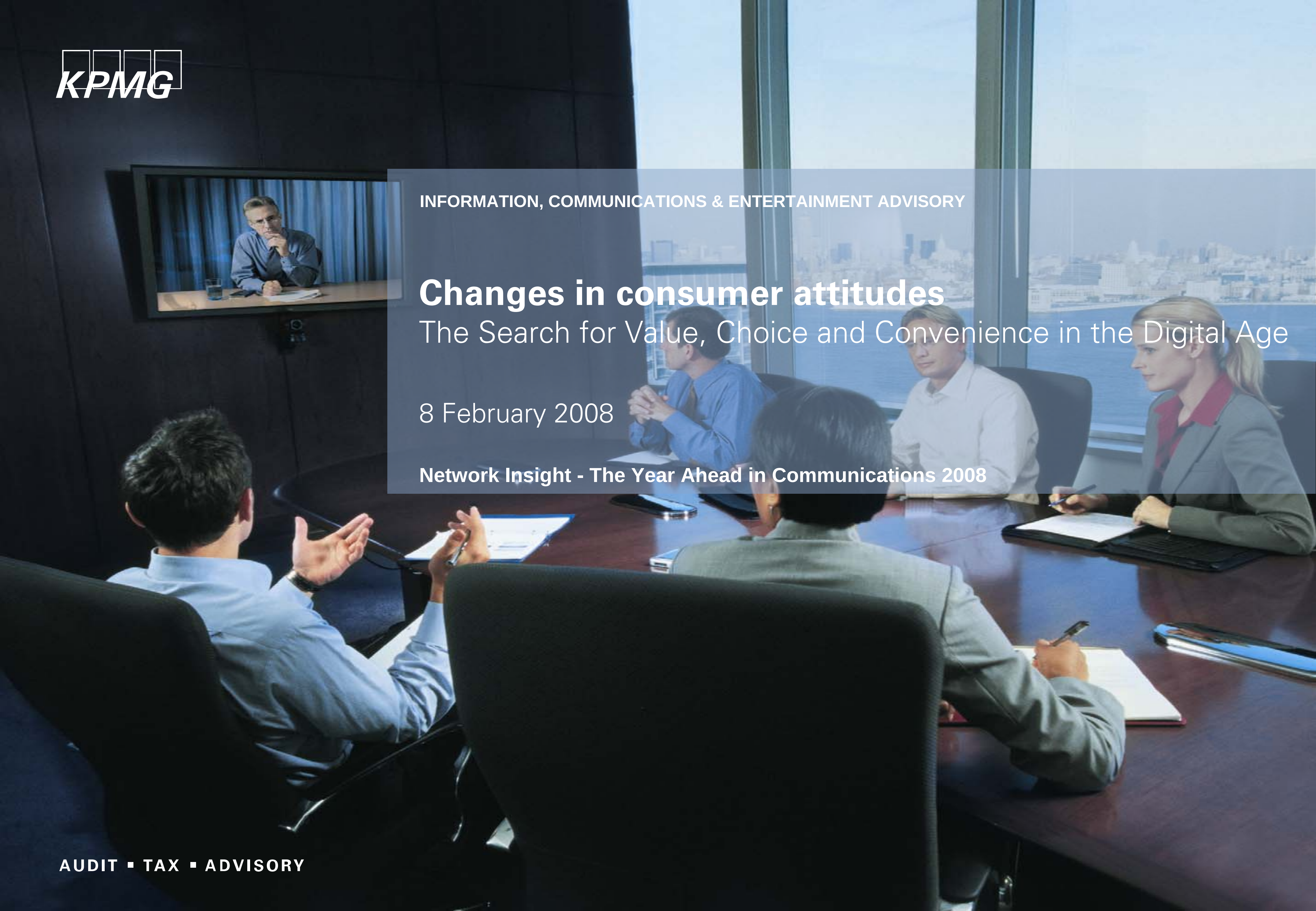


KPMG

INFORMATION, COMMUNICATIONS & ENTERTAINMENT ADVISORY

Changes in consumer attitudes

The Search for Value, Choice and Convenience in the Digital Age

8 February 2008

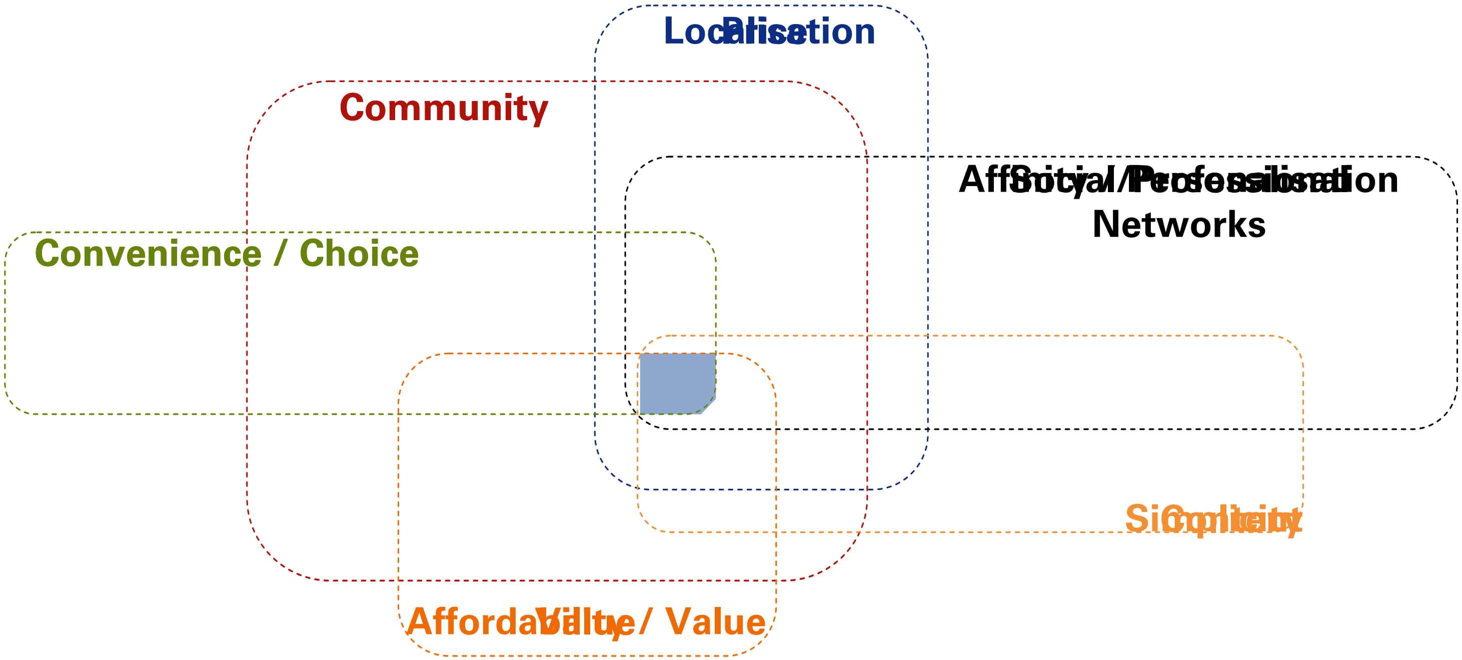
Network Insight - The Year Ahead in Communications 2008

AUDIT ▪ TAX ▪ ADVISORY

Consumer drivers of digital services

Key trends from our experience and international research

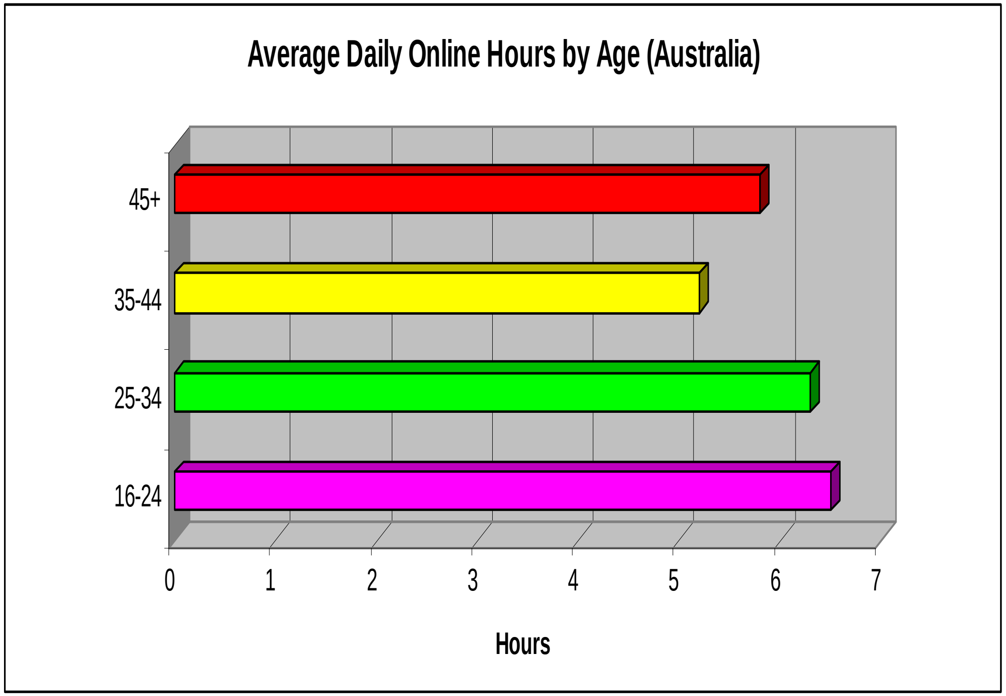
Value, Choice, Convenience and Access to relevant *Content* and *Communities* above all else

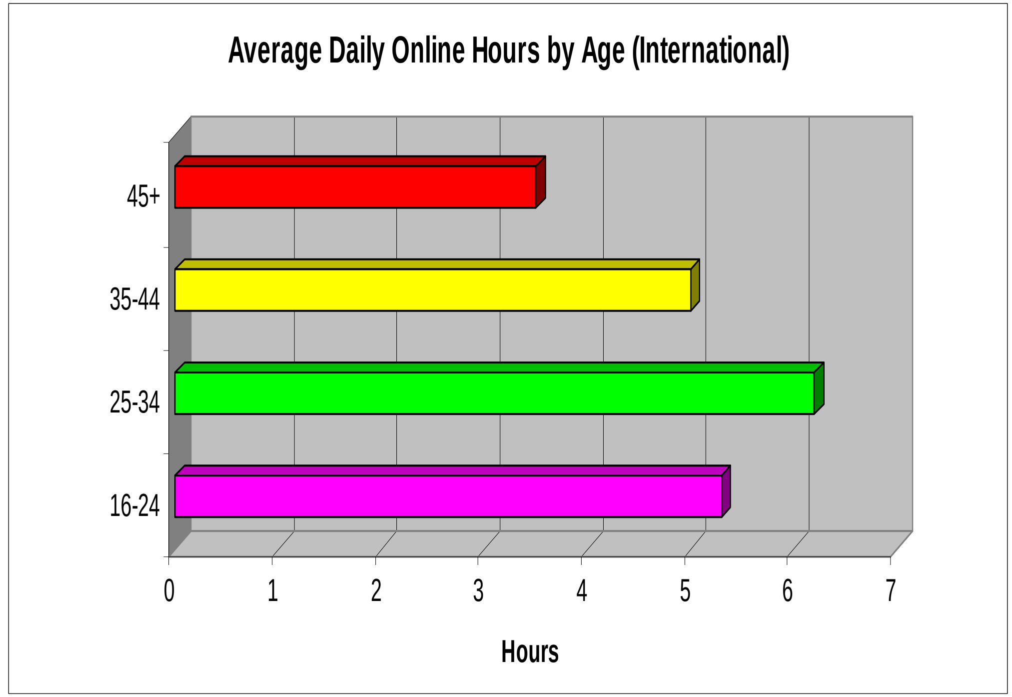


- *There is a time and a place for everything connected*, meaning the majority of consumers make "logical" choices for devices they used, according to the mode of communication or media
- Consumers appreciate *choice more than* they need *convenience*
- Data shows that *across all age groups and geographies*, consumers have *similar usage patterns and expectations*

The Converged World at a glance

Consumers in poor and rich countries alike are developing similar usage habits with regards to how they use networked services for information, commerce or entertainment.



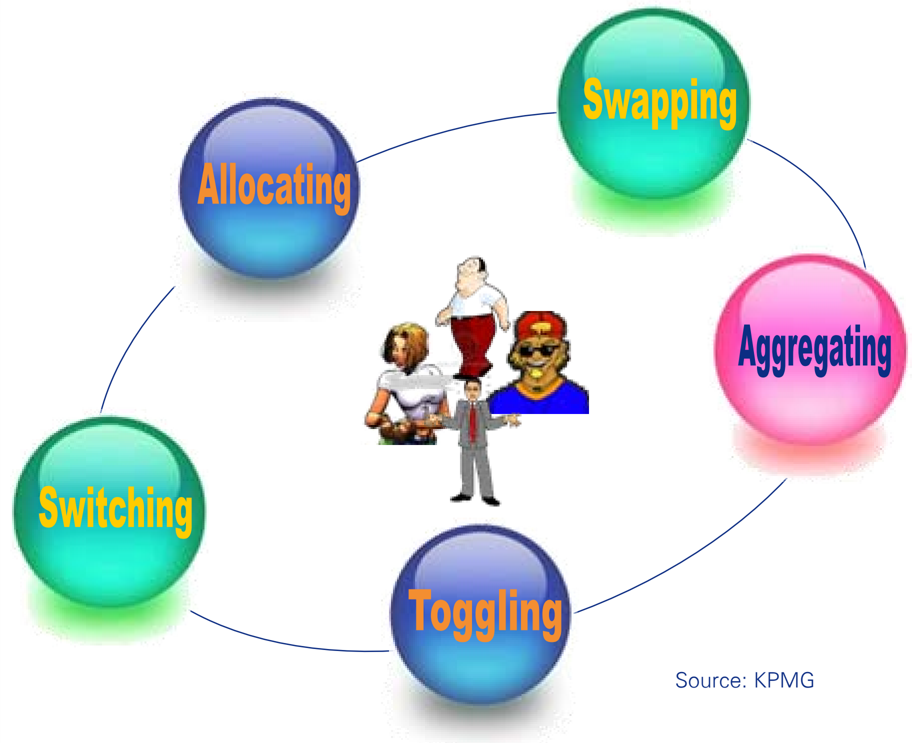


- Consumers worldwide regard all time as potential "online time"; and
- Increasingly they have preferences for doing things digitally

Consumer “Switching Points”

Consumers move between converged services and devices in different behaviour parameters in order to define a series of what we call “switching points” in a consumer’s digital life

Switching Point	What we found
Toggling Moving between multiple applications in the same timespace	Consumers see convenience as being able to connect with people, services and information exactly when they want
Swapping Putting down one device and picking up another	Consumers have an appropriate time and place and appropriate device for every experience, but they increasingly expect all devices to accommodate every experience
Allocating Using certain services at certain times, and willingness to pay a premium	Growing ubiquitous nature of Internet is increasing digital content expectations but reducing willingness to pay
Aggregating Converging devices and bundling services and bills	Price has emerged as the leading aggregating factor
Switching Moving from one service provider to another	Price has emerged as the leading switching factor



Source: KPMG

Consumer ownership of multimedia devices

Australia

Mobile phone	Desktop PC	Laptop	PDA / Blackberry	MP3, IPOD, Music player	Gaming machines
100%	89%	45.8%	9.5%	61.7%	60.6%

Consumers have an appropriate time and place and appropriate device for every experience, but they increasingly expect all devices to accommodate every experience

International

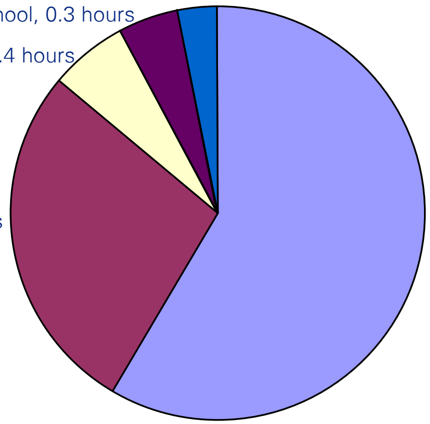
Mobile phone	Desktop/PC	Laptop	PDA/ Blackberry	MP3, IPOD, Music player	Gaming machines
100%	80.6%	42.1%	10.1%	56.6%	36.7%

Source: KPMG

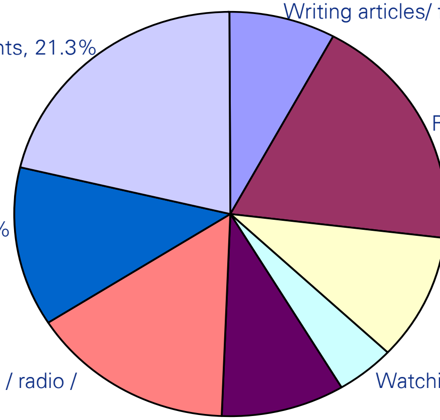
Changing technology means changing attitudes, behaviours and needs

For today's consumers anytime, anywhere communication is a must

Hours spent on Internet usage (Australia)

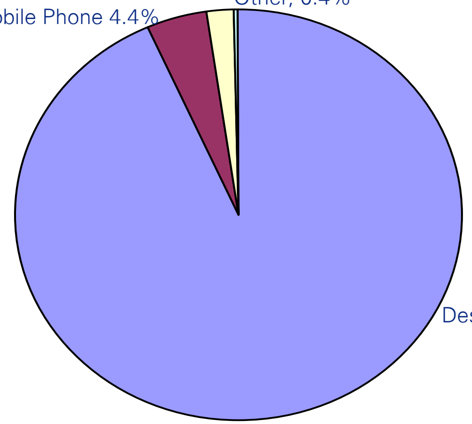


Activities conducted whilst Online (Australia)



- Most time online is spent at home
- Primary Online activities are Banking/Payments and News/Weather
- Preferred Online device is the PC/Laptop by far

Preferred devices to be Online (Australia)



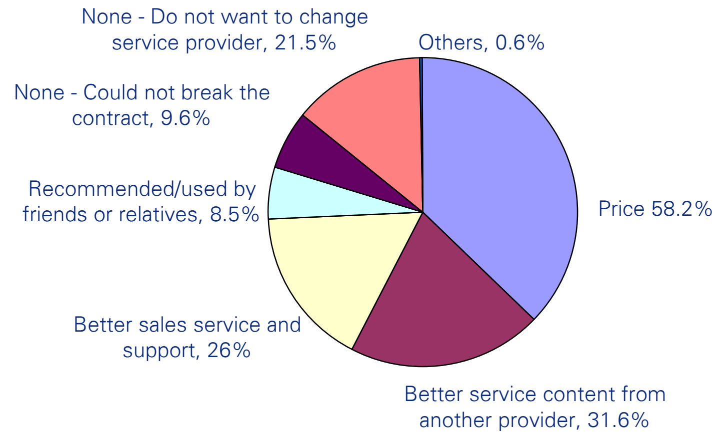
Source: KPMG

Gaming, 9%

Consumers want all in one service aggregators to provide *cheaper*, more *flexible* access to digital content as much as they want convenience

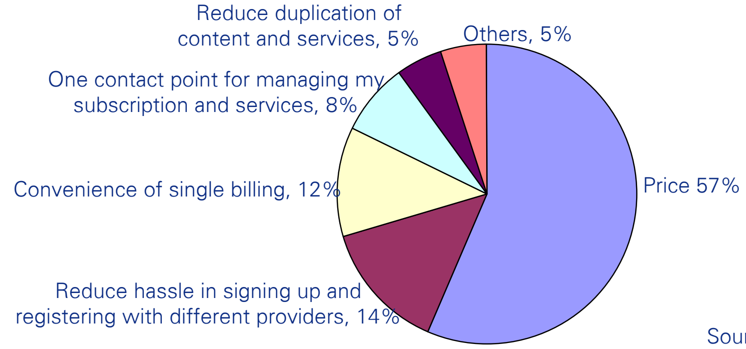
- **Convenience is not king:**
  - The idea that consumers benefit from a service provider providing multiple services under one bill are *not* attractive service benefits
  - Enhanced customer service experiences in developing countries remains a key driver for acquisition
- **Price is key:**
  - The only demand driver the service provider can control
  - 'Internet is free' mentality driving unwillingness to pay for service provider defined 'premium services'
  - Total package price drivers consumer demand, but consumers want to break apart value packages if they see better pricing of an individual service elsewhere
  - Bundled services are precariously built on price (cross subsidisation)
- **3 Screens (PC, TV, Wireless Device) considered the same:**
  - No premium can be charged to access digital content and services from one screen to another
- **Breaking contracts is driven by price not convenience:**
  - Multiple service billing not considered beneficial for consumer
  - Consumers will customize their own service bundle if considered more price competitive

Reasons for Breaking a Contract (Australia)



Source: KPMG

Most important Driver in choosing a Bundled Service (Australia)



Source: KPMG

So what?

Key Takeaways

- Carriers/SPs/ISPs/Broadcasters must accept they have a very different consumer relationship than content providers/device makers (the Facebook's, Google's & Apple's)
    - Carriers not seen as being able to offer benefits of convenience & social networks – their role is to provide cheap access to the convenient/community-rich destinations consumers seek
- Value, choice, convenience, and access to relevant *content and communities* above all
- Are increasingly aware and accepting of the fact that content and services once traditionally offline can be accessed online as well
- Will use their social and professional networks to make decisions about the devices they use – but largely because they currently need those devices to communicate with those networks
- Will readily switch Internet content destinations and services if their notions of convenience and community are better served elsewhere
- Are increasingly accustomed to the idea of being able to access the services and destinations that they want anytime, anywhere but generally not willing to pay a premium for that access
- Have different value expectations for bundles of content and access services than the providers of those services believe

KPMG

Presenter's contact details

Dominic P Arena

Director
KPMG Information, Communications & Entertainment
Head of ICE Advisory - Business Performance Services

Tel: +61 3 9288 5079

Mob: +61 410 614 102

Email: dominicarena@kpmg.com.au

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.