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communicate



## Communication Trends

Highlights from the 2008 Convergence Audit and Consumer Electronics Monitor

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## Highlights from the 2008 Convergence Audit and Consumer Electronics Monitor

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### Introduction

In today's market, consumers find themselves confronted with a seemingly constant stream of telecommunications advances, pushing them to find better ways to access information on their own terms through both video and audio. To track the ebb and flow of this consumer behavior across a wide range of telecommunication products and services, Nielsen Claritas administers two surveys—the Convergence Audit®, an annual survey of more than 32,000 respondents conducted both online and through the mail, and the Consumer Electronics Monitor, an online syndicated primary research study of about 40,000 respondents fielded twice a year.

This report highlights some of the surveys' more notable trends that emerged in 2008, one of which involves changes surrounding telephone service, where households increasingly "cut the cord" of their traditional landlines to go wireless/cellular only.

In line with that, the Blackberry® and iPhone™ wireless devices, both designed to provide more and better services on-the-go, have seen tremendous growth this year with penetration rates of six percent and two percent, respectively. And each has attracted a different target. While the Blackberry appeals to a somewhat older, suburban consumer looking for a proven technology, the iPhone attracts more of a young, urban consumer looking for the newest technology.

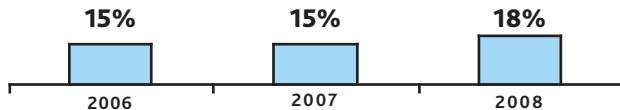
However, for a number of other mobile media devices, such as cellular phones with streaming video and/or MP3 music players, growth slowed in 2008 with penetration levels similar to those seen last year. Among current owners, we also saw a decrease in advanced services usage, perhaps a potential red flag.

Another area where consumer interest is on the rise is fiber optic TV, which is being adopted by more technology-savvy households. Current subscriptions are relatively low at three percent, but this represents 50 percent growth over a year ago. By comparison, cable and satellite usage has been flat over the last year.

### Cutting the Telephone Cord

Telephone service has evolved to where most households have a wireless/cellular phone (88 percent in 2008), yet most still maintain a traditional landline at home. This is changing, however, with almost one in five households reporting in 2008 that they are wireless/cellular only, an increase of 20 percent in the past year. We expect this trend to continue, with growth coming not only from those dropping their landlines (the real cord cutters), but also from young adults who are starting new households with just wireless/cellular phone service.

### Wireless/Cellular Only Penetration



Source: Convergence Audit – Total sample that have cell phone service = 27,858

Currently, a third of the wireless only households have never had a landline and the other two thirds are cord cutters. And, not surprisingly, the cord cutter households tend to be younger and more likely to rent/lease their home compared to the total survey sample.

### Age and Home Ownership Demographics for Cord Cutter Households

	% of Total Sample	% Cord Cutters
<b>Age</b>		
18-34	21%	39%
35-44	20%	22%
45-54	21%	20%
55-64	17%	11%
65 and older	21%	7%
<b>Home Ownership</b>		
Own	68%	52%
Rent/Lease	29%	45%

Source: Convergence Audit – Total sample = 32,488; Cord Cutter HHs = 3,276

## Blackberry and iPhone

Blackberry and iPhone ownership grew dramatically, with the penetration rate for Blackberry users at six percent as of late 2008, compared to four percent in the early part of this year; while iPhone ownership moved one percentage point over the same time period from one to two percent. Given the high price point for both devices, it is not surprising that they appeal to households with higher income and education levels. However, they also attract different targets, demographically and psychographically.

From a demographic perspective:

- Blackberry households are mostly in the 35-44 age range, married and suburban, with a somewhat higher level of female ownership.
- iPhone households (compared to Blackberry households) tend to be younger, single and more urban.

Demographics for Blackberry and iPhone Households			
% iPhone Households	% Total Sample	% Blackberry Households	% iPhone Households
<b>Age</b>			
18-34	22%	40%	47%
35-54	42%	46%	39%
55 and older	37%	14%	14%
<b>Gender</b>			
Male	40%	46%	54%
Female	60%	54%	46%
<b>Marital Status</b>			
Married	57%	66%	56%
Single	42%	32%	40%
<b>Home Setting</b>			
Urban	23%	25%	33%
Suburban	51%	62%	58%
Rural	26%	13%	9%
<b>Education</b>			
High school graduate	24%	9%	9%
Some college	36%	30%	27%
College graduate	22%	33%	33%
Graduate school or more	17%	27%	30%
<b>Income</b>			
Under \$35,000	37%	12%	13%
\$35,000 – \$75,000	35%	25%	26%
Over \$75,000	28%	63%	62%

Source: Consumer Electronics Monitor – Total sample = 40,287;  
Blackberry HHs = 1,567; iPhone HHs = 615

From a psychographic perspective:

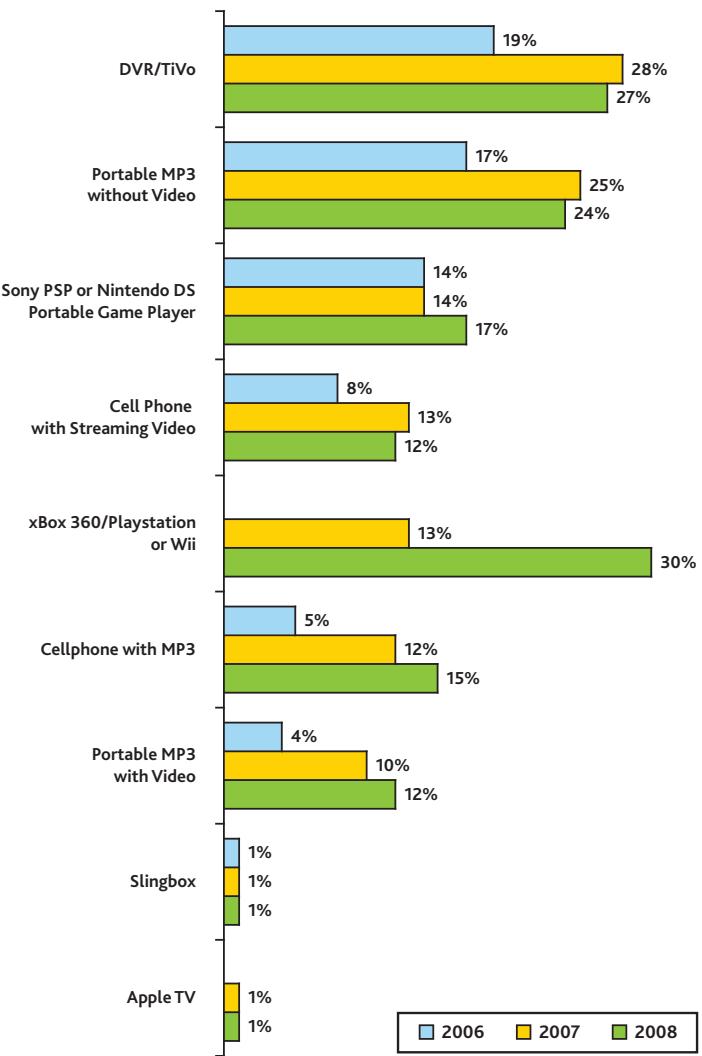
- Blackberry households tend to wait until a new technology is proven before investing, responding favorably to such statements as:
  - *I find it makes more sense to wait until the price goes down before I buy a new technology.*
  - *I prefer to wait until a new technology has been proven in the market before buying it.*
- iPhone households seek out the newest technology and are more likely than Blackberry households to agree to the following statements:
  - *I like technology that reflects my personal style.*
  - *I always seem to be the first to try out a new technology.*
  - *I want the latest technology regardless of price.*



## Mobile Media

Overall, adoption of alternative media player products remains in the early stages with penetration for most below 20 percent. Year-to-year growth has also leveled off for most of these products after increasing significantly in 2007, with the exception of the Xbox 360™/Playstation whose penetration more than doubled over last year, probably due, in part, to increases in production capacity and price cuts.

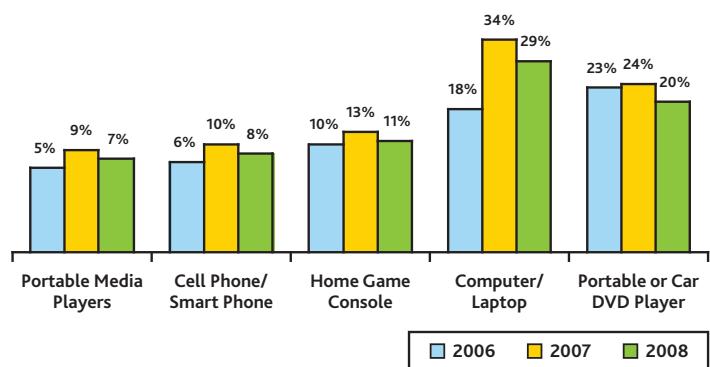
### Media Player Products Currently in Household



Source: Convergence Audit – Total sample = 32,488

The use of mobile media for watching TV shows, movies or streaming video within the past three months has also declined in 2008. Laptops and portable DVD players, considered the most established of these products, experienced the biggest impact. Laptops fell from 34 percent in 2007 to 29 percent in 2008, and portable DVD players dropped from 24 percent to 20 percent.

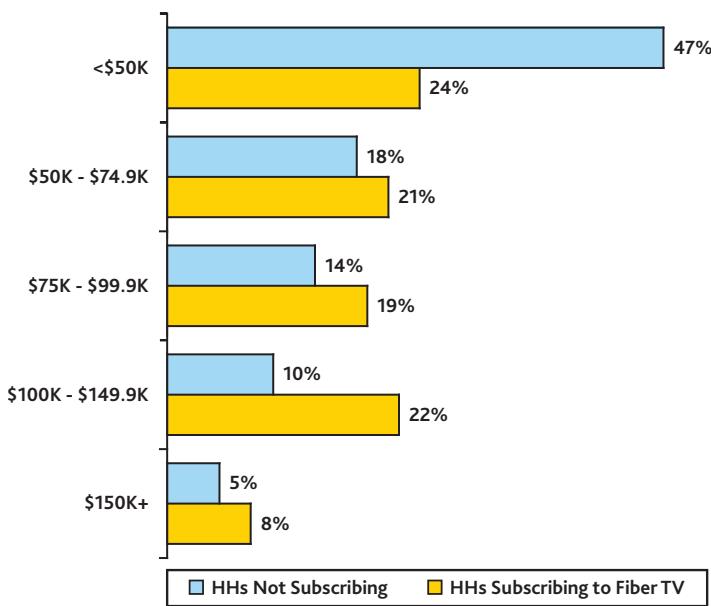
### Watched TV Programs, Movies, Streaming Video on a Device in the Past 3 Months



Source: Convergence Audit – Total sample of TV Households = 31,990

### Fiber Optic TV

Fiber optic TV grew at a measured pace over the last year with penetration increasing from two percent to three percent, but it is expected to grow to levels approaching 10 percent within two years. And, those who are switching to this relatively new service tend to have higher incomes with almost one in three subscriber households earning \$100,000 or more, compared with just 15 percent of all other TV households.



Source: Convergence Audit – Total sample of All Other TV Households = 31,605;  
Fiber TV Subscribers = 883

### Conclusion

To remain competitive, marketers of new telecommunication products and services need to stress the value that their products bring to the market. Although consumers will continue to want the latest "bells and whistles," we expect them to weigh the costs and the benefits more critically.

Advanced services that minimize customer costs will gain ground in the current economic climate. For example, a cell phone service that automatically detects the presence of a Wi-Fi wireless network and seamlessly switches a cellular call to the Wi-Fi service can cut costs and improve the quality of in-home cellular service. This type of innovation should succeed and inspire loyalty to the providers' services.

Despite their higher costs, smart phones will also continue to gain market share. The benefits of mobile email and the Internet will drive this trend, coupled with how well the manufacturers improve the way the Internet is displayed and the carriers' network speed. Otherwise, growth with mobile media device ownership and usage will slow in the short term as consumers spend more cautiously.

Regardless of how the pendulum swings, marketers still need to spend their increasingly precious budget dollars more efficiently and more effectively, moving away from broad-brush branding campaigns. More targeted types of marketing and media efforts, such as Internet search and mobile advertising, will grow mind share at the expense of those approaches that don't provide (or at least have the perception of not providing) clear measurable results.

### Passion for Precision

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