

Consumer Spending Priorities: Translating Consumers' Broadband Addiction into Mobile Data Spending

Service Provider FastFacts

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New research from the Cisco® Internet Business Solutions Group (IBSG) shows that fixed broadband Internet access is the highest priority service in consumers' entertainment and communication portfolio. They view mobile data as more expendable, despite the advent of smartphones.

Cisco IBSG tracks such issues in its recurring Connected Life Market Watch research platform. In the fall 2011 edition, it surveyed some 3,900 broadband consumers in North America and four major European countries.¹

Consumers Love Their Smartphones—but Rely on *Fixed* Access

British regulator Ofcom² claims that two in five U.K. adults and three in five teens admit they are “highly addicted” to their smartphones. But Cisco IBSG found that despite consumers' smartphone addiction, they do not prioritize their mobile data spending accordingly. Most consumers in all countries surveyed would cut mobile data services first or second if they needed to reduce their household communication and entertainment expenditures.

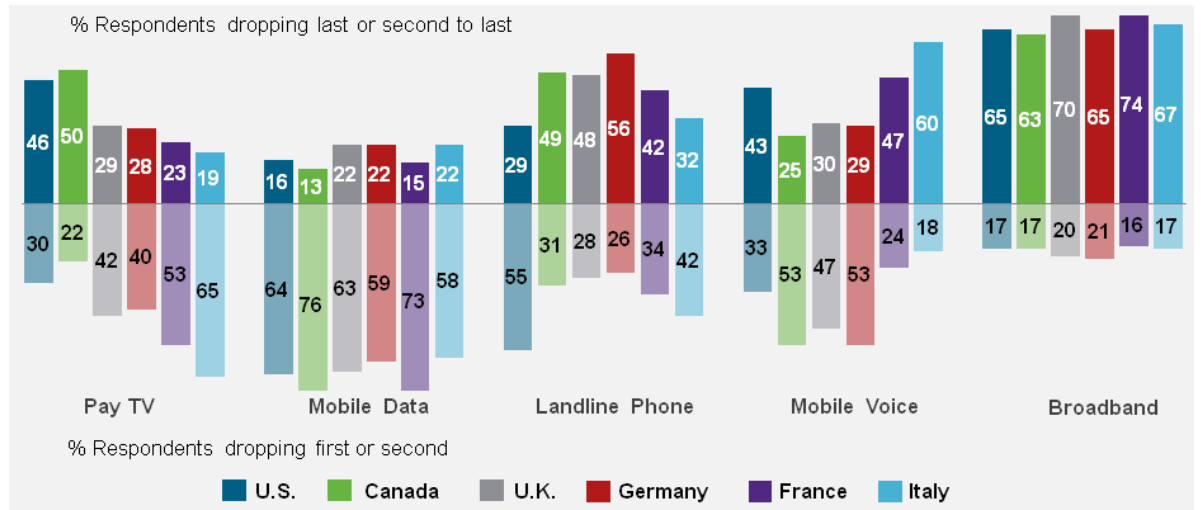
Why haven't consumers adapted their spending priorities to favor mobile data? First, consumers use their mobile phones for a lot more than Internet connectivity—voice calls, music, photos, and many other things. And when consumers do use their smartphones for data access, Cisco IBSG's research shows that about 80 percent of mobile Internet activity is not truly mobile, but nomadic—that is, it takes place in various fixed locations such as home, work, school, or an airport terminal. With the advent of tiered pricing, consumers are limiting their use of expensive cellular data in favor of Wi-Fi networks that provide unlimited, convenient, and high-performance access. Mobile data is seen as an extension and complement to fixed Internet offerings.

Consequently, as shown in Figure 1, broadband services have become and remain the anchor service in all countries we surveyed; more than 64 percent of broadband consumers will keep their broadband subscriptions as long as possible, and only 16 to 21 percent would cut broadband first or second from their household communication and entertainment budget.



Cisco Internet Business Solutions Group (IBSG)

Figure 1. Consumer Spending Priorities: Which Services Would You Cut First from Your Monthly Communications Budget if You Had To Reduce Expenses?



Respondents dropping a service last or second to last are shown above the line, and those dropping a service first or second are below the line.

Source: Cisco IBSG Connected Life Market Watch, 2011. Base: 3,900 broadband consumers.

Italians Love To Talk Mobile

Consumers are also addicted to their mobile phone services—especially in Italy, where 60 percent of consumers would keep their mobile service as long as possible if forced to reduce expenses. Only 18 percent of Italian broadband consumers would drop their mobile voice subscriptions first or second, showing the high relative value of mobile voice services to Italians. By comparison, consumers in Canada, the United Kingdom, and Germany would be more likely to drop their mobile phone service than most other services. Not surprisingly, countries that are the most protective of mobile voice are least protective of landline.

Americans Hooked on Pay TV—for Now

Spending on pay TV services has a different priority in each country. For example, only 30 percent of U.S. broadband consumers would drop pay TV first or second, compared with 53 percent and 65 percent of their French and Italian counterparts, respectively. Given the availability of high-quality free TV and the relatively low penetration of pay-TV service in Europe, this is hardly surprising. But as it becomes easier for consumers everywhere to watch TV programming over the Internet, industry stakeholders are carefully watching how consumer spending on pay TV could shift.

Opportunities for Service Providers

Cisco IBSG sees interesting opportunities for telecom operators to translate consumer behavior into revenue:

1. While consumers are more protective of fixed broadband than mobile broadband, they have become addicted to Internet access. Their underlying behavior could give SPs an anchor in fixed broadband to pull in mobile broadband as part of a bundling strategy.

2. Consumers are depending more on Wi-Fi for mobile Internet access. By leveraging Wi-Fi, SPs could explore ways to price mobile data at compelling price points.
3. Spending on pay TV is evolving. As TV-over-Internet availability grows, SPs need to closely monitor how consumers' spending priorities change. Tying TV service to broadband services and providing multiscreen access could help SPs retain TV revenue.

For a more complete comparative analysis of Cisco's recent Connected Life Market Watch research, please visit www.cisco.com/web/about/ac79/docs/clmw/CLMW-Service-Delivery_CrossCountryComparison.pdf.

For individual country reports, see the following links:

Canada: www.cisco.com/web/about/ac79/docs/clmw/CLMW_Service-Delivery-and-Cloud_Canada_Short.pdf

France: www.cisco.com/web/about/ac79/docs/clmw/CLMW_Service-Delivery_France.pdf

Germany: www.cisco.com/web/about/ac79/docs/clmw/CLMW_Service-Delivery_Germany.pdf

Italy: www.cisco.com/web/about/ac79/docs/clmw/CLMW_Service-Delivery_Italy.pdf

United Kingdom: www.cisco.com/web/about/ac79/docs/clmw/CLMW_Service-Delivery_UK.pdf

United States: http://www.cisco.com/web/about/ac79/docs/clmw/CLMW_Service-Delivery_US_Short.pdf

Endnotes

1. The 2011 Cisco Connected Life Market Watch survey was fielded in the United States, Canada, France, Germany, Italy and the United Kingdom.
2. "A Nation Addicted to Smartphones," Ofcom, August 4, 2011, media.ofcom.org.uk/2011/08/04/a-nation-addicted-to-smartphones/

More Information

Cisco IBSG (Internet Business Solutions Group) drives market value creation for our customers by delivering industry-shaping thought leadership, CXO-level consulting services, and innovative solution design and incubation. By connecting strategy, process, and technology, Cisco IBSG acts as a trusted adviser to help customers make transformative decisions that turn great ideas into value realized.

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