

# Market Snapshot: Smartphones and Mobile Services

A Parks Associates Snapshot



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## The mobile service market is experiencing the calm before the storm.

The industry is preparing to shift to 5G network infrastructure that will unleash significant uncertainty in terms of competition in both consumer and enterprise markets. In the meantime, mobile service operators are experimenting with various new business models. The already competitive mobile market will be even more competitive in the next five years.

**Tactically, mobile service providers are aggressively poaching customers from their competitors.**



These activities have been ongoing for five years—starting from T-Mobile’s “Uncarrier 1.0” in 2013 and culminating with Verizon’s return to unlimited data plans in late 2016—but operators are placing more emphasis on retaining existing customers.

### Retention Efforts:

- A new loyalty program from AT&T
- Hyper-marketed “T-Mobile Tuesday” customer appreciation efforts
- A revamped rewards program from Verizon

Operators’ roles in the mobile service market, however, are no longer as critical as in the past. The always-on/ ubiquitous mobile platform levels the landscape for all players, including handset OEMs, media companies, and cloud service providers.

## Consolidation bringing renewed competition from a stronger T-Mobile

At the end of April 2018, Sprint and T-Mobile announced their intention to merge under the T-Mobile brand. Current T-Mobile CEO John Legere will lead the combined company, which will be majority-owned by T-Mobile parent company Deutsche Telekom.

**The merger of T-Mobile and Sprint stands to create a third telecom giant capable of competing with AT&T and Verizon both domestically and internationally.**



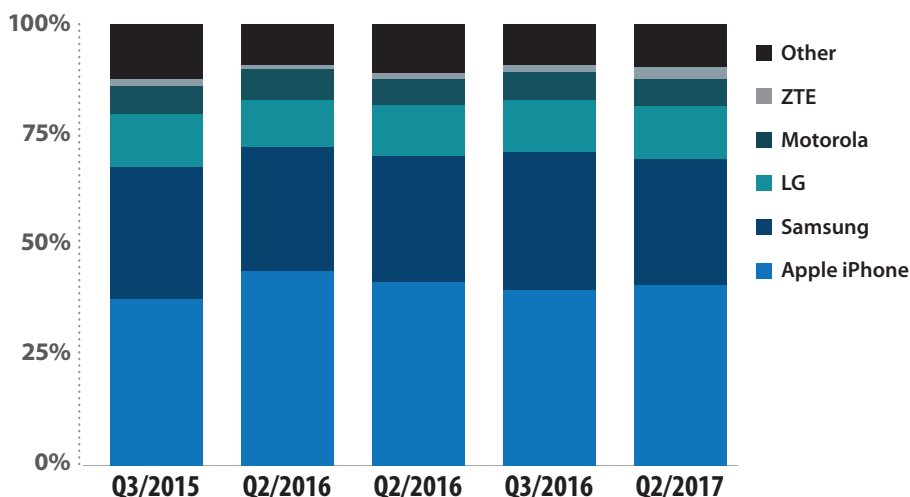
Sprint’s large spectrum holdings, combined with T-Mobile’s maverick business approach, create the potential for a hefty 5G player capable of serving broadband not just to smartphones but also homes and businesses. T-Mobile has previously shown a willingness to enter the pay-TV space via its acquisition of Layer3 TV. The addition of a home internet service would allow it to become a triple-play company, matching the offerings of Verizon and AT&T while potentially taking market share from cable MSOs such as Comcast.

## Smartphone Brand Market Share

**Apple's iPhone has continued its expansion in the U.S., pushing out smaller brands.**

While Apple has been losing market share in China, the brand has been gaining share in the U.S. over the last three years, thanks to its incremental innovations in hardware and software and easy upgrade programs from mobile operators.

**Smartphone Brand Market Share by Installed Base**  
Smartphone Owners in U.S. Broadband Households

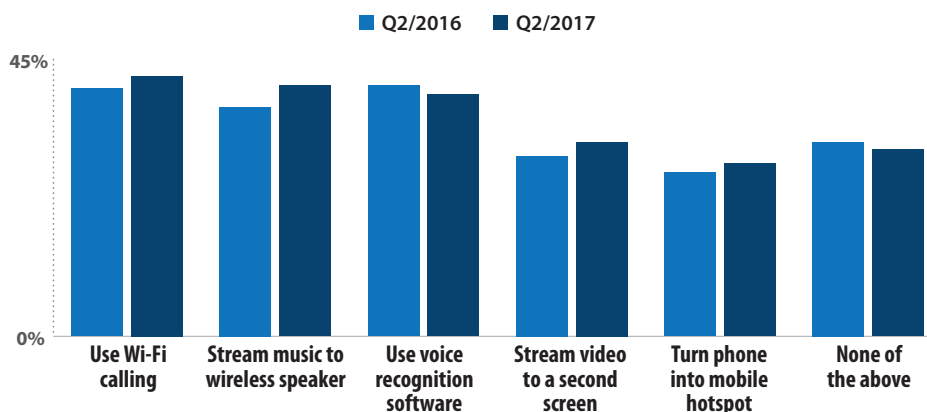


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*This chart shows smartphone ownership among broadband households. Some demographics, notably younger or low-income households, use smartphones as their sole internet source. In particular, the Android market share among non-broadband households is proportionately much higher than this chart would indicate.*

## Smartphone Entertainment Use

**Activities Performed Using Smartphone**  
Smartphone Owners in U.S. Broadband Households



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Streaming music to wireless speakers had a 3% jump and streaming video to a second screen registered a 2% increase.

Little movement in engagement in these activities overall indicates that such use cases have not gained additional awareness among the smartphone population.

## Media activities dominate smartphone usage.

Close to 50% of mobile consumers now watch streaming video on a smartphone, closing in with mobile gaming and music streaming activities.



## Mobile Service Market: Competition and Increased Spending

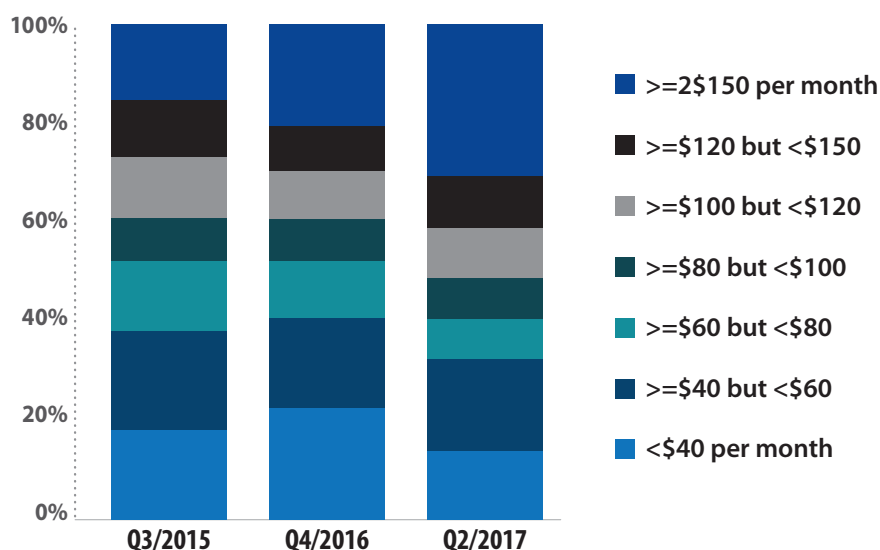
**There was a significant increase in mobile service spending from 2015 to 2017.**

**The mobile billing increase is most likely caused by two factors:**

- Price increases on mobile data plans
- The popularity of premium smartphone lines like the iPhone and Samsung Galaxy S, which carry a high ASP and are paid by consumers in installment payments included in their monthly bill.

### Cost of Mobile Service Per Month

U.S. Broadband Households with Mobile Service that Know Their Bill Amount



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**Wireless service market shares are relatively stable even though all operators have ratcheted up competitive offerings.**

Churn analysis indicates that customers' switching patterns between providers largely cancel out the impact on market share.

Major mobile operators' acquisitions of pre-paid brands a few years ago helped them cushion the impact from a more fierce competition in the post-paid market, as **more consumers signed up for unlimited data plans from pre-paid brands.**

Pre-paid operator brands enjoy a higher NPS than post-paid brands; lower pricing of pre-paid mobile services is a key factor.

### Market Impact: Competitive Offerings

Despite intensified marketing activities from operators to lure customers to switch in the last four years, these efforts will become less effective as operators exhaust their "levers." Parks Associates expects a shift in strategy from spending on user acquisition to focusing on retention.

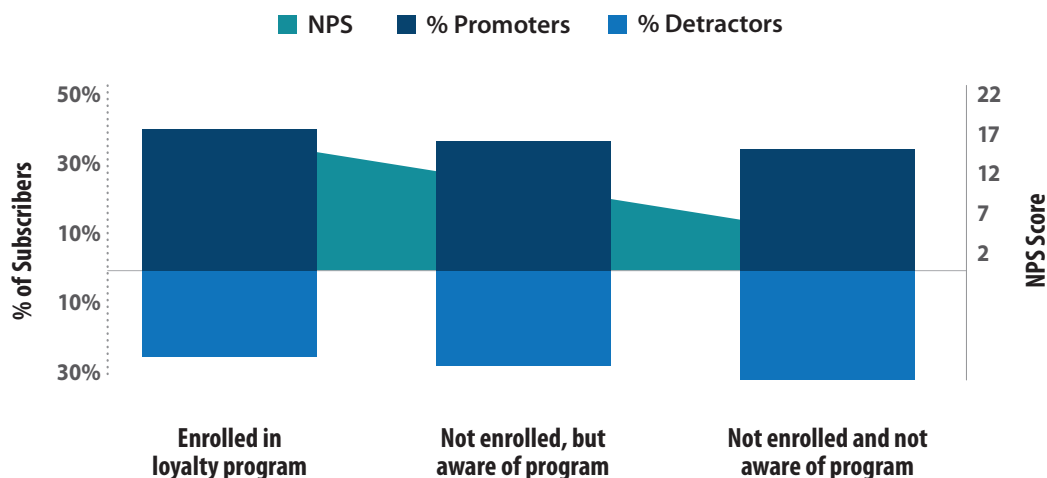
**Going forward, a well-designed, easy-to-understand loyalty/rewards program will play a bigger role in operators' customer retention efforts.** Unique "perks" – value-added features and services – will also help.

## Mobile Service Market: NPS Scores

Offering a loyalty program can significantly boost NPS. Even awareness of a loyalty program can enhance customer satisfaction.

### Net Promoter Score by Loyalty Program Enrollment

U.S. Broadband Households



Most mobile operators in the U.S. have started their customer rewards/loyalty program, but rewards tiers and rewards value vary substantially.

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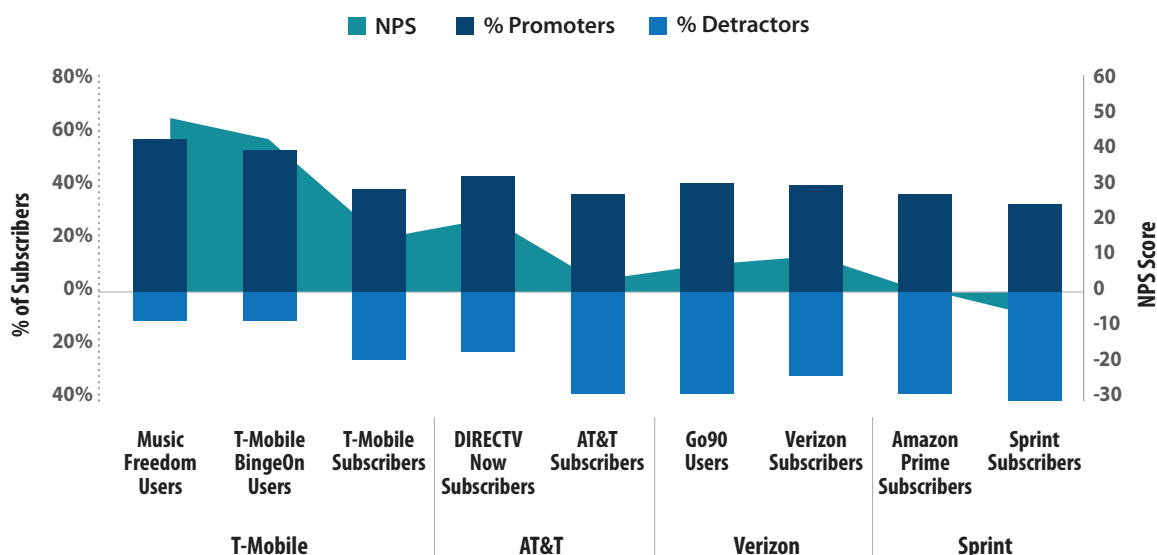
Value-added services help enhance customer satisfaction.

Music Freedom users are 35 points higher by NPS than overall T-Mobile subscribers, whereas DIRECTV Now customers are 19 points higher by NPS than average AT&T subscribers.

The only exception is Verizon's Go90 users who have a lower NPS than average Verizon customers, which indicates that Go90 fails to bring value to its targeted customers.

### Net Promoter Score by Service Participation

MSP Subscribers Participating in Selected Services



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## Mobile Data Consumption and Unlimited Data Plans

**Mobile data consumption continues to rise, as does mobile billing. The return of unlimited data plans drives mobile data consumption and billing.**

### Market Impact: Unlimited Data Plans

As Verizon and AT&T witness the benefits of unlimited data plans for their churn management, they are likely to gradually phase out shared data plans and figure out new ways to grow data plan ARPU in an all “unlimited” world.

Operators have to figure out how to up-sell/cross-sell their services and accessories to customers both at their brick-and-mortar and online stores, especially when online purchases are usually less interactive than an in-store purchase.

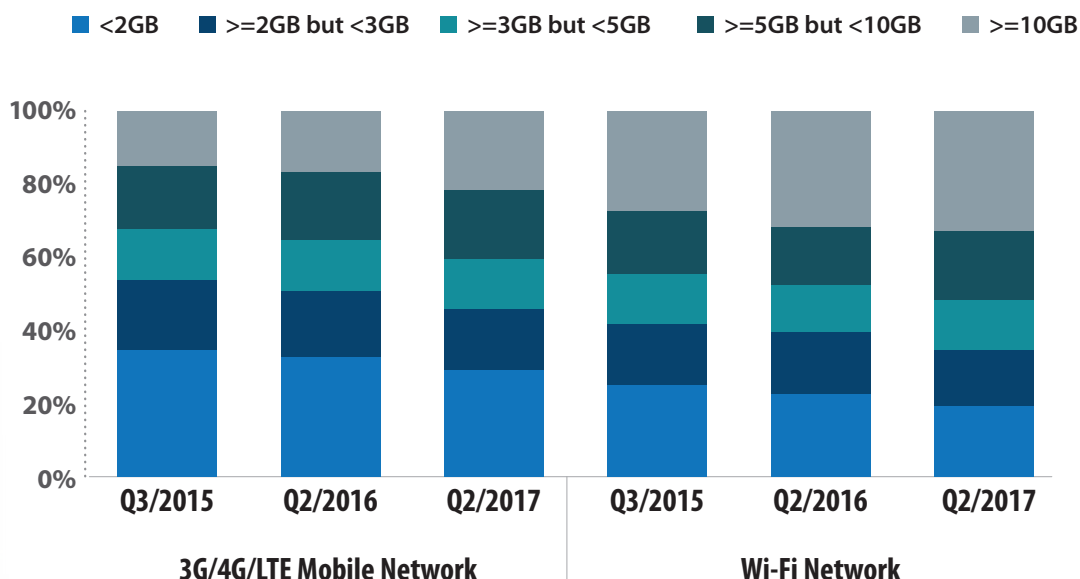
New device purchase is a critical upsell moment. More than half of all changes that consumers make on their mobile services are related to new smartphone purchases.

- Most new phone purchases take place at operators’ retail stores, but online and OEM stores have grown their market share at the expense of non-operator retail stores.
- Out of the 25% of smartphone purchases taking place online, only 7% are attributed to majority online channels (i.e., Amazon).

**Data consumption continues to increase among smartphone users.**

### Mobile Data Consumed by Network

Smartphone Users Who Consume Data and Know Their Usage



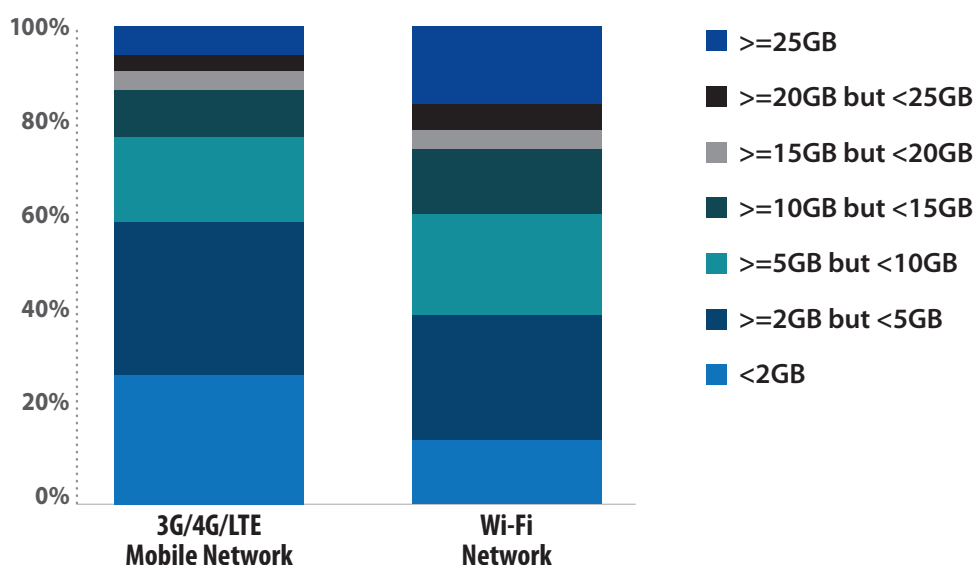
The increase in Wi-Fi usage is largely in line with the increase in mobile data usage, which indicates that consumers' appetite for and usage of wireless data has continued its trend upwards irrespective of which type of network they use.

**About one quarter of broadband households with mobile service now consume more than 10GB of mobile data per month.**

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## Mobile Data Consumed by Network

Smartphone Users Who Consume Data and Know Their Usage



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**Consumers who use 25GBs of mobile data may be subject to operator's throttling or deprioritization efforts.** For instance, Verizon's threshold for deprioritizing its unlimited data plan users' data traffic (temporarily lowering speeds during times of network congestion) is 22GBs.



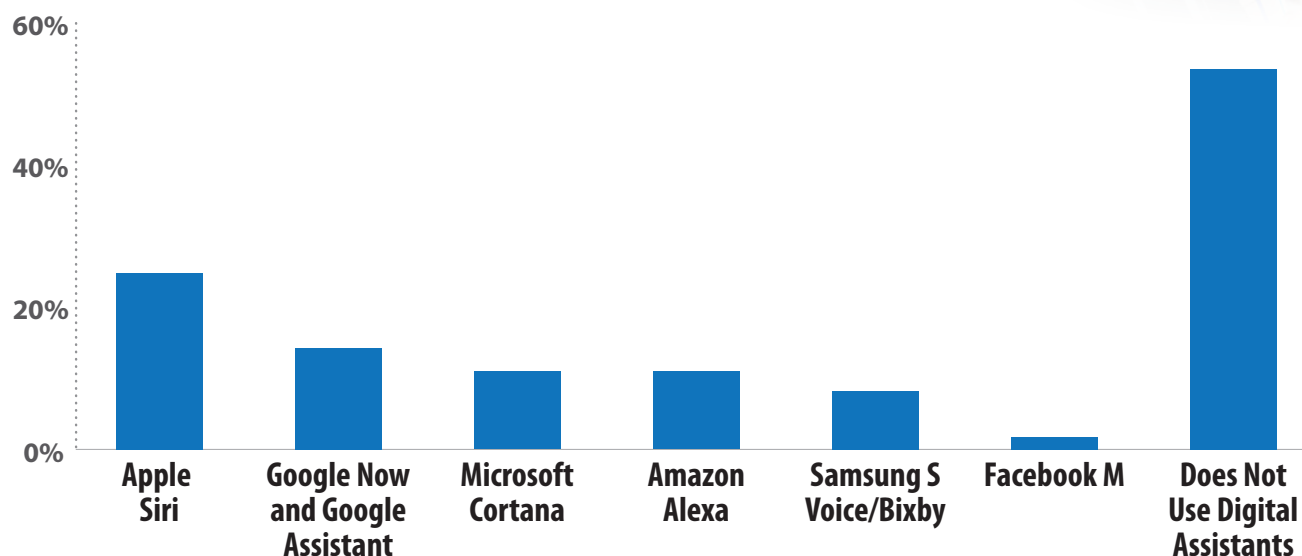
## Smartphones and Personal Assistant Applications

**Over 45% of heads of U.S. broadband households use personal assistant applications.**

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### Use of Digital Assistant Apps

U.S. Broadband Households



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Apple Siri has the highest proportion of consumers reporting PA use on a smartphone, benefiting from the large iOS user base.

Adoption of Google Now or its successor Google Assistant at half the level of Siri is surprisingly low given that Android-enabled phones alone account for more than 50% of the smartphone installed base in the U.S. and Android tablets also hold a significant market share.

Brand changes around the name of Google's personal assistant, which don't correspond to the way you speak to the Assistant ("OK Google") likely depress consumer awareness.

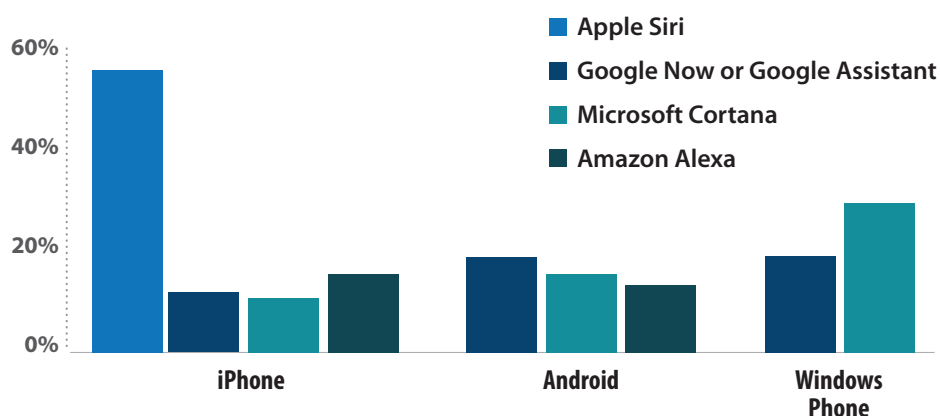
Samsung S Voice (now called Bixby), a relative newcomer to the voice assistant market, has a solid adoption of 6%, largely benefiting from its integration into Samsung smartphones.



## Use of Digital Assistant/Voice Assistant App by Phone OS

U.S. Broadband Households with Select Phone OS

**The Amazon Alexa is the second most commonly used digital assistant app on iPhone following Siri.**



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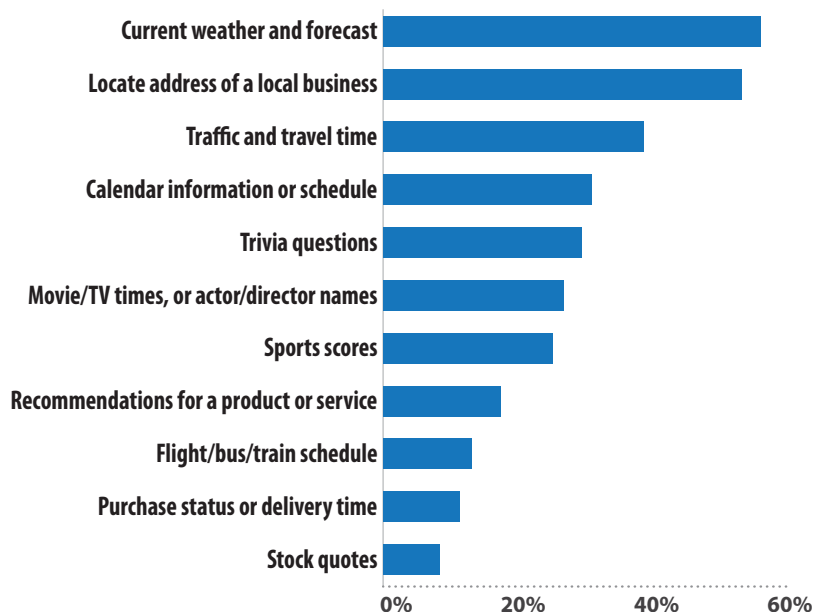
Alexa is unique in that the smartphone app is more a repository for information called upon when using Alexa in other form factors, like the Amazon Echo. Initially the Alexa smartphone app did not itself have voice capability.

In August 2017, Amazon and Microsoft announced plans to integrate Alexa and Cortana. The first step will be an “Alexa, ask Cortana...”- and “Cortana, ask Alexa...”-type integration, with other more automatic integrations on the horizon. This integration missed its original December deadline, but Microsoft company representatives have claimed that it is still in progress.

Both companies have a shared vision for digital assistants—they see consumers using multiple specialized assistants that help with different tasks, which can be accessed from any device.

## Types of Information Accessed Via Smartphone Voice Recognition

Smartphone Owners Who Use Voice Recognition



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**Consumers most commonly use voice recognition apps on their smartphones to access weather and location information.**

One-fourth of voice recognition function users ask for information related to entertainment content or sports scores from their smartphone.

These are use cases for which voice recognition technology may find its way into TV set-top boxes, streaming media players, smart TVs, or game consoles.

## About The Author



**Kristen Hanich**, *Research Analyst, Parks Associates*

Kristen Hanich studies digital and connected health and mobile trends across the globe. She is a trained anthropologist with skills in ethnography, development/programming, and geoanalytics and has a background in the areas of health behavior and epidemiology.

Kristen has dual Master's degrees in anthropology and public health from the Universities of North Texas in Denton and Fort Worth. She earned her B.Sc. in health at the University of Texas at San Antonio and has a graduate certificate in GIS.



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