



# Consumers & Convergence III

Consumers Taking Charge

INFORMATION, COMMUNICATIONS & ENTERTAINMENT

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# Executive Summary

Consumers around the globe are giving a whole new meaning to holding the world in the palm of one's hand.

Over the past few years, consumers have embraced – at remarkable speed – new digital devices and service models to have immediate access to personal and business information, stay in touch with their social networks and make their lives more efficient and fun. Most recently, they have gobbled up a variety of mobile and smart phones such as Apple's iPhone™<sup>1</sup> and services such as Facebook and Twitter. People today are used to talking to or texting someone half way around the world, taking pictures and videos while walking down the street, as well as conducting mobile banking and retail transactions, downloading games and music, tracking where they are on a global positioning system, and watching movies or live television on demand by using one mobile device.

The rapid pace of consumer adoption of new digital convergence models has given consumers around the world the power to demand what they want, when they want it, and how they expect to get it. As a result, this power has put added pressure on telecommunications and media companies, as well as consumer electronics manufacturers, to deliver the goods according to consumers' perception of value and trust.

KPMG International's interpretation of the results from its third Consumers & Convergence survey is that the most dramatic trend is the rise of consumer demand for seamless personalized service and content. KPMG has tracked consumer behavior in its Consumers and Convergence surveys since 2005, identifying key industry trends of how consumers have embraced new digital technology. The current survey includes responses from more than 4,000 people in 19 countries across the following regions – Asia, Europe, Middle East and Africa, North America, and Latin America– and closely follows trends in the use of mobile technology.

Global consumers are growing increasingly demanding in what they want, when they want it, and how they expect to get it, putting added pressure on service and content providers as well as consumer electronics manufacturers to deliver the goods.

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<sup>1</sup> iPhone is a trademark of Apple Inc.

Bundling, with pricing as its key driver, is not sustainable long-term. The number of respondents bundling content on a subscription basis declined to 39 percent in 2008, as opposed to 47 percent in 2007.

**The most significant findings in this year's survey include:**

- **Bundling, with pricing as its key driver, is not sustainable long-term.** The number of respondents bundling content on a subscription basis declined to 39 percent in 2008, as opposed to 47 percent in 2007. This decrease was registered across nearly all age groups. In reality bundling has not achieved its objective of customer loyalty but appears instead to be driving the exact opposite consumer behavior that remains price-driven.
- **Consumers are more willing to pay for online content to avoid ads on their mobile phone versus their computer.** One third of PC users and more than two-fifths of mobile phone users (43 percent) indicate they are willing to pay to avoid advertising on their mobile.
- **Half of global respondents are willing to accept an ad on their mobile phone in exchange for a free song download.** This may be because consumer satisfaction with music downloads is skyrocketing, with two-thirds of global purchasers saying they are satisfied with their downloading experience.
- **Interest in mobile banking and payments is increasing.** Although only 19 percent of respondents currently use mobile banking and payments, more than half (53 percent) of respondents say they are comfortable with the idea of using a mobile phone for financial transactions within the next 12 months, but 59 percent say they are not willing to pay extra for the service.
- **Security and privacy are key consumer concerns.** Although there is a view that today's mobile device users are more open to the lack of security and privacy, this view is emphatically refuted by KPMG's survey. In fact, respondents are very concerned about security (60 percent) and privacy (55 percent) when using a mobile device. They are also reluctant to exchange tracking of online usage for lower service costs.
- **Consumer trends in digital convergence adoption vary by country and age groups.** In today's global marketplace, it is critical for telecommunications and media companies to understand and differentiate country and age group customer wants and needs.



This consumer-led demand for more content and greater bandwidth is not lost on service and content providers and consumer electronics companies. Their survival hinges on their ability to deliver what consumers want, especially those who want to – as one service provider advertisement has it – “switch gears between work and play at the press of a button.”

Service and content providers are increasingly being judged by how much content they can provide, at what price, and how fast. At the same time, consumer electronics providers – the smart phone manufacturers – are trying to forecast the trends so they can stay one step ahead of demand while navigating a formidable economic environment of rising costs, lower margins, and cutthroat competition.

This is a remarkable turnaround from only a few years ago, when consumers appeared willing to take what they got from service providers in terms of cost, content, and bundled services for one flat rate. Not too long ago, PCs and mobile phones were mutually exclusive albeit essential tools for road-bound consumers who needed to stay connected to home and office. Now, they are integral components of a new way of life and both are competing with netbooks. The advent of the smart phone and its ability to access the Internet and interact with a PC – and sometimes serve as a PC itself – has tilted the supply-and-demand nexus between consumers and service providers, with consumers now more willing to switch service providers to get what they want and how they want it.

Take bundling, for example. The traditional bundling of an assortment of services such as mobile, landline, and Internet for one flat rate by a single service provider appears to be on the decline. Two years ago, close to half (47 percent) of our survey respondents were using bundled services. In our most recent survey, less than two-fifths (39 percent) were in this category, led by Europe, which saw a reduction from 57 percent to 41 percent, suggesting that most consumers are more interested in the lower prices that other service providers might be charging for discrete services. Only one region – Latin America – experienced growth in traditional bundling, from 56 percent to 62 percent this year.

At the same time, consumers are becoming increasingly price sensitive to add-on features and are willing to shop different service providers for what they want. Clear, transparent pricing was the largest influence (84 percent) on consumers looking at purchasing a full-track music download, for example, followed immediately by the cost (83 percent) of the service the company was providing.

In addition, consumers appear to be trying to make advertising on mobile phones conditional. According to survey respondents, 33 percent of PC users would pay for the privilege of not being subjected to online advertisements when accessing the Internet compared with 43 percent for mobile phone users. Not surprisingly, this trend was consistent across all five regions and all age groups.

The survival of service and content providers hinges on their ability to deliver what consumers want, especially those who want to – as one service provider advertisement has it – “switch gears between work and play at the press of a button.”

PCs and mobile phones used to be mutually exclusive albeit essential tools for many consumers who needed to stay connected to home and office while on the road. They are now integral components of a new way of life and both are now competing with netbooks.



If convergence has given consumers the power to hold the world in the palms of their hands, it has also given them the power to dictate just what kind of world they choose to hold.

Still, the opportunity for service and content providers appears to be enormous. According to research, there are about three billion mobile phones worldwide. And with consumers increasingly using their phones for recreational activities – almost two-fifths (38 percent) of all users in our survey have downloaded videos to their mobile phones in the past 12 months – finding the right approach could yield big dividends.

Security and privacy were revealed to be key issues for consumers globally. The findings send a clear message to suppliers of the urgent need to address these issues in order to attract and retain customers in the future. Country privacy regulations need to be considered as part of this mix.

Not only is the consumer holding power in the palms of their hands, but they are also flexing their muscles. Indeed, consumers' perception of value is redefining how providers should bundle the customer experience. The "new" bundle offer – innovation, pricing, customer care, seamless offering of multiple services and devices, and security – will shape the success of service and content providers.

Almost two-fifths (38 percent) of all users have downloaded videos to their mobile phones in the past 12 months, which represents a big change in how consumers are using their hand-held devices.

#### Conclusion

KPMG's third Consumers & Convergence survey shows a clear demarcation between consumer wants, needs, and demand and the supply of service, content, and bandwidth. Indeed, the old paradigm of services and texting for one flat fee has evolved into a new paradigm of customized consumption where customer value is driven by "new" bundle offers – innovation, pricing, customer care, seamless offering of multiple services and devices, and security.

In the converging era of smart phones, mobile phone consumers have a variety of options from which to choose, ranging from simple phone service to the ability to send text messages, download songs, videos, and games, or conduct banking and make transactions.

In this respect, carriers and content providers serve as conduits of content and service that consumers choose on their own terms. This evolving paradigm means that mobile phone users can pick and choose from a variety of options without committing to a universal plan that bundles all the options together in one price.

### Implications for Industry Players

To build a foundation for the future state, service and content providers need to work on changing how they approach bundling services, understanding the impact of unlimited pricing models, and reconfiguring the business models they choose going forward, such as ad-based vs. subscription-based, to capture market share.

**In the longer term, it would behoove service and content providers to heed the following:**

- **Customized consumption is impacting the future of service and content**
  - Consumers will continue to seek applications on demand, endless music availability, video selections, and become comfortable with full form television and movie downloads on the small screen.
- **Clear pricing and next-generation bundling of services are critical to success**
  - Consumers are trending towards unbundling of traditional services and are choosing services based on custom needs. Clear pricing, before purchase, is at the top of the list for consumer mobile trends and is a key purchase driver. And next-generation bundling, in terms of seamless customer service and service delivery, appears to be the only meaningful path forward.
- **Free content may open the door to more advertising** – While it is clear many mobile phone users are opposed to advertising, many are also open to the idea of a quid pro quo involving free downloads in exchange for a pitch.
- **A fulfilling user experience is key** – Simplicity and ease of use for the mobile device, integrated software platforms, a great retail experience, and a trusted brand are proving to be very valuable to the market leaders across the convergence spectrum.
- **Content needs a solid, secure, and private distribution network to rule**
  - Networks and the important customer-facing systems behind them play an ever more important role in consumer satisfaction, but security and privacy will continue to rule.

The bottom line: If convergence has given consumers the power to hold the world in the palms of their hands, it has also given them the power to dictate just what kind of world they choose to hold according to their perception of value and trust.



## Trend comparisons with KPMG's two previous Consumers & Convergence Surveys

In its two previous surveys, KPMG noted there were two major trends to which consumers responded.

First, consumers appeared to desire a single, consolidated bill for the bundled services they use. According to our current survey results, this trend has actually changed. The percentage of those using bundled services decreased from 47 percent in 2007 to 39 percent in 2008, suggesting that consumers are more interested in the lower prices that other service providers may be charging for discrete services.

Second, respondents to previous surveys were generally not willing to pay much of a premium over their current service bill to access advanced multimedia converged services such as video clips and music downloads. That is supported by this year's result, specifically:

- Clear pricing influence:
  - On purchase of full-track music download – 84 percent; Cost – 83 percent
  - On watching video clips on a mobile phone – 85 percent; usage-based fee – 83 percent; monthly subscription fee – 81 percent
- Mobile chat service maintains privacy of my personal information – 83 percent
- Importance of low introductory pricing in interest in bundling or combining services and content from the same service provider – 68 percent; post introductory period attractive price – 79 percent (higher than other factors such as convenience of single billing, one contact point, etc.)

Note: Percentages denote the ratio of respondents who responded "very influential/extremely important" or "influential/important" on a scale of 1-5.

# Survey Highlights

## Background

KPMG International set out to understand how consumers are assimilating digital convergence, either through a PC or their increasingly more powerful mobile devices since 2005. This year's survey focused on consumers' access to information and service on PCs and mobile phones that they haven't been able to access before – and how this is impacting consumer behavior.

As with the previous surveys, this year's survey includes questions from prior years in addition to new questions in order to probe into current behavior and capture new trends. This year a variety of questions centered around Internet access and mobile technology, such as:

- How much time consumers spend online
- The different devices they use to go online
- Their perception and use of new technologies, such as mobile TV and mobile chat services
- Their use of, and concerns about, online and mobile banking
- Their concerns about privacy and online advertising

These and other themes are addressed in this year's Consumers & Convergence publication. In some cases, we show the results in contrast to the results of our 2007 study. But in many cases, we are revealing new information about consumers based on questions that we have not previously asked.

## Methodology

KPMG conducted the Consumers & Convergence survey between September and November, 2008. This included Web-based questions as well as face-to-face interviews with consumers in 19 countries. The analysis was based on over 4,000 respondents. All respondents had to own either a mobile phone, PDA, or Blackberry. The survey data was weighted based on estimates of the mobile phone subscriber base in each country.

## Participating countries included:

### North America

Canada  
U.S.

### Latin America

Brazil  
Mexico

### Europe

France  
Germany  
Italy  
Spain  
The Netherlands  
Russia  
Turkey  
UK

### Middle East/ Africa

Saudi Arabia  
South Africa

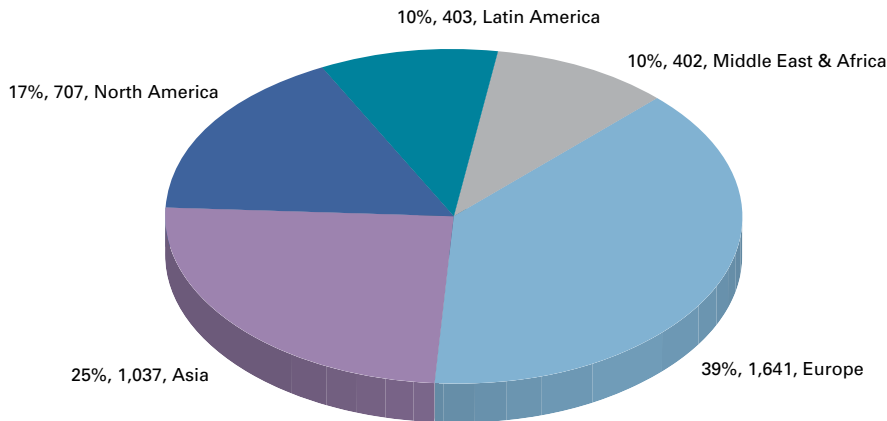
### Asia

China  
Hong Kong  
India  
Korea  
Taiwan

## Demographics

Who were the more than 4,000 people we surveyed?

**Geographic Region of Respondents**



Does not add up to 100% due to rounding.  
Source: KPMG International, 2009

As the charts reflect, half of the respondents were male and the other half were female. Almost all of them (99 percent) owned a mobile phone while the majority (83 percent) owned a desktop PC, an MP3 player (66 percent), a laptop or a notebook (57 percent). In addition, about one-third (34 percent) owned a gaming machine such as a Playstation®, Wii™<sup>2</sup>, Xbox®<sup>3</sup>, or PSP®<sup>4</sup> while a small minority (14 percent) owned a PDA. Almost two thirds (61 percent) were employed full time and were between the ages of 25 and 44 years old (60 percent). About one-fifth were between the ages of 16 and 24 years while a little less than one quarter (22 percent) were 45 years or older. That said, respondents 65 years of age or older represent only 1.7 percent of the total, but they are often cited throughout this survey in terms of their reaction to new technology and services.

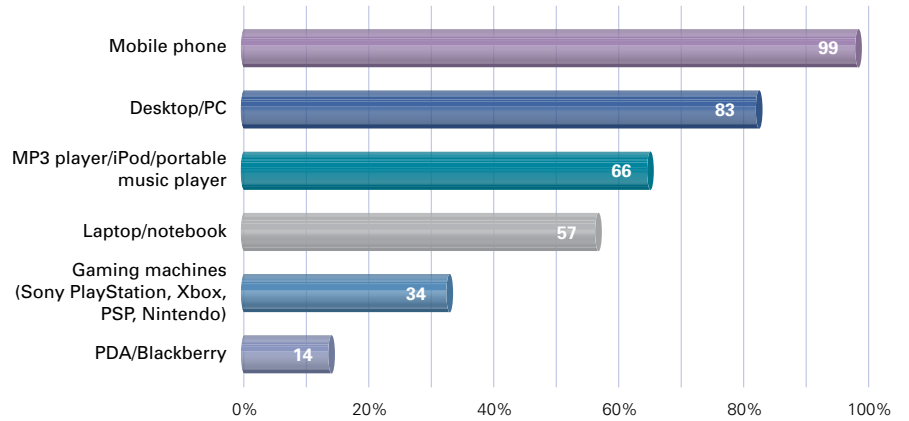


<sup>2</sup> Wii is a trademark of the Microsoft Corporation.

<sup>3</sup> Xbox Wii is a registered trademark of the Microsoft Corporation.

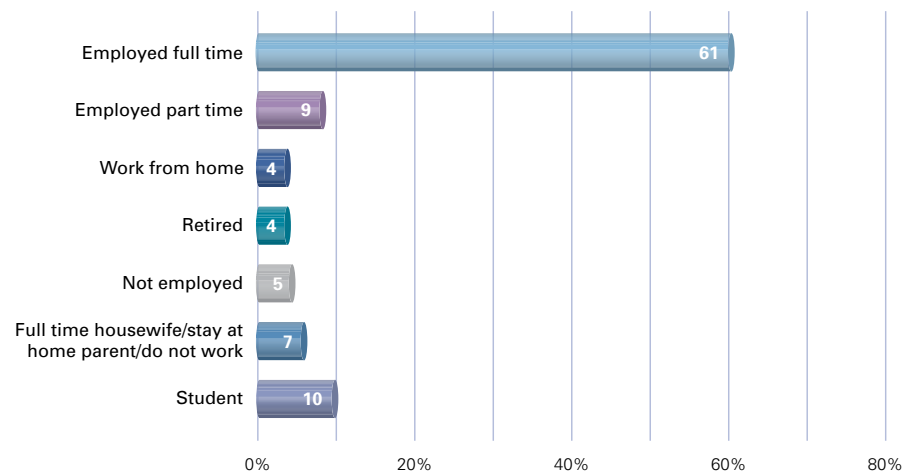
<sup>4</sup> Playstation and PSP are registered trademarks of the Sony Corporation.

### Communication Device Ownership



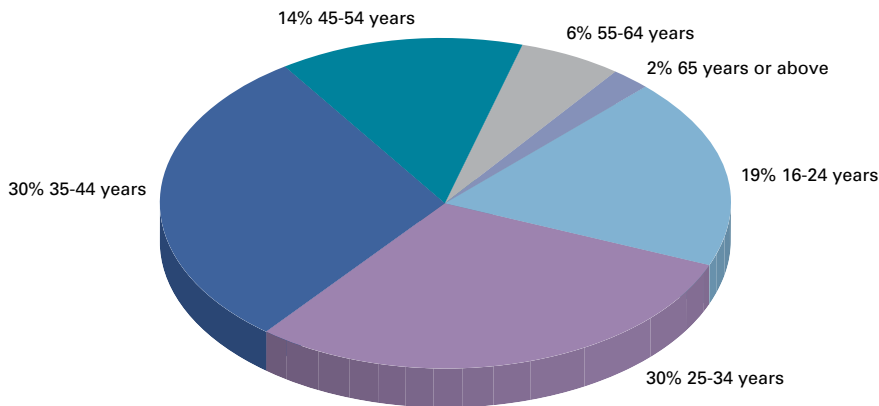
Multiple responses allowed.  
Source: KPMG International, 2009

### Respondent Occupation



Source: KPMG International, 2009

### Age of Respondents



Does not add up to 100% due to rounding.  
Source: KPMG International, 2009

### Consumer behavior and trends

Although PCs still remain the preferred device for accessing the Internet on a daily basis, mobile phone users are catching up. The growth in accessing the Internet by mobile phone is driven primarily by people from Asia and typically by those under the age of 65. The following behavior is driving this growth:

- Listening to and downloading music, radio, or ring tones (up to 34 percent of respondents compared to 21 percent in 2007) in the last 12 months. Instant messaging (31 percent v. 19 percent in 2007)
- Reading e-books, articles, and news stories (14 percent v. 4 percent in 2007)

Yet, other than for mobile calling, the mobile phone is the preferred device only for SMS texting (82 percent). In addition, the survey reports that 21 percent of the North American respondents, and 30 percent of the global respondents, have purchased songs at least once on their mobile phones in the past 12 months. An overwhelming majority of purchasers in North America (85 percent) and global (66 percent) said they were satisfied with the downloading and listening experience.

More than half (52 percent) of consumers also say they are satisfied with their experience downloading and viewing video clips on their mobile phones. About 11 percent of the North American consumers canvassed said that they have watched video clips on their mobile phone in the past year, while 38 percent of users globally have watched video clips during the same time.

Three out of 10 consumers have purchased a full-track music download in the last 12 months and the same number intends to purchase one in the next year.



### Mobile transactions

Mobile transactions, or using a mobile phone for purchasing items or engaging in banking, has increasingly become an accepted method of doing personal business. Despite its increasing prevalence, only a slight majority (53 percent) are somewhat comfortable using their mobile phones for financial transactions. Only 10 percent have used a mobile phone to purchase a product through a retailer's mobile site. A slight majority (51 percent) of respondents report that their current bank offers banking through mobile devices, but few (19 percent) have chosen to do so. Their main concern revolves around security and privacy. In addition, although a majority of respondents see mobile banking as important, they do not want to pay for it above their current banking fees.<sup>5</sup>

### Bundling<sup>6</sup> and Pricing

There was a significant decline in those currently bundling any content packages of subscription services (from 47 percent last year to 39 percent in our 2008 survey). Latin America was the only region that registered an increase in bundling (from 56 percent to 62 percent in 2008). All age groups registered a decrease in bundling, or were essentially flat year-to-year. Still, attractive post-introductory pricing (79 percent) was a key driver of interest in bundling or combining services and content (rating 4-5 on a 5-pt scale) and was also a key driver across both regions and age groups. Better price was still also a top driver in the decision to unbundle and switch providers (43 percent globally in 2008 compared to 56 percent in 2007) for a majority of the countries, except Saudi Arabia, South Africa, and Taiwan, where the number one driver for unbundling was better content or service (in Korea, price and content/service tied for the number one position). At the same time, 39 percent of those aged 65+ say they would never unbundle or switch services.

### Cost and pricing

Consumers are increasingly concerned about what they're paying for and sensitive to the bundle pricing. In the current economic environment, it appears that most consumers prefer usage of free content specifically in the digital space. This may influence their spending habits and purchasing decisions, which would make free content one of the biggest drivers for business within the convergence of technology and media. Respondents to our survey said that clear pricing (84 percent) and cost of service (83 percent) were at the top of a long list of factors impacting their next purchase, whether it be for a song, game, or video download.

### Pay to avoid advertising

Finding ways to pay for content, especially mobile content downloads, is still proving to be a significant challenge for most corporate players in the digital ecosystem. The ongoing debate around free vs. pay-for-content downloads continues and has only accelerated with the advances in applications for smart phones. And the mobile advertising industry continues to be in uncharted waters. The current advertising models that do exist are limited in their effectiveness. All content providers, from publishers to broadcasters, still struggle with finding the best, most efficient ways to monetize content online and now on mobile devices.

<sup>5</sup> For more information about mobile banking, please see *Mobile payments in Asia Pacific*, a publication of KPMG International that was released in 2007.

<sup>6</sup> There are two forms of bundling – traditional and next generation. This survey focuses on the former, which refers to a package of services such as voice communications, texting, and video downloading that are provided for a single rate. Next-generation bundling is a seamless integration of three or four screens – for instance, a call that would transfer from a consumer's cell phone to their landline.

### The dark and bright side of mobile advertising

Consumers say they are more willing to pay for online content to avoid ads on their mobile phone versus their computer (rating 4-5 on a 5-pt scale). Mobile phone users (43 percent) were willing to pay to avoid ads compared to 33 percent for computer users. That's an important point since it is generally accepted that consumers do not respond in great numbers to online ads and the survey again this year reinforces the notion that consumers would rather not see ads on their mobile phones.

When it comes to music downloads however, the circumstances change. Half of all respondents say they are willing to receive advertisements on mobile phones in exchange for music downloads compared to instant messaging (44 percent) and video gaming (28 percent). North America (61 percent) was the region least willing to receive advertisements in exchange for music downloads, instant messaging or gaming, while the 65+ age group (70 percent) was least willing to receive advertisements in exchange for the same services.

### Consumer Security and Privacy

Privacy was also a concern of consumers using mobile phones for services, such as chat and banking transactions. Ensuring the privacy of personal information was important in consumers' desire to expand mobile chat services.

Even with advances in desktop security, Internet secure sites, and encrypted wireless data transmission, consumers are very concerned about security (60 percent) and privacy (55 percent) when using a mobile device. Their top security and privacy concerns are unauthorized access to personally identifiable information, or PII (73 percent), and interception of credit card information (69 percent). Half are not at all willing to allow tracking of online usage/personal profile information in exchange for lower costs while some (36 percent) are somewhat willing and a few (14 percent) are very willing. This seems to imply that some consumers are not completely opposed to having their profiles and activities tracked, as long as they feel assured that they are in safe hands.

Carriers and content providers alike face challenges in the areas of security and privacy to overcome real and perceived fears. For mobile carriers, reports of privacy breaches are not helpful and provide examples that reinforce consumer fears. At the same time, for many years consumers have been able to carry devices that pinpoint where they are on a map. And new 3G technology signals the growing sophistication of an industry – demonstrating the power of joining precise location technology with the reach of the Internet on mobile devices.

By using sophisticated technologies, merchants can use PII and other data to target ads, malls can use the information to entice shoppers, insurance adjusters to calibrate premiums, and so on. What many users are beginning to realize is that by sharing mobile device information, they are in effect creating often permanent records that can tell not only wireless providers, but also social networking sites, other users and even law enforcement agencies about every place they are and have been, as long as their phone and tracking device remain in the on position.

Half of all respondents say they are willing to receive advertisements on mobile phones in exchange for music downloads.



Half of mobile device users are not at all willing to allow tracking of online usage/personal profile information in exchange for lower costs while some (36 percent) are somewhat willing and a few (14 percent) are very willing.

### Regional Trends

Mobile phones are quickly becoming a reasonable alternative to PCs to access the Internet as well as to watch TV, access social networks, read e-books, download games and music, and engage in shopping and mobile banking.

Consumers in Asia are showing the greatest willingness to use mobile phones for a variety of tasks, especially reading e-books and downloading games and music, followed by Latin America and the Middle East and Africa. Those in North America and Europe are lagging their regional counterparts.

Asia Drives Internet Access										
	Asia		Europe*		Middle East/ Africa** (Saudi Arabia and South Africa)		North America		Latin America (Brazil and Mexico)	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Emailing	6%	15%	6%	8%	N/A	18%	5%	9%	12%	10%
Writing blog/ forum/ articles	3%	8%	3%	5%	N/A	12%	0%	3%	3%	4%
Instant Messaging	19%	36%	17%	14%	N/A	49%	18%	24%	20%	26%
Reading news/ weather	20%	29%	8%	10%	N/A	28%	4%	9%	10%	8%
Reading ebooks/ articles/ stories	6%	22%	3%	3%	N/A	12%	2%	5%	2%	5%
Watching TV/ video	6%	10%	6%	6%	N/A	19%	1%	5%	6%	8%
Gaming	25%	42%	18%	14%	N/A	46%	10%	8%	30%	35%
Listening to/ downloading music/ radio/ ring tone etc	23%	43%	18%	16%	N/A	46%	14%	10%	27%	30%
Shopping	4%	6%	1%	3%	N/A	9%	0%	1%	1%	6%
Banking/ payment	5%	6%	3%	5%	N/A	27%	1%	3%	8%	7%
Accessing directions*	N/A	15%	N/A	9%	N/A	23%	N/A	12%	N/A	10%

Going forward, it appears that Asian consumers are most willing to use their mobile phones for purchasing music, video games, and watching live TV, followed by Middle East and Africa and Latin America. Europe and North America are apparently less willing. The following chart shows the top three regions that are likely to engage in different activities over the next six to 12 months.

Technology	Most Likely To Purchase/ Use. Next 6-12 Months	
	Region	Age Group*
Purchase a full-track music download	1. Asia 2. Middle East/ Africa 3. Latin America	1. 25-34 yr old 2. 45-54 3. 35-44
Purchase a video game for use on a mobile phone	1. Asia 2. Middle East/ Africa 3. Latin America	1. 24-34 yr old 2. 45-54 3. 16-24
Watch live TV on a mobile phone	1. Asia 2. Latin America 3. Middle East/ Africa	1. 45-54 yr old 2. 55-64 3. 25-34
Purchase a video clip on a mobile phone	1. Asia 2. Middle East/ Africa 3. Latin America	1. 25-34 yr old 2. 16-24 3. 45-54
Use mobile chat services	1. Asia 2. Middle East/ Africa 3. Latin America	1. 45-54 yr old 2. 25-34 3. 16-24

Source: KPMG International, 2009



### Age Trends

Some of the more remarkable survey results concern age trends, or how people responded to certain questions based upon their age. In some respects, there is a certain consistency in the responses, i.e. younger respondents tend to be more accepting of the security and privacy risks associated with mobile phone usage when compared to older respondents, especially in areas such as mobile banking and payments.

But there are exceptions. For instance, the oldest mobile phone users (65 years or older) were much more adamant about paying for content to avoid advertising than the younger mobile phone users. Still, it appears that the younger users of both mobile phones and PCs are less concerned about privacy issues than older users

Service	Age Range
<b>Mobile Banking</b> – Somewhat likely to use over the next 12 months.	<ol style="list-style-type: none"> <li>1. 35-44 yr old (42%)</li> <li>2. 25-34 (41%)</li> <li>3. 45-54 (38%)</li> </ol>
<b>Bundling</b> – Currently bundling content packages or services	<ol style="list-style-type: none"> <li>1. 45-54 yr old (43%)</li> <li>2. 55-64 (41%)</li> <li>3. 25-34 (40%)</li> </ol>
<b>Online Advertising</b> – Willing to pay for content to avoid ads (on a 1-5 scale, with 1 lowest and 5 highest) on mobile phones	<ol style="list-style-type: none"> <li>1. 65 yr or older (3.6)</li> <li>2. 45-54 (3.2)</li> <li>3. 16-24; 25-34; 55-64 (tie) (3.1)</li> </ol>
<b>Privacy</b> – Somewhat willing to allow online usage pattern and personal profile information to be tracked for advertisers IF this results in lower costs.	<ol style="list-style-type: none"> <li>1. 16-24 yr old (40%)</li> <li>2. 35-44 (37%)</li> <li>3. 25-34 (36%)</li> </ol>

Source: KPMG International, 2009



When it comes to leisure activities, such as downloading music, purchasing a video game or a video clip, younger respondents appear to take charge over their older brethren.

The following chart shows the top age groups that are likely to engage in different leisure activities over the next six to 12 months.

Technology	Most Likely To Purchase/Use Next 6 -12 Months
	Age group
Purchase a full-track music download	<ol style="list-style-type: none"> <li>1. 25-34 yr old</li> <li>2. 45-54</li> <li>3. 35-44</li> </ol>
Purchase a video game for use on a mobile phone	<ol style="list-style-type: none"> <li>1. 25-34 yr old</li> <li>2. 45-54</li> <li>3. 16-24</li> </ol>
Watch live TV on a mobile phone	<ol style="list-style-type: none"> <li>1. 45-54 yr old</li> <li>2. 55-64</li> <li>3. 25-34</li> </ol>
Purchase a video clip on a mobile phone	<ol style="list-style-type: none"> <li>1. 25-34 yr old</li> <li>2. 16-24</li> <li>3. 45-54</li> </ol>
Use mobile chat services	<ol style="list-style-type: none"> <li>1. 45-54 yr old</li> <li>2. 25-34</li> <li>3. 16-24</li> </ol>

Source: KPMG International, 2009



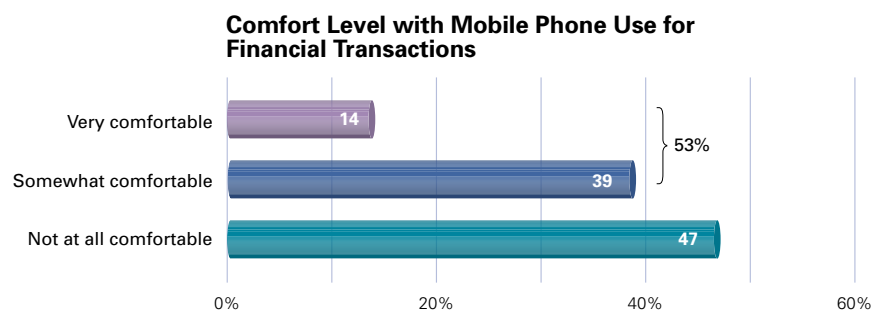
# Comparative Analysis

## Online and Mobile Transactions

Mobile transactions, including mobile banking and payments, are rapidly increasing around the world, but it is clear from survey respondents that it has not yet reached maturity. A slight majority (51 percent) of respondents report that their current bank offers banking through mobile devices. Admittedly, this is not really about market reality but more the respondents' awareness of the service offering. Less than half of that amount (19 percent) says it has used a mobile device for banking purposes. A slight majority (52 percent) of those who conducted mobile phone banking in the last six months did so at least monthly. Interestingly, more than half (54 percent) said they were at least somewhat likely to conduct banking through a mobile device within the next 12 months. Cost is still a concern, however, as the majority (59 percent) of respondents say online banking on their mobile phone is important, but they do not want to pay for it.

As a region, consumers in Asia have done the most mobile device banking (23 percent) and purchases (14 percent) while those in North America (91 percent) have done the least. In addition, the youngest respondents, or those between the ages of 16 to 24 years of age, have done the most mobile device banking (22 percent) while those who are older than 65 years of age (96 percent) have done the least. The main reason preventing consumers from using their mobile phones for banking transactions is security/privacy (44 percent).

### Q. How comfortable are you in using your mobile phone for financial transactions (e.g., mobile banking, as a credit card)?

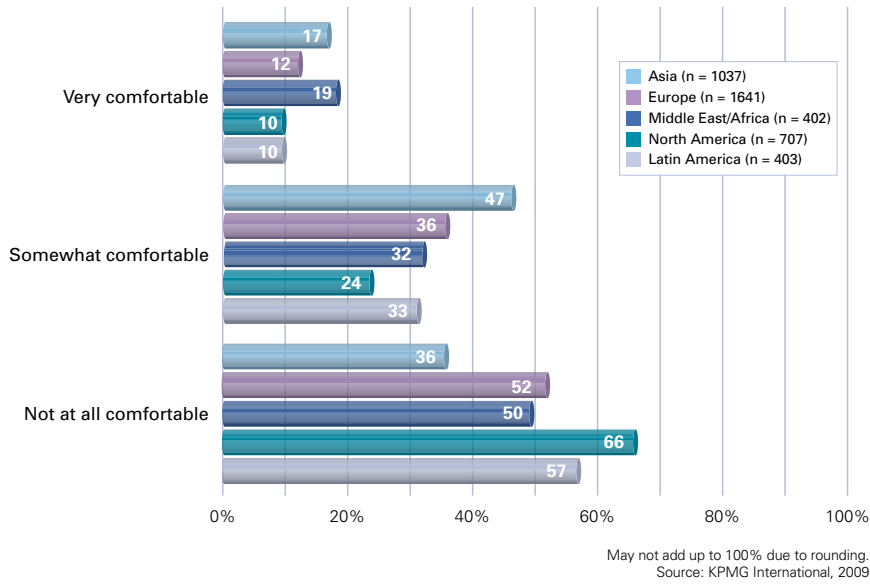


Source: KPMG International, 2009

In the aggregate, a slight majority (53 percent) are at least somewhat comfortable with using a mobile phone for financial transactions, while 47 percent are not at all comfortable. Many of those who are not comfortable with mobile banking are respondents from North America (66 percent of the region) and people 65 years old or older (75 percent of the respondents).

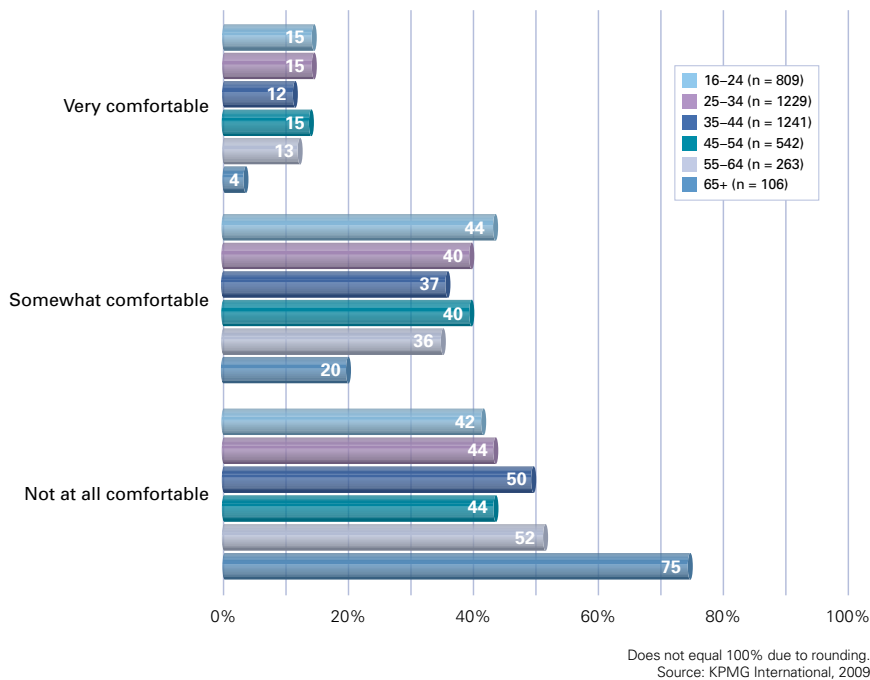


**Comfort Level with Mobile Phone Use for Financial Transactions.**



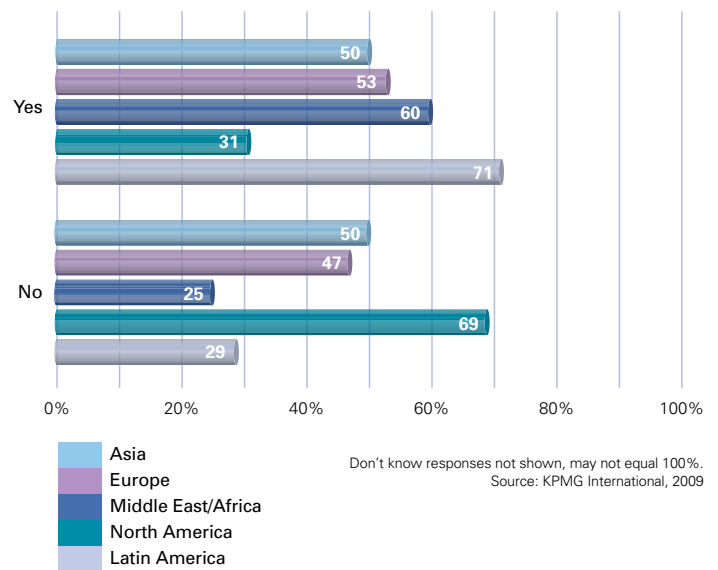
When looked at regionally, respondents from Asia (64 percent) are at least somewhat comfortable using their mobile phone to make financial transactions. In the Middle East and Africa, 51 percent were very or somewhat comfortable.

**Comfort Level with Mobile Phone Use for Financial Transactions.**



North American banks are also lagging the rest of the world in making mobile banking available to their customers. Only 31 percent of respondents in North America said their banks offer banking through mobile devices compared to 71 percent in Latin America and 60 percent in the Middle East/Africa. The environment in North America appears to be changing however, as several of the commercial center banks have recently expanded marketing of their mobile banking capabilities to their customers

**Respondents Indicating Their Banks Offer Banking Through Mobile Devices, by Country**



In a clear demarcation, younger mobile phone users are more likely to be early adopters. It comes as no surprise then that the youngest mobile phones users, or those between the ages of 16 and 34, were the most comfortable using their phones for financial transactions, while the 65+ age group (75 percent) were not at all comfortable.

Finally, respondents mentioned two issues that could impact their decision to use online or mobile banking in the future: (1) Security or privacy and (2) ease of use.

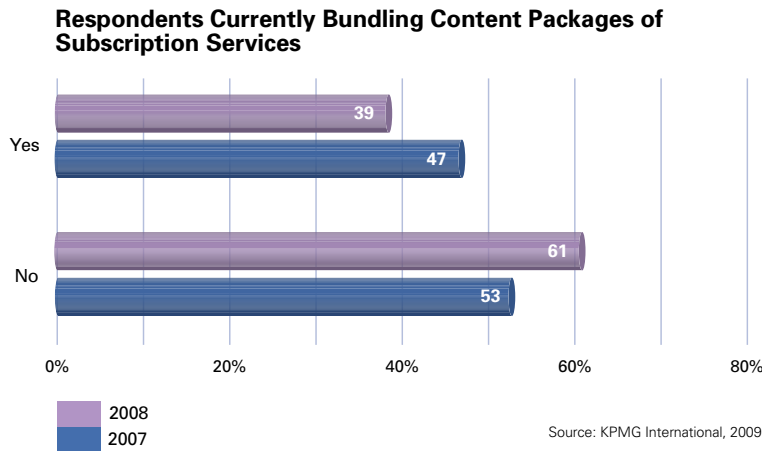
Almost a third (32 percent) of those who bank online at least once a week say that security is the most important factor driving them to visit their favorite banking site. Another one fifth of the respondents said that "ease of use" was the other factor. As for regions, the most important factor for respondents in the Middle East/Africa was overall user experience.

Among those who bank online, a clear majority (59 percent) say that online banking on their mobile phone is important, but they do not want to pay for it. Respondents from North America (85 percent) and those from the 65+ age group (87 percent) are the most likely to not want to pay for the service.

**Bundling**

Over the past few years, mobile phone users have become increasingly selective in their service plans. Only a few years ago, the traditional form of bundling – or combining service offerings such as mobile telephone service bundled with content packages such as instant messaging, live video or Internet for one set price – was fairly common. But there has been a noticeable decline in those currently bundling any content packages of subscription services, from 47 percent in 2007 to 39 percent in the 2008 survey. In fact, Latin America was the only region that registered an increase in bundling (from 56 percent in 2007 to 62 percent last year.) In addition, all age groups registered a decrease, or were essentially flat on a year-to-year basis.

**Q. Are you currently bundling any content packages of services that you have subscribed to?**

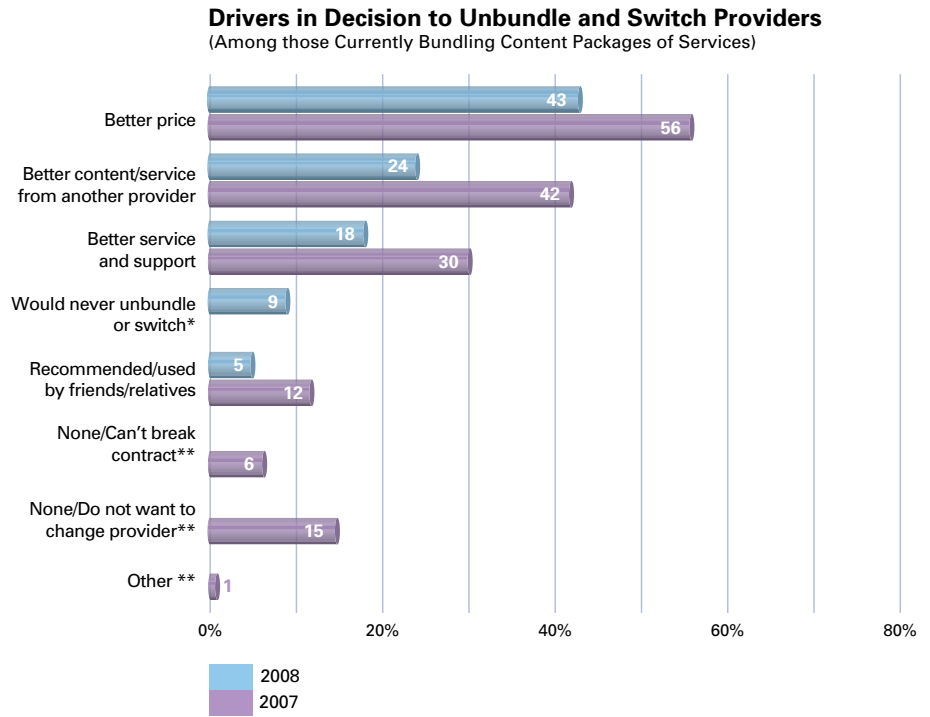


Still, an attractive post-introductory pricing (79 percent) was a key driver of interest in bundling, combining services, and increasing content, followed by low introductory pricing (68 percent). Post-introductory pricing was a key driver across both regions and age groups.





**Q. What would make you unbundle and switch to another service provider for one or two services and content that you are currently using?**



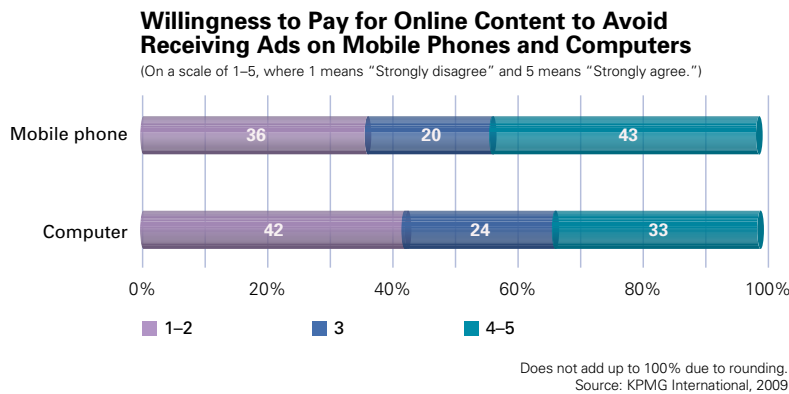
Does not add up to 100% due to rounding.  
 \*\* Data not available for 2008  
 \* Data not available for 2007  
 Source: KPMG International, 2009

In terms of what would make mobile phone users willing to unbundle and switch service providers, a better price topped the list (43 percent in 2008 compared to 56 percent in 2007), which was almost twice as much as the second leading factor, better content/service from another provider (24 percent). All the regions except for the Middle East/Africa focused first on better price as the key driver, particularly in North America. In the Middle East and Africa, 40 percent of the respondents said they were most likely to unbundle and switch to another service provider for better content/service, followed by 23 percent who said they would do so for a better price. The most steadfast mobile phone users were those in the 65+ age group (39 percent) who said they would never unbundle or switch.

**Paying for Advertising**

When KPMG asked questions about online usage and advertising, it appears that all respondents are more open to online advertising on their computers than on their mobile phones. Our speculation is that consumers have become desensitized to advertising on their computers and that advertising is also less intrusive on a larger screen. However, with mobile phone advertising still in its “infancy,” it could be that consumers are expressing their preference for less advertising on their mobile phones. The bottom line is that consumers were more open to seeing online advertisements while accessing news and information on the Web with their computers than mobile phone users.

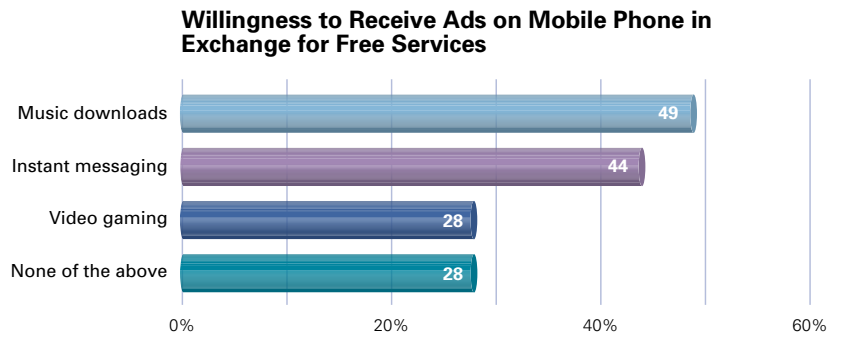
**Q. On a scale of 1-5 where 1 means “Strongly disagree” and 5 means “Strongly agree”, please rate your level of agreement with the following statements.**



Consumers say they are more willing to pay for online content to avoid ads on their mobile phone versus their computer (rating 4-5 on a 5-pt scale). Mobile phone users (43 percent) were more willing to pay to avoid ads compared to 33 percent for computer users. This trend was consistent across all regions and age groups. Still, this suggests that 56 percent of consumers may be willing to accept advertising in exchange for mobile content – an extraordinary figure and a very positive statement about which the industry will undoubtedly take note. The mobile industry has been trying to get advertising to work, and companies have been unsure about the willingness of consumers to accept it.



**Q. Would you be willing to receive advertisements on your mobile phone in exchange for free music downloads, instant messaging, or video gaming?**

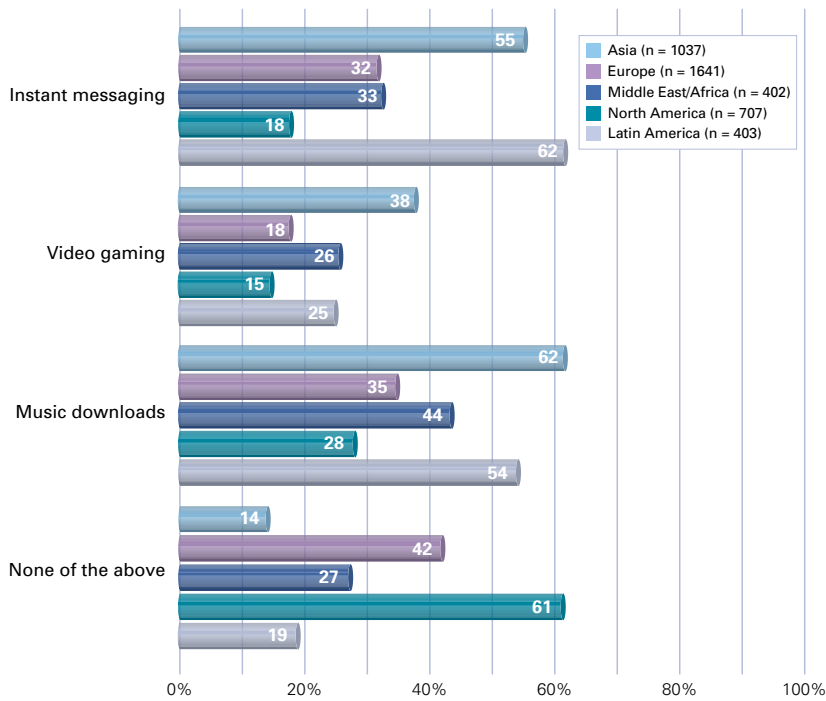


Multiple responses allowed.  
Source: KPMG International, 2009

When it comes to handing out freebies, however, consumers are quick to drop their resistance to advertising. Interestingly, half of all respondents say they are willing to receive advertisements on their mobile phone in exchange for music downloads compared to instant messaging (44 percent) and video gaming (28 percent).



**Willingness to Receive Ads on Mobile Phone in Exchange for Free Services, by Country**



Multiple responses allowed.  
Source: KPMG International, 2009

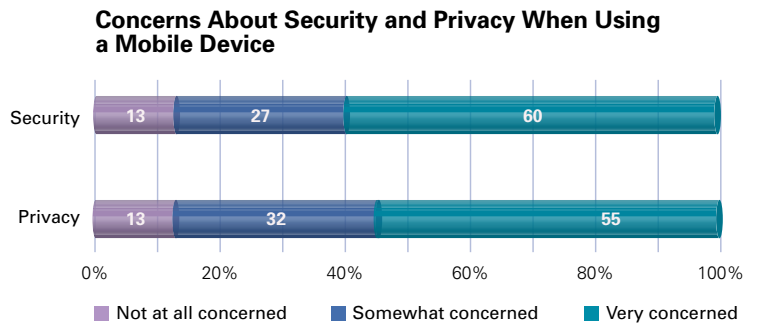
By region and age group, North America (61 percent) was the least willing to receive advertisements in exchange for music downloads, instant messaging or gaming, while the 65+ age group (70 percent) was least willing to receive advertisements in exchange for the same services.



**Privacy**

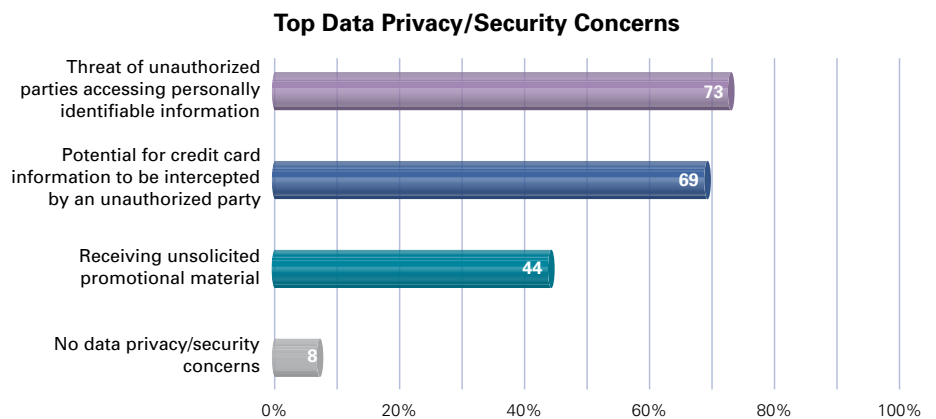
For years, consumers have registered their concerns about privacy and security when using computers or mobile phones for communications and financial transactions. KPMG’s most recent survey shows those concerns continue, especially for mobile phone users.

**Q. When using a mobile device, how concerned are you about the following?**



Source: KPMG International, 2009

Consumers are very concerned about security (60 percent) and privacy (55 percent) when using a mobile phone device. And although consumer concern about security and privacy are consistent across age groups, Europe is the one region that is least likely to be very concerned about security (47 percent) and privacy (43 percent). Still, there is considerable variance from country to country, which may be due to the extent of regulations that have been put in place.



Multiple responses allowed. Source: KPMG International, 2009

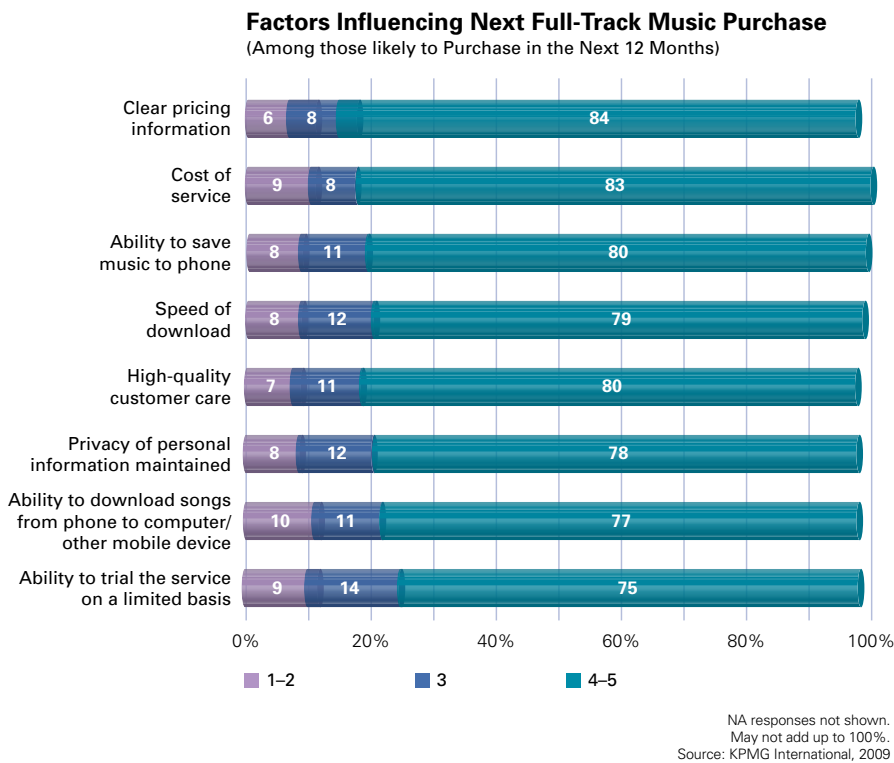
The top security/privacy concerns of consumers in KPMG’s survey was the unauthorized access to personal information (73 percent) followed by interception of credit card information (69 percent) and receiving unsolicited promotional material (44 percent). A very small minority (8 percent) had no qualms about security or privacy.

Sometimes lower costs can change an opinion, however. Although half of all respondents appear to be adamantly opposed to allow tracking online usage and personal profile information in exchange for lowering costs, it appears that the other half is either somewhat (36 percent) or very willing (14 percent) to make this exchange.

**Clear Pricing and Cost**

KPMG asked mobile phone consumers a range of questions revolving around multimedia downloads such as music, video games, live TV, video clips, and chats. When asked what would influence future purchases of multimedia content, most of the respondents cited clear pricing as an incentive for music downloads, video games, and video clips.

**Q. To what extent will each of the following influence your next purchase of a full-track music download?**



Among those who are likely to purchase a full track music download in the next 6-12 months, clear pricing (84 percent) and cost of service (83 percent) topped a long list of factors impacting next purchase (rating 4-5 on a 5-pt scale). The influence of clear pricing and cost of service was consistent across all regions and age groups.

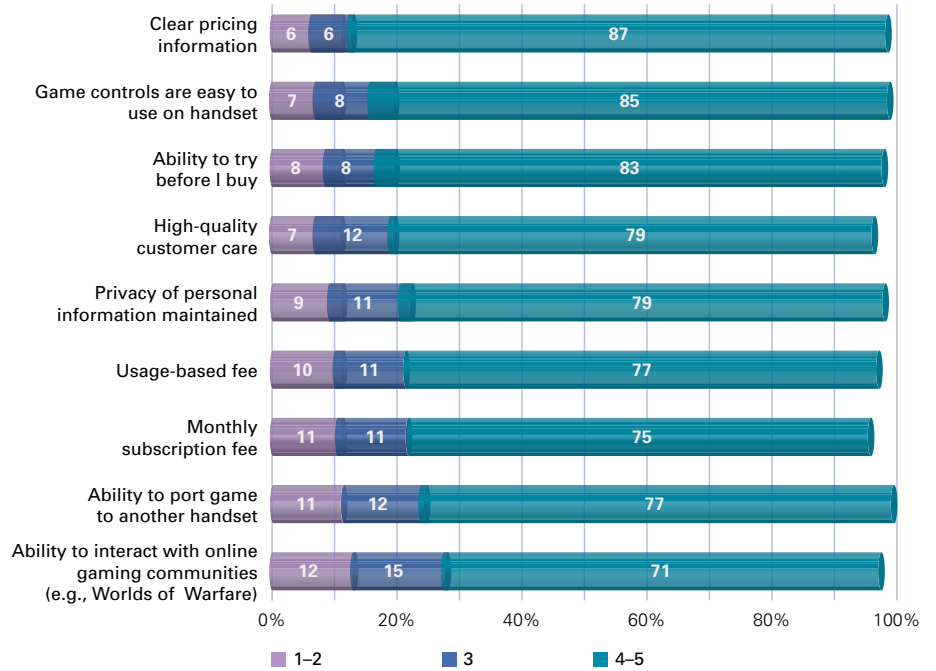


**Q. To what extent will each of the following influence your next purchase of a video game for use on your mobile phone?**

**Factors Influencing Next Video Game Purchase**

(Among those Engaging in Online or Stand-alone Gaming Not Everyday But Every Week)

(Based on a scale of 1-5, where 1 means "Not at all influential" and 5 means "Very influential.")



NA responses not shown.  
May not add up to 100%.  
Source: KPMG International, 2009

For consumers interested in downloading video games, clear pricing (87 percent) was the top influencer of the next purchase, rating 4-5 on a 5-pt scale). Clear pricing had the most influence on respondents from Latin America, although the influence varies among age groups.

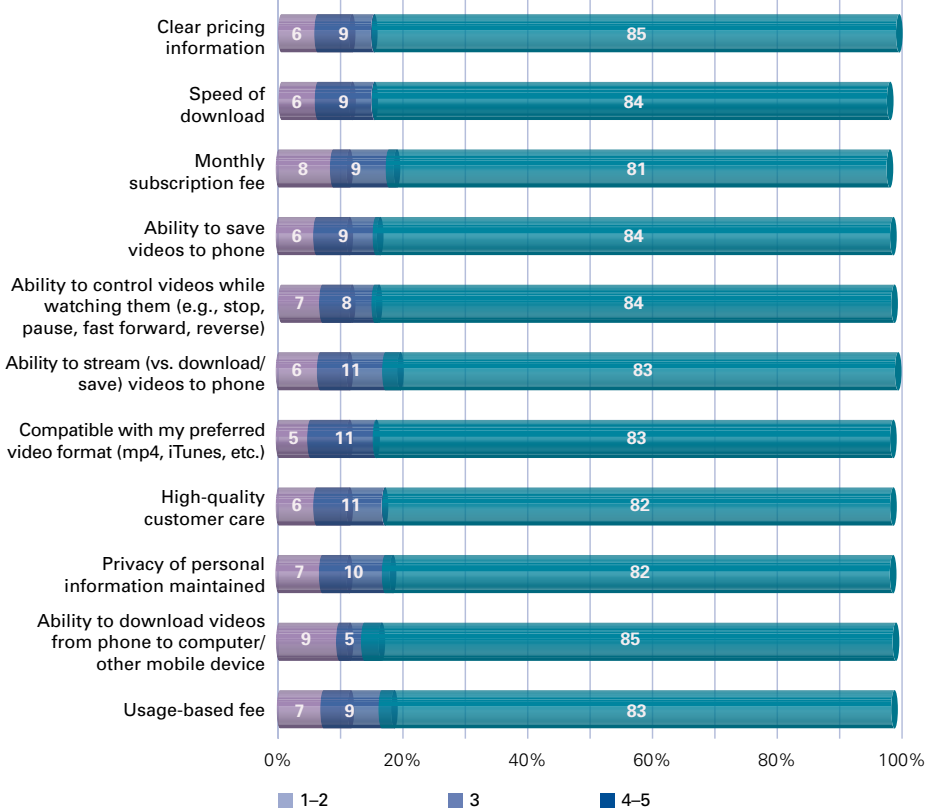


**Q. To what extent will each of the following influence your next purchase of a video clip?**

**Factors Influencing Next Video Clip Purchase**

(Among those Likely to Purchase in the Next 6–12 Months)

(Based on a scale of 1–5, where 1 means “Not at all influential” and 5 means “Very influential.”)



NA responses not shown.  
May not add up to 100%.  
Source: KPMG International, 2009

For consumers interested in downloading video clips, clear pricing (85 percent) and download speed (84 percent) topped a long list of factors influencing next purchase (rating 4-5 on a 5-pt scale). Clear pricing had the most influence on respondents from Latin America, although the influence of clear pricing and download speed was consistent across age groups.



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