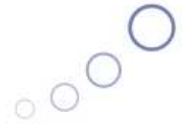


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research



# Dial tone obsolete

Market potential and target group advertising for telephony

Management Summary  
on behalf of Adfortel

May 2008



redefining **research** providing **solutions**



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*Special comment by Blauw Research*

# Insights

## Market potential

- With incentive (50 free call minutes and 200 free SMS messages per month), **30% of all mobile callers in the Netherlands would probably to definitely (9% definitely) allow their provider to broadcast advertising messages during the dial tone (3,467,585 registrations).**
- **4% are so enthusiastic that they would consider switching to another provider** if they were offered 50 free call minutes and 200 free SMS messages per month.
- One third are even positive about this form of advertising in exchange for an unspecified incentive of free call minutes or a discount on the invoice. **With incentive, people are even more often positive compared to television and radio advertising.**

## Incentives

- Incentives play a vital part.
- To reach critical mass, the provider would need to offer **at least 50 free call minutes, 50 free SMS messages or a €5 discount on the invoice/additional call credit.**
- There is a **clear preference for a discount on the monthly call expenses.** We expect that a monthly discount of €10 on call expenses would have the best effect.
- **The target group would like to be able to have some influence on the advertising messages, particularly on the quantity of offers.** This is a reactive rather than proactive wish: a small majority stated that they would not mind if the provider determined the advertising topics. However, they want to correct undesirable advertising messages at undesirable times.
- **Matching advertising to interests is important.**
- **There is no unacceptable time for advertising messages.**

## Profile of the target group

- **Interested people are looking for ways to save money relatively often.**
- **Interested people send more SMS messages, spend more money on their mobile phone every month, and are looking for ways to save on this more often.**
- Nearly three quarters of the interested people did not exclude the possibility that they would make more calls with Adfortel. **36% of the interested people expect that they would probably to definitely make more calls.**
- **There is a wide interest in Adfortel.** Both prepaid and postpaid callers are equally interested in Adfortel. **Interested people are relatively younger, however. Men** were also found to have a **greater interest in Adfortel** than women. Uninterested people are more likely to have a higher education.

# 1 Summary

## 1.1 Introduction

Adfortel is considering introducing a new alternative for both old and new advertising channels. It explores the time between the moment at which a mobile caller has dialled a number and the moment at which the recipient answers the call. The idea is that the provider broadcasts an advertising message instead of a dial tone. The alternative is suitable for all mobile phones.

## 1.2 Background & issue

In order to estimate Adfortel's potential, Blauw has conducted a quantitative study. The objective of this study is as follows:

- Localising (the size and profile of) the target group that would not dislike and even appreciate Adfortel.
- Optimising the concept so that it matches the 'recipients' wishes in the best case scenario and meets as little resistance as possible in the worst case scenario. In short, what conditions must the service comply with?

The results will enable Adfortel to formulate expectations for market potential and yield starting points to market this new Mobile Advertising method in an optimal manner.

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The group of mobile callers has been split up into three groups in this report:

### 1. 'Interested people' (30%)

This group has already indicated that they would probably or definitely give their own provider permission to broadcast advertising messages during the dial tone in exchange for a highly realistic reward: 50 free call minutes and 200 free SMS messages.

### 2. 'Doubters' (17%)

With this reward, this group would not say 'no' in advance to this form of advertising.

### 3. 'Uninterested people' (53%)

This group would probably to definitely not give their provider permission to broadcast advertising messages regardless of the reward.

## 1.3 Conclusions

This section presents the main conclusions of the study. For more information, please refer to the other chapters of this report and the tables.

### Market potential

#### ***Expected opt-in 30%***

Adfortel has enormous potential. With incentive (50 free call minutes and 200 free SMS messages per month), 30% of all mobile callers in the Netherlands would probably to definitely (9% definitely) allow their provider to broadcast advertising messages during the dial tone. One third are even positive about this form of advertising in exchange for an unspecified incentive of free call minutes or a discount on the invoice. With incentive, people are even more often positive compared to television and radio advertising (but also negative more often). 4% are so enthusiastic that they would consider switching to another provider if they were offered 50 free call minutes and 200 free SMS messages per month.

#### ***Incentives play a vital part***

Without incentive, we are looking at an entirely different picture. Three quarters of all mobile callers in the Netherlands are negative about advertising during the dial tone *without* an incentive. Moreover, the reactions would be rather harsh in this case, making for a clear risk of loss for providers and advertisers in particular. Without the incentive, some 11% would still probably to absolutely allow their provider to broadcast advertising messages during the dial tone (2% definitely). Incentives do not remove the risk of loss entirely: Half of all mobile callers remain negative about advertising during the dial tone even with incentives. One third are positive, however.

### **Adfortel's actual service**

The way in which Adfortel offers this service will make or break it. The actual incentives are particularly important.

#### ***Discount on monthly call expenses most desirable form of incentive***

A discount on the invoice or extra call credit and free call minutes are the most interesting forms of incentives. There is a clear preference for a discount on the monthly call expenses. A monthly quantity of free SMS messages is also acceptable.

#### ***At least 50 free SMS messages, call minutes, or a monthly discount of €5 on call expenses required***

To reach critical mass, the provider would need to offer at least 50 free call minutes, 50 free SMS messages or a €5 discount on the invoice/additional call credit. We expect that a monthly discount of €10 on call expenses would have the best effect.

#### ***Recipient wants to be able to influence the broadcast***

The target group would like to be able to have some influence on the advertising messages, particularly on the quantity of offers. This is a reactive rather than proactive wish: a small majority stated that they would not mind if the provider determined the advertising topics. However, they want to correct undesirable advertising messages at undesirable times. Please note that there is no unacceptable time for advertising messages.

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### ***Matching advertising to interests is important***

Aligning advertising messages with interests is a good decision. It would limit the number of people with a negative attitude towards Adfortel. Generally speaking, people would prefer not to receive advertising messages from financial institutions; they prefer offers in the field of music or entertainment. 'Holidays and travel' are also considered interesting. There is still a market for financial institutions, however, since 20% are interested in advertising from banks and insurance companies.

### ***Provider website found to be vital medium***

The provider website receives strong support as an acceptable medium to grant permission for advertising and specify desirable topics. The acceptance of SMS is somewhat disappointing. Less than one quarter feel that SMS is an acceptable way to grant permission for advertising. Three quarters find that the provider website is acceptable for this purpose. Moreover, this latter medium allows the provider to provide extensive information and 'reassure' interested people and convince doubters.

### Profile of the target group (interested people)

#### **Interested people are looking for ways to save money relatively often**

The calling behaviour of interested people differs from that of uninterested people. They send more SMS messages, spend more money on their mobile phone every month, and – partly for this reason – are looking for ways to save on this more often.

#### **More calling with Adfortel**

The fact that interested people are somewhat under pressure due to relatively high phone costs is also demonstrated by the fact that nearly three quarters of the interested people did not exclude the possibility that they would make more calls with Adfortel. 36% of the interested people expect that they would probably to definitely make more calls.

#### **Wide interest in Adfortel, but mainly among young people**

Both prepaid and postpaid callers are equally interested in Adfortel. Interested people are relatively younger, however. Men were also found to have a greater interest in Adfortel than women. Uninterested people are more likely to have a higher education. There is not much difference between the three groups in terms of Nielsen region and origin.

## 1.4 Recommendations

It is easy to be overly pleased with the results of this survey. If Adfortel would reach an agreement with KPN, Hi and Telfort, an opt-in of 30% would result in 1 million callers under positive circumstances! Still, we recommend some caution. The first reactions are harsh! This means that there is definitely a risk of loss for providers and advertisers. People feel that their privacy will be affected. It is therefore vital to communicate that this is an opt-in form of advertising. Moreover, users want to be able to act if things go too far – in other words, they want to be able to determine the quantity of advertising. The provider website may play an important part in this context.

Another question is whether the service should be introduced as white label or MVNO. The service appears to have the greatest potential under the 'reliable' flag of a company like KPN. The reason is that the initial reaction to this new form of advertising is restrained. The coverage of the media channels of such a provider to interest callers in the service may also be of great value. It might therefore be preferable to introduce the service as a white label. Moreover, the chance that people would switch to KPN is probably bigger than the chance that they would switch to a new MVNO (please note that callers are unlikely to switch en masse: 4% are considering a switch in exchange for 50 free call minutes and 200 free SMS messages per month).

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Finally, it must be considered explicitly what everyone (Adfortel, provider, offerers and recipients) would gain if the service were to be launched with the aid of a provider.

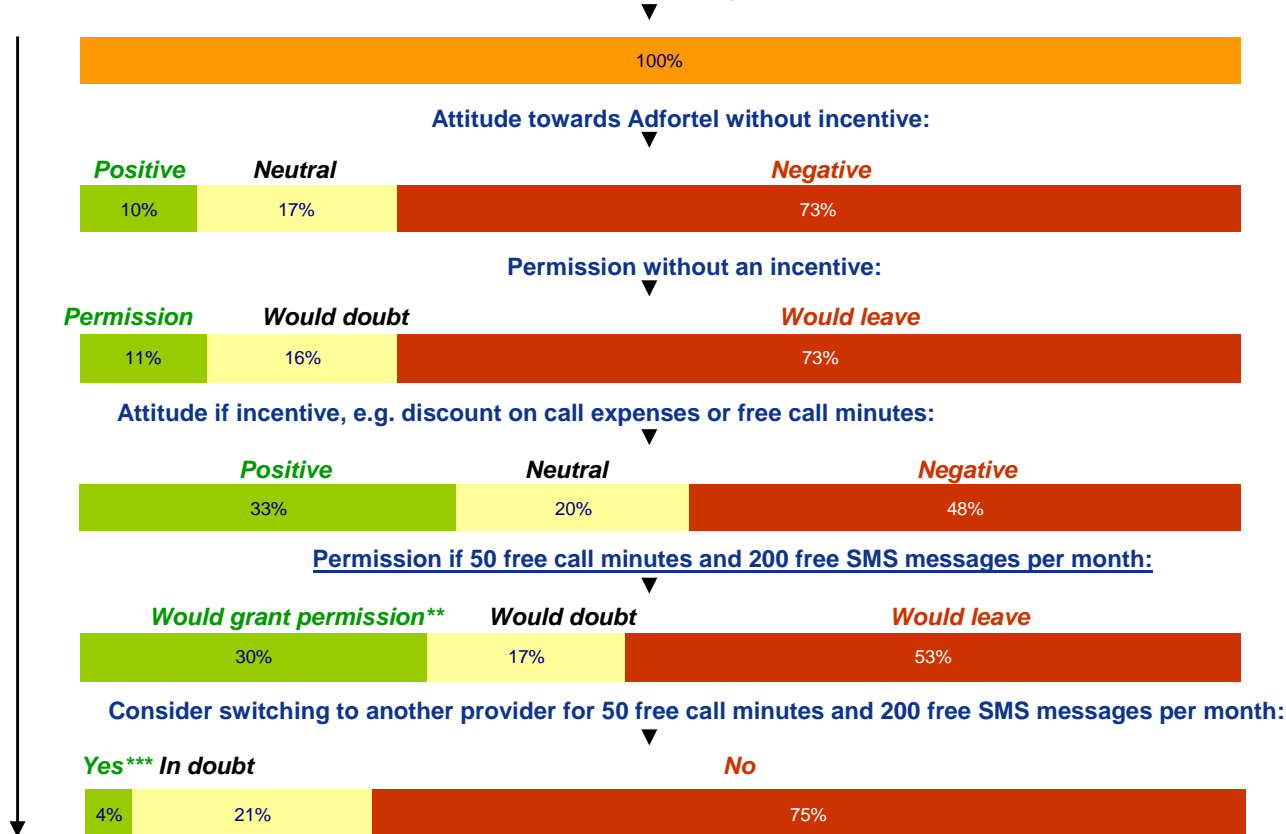
Ideally, Adfortel would be launched as a clear opt-in form of advertising in exchange for a monthly discount of €5 on the invoice or an additional call credit of €5 per month. This will result in critical mass in order to interest advertisers.

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## Market potential favourable scenario

Total market 11.5 million callers aged 16 to 70\*:



\*\* In the best case scenario in which everyone does what they say and if all providers introduce the concept, Adfortel can count on a maximum of **3,467,585** registrations (excluding the doubters).

\*\*\* Say that Adfortel were to reach an agreement with KPN, Telfort and Hi, in the best case scenario it would be able to count on **1,283,006** registrations + 290,669 new subscribers from other providers = **1,573,675** registrations.  
(assuming a joint market share of 37% on the basis of this survey, based on the provider of the mobile phone that is used most intensively; total market = 100%)

### 2 Adfortel's market potential

#### 2.1 Favourable scenario

##### One third positive about advertising in exchange for call minutes or a discount on the invoice

One out of three mobile callers in the Netherlands is *positive* about receiving advertising messages in exchange for free call minutes or a discount on the call expenses (ignoring the size of the actual financial gain for now). In all, half of all callers are *not* negative.

##### Expected Opt-in best case scenario: 30%

Three out of ten mobile callers would probably or definitely give their own provider permission to broadcast advertising messages if they were to receive 50 free call minutes and 200 free SMS messages in return. Another 17% would not necessarily say no. In this case, 4% would even be willing to switch to another provider.

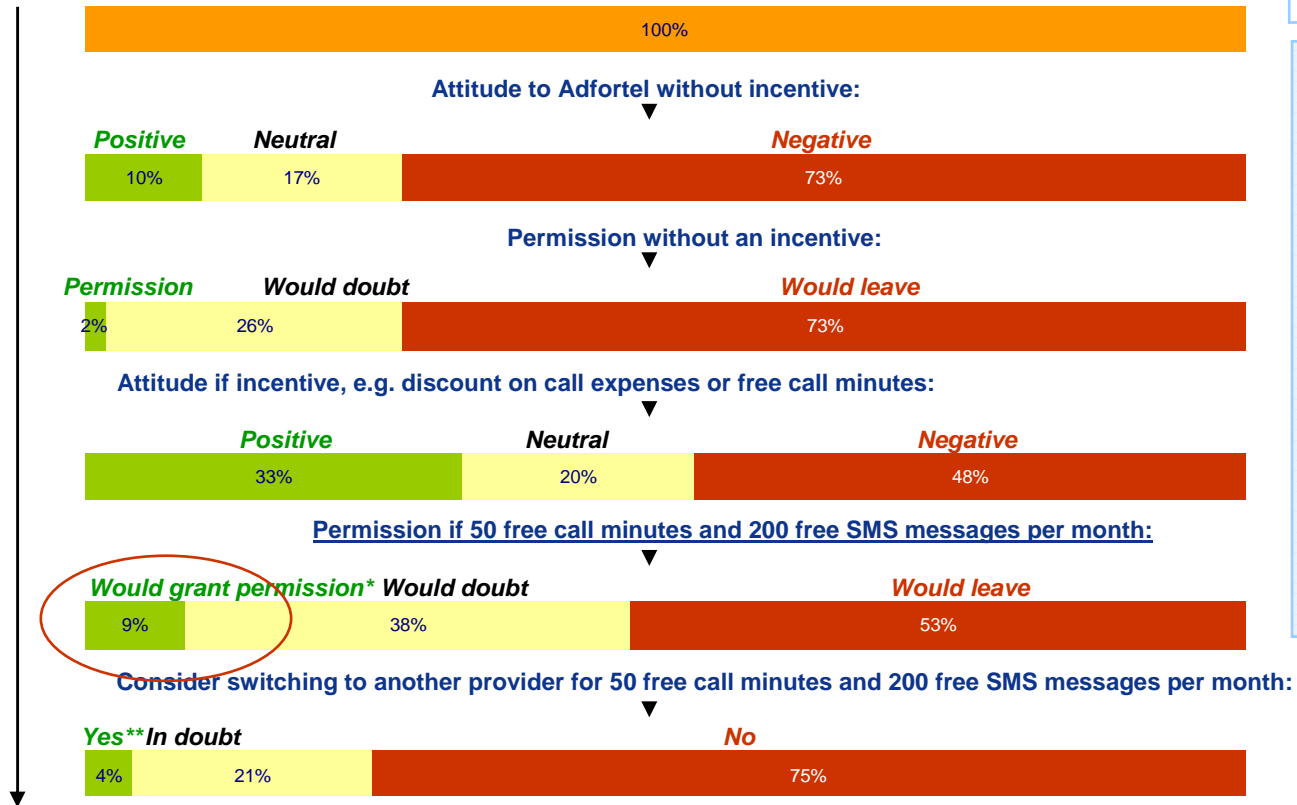
##### Without an incentive, 25% are not negative about advertising during the dial tone

Without an incentive, one quarter would not be negative about receiving advertising messages during the dial tone even if they would get nothing in exchange (except that topics are in line with personal interests and the fact that the advertising message stops immediately if the person called answers the phone; in other words, people will not be forced into listening to the entire message). In that case, three quarters of all mobile callers are negative.

\* The Netherlands has more mobile phone connections than it has inhabitants (penetration 107%). Based on this fact, we can assume that pretty much everyone aged 16 to 70 has a mobile phone at his or her disposal. This is why we assume that the total potential market for Adfortel is 11.5 million mobile callers.

## Market potential less optimistic scenario

Total market: 11.5 million callers aged 16 to 70:



\* In the less favourable scenario that *not* everyone does what they say but all providers introduce the concept, Adfortel can count on a maximum of **991,807** registrations (the people who said they would register 'probably' instead of 'certainly' have been categorised with the doubters).

\*\* Say that Adfortel would reach an agreement with KPN, Telfort and Hi, in this scenario it would be able to count on **366,968** registrations + 0 inflow from other providers = **366,968** registrations (assuming a joint market share of 37%).

### 2 Adfortel's market potential 2.2 Less favourable scenario

The scenario on the previous page assumes that everyone who said they would probably or definitely give their provider permission to broadcast advertising instead of a dial tone will actually do so (and that all doubters would leave) in exchange for 50 free call minutes and 200 free SMS messages. Moreover, we are assuming that everyone who considers switching to another provider would actually do so. This is a more cautious scenario in which only those persons who have said that they would 'definitely' give permission are counted as opt-in. Persons who said they would 'probably' grant permission have been classified as 'doubters' in this scenario.

#### 9% would 'definitely' give permission

This scenario assumes that 9% of all mobile callers would grant permission. This does not mean that the other 91% would leave immediately (38% are in doubt).



The scenarios described on this sheet and the previous one assume that all callers are completely familiar with the service and that everyone has access to the service. Moreover, a recently introduced variant was not yet on the market at the time of this survey. (Starting this fall, the Dutch company I-Wood will pay mobile callers who accept advertising on the opening screen of their phone 5 euros per month. In exchange for receiving advertising messages, consumers will receive the financial reward).