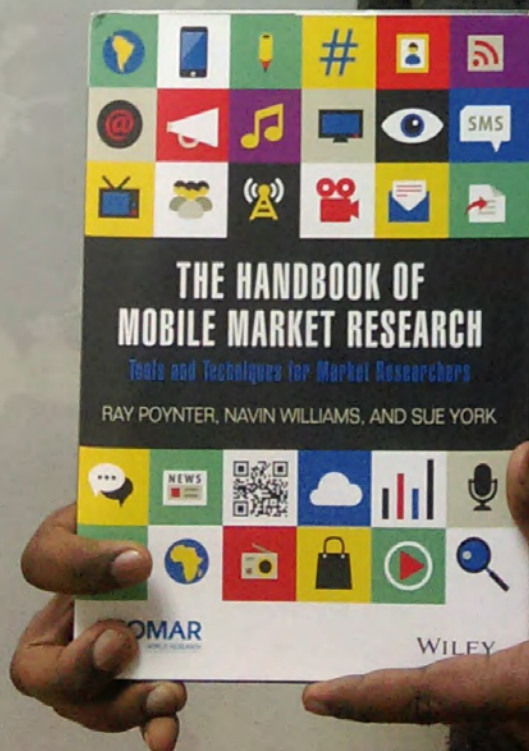


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MARCH 2015

MOBILE IN 2015 & MOBILE MR



MY EX-SYNCHRONIZED
SWIMMING IN THE
BIG BLUE ABYSS
– CO-CREATION
IN QUANTITATIVE
CONTEXTS

FIVE WAYS YOU CAN
MORE EFFECTIVELY
SHAPE STRATEGY

THE AVERAGE
CONSUMER IS ALIVE
AND STATISTICAL

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Connectivity via mobile devices is the trend of the decade, and the industry is still changing with great velocity.

Those changes are having an ongoing impact on marketing research. Here's how this technology will be influencing our industry for the coming year.

Navin William

Recap of Years Gone By: 2013 and 2014

If we look back a bit before we look ahead, 2013 saw the consolidation of mobile players, mainly:

- The drop of the independent OSs due to the access of Android as a license-free OS that was available to any manufacturer.
- The death of Nokia (Nokia and Windows) and the soon to be dead BlackBerry.

Come 2014, we saw the effects of the consolidation with the world divided into the iOS and Android world. The continued growth of Android phones and fragmentation within the Android world saw the rise of three trends in 2014:

- Arrival of the global Chinese manufacturers in the form of Huawei, ZTE, Lenovo, etc.
- My phone is not big enough – phablets.
- Trend towards all phones turning smart (i.e. the death of the feature phone).

Consolidation and Revival

From a mobile handset point of view, there is a move to converge to one of the two OSs for delivery to consumers. So irrespective of mobile manufacturers and allied service providers,

they are all moving to synch their new services with existing OSs – namely Android and iOS. This is not out of love for consumers, but an acknowledgement of the existing installed base and the expected dominance of these two OSs in the coming mobile future. Therefore we are going to see a lot of innovation coming that would all like to go mobile and they will all hop on these two OSs' installed bases. But unlike parasites, many of these new technologies and innovative services will enhance consumers' mobile experiences.

The two other OSs still out there and having a chance of reviving their fortunes are BlackBerry and Windows Mobile. However, as things stand:

- BlackBerry is on a downward spiral and only its large enterprise clients are keeping the company afloat. Even its low-end phones, which did extremely well in key developing markets like Indonesia and Nigeria for a while in 2013/14, are being abandoned in favour of Android phones. Also, the dependence on its older models and services to maintain its diminishing position in the market has made the company and its products irrelevant. Even Nokia, the former king of the feature phone market, stopped supporting its phones (S1, S2 and Symbian OSs) in January 2014.

b) Windows Mobile phones, the new kid on the block post the acquisition of Nokia by Microsoft, is a big foot with deep pockets, but with a tiny footprint at the moment. Microsoft would have to bring serious value or innovation or both to have any realistic chance of being the third wheel in this romance of the OSs. It has managed to build a solid set of phones; however, lacking a complementary mobile ecosystem in which to place it seems like it has come to the party a little too late. But, this is Microsoft, and it may be able to fund these phones longer than most manufacturers, giving them an outside chance of a revival.

This of course assumes that this is a three-horse race, with BlackBerry being dumped on the sidelines. Realistically, however, there's an opportunity to revive BlackBerry by either merging with an existing player in the market with allied services that may or may not directly involve mobile. After all, BlackBerry's true value lies in the secure mail content service it provides to enterprises. While Windows needs to find a way of offering true value and innovation to upstage Android and iOS, BlackBerry and Windows may find it worth their while to merge before they get obliterated completely.

2015 for the Dominant Players: Dance for Two

While 2014 saw the dominance of Android, 2015 can be expected to be the year iOS gets its shine back. After ignoring the call for a larger screen for years, Apple finally acknowledged that "size does matter." With the iPhone 6 and 6S, iOS has joint the phablet party and can be expected to help grow the phablet category further. Launched in the end of 2014, Apple caught the holiday shopping season and reported the largest ever sales figures in corporate history.

"Apple Inc. quarterly results smashed Wall Street expectations with record sales of big-screen iPhones in the holiday shopping season and a 70 percent rise in China sales, powering the company to the largest profit in corporate history. The company sold 74.5 million iPhones in its fiscal first quarter ended Dec. 27."

Reuters, January 2015

Apple can be expected to continue to play in the premium sector, and therefore it may not grow its share of the market significantly. But the company can be expected to hold onto its share in 2015 and will not lose further ground to Android. This OS has had quite a free run in the past couple of years, including in the premium segment. The likes of Samsung, HTC, Sony and others have been eating into iOS's dominance by offering Android phones with high specification comparable

with Apple devices – and in some instances exceeding iOS phones, particularly in pricing. This year will see a consolidation of Apple's iOS as the preferred choice of the well-heeled. In developing markets, Apple's growth will almost come exclusively from China from a volume perspective. If Apple decides to tinker with pricing to conform to PPP (Price Power Parity) of developing nations, there's a good chance that it can come to dominate the premium segment across all developing markets where the premium Android phones are currently Numero Uno.

Android phones, in the meantime, are going to consolidate their position as the people's phone, and have offerings across the spectrum of handsets in the market from premium to entry level. The war of the phones in 2015 and beyond will be less about the brand but the ecosystem and services tied to it. For example, two manufacturers who are having tremendous success initially in China and now are exporting their success overseas are Xiaomi and OnePlus. Xiaomi bundle its content service with its phones but are still tied to Android. OnePlus only sell its phones via an online referral program, which has spurred demand.

Consumers will choose an iOS for iTunes and other Apple cloud services and Android will be chosen for Google and its allied services. In China, however, Android buyers must integrate with other cloud services, given that Chinese manufacturers are not preinstalling Google services on their phones sold in China, but substituting with homegrown services such as Baidu Maps. This leaves a small window (very small, with the potential of one billion customers) of opportunity for a Chinese homegrown OSs to come into the fray.

Only The Smart Remain

For years, analysts have quoted reams on smartphones and the definition has been evolving, debated and dissected continuously. In January 2014, Nokia announced it was not going to support its Symbian platform any longer, which was the final nail in its coffin. After enjoying a dominant share of the mobile handset market just half a decade ago, Nokia is, for all practical purposes, dead. However, we must note that in the developing world, especially rural markets where refurbished and traditional feature phones still exist, Nokia's installed base is still considerable, though it's slowly giving way to the Android juggernaut. This effectively means that by the end of 2015, there would be only one definition of handsets: smartphones. The feature phone will be a classic consigned to the relics of history like the telex machine. In fact, the first business-only smartphone BlackBerry, in today's fast evolving phone market, is a relic already and is in danger of being dubbed the "featureless phone."

Historical sales figures, in millions

Year 2009	Android (Google)	iOS (Apple)	Windows Mobile/Phone (Microsoft)	BlackBerry (formerly RIM)	Symbian (Nokia)	Palm/WebOS (Palm/HP)	Bada (Samsung)	Other
2014 Q1 - Q3	6.8	24.89	15.03	34.35	80.88	1.19		1.61
	734.06	125.59	22.63	5.82				

Source: <http://en.wikipedia.org/wiki/Smartphone>

Looking beyond 2014 right up to 2018, the chart below is very unimpressive, yet revealing. It basically says that in the next four years, the world of handsets will largely be the same. Android & iOS will maintain their relative shares largely intact; Windows will grow marginally and other miscellaneous OSs will be negligible. So if the mobile world in terms of the players in the market isn't going to change, what is? Is there no innovation expected by the mobile players in the market? The answer to that is yes and no. Yes, there will be tons of innovation. No, most of it will not be led by the mobile manufacturers. The future looks to belong to innovators who will work around the mobile ecosystems and utilize them as channels to reach and enhance consumers' lives.

Worldwide Smartphone Forecast by Shipments and Value, 2014 and 2018

	2014*	2014* Market Share	2018* Market Share	2018*	2014-2018 CAGR
Shipment (M units)					
Android	1,060	82.3%	1,498	80.0%	9.0%
iOS	178	13.8%	240	12.8%	7.8%
Windows Phone	35	2.7%	105	5.6%	31.4%
Other OS	14	1.1%	30	1.6%	20.4%
Total	1,288	100.0%	1,873	100.05	9.8%
Value (US\$M)					
Android	255,102	66.6%	275, 248	60.9%	1.9%
iOS	116,540	30.4%	152,626	33.8%	7.0%
Windows Phone	7,782	2.0%	19,033	4.2%	25.1%
Other OS	3,480	0.9%	4,862	1.1%	8.7%
Total	382, 904	100.0%	451,769	100.0%	4.2%

Source: IDC Worldwide Quarterly Mobile Phone Tracker, December 1, 2014

The Wearables: Parasites Defined in a Good Way

Looking ahead to 2015, we can expect a lot of action as the whole definition of mobile is being reframed. A whole host of wearable technologies is increasingly becoming consumer friendly and being adopted at an alarming pace globally. Google Glass came into the world with a bang and went into the shadows with a whimper; it was probably a bit ahead of the times. Other wearables are slowly gaining acceptability, which will fuel more wearable products. The return of Google Glass and similar products in the future is also possible.

Running wristbands with an app to sync into is already an established product in the market and as 2015 unfolds we are increasingly going to see more wristbands, armbands, watches, glasses, cameras, anklets, sensors in public places, wearable clothing with built-in sensors and sensors embedded in inanimate objects in homes and other public places.

Safe and Legal

It is well recognized that wearable technology is growing rapidly and will continue to grow. What is not clear is how these technologies will sit with privacy advocates and regulators. The rules at play at the moment are not clear or known. Often, new mobile apps and services collect far more data than is required during an installation or interaction with consumers' phones. Even if a consumer signs an agreement or waiver, it is nothing short of being under duress, as no one has the time to read through long reams of legal agreements. As the loopholes or lack of laws are exploited, slowly but surely the laws are being put into place; however, the technology and its allied services are growing at a much faster pace. How long this cat and mouse game will continue is anybody's guess. Eventually, certain privacy precautions will have to be taken by individuals irrespective if there is a law or not; and by responsible corporations and service providers. If regulatory bodies step in to define rules to ensure no exploitation is undertaken without choking the life out of

innovation, that would be an added benefit. However, don't hold your breath, as the dance with the ever-growing mobile technologies is here to stay. The regulators need to thread a fine line of being an overzealous nanny and the cool parent.

What's Coming In 2015 and the Impact on Marketing Research

Wearables and Sensors – Wearable technologies and sensors will continue to grow in access, sensitivity and sophistication. They will go beyond wristbands to having sensors embedded in fabric, inanimate objects and locations. Sensors will start to become part of non-mobile objects and devices, and they'll be able to talk to consumers' mobile devices. The growth in application of these new wearables and sensors will be defined by how they enhances consumers' lives. Mobiles will increasingly develop into a one-stop remote control for all activities and devices consumers are connected to. Applications such as: mobile payment; targeted store promotions/coupons/discounts; and location-based and dynamic/spontaneous/on-demand services will drive both growth and innovation. Marketing research will have to find a way of measuring the impact and behaviour of the evolving mobile consumer in the new digitally connected world.

Customized for "Me" – Generic apps and other services will increasingly get personalized. For instance, consumers will get direct offers when entering a zone with WiFi, beacons or other connection avenues. For instance, when arriving at a mall, a consumer carrying a mall discount card would be greeted by robot speaker wishing him or her a great day. On opening their phone, there would be a notification listing all the stores having a sale including a reminder to pick up their dry cleaning. Consumers will also download apps that come personalized based on behavioural data available publically or from service providers. These innovations will enhance consumer experiences but will also create new challenges for marketing researchers to understand changing consumer behaviour.

Mobile Commerce and Big Data – As the world moves further into ecommerce, driven by giants like Alibaba and Amazon, commerce will be dominated by the rise of anytime anywhere shopping, with consumers increasing using their mobile devices to shop both online and offline. For marketing researchers, the planned and spontaneous purchase cycles will change, and industry professionals will need new models to monitor and track consumer behaviour. The dominance of ecommerce in the marketplace will also give rise to live sales data delivery of consumer trends. The cycle time between data collection and delivery will keep dropping – until it's real time. Big Data will not be a talking point but will evolve into commodity services that will straddle multiple functions: marketing, CRM and marketing research services, blurring roles and lines. But like all such concepts, the key will be clear definitions of objectives and targets for actionable insights to be delivered.

Size Does Not Matter – The whole debate over size of screens will be lost in the ability of consumers to be able to access data and services across multiple screens. However, the average screen size of mobile devices will continue to grow. Apple, a laggard in the last couple of years in consumer screen sizes, will again be the median to aim for in mobile screen sizes.

Content and Media Consumption – Consumers will increasingly use their mobile devices to consume content and media, be it news, search, gaming entertainment, music, personal albums or watching movies and video content. Advertising and media measurement tools will need to increasingly take notice of this channel and find ways of enticing and measuring the impact of this soon-to-be dominant medium. Media research will get increasingly sophisticated, real time and dynamic.

It's More Than Mobile Messaging – Those using their mobile messaging services like WhatsApp will see these services change drastically and become one-stop portals for content and personal communication including dating, ecommerce and everything in between. Services like China's homegrown messaging service WeChat already offers multiple services within its single messaging service app. For instance, WeChat already has over 100 million consumers registered for with Tenpay (Tencent Holdings' payment gateway), allowing consumers to purchase goods and services from within WeChat. That's 20 per cent of its registered active consumer base, which is expected to grow significantly in the coming year not just in China, but globally. Already, companies like MobileMeasure – and I am sure others – have started to build mobile-only communities and panels to tap into for surveys and data collection. For marketing research, messaging platforms have the potential to achieve the Holy Grail of research: faster, better, cheaper.

New World, New Norms – It's a new world, and mobile is part of a transformation of lifestyles. Consumers are changing faster than we can classify them. How consumers are utilizing mobile devices is changing rapidly. How people behave can be influenced by the simple fact of ownership of a particular phone type, or their access to certain services, even more so than traditional factors such as income, age, location, etc. Consumers will increasingly behave contrary to established consumer classifications and demand more dynamic models to fit the times.

Marketing research as a whole will need to evolve in both definition and speed. Mobile marketing research has finally come out of the shadows and it's now time to rewrite the rules as the roles within marketing begin to blur, including market research.

Wishing you much mobility and success in 2015 as the world around you mobilizes!

Navin Williams, CEO of MobileMeasure, is a pioneer in the adoption and evolution of mobile market research. Navin has authored The Handbook of Mobile Market Research, a book endorsed by ESOMAR and published by Wiley. He lives in Shanghai with his wife and two children. He can be reached at navin@mobile-measure.com.