



Blue Touch Papers

iPhone Consumer Groups Insight

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CONTEXT

iPhone launched in the UK - 9th November, 2007

- It is widely predicted to be one of the fastest selling handsets. Analysts have predicted 400k UK sales of this 'must have' device by Christmas
- The iPhone costs UK consumers £269 plus a monthly tariff (18 month contract). Will the buzz created by early adopters be enough to persuade consumers to spend this on the device?

The stakes are high

- Early sales in the US failed to meet some forecasts and prompted price reductions just 10 weeks after launch
- Many UK consumers are unfamiliar with having to pay an upfront handset cost. Other competitive devices (e.g. N95, Prada phone) are available 'free' with standard tariffs

iPhone technology differs from competitive devices on some criteria

- iPhone is *not* 3G enabled (relying on EDGE network) due to the potential drain on battery life
- Tie-up with Cloud will give access to 7,000 WiFi hotspots
- Safari lacks a mainstream media player meaning that any flash content on websites cannot be viewed via the iPhone

But the value of the Apple brand is likely to deliver for O2

- History shows that consumers are willing to pay a premium for Apple devices



ICM's Research

- Two focus groups with young, tech savvy mobile users were carried out mid-November, 2007
- The main objective was to gauge consumer reactions to the iPhone
- Respondents were *not* current iPhone owners or users

At a glance....

- History of problems with newly released Apple products (e.g. the iPod) and negative press about the iPhone have set customer expectations
- However, emotional reactions to the phone outweigh rational considerations when respondents are shown the iPhone
- The iPhone is considered to be 'intuitive', 'easy to use' and respondents quickly get to grips with the user interface
- Favourite elements included the touchscreen, the iTunes and the Internet
- Respondents disliked the integrated battery, absence of a stylus but above all the cost and tariffs
- Key concerns include loss and damage of the phone

iPhone Expectations

Consumers expect the iPhone to be an excellent device for music but most other assumptions made are negative

"To have iTunes on it makes it so much easier"

"REALLY good for music"

"The battery is really bad on it. The navigation and the Internet can be a bit slow at times"

"It has *got* to be the best of everything to get the market share"



Initial Reactions to the iPhone

Although expectations are biased towards the negative end of the spectrum seeing the iPhone generates a lot of excitement particularly with regard to the look and feel. Respondents tend to think of it more as an entertainment device than a phone.

"I would love to have it. If I had the money I would get it"

"It's easy to hold and handle"

"It's a nice phone, there is no doubt about it"

"The Internet is very fast"

But would the novelty value of the phone wear off after initial usage..?

"After a while I can imagine myself thinking that it is a bit over-rated for the cost. It's a bit of a novelty I think"

"It's better than my current phone but is it £269 better?"

Thoughts on Branding

Apple considered to be a high quality & trusted brand for tech
"It lived up to my expectations of Apple & Apple technology"



"They don't just produce MP3 players, they make computers, everyone has heard of them"

But there are reservations about being first owners of the new device
"It is stupid to buy Apple products when they just come out. They always have teething problems"

"I still have guinea pig reservations"

Usability & Features

Usability exceeded expectations. Regarded as 'amazing' & 'simple' although many felt it would take some getting used to
"I was quite sceptical with the touching but that really is quite easy to use"



"It's just like using a Mac computer"

"Nice, big screen. When I checked my emails it was like looking on a computer"

"Easy to navigate, that's the key thing. A lot of phones have failed on that"

"I liked the 'Home' button"

"I couldn't send a text when I'm a little tipsy!"

Praised features include iTunes, internet speed & map features
"iTunes is a big bonus"



"The internet speed is really fast, it's ridiculous"

Common usage & feature complaints include lack of a stylus and poor camera

"I find this quite hard to text sometimes, my fingers are too fat!"

"The camera can't zoom"

Look & Feel

Respondents like its 'sleek' & 'trendy' design although many saw it more as a mini computer rather than a phone
"Simple & modern feeling"

"There is some weight there but not as heavy as you might imagine"

"I can't imagine making calls on it. It's more like a music & internet thing"



Network & Tariff Options

Many not aware that the iPhone is exclusive to the O2 network. Reactions ranged from surprised to insulted & resentful
"It smacks of arrogance!"

"It can spiral out of control very quickly just having one company fixing the price"

They laughed at the tariff details & weighed them up against their current tariff. Many expected better deals considering what they would have to pay upfront for the phone itself

"You're joking! I get 1000 minutes for £35 with O2"

"No, that's put me off"

"It's a ratio thing, you get past the point where you think you are not getting enough for what you are paying for"

"That could ruin some kids Christmas!"

They also assumed many people would just unlock the phone



Competitor Handsets

The style & design of the iPhone was preferred over competitor handsets *but* when respondents traded off cost vs. features, competitor phones had the edge

"I like this because it's a Nokia. It is so easy I think"

"I reckon I'd go for the SE, it's not the most expensive but it has a good camera, good MP3, it's the standard phone you would want"

Concerns about Security, Damage & Loss



Fears about carrying the device in public are reminiscent of those felt after the iPod launch
"I would be wary about using the facilities that are great on it in public"

"You would have to get insurance for something like that which is another cost"

"If you lost that you have basically lost everything"

Purchase Channel

The majority of respondents would go to an Apple store to purchase the device
"O2 will be trained but Apple would know the device inside out. You expect to get a more informed discussion with the people there"



"I'd go to an Apple shop to look at the phone and have them explain everything to me and to O2 to get them to explain the deal to me"

What's Missing?

Usability & features met or exceeded the expectations of most but there were some things missing...

"It has to take a decent picture"

"It needs a stylus!"

"I don't like the fact that it has an in built battery. I think it should have a separate battery"

"If you could download things on the phone that would be good"

"Are there any games on here?"

Most things left desired were a range of network choices & better tariff options

"The only way I'd get this is if I had a contract with O2 and to be honest I can't see myself doing it"

"I would get it if it were offered on PAYG"