

## PRESS RELEASE

### **Mass adoption of smartphones eroding carrier profitability**

#### *Subscriber profitability at risk as consumers struggle with advanced functionality*

London, UK. 20 April 2010: The increasing popularity of smartphones is threatening mobile carrier profitability, new research from WDS has found. A combination of expensive subsidies, fixed data tariffs, complex service set-up and a high cost-to-support mean it can now take up to 16 months just for carriers to break-even on a subscriber<sup>1</sup>.

The WDS research found consumers are increasingly looking to connect their smartphones to their internet, email and social networking accounts out-of-the-box. However, problems in setting up these more complex data services on smartphones means that, on average, smartphone support transactions take 30% longer to resolve than featurephone transactions<sup>2</sup>.

The survey of over 1,000 UK consumers found that:

Almost a third experienced set-up problems with email – the most problematic data service

21% experienced problems setting up the internet on their device, and 18% had problems with MMS

27% of respondents did not find any of the support options available to them effective

Almost 10% did not even try to find a resolution, they simply abandoned the service altogether

“It’s something of a perfect storm,” explains Tim Deluca-Smith, vice president of marketing at WDS. “The cost of selling and supporting smartphones is significantly higher than it is for the traditional featurephone segment. Carriers are therefore keen to ensure their subscribers maximise the advanced revenue-generating features of smartphones.

Unfortunately, a large percentage of consumers are struggling with the advanced functionality of the smartphone, and are defaulting back to more familiar voice and SMS services. Combine these conditions and it’s clear to see how carriers’ margins are quickly being eroded.”

<sup>1</sup> Source: <http://www.yankeegroup.com/ResearchDocument.do?id=51443>

<sup>2</sup> Study (2009) run across global support contracts operated by WDS on behalf of mobile carriers and OEM.

Smartphones already represent a third of all handsets sold, and are expected to overtake featurephones by the end of 2011. This consumer demand is driven by the desire to access a wide range of advanced content and services. However, this shift into the mass-consumer market creates problems for carriers – around half of people questioned make a purchasing decision based on price, which in turn has led carriers to heavily subsidize smartphones.

“Consumers are being sold on the idea that smartphones can deliver complete connectivity, keep you entertained and offer exciting apps. Get it right and carriers can build highly-loyal and highly-profitable subscriber bases. Unfortunately, the out-of-box experience can be very different,” adds Deluca-Smith.

This poor user experience immediately translates to lost revenues for carriers, as the abandonment rate is extremely high. 27% of respondents did not find any of the support options available to them effective, and gave up as opposed to seeking further help.

Alarmingly almost 10% did not even try to find a resolution, they simply abandoned the service altogether. There is a clear need for carriers to get their smartphone strategy right, and ensure they have the necessary support channels in place to provide a good user experience as adoption increases.

For a copy of the WDS report ‘Smartphones: building profitability and loyalty in the mass market’ please email Tim Deluca-Smith at [Tim.Deluca-Smith@wds.co](mailto:Tim.Deluca-Smith@wds.co). The WDS research was carried out in March 2010 across 1,000 consumers in the UK.

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#### About WDS

WDS is the wireless industry's only provider of specialist managed services dedicated to improving the user experience across the entire consumer lifecycle. The company's portfolio of platform-enabled tools and services stretches across the wireless value chain to connect and optimize each stage of the consumer lifecycle. With more than 15 years of experience and a global footprint, WDS is the partner of choice for wireless carriers, handset manufacturers and service providers looking to transform their relationships with consumers. The company currently counts over 100 customers, including most of the world's largest handset manufacturer and mobile operator brands, and is headquartered in Poole, UK.

To find out more, please visit [www.wds.co](http://www.wds.co)

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