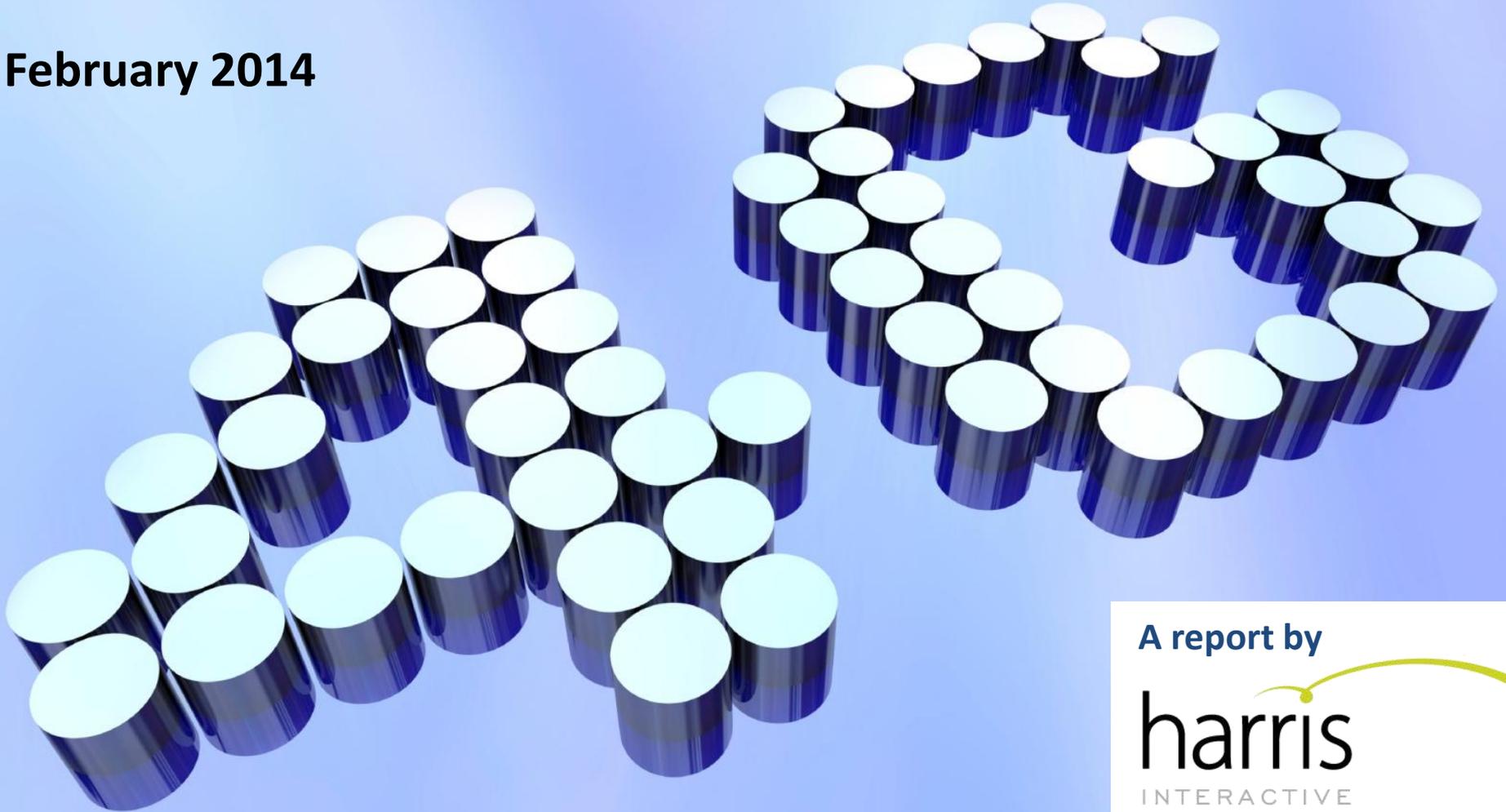


4G, SnoreG

Demand for 4G still low 18 months on from launch

February 2014



A report by

harris

INTERACTIVE

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Summary of Findings (1 of 3)

- It is now well over a year since EE launched the UK's first 4G mobile phone contracts, initially in just 11 cities. Harris Interactive originally surveyed contract customers one month after launch (November 2012) and discovered very low awareness of and a distinct lack of appetite for 4G.
- One year further on, with EE now boasting 4G coverage close to 70% of the UK plus two million subscribers, and other networks also offering 4G on contract and PAYG, Harris Interactive repeated the survey* to assess how attitudes to 4G have moved on.
- Almost half of all mobile phone users (49%) do not know whether they live in an area that has 4G coverage and only a third (33%) believe that they do live in such an area. If the more tech-savvy younger audience is excluded from the picture, things are even worse with almost 60% of consumers aged 35 or above in the dark about 4G coverage where they live.



* Harris Interactive interviewed 2,080 nationally representative UK mobile phone owners in an online survey between January 28th and February 3rd, 2014.

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Summary of Findings (2 of 3)

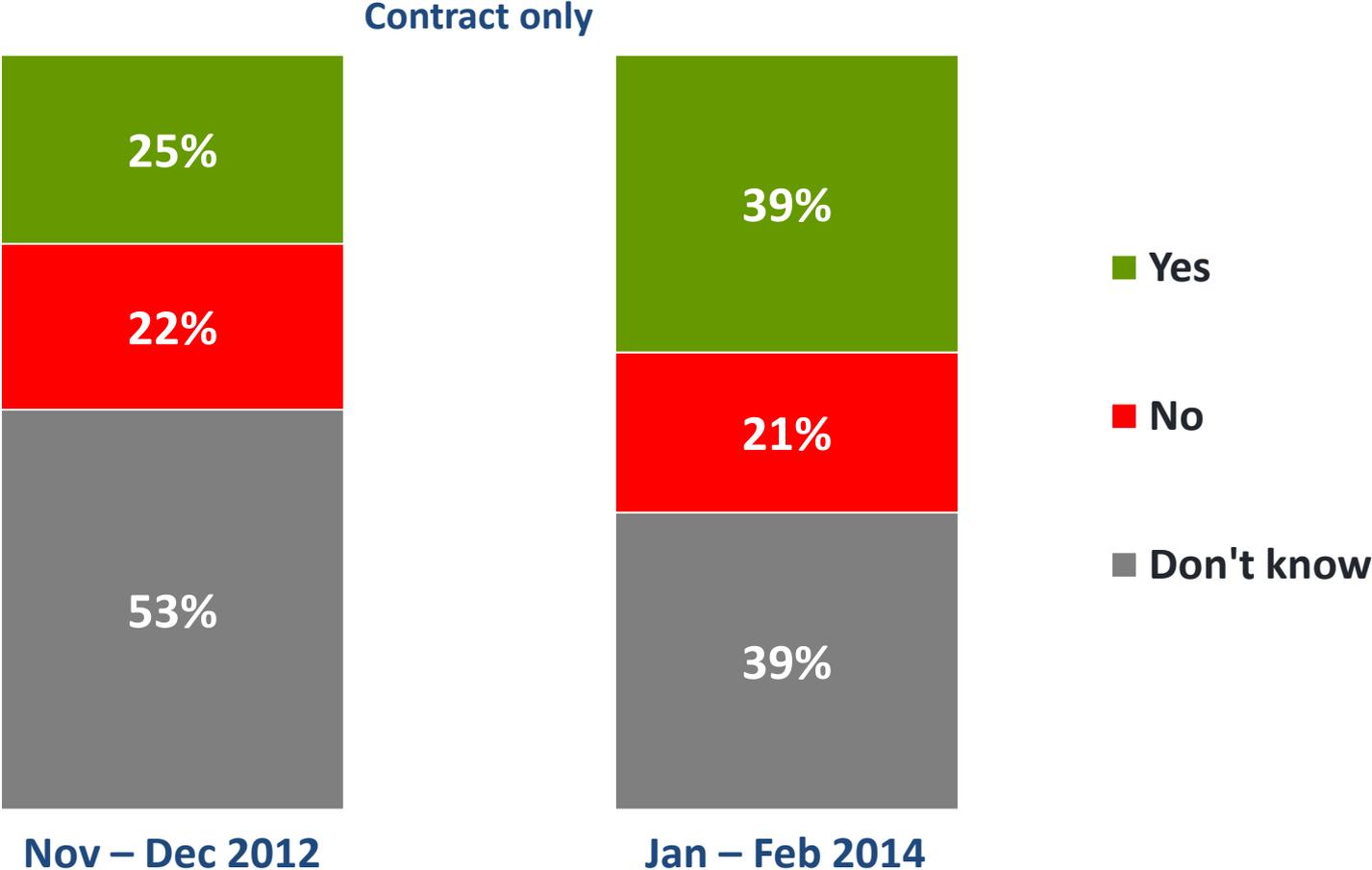
- Awareness is higher in London, where there has been a greater focus from a communications and investment perspective (e.g. EE's commitment to Tech City in Old Street), but even in the capital over a third (38%) have no idea about 4G coverage.
- When we asked how interested consumers are in having a 4G service, we discovered that 7% of mobile phone users already have a 4G service and an additional 9% plan to switch to 4G as soon as it becomes possible to do so.
- Of the remainder, nearly one in five (19%) said they would like to switch to 4G but felt that it is too expensive to do so – possibly having been put off by the initial contracts offered by EE and others.
- But the vast majority of UK mobile phone owners (65%) are simply not interested in switching to 4G because they are perfectly happy with the service they have currently. This figure rises to around three-quarters (76%) among consumers aged 35 or above.



Summary of Findings (3 of 3)

- If we focus only on contract customers, over half (54%) are not interested in switching to 4G. This is down from the original research over a year ago when two thirds (68%) were not interested but still very disappointing given the amount of media coverage and investment in 4G advertising.
- Our final survey question asked those planning to switch to 4G from which operator they would be most likely to have a 4G service. Three came out top amongst a quarter of respondents (24%), followed by O2 (20%), Vodafone (17%) and EE in fourth place (15%). This is particularly interesting because Three is the only Mobile Network Operator so far to commit to rolling out 4G to its existing customer base with no additional charges. This process has just begun and 1.5 million activations are promised by March 2014. Tesco Mobile is also now offering 4G deals at no extra cost after originally adding a £2.50 surcharge.
- There is clearly a challenge here for operators that need to begin recouping the vast sums paid for 4G spectrum. And there is more bad news with a recent GSMA report indicating that operators throughout Europe are struggling to raise prices and create additional ARPU from 4G.
- The findings from our research appear to confirm predictions from many industry commentators that paying extra for 4G will quickly become the exception and that 4G may well struggle to command a premium in the UK.

Two-fifths of contract customers still do not know whether they live in a 4G enabled area

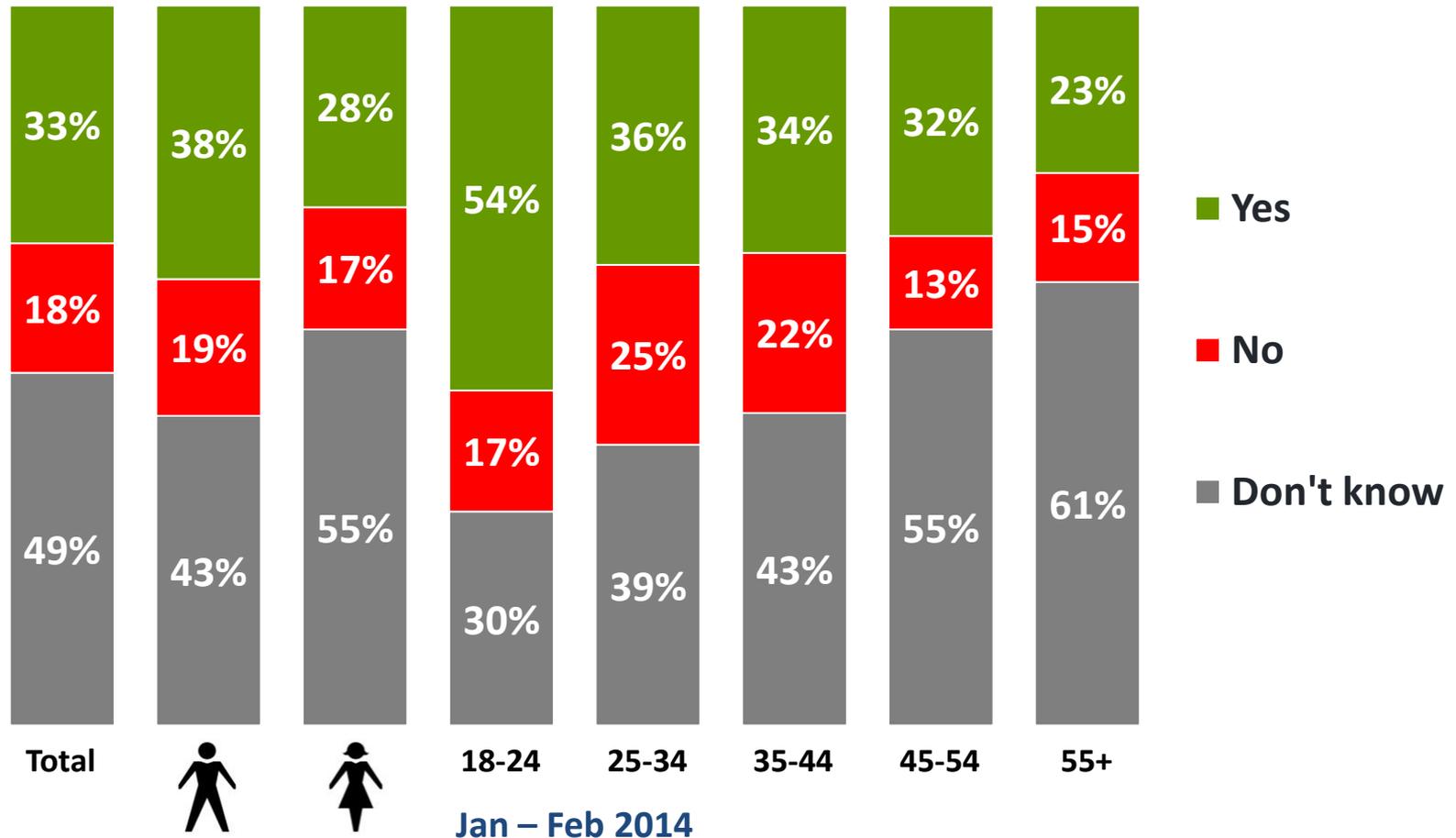


As you may be aware, it is now possible to have a 4G service for your mobile phone in some parts of the country. 4G operators have said that 4G will deliver speeds up to five times faster than their current services will allow for high quality streaming of audio, video and other content while on the move. As far as you know, is 4G available right now where you live?

Base: GB adults with a mobile phone contract: Nov/Dec (n=1,108); Jan/Feb (n=1,230)

Women and older consumers are least likely to know whether they live in a 4G enabled area

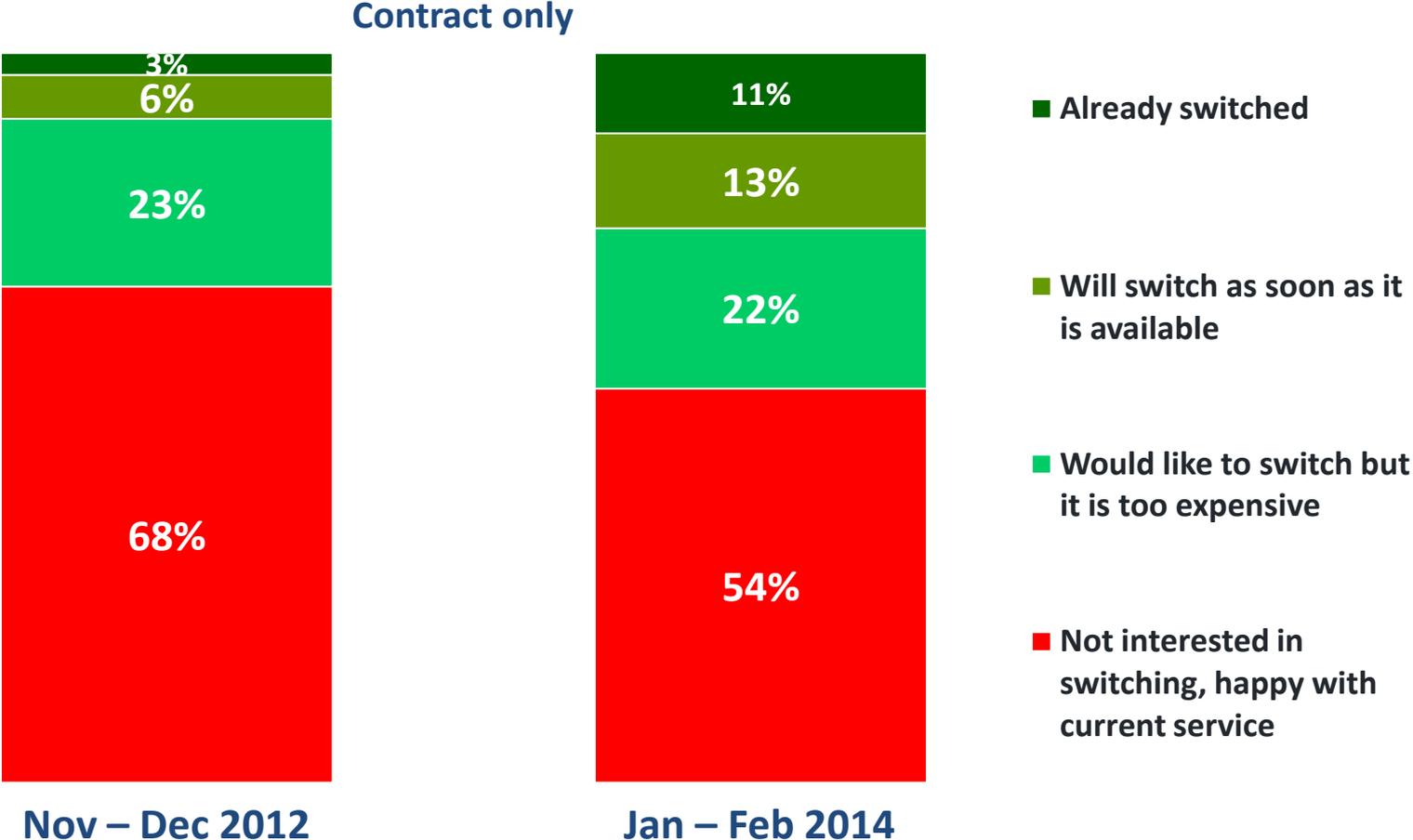
Contract and PAYG



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Base: GB adults with a mobile phone: Total (n=2,080); Male (n=987); Female (n=1,093); 18-24s (n=277); 25-34s (n=410); 35-44s (n=374); 45-54s (n=312); 55+ (n=707)

The majority of contract customers still have no intention of upgrading to 4G

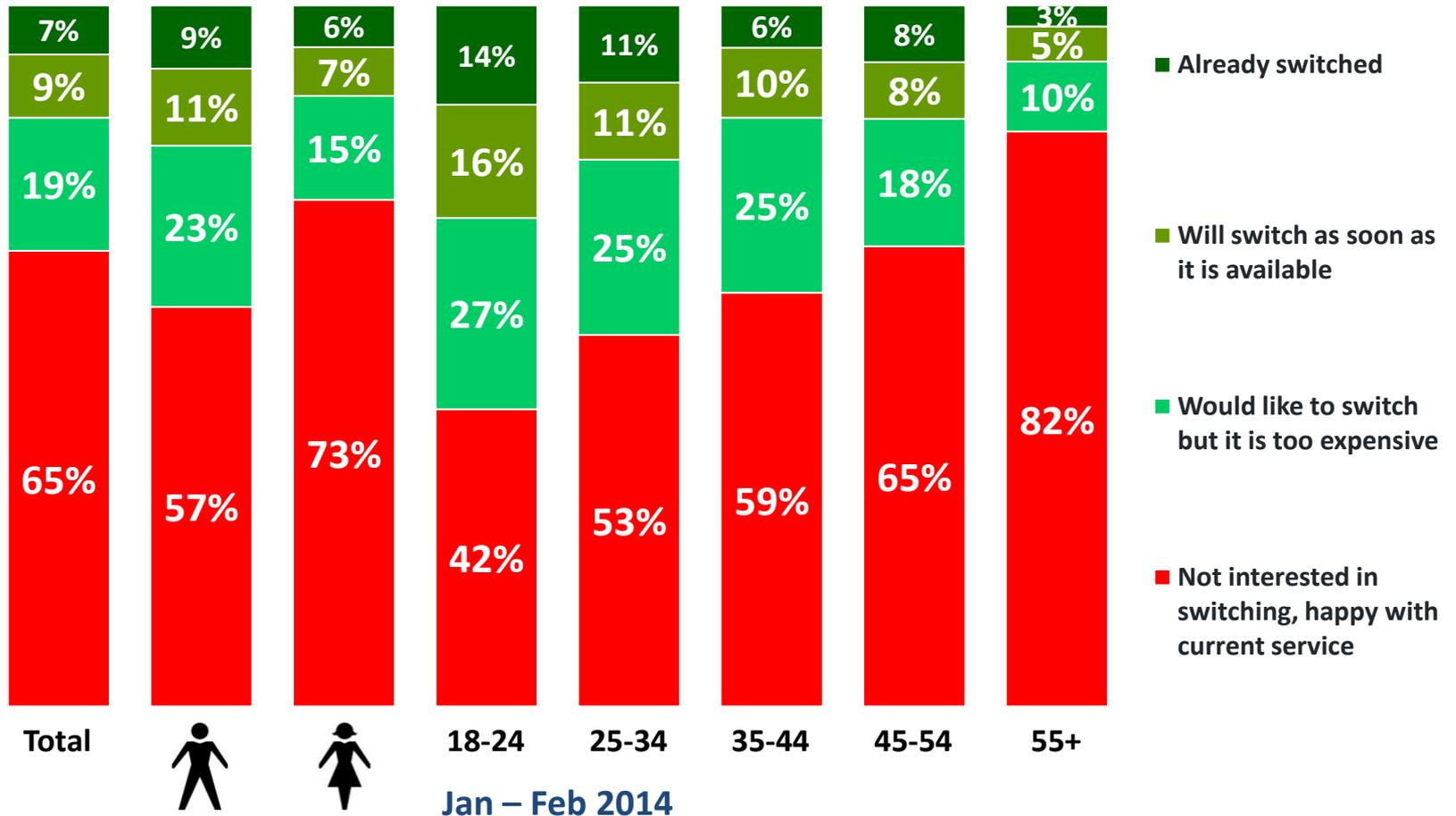


How likely are you to switch to a 4G contract when it becomes available where you live?

Base: GB adults with a mobile phone contract: Nov/Dec (n=1,108); Jan/Feb (n=1,230)

18-24 year olds are most interested in having a 4G service; price is more of a barrier for men

Contract and PAYG

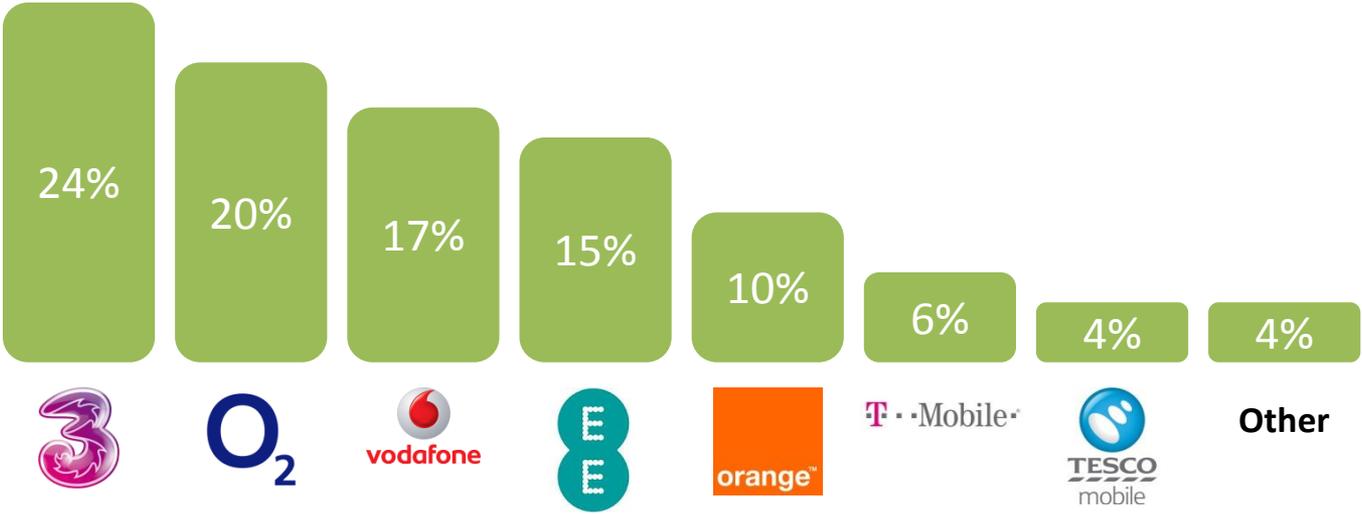


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Those most interested in having a 4G service (that don't have one already) are most likely to consider Three and O2

Contract and PAYG



Which operator are you most likely to have a 4G service from?

Base: GB adults likely to switch to a 4G contract(n=223)