

Mobile phone usage relatively safe from spending cutbacks

– Leisure expenditure and other consumer electronics are first in the firing line

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For immediate release

When asked about what measures they would take if they had to reduce their personal expenditure in 2009, very few consumers said they would stop using their mobile phone or switch to a cheaper mobile service, but consumer electronics purchases will be hit much more severely, according to a survey of 2,400 consumers across France, Germany and the UK conducted by Canalys in March.

The independent survey gathered consumer opinion on a range of topics, including mobile applications and web browsing, netbooks, mobile broadband and demand for location-based services, as well as the economic downturn and how it might affect mobile phone use and technology buying in the coming year. Almost 40% of respondents said they would be more cautious about their spending in 2009 or that the economic situation was forcing them to change their plans for the future. A further 37% said they had already taken steps to reduce their personal expenditure, that the downturn was causing problems for people around them, or that they were concerned about the effect on their company. Only 18% thought they would not be greatly affected by the downturn. The proportion that had already reduced their spending was highest in the UK, while respondents in Germany exhibited the most confidence that they would not be directly affected.

“The results suggest that UK consumers have been worst hit so far, but confidence is low in all three countries and is likely to remain so throughout 2009,” said Pete Cunningham, senior analyst at Canalys. “It is clear that consumer spending will be suppressed this year, but some sectors will fare better than others.”

When asked what they would do if they had to reduce their expenditure, the most common response was that people would go out less often to restaurants, bars and cinemas – cited by 21% as their first choice of action. This was followed by not taking a holiday (17%), while a further 8% said they would take a cheaper holiday to save money. These results do not bode well for the leisure and travel sectors. A significant 14% said the first thing they would do is delay buying consumer electronics products, which will also hurt some in the technology industry, while another 9% would cut back first on buying DVDs, CDs or on pay-TV services.

“Compared to research conducted in the same countries nine months ago, the proportion intending to buy a portable navigation device in the next six months has fallen by 26%,” Cunningham added. “In contrast, portable PC buying intentions are only 6% lower. Some in the industry may be looking forward to more people staying in and so spending more on digital entertainment, but this area will be hit as well.”

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In better news for the mobile phone industry, consumers are highly reluctant to include their mobile phone use in the list of things to cut back on to save money. However, Canalys still advises operators to keep a close watch on changing behaviour. While only 1% said they would stop using their phone to save money, and half of these were on (the typically less profitable) pre-pay schemes, a further 4% said they would switch to a cheaper mobile phone service. The majority of these were on long-term, post-pay contracts.

“Operators will also have to look carefully at the tariffs and services they offer in order to retain customers,” Cunningham said. “Only 70% of post-pay customers expected to renew their contract and upgrade their handset on the same network when their current contract expired. 20% expected to churn and get a new handset on a different network, while 10% thought they would keep their handset and switch to a SIM-only or pre-pay service. Our research into more detailed mobile application usage also shows that interest in some services may be starting to wear off and users may view these as unnecessary costs as belts get tightened. The ability of these services to lock customers into a network may therefore be badly weakened.”

The vast majority of mobile phone users expect their levels of text messaging and voice calling to either stay the same or increase in 2009. Conversely, far more expect to reduce their downloading of music or video than will increase it. There are also exciting new pockets of activity – for example, among those who already have GPS satellite navigation capability in their phone, more than half expected their use of maps and navigation to increase this year.

About the service

The research results discussed in this release come from the Canalys Consumer Mobility Analysis service, which provides insight into the changing behaviour, attitudes and expectations of mobile consumers. It provides clients with forecasts of future application and service adoption, as well as analysis of critical end-user issues and reaction to new initiatives, technologies, products and services, all supported by an extensive field survey programme and delivered through reports, presentations and direct access to the Canalys analysts.

About Canalys

Canalys specialises in delivering high quality market data, analysis and advice to the world's leading technology vendors. It is recognised as a key provider of continuous advisory services and confidential custom projects for marketing managers and strategists within blue-chip IT, telecoms, navigation and consumer electronics companies. It has unrivalled expertise in routes to market for all kinds of high technology products and services in the consumer, SMB and large enterprise segments, and provides worldwide market data and trends analysis.

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Americas: Suite 280, Town & Country Village, 855 El Camino Real, Palo Alto, CA 94301, US | t: +1 650 241 1636

APAC: 137 Telok Ayer Street, #04-08, Singapore 068602 | t: +65 3106 2330

EMEA: Diddenham Court, Lambwood Hill, Grazeley, Reading, Berkshire RG7 1JS, UK | t: +44 (0) 118 984 0520

www.canalys.com