

THE WIRELESS VANTAGE

A monthly view of the wireless consumer marketplace

By TJ Mahony and Adam Guy

Cingular has successfully created interest in Motorola's Razzr V3, but may have difficulty maximizing conversion due to the Razzr's steep price. "On the fence" shoppers express interest in a tiered model approach that allows them to sacrifice certain functionality in return for reduced pricing.

The Internet offers marketers the clearest view into the purchase intentions of more than 20 million wireless consumers each month. The providers they evaluate, and products they research, are indicative of future buying and switching decisions. Compete's wireless services analyze millions of wireless consumers as they research products or manage accounts online. These services provide clients with strategic guidance to make more informed tactical decisions.

Comments on this issue? E-mail wirelesspractice@compete.com

To subscribe to the newsletter go to www.compete.com/wireless.

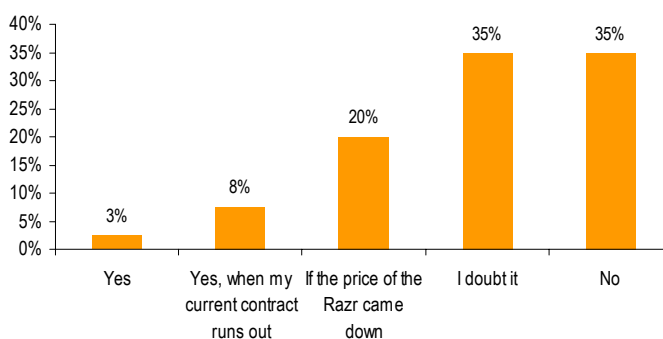
To unsubscribe e-mail wirelesspractice@compete.com.

THE MOTOROLA RAZR IS ATTRACTING STRONG INTEREST, BUT TENTATIVE WALLETS

Cingular's splashy campaign around the sleek new Motorola Razzr phone has received some notoriety in its ability to generate consumer awareness about the phone. The key question now is: Will interested consumers spend a few hundred dollars to purchase it?

In order to assess Cingular's success in converting Razzr interest, Compete surveyed 150 in-market wireless consumers who had researched products on Cingular.com and indicated they were aware of the Razzr. Among existing Cingular subscribers, 13% indicated they would likely purchase the Razzr. Among non-Cingular subscribers only 3% indicated they would switch to Cingular with the primary motivation to get the Razzr. However, when pressed and asked about the likelihood of switching to Cingular after current service agreements expired and/or the price of the Razzr dropped, switching interest increased to 31%.

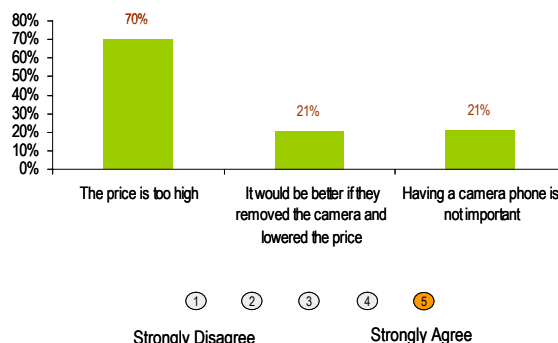
Would you switch to Cingular with the primary motivation to get the Razzr?



CLOSING THE GAP BETWEEN RAZR PRICE AND CONSUMER APPETITE

There is no question that consumers think the Razzr is a cool device and their perception of the Razzr remains positive. But, the current price establishes a clear barrier for mass adoption. When asked, Compete found that nearly one out of two consumers recalled the final price of the Razzr – including eligible rebates – to be over \$399, yet only 3% said they would be willing to spend that much on a phone. Unfortunately, the years of handset subsidies have engrained a "what can you do for me" mentality among consumers and although they recognize the Razzr as a slick phone, few are willing to reach into their piggy banks for it. Ultimately, the majority (55%) of respondents pegged an acceptable price of \$100–200 for the Razzr. **Only 8% of respondents were willing to spend more than \$200.**

To what extent do you agree with following statements regarding the Razzr: **Top Box Score**



The Razzr wasn't designed for everyone. So it's unreasonable for Cingular to provide an additional \$200 of subsidies to broaden the phone's appeal. Pockets of additional growth seem available, however, with small adjustments. The camera phone craze has slowed and Compete finds that many consumers would prefer to sacrifice camera capabilities in return for an additional \$100 off the price of the phone. One out of every five consumers surveyed indicated they have no need for a camera phone and indicated they would reconsider the Razzr if Cingular offered a non-camera model at a lower price. To effectively tap more price sensitive segments, Motorola could consider mimicking the auto industry by creating a base form factor and developing tiered models with varying capabilities and price points. Regardless, the Razzr has raised the bar in-terms of aspirational devices and provides a strong case study about how to hone effective marketing and pricing strategies for future device releases.