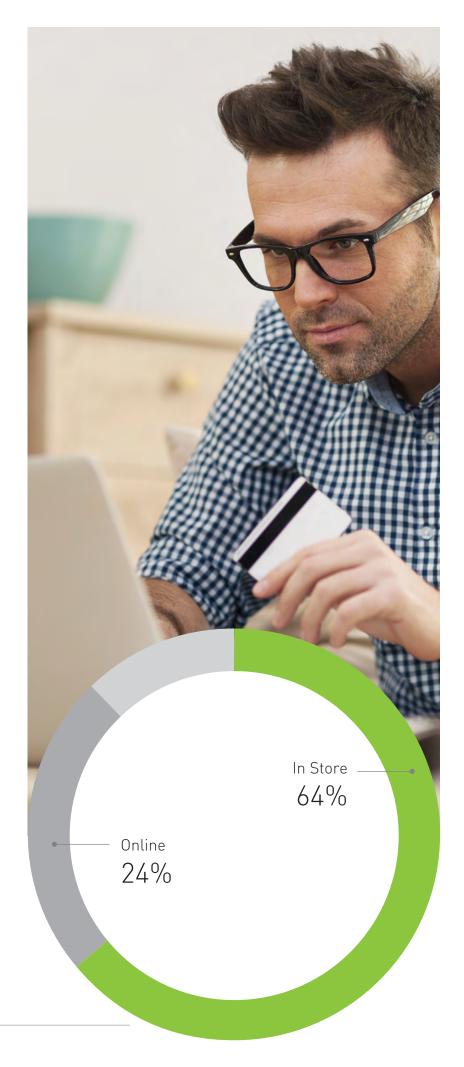


BRICK & MORTAR STILL KEY TO SMARTPHONES SALES

It's interesting that large consumer electronics stores have been lamenting the use of their stores as more of a showrooming tactic for consumers to get advice and use smartphones "in the flesh." Kantar Worldpanel ComTech data shows that when it comes to smartphones this concern is unfounded. In fact, most US consumers, 64%, purchase their devices in-store while only 24% buy online.

With 43% of buyers in 1Q14 doing research online but only 24% actually buying, it seems that when it comes to buying smartphones, it is more a case of "webrooming" than showrooming.

While phones are getting easier to understand and their prices are becoming more transparent, plans are becoming increasingly more complex, driving consumers to opt for in-store over online purchasing. Additionally, late adopters in general need a little more reassurance in their purchasing experience, especially if they are first-time smartphone users.



IN STORE - ONLINE PURCHASING, US BUYERS, 1Q14

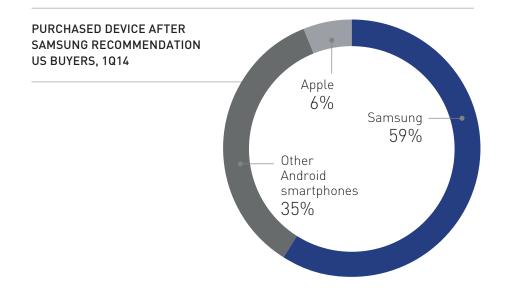
SAMSUNG: THE MOST RECOMMENDED SMARTPHONE BRAND IN THE US



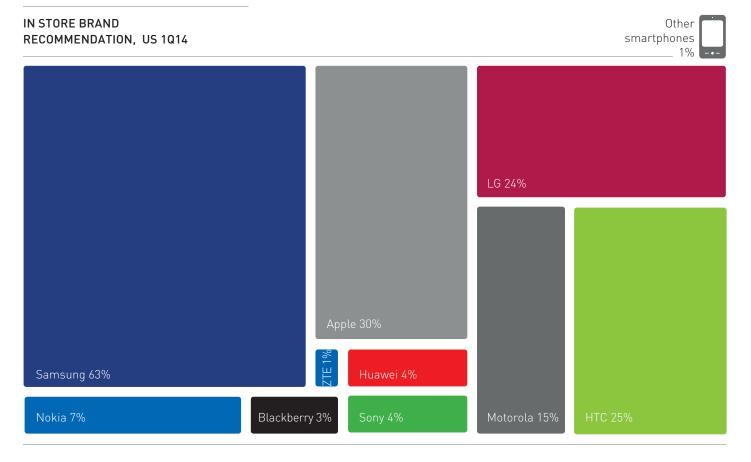
With so many consumers still pouring into stores, there is a lot that vendors and carriers can do to influence sales. The availability of working models (39%) and a good promotion (28%) are the two things that consumers recall the most from their in-store experience. Older shoppers appear to be more of a target for sales assistants' recommendations with 30% of shoppers over 50 who bought a smartphone receiving a recommendation.

63% of consumers who bought a device in 1Q14 were recommended a Samsung device, more than double the rate of recommendation for Apple, and almost 10 times more than Nokia.

59% of buyers who were recommended a Samsung phone went ahead and bought one while the rest opted for other vendors in the Android ecosystem. Only 6% of consumers who were recommended Samsung walked out of the store with an iPhone.



63% OF CONSUMERS WHO BOUGHT A DEVICE IN 1Q14 WERE RECOMMENDED A SAMSUNG DEVICE



SMARTPHONE BUYERS PUT FUNCTIONALITY OVER DESIGN

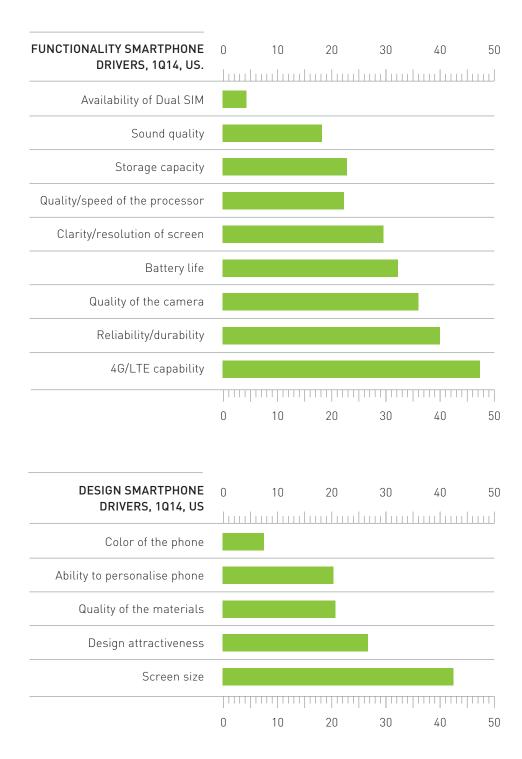
If not all sales recommendations generate a sale, what other influences play a role in the consumer decision? Value certainly has the strongest influence, and more so for brands that might have lost some flair in the consumers' eyes (as in the case of HTC), or that have always been seen as good value for money (eg. LG) rather than cutting-edge.

In a sea of black rectangular devices, consumers are still driven by specific functionalities when it comes to hardware. This might be due to the fact that design has become so standardized that consumers put functionality over design.

With both carriers and vendors spending big budgets on marketing 4G/LTE, it must be comforting to see that this is indeed topping the consumers' wish list of functionalities.

When looking at design, it is no surprise that screen size is the most important driver for consumers. Yet while 42% of buyers in 1Q14 mentioned screen size, only 30% mentioned quality and resolution of the screen. The screen-size race that started a couple of years ago seems to have settled, similarly to the megapixel race on the camera side. However, from the results you can see from our survey, screen size attracts users more than quality. The argument that many vendors have made is that factors such as sharpness of the screen and ability to see the screen clearly outdoors are more difficult messages to convey in advertising campaign or during the sale process in the store. Either way, our data clearly shows that bigger is better for most consumers.

It is interesting to note that despite the recent focus on color, consumers do not seem to put a high priority on that feature. Nokia brought color back when it first introduced its Lumia family and more recently expanded it across its entire portfolio from mobile devices products to the new X series. Other vendors such as HTC, Sony, Samsung and Apple expanded their



color palette as well, although in a slightly more conservative way.

Considering the lack of originality that current portfolios offer when it comes to design, you would think that color would help differentiate, and although it might, it is clear from the Retail Module survey results that color is not a deciding factor.

SCREEN SIZE IS THE MOST IMPORTANT DRIVER FOR CONSUMERS

HOW CAN
KANTAR
WORLDPANEL
COMTECH'S
RETAIL MODULE
HELP YOU?

This report touched on some high-level information that the Kantar World Panel ComTech's survey collects every month in nine different markets: the US, Great Britain, France, Italy, Germany, Brazil, Australia, China and Japan.

The data covers the last mile of the purchasing journey from the research done prior to purchase, to the advertising influence, to the in-store experience. Vendors can optimize their go-to-market strategy and marketing by utilizing this data on an ongoing basis to maximize sales. Data can be cut by demographics, retail store and carrier to better target users and effectively compete in the market.

MEDIA / ADVERTISING EXPOSURE

PURCHASING INFLUENCERS

RESEARCH

RETAIL CHANNEL RETAIL EXPERIENCE PURCHASED DEVICE

PURCHASED DRIVERS



Carolina Milanesi

Carolina Milanesi is Chief of Research and Head of Kantar Worldpanel ComTech US Business. Carolina joined Kantar Worldpanel ComTech in 2014 after 14 years at Gartner, most recently as their Consumer Devices Research VP and Agenda Manager. As Global Chief of Research at Kantar Worldpanel ComTech, Carolina drives thought leadership in the area of consumer research and marries her deep understanding of global market dynamics with the wealth of data coming from ComTech's longitudinal studies on smartphones and tablets. Her mission is to deliver strategic insights to C-level executives in the areas of product planning, product marketing, go to market and customer retention and acquisition. As Head of the US operations for Kantar Worldpanel ComTech, Carolina is focused on growing the US client base as well as strengthening the relationships already in place. Carolina's role as industry expert and commentator will continue as she regularly appears in publications such as The Financial Times, The Economist, The New York Times and the Wall Street Journal...

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