

Driving the PRS market forward



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About mobilesquared



We provide intelligence and insight on the telco and media sectors.

The real value we deliver lies in how we transform our research into high-performing content and strategy that puts our clients ahead of their competition.

Our work has a clear impact on our clients' business results, because we design each brief around their business objectives.

We've been analysing the telco space for two decades, so our experience has been earned, not learned.

Our instinctive ability to ask the right questions uncovers invaluable nuggets of insight, which we interpret to help shape truly-effective strategy for our clients.

Who we work with



A market in decline (estimates)



PRS market worth (2015e)

£637.5 mil.

Revenues down 7.2% on 2014

PRS market excl. charity

£513.5 mil.

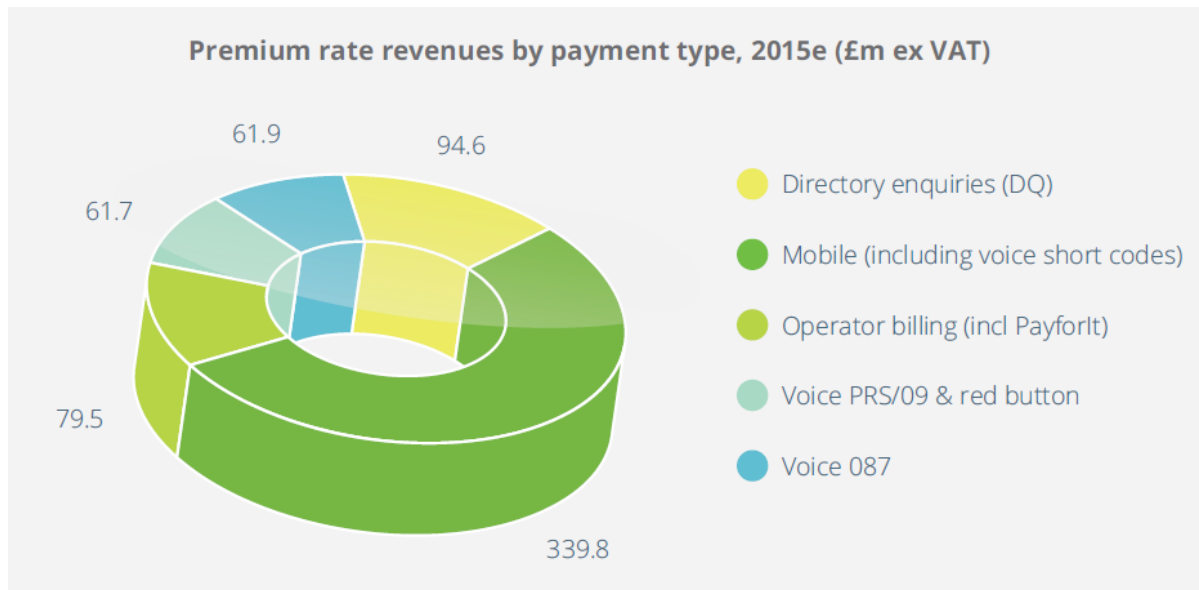
(excl charitable donations)

**In 2015 the PRS market will have contracted by
22% since 2010**

**PRS market declining at an average of
4.8% year-on-year**

Our expectations for 2015_e

Mobile + Operator Billing projected to account for 66% of total revenue in 2015



Voice-based services forecast to fall 21%

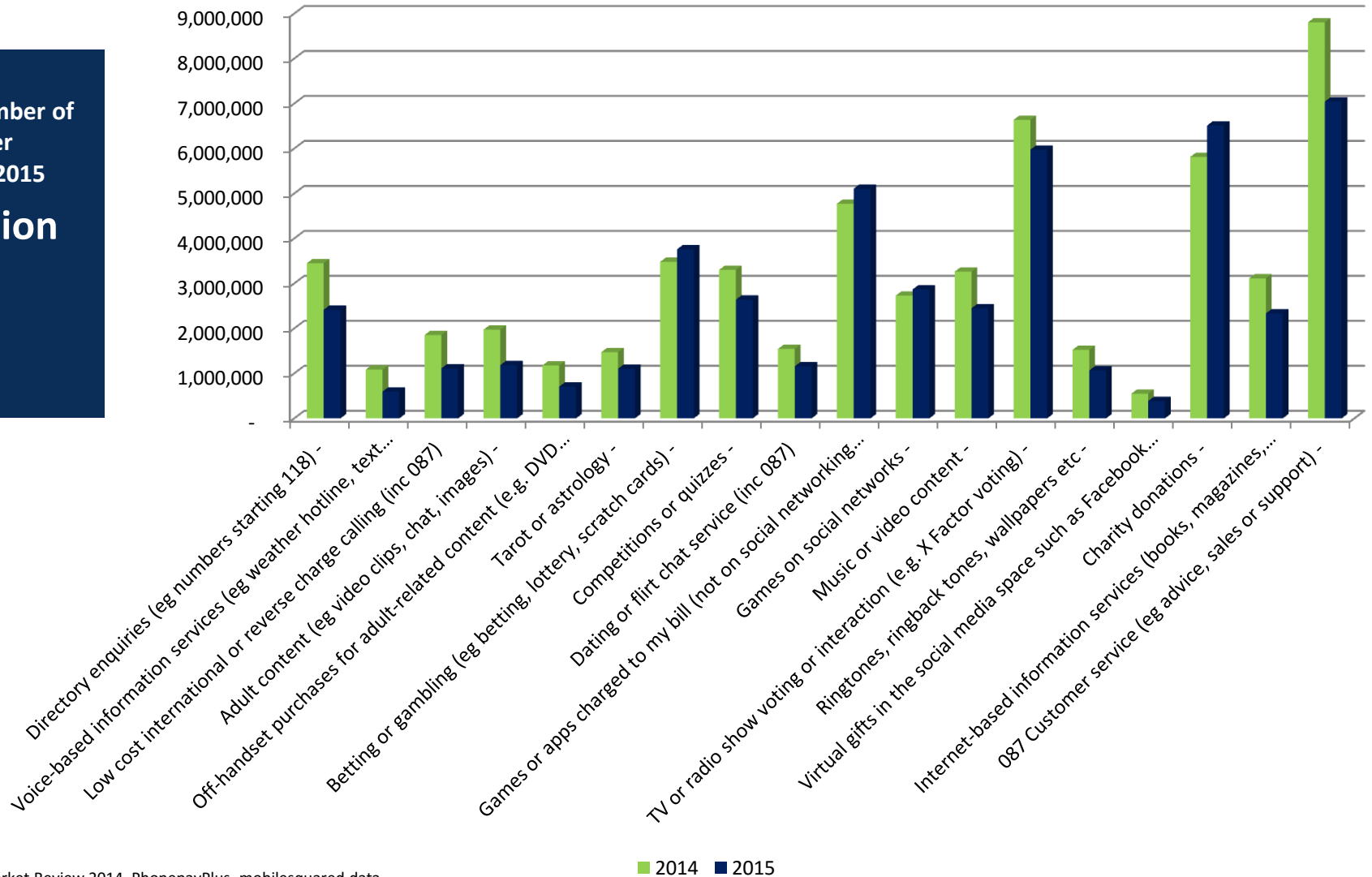
2015_e PRS users by category



Average number of PRS users per category in 2015

2.7 million

Down from 3.1 million in 2014



Source: Annual Market Review 2014, PhoneyPayPlus, mobilesquared data

■ 2014 ■ 2015

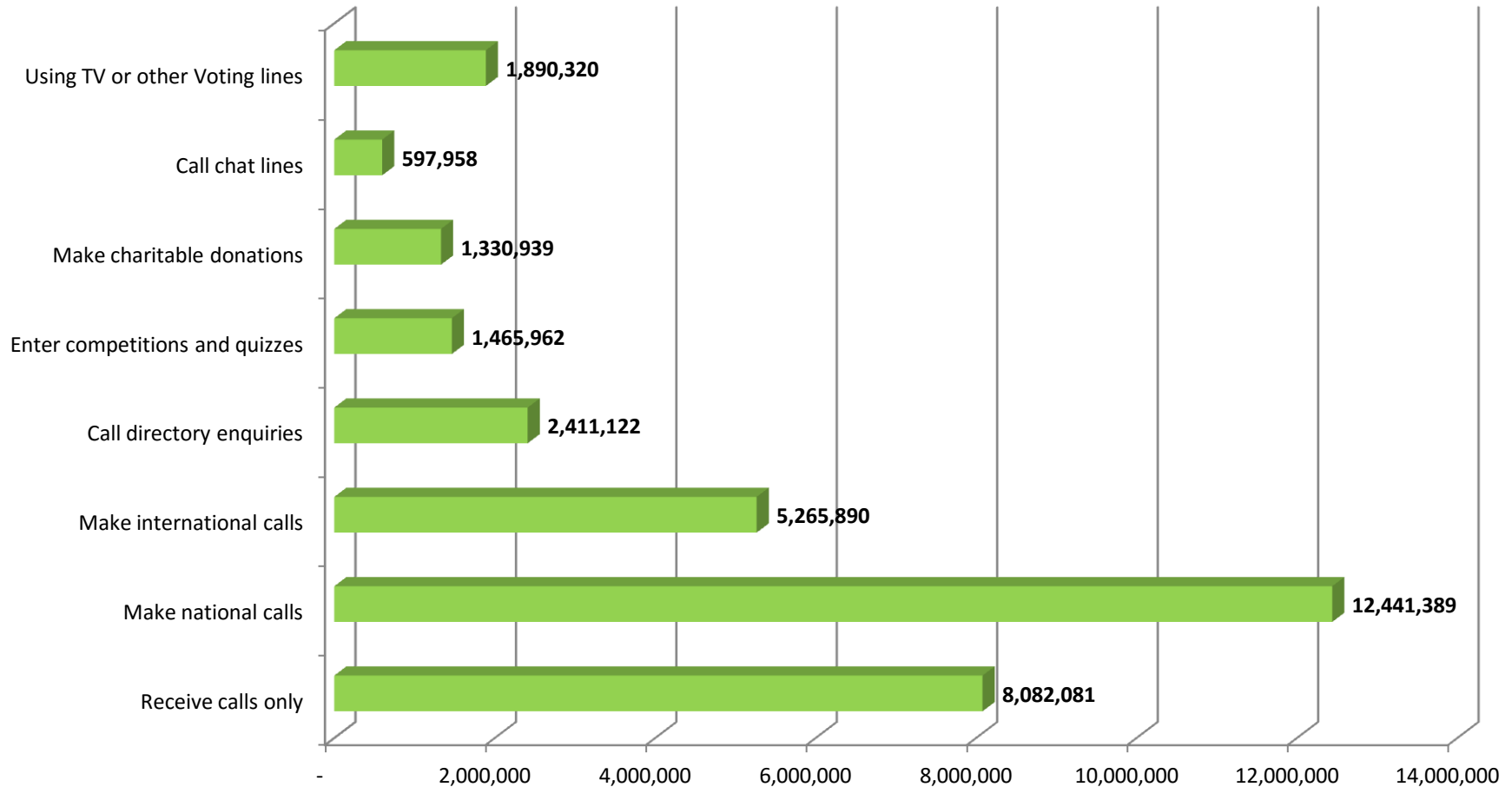
The landline



The role of the landline



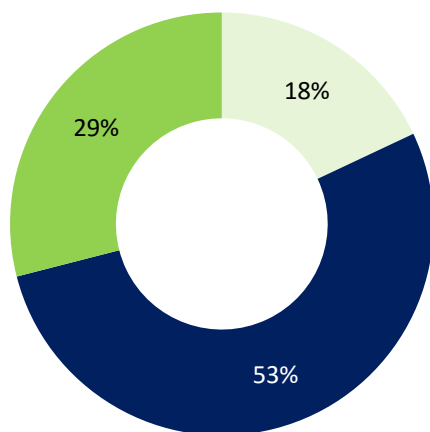
What do PR users use their landline for?



Source: Research for Annual Market Review 2014, PhonepayPlus

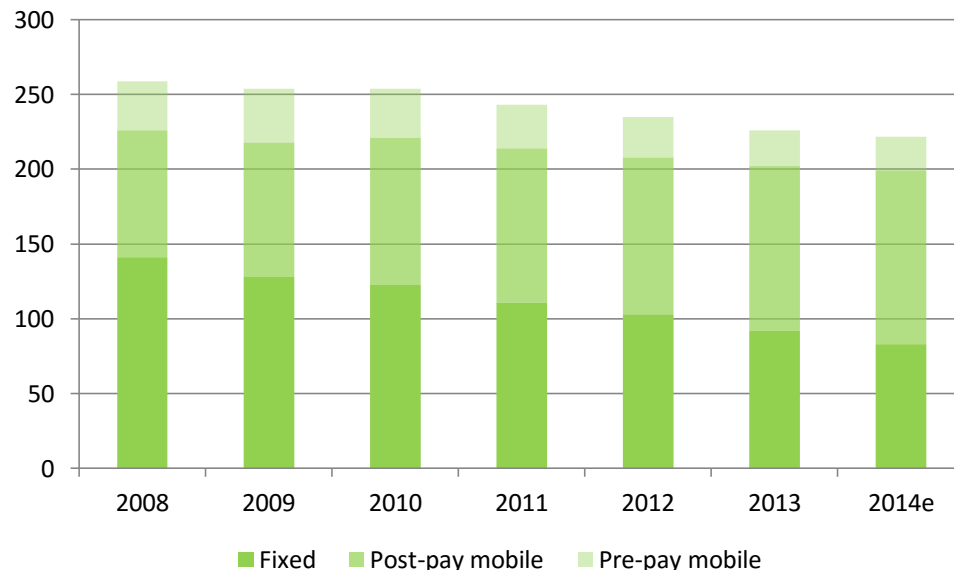
Changing landline usage

How has PRS users' landline usage increased or decreased over the last 12 months?



■ Increased ■ Stayed the same ■ Decreased

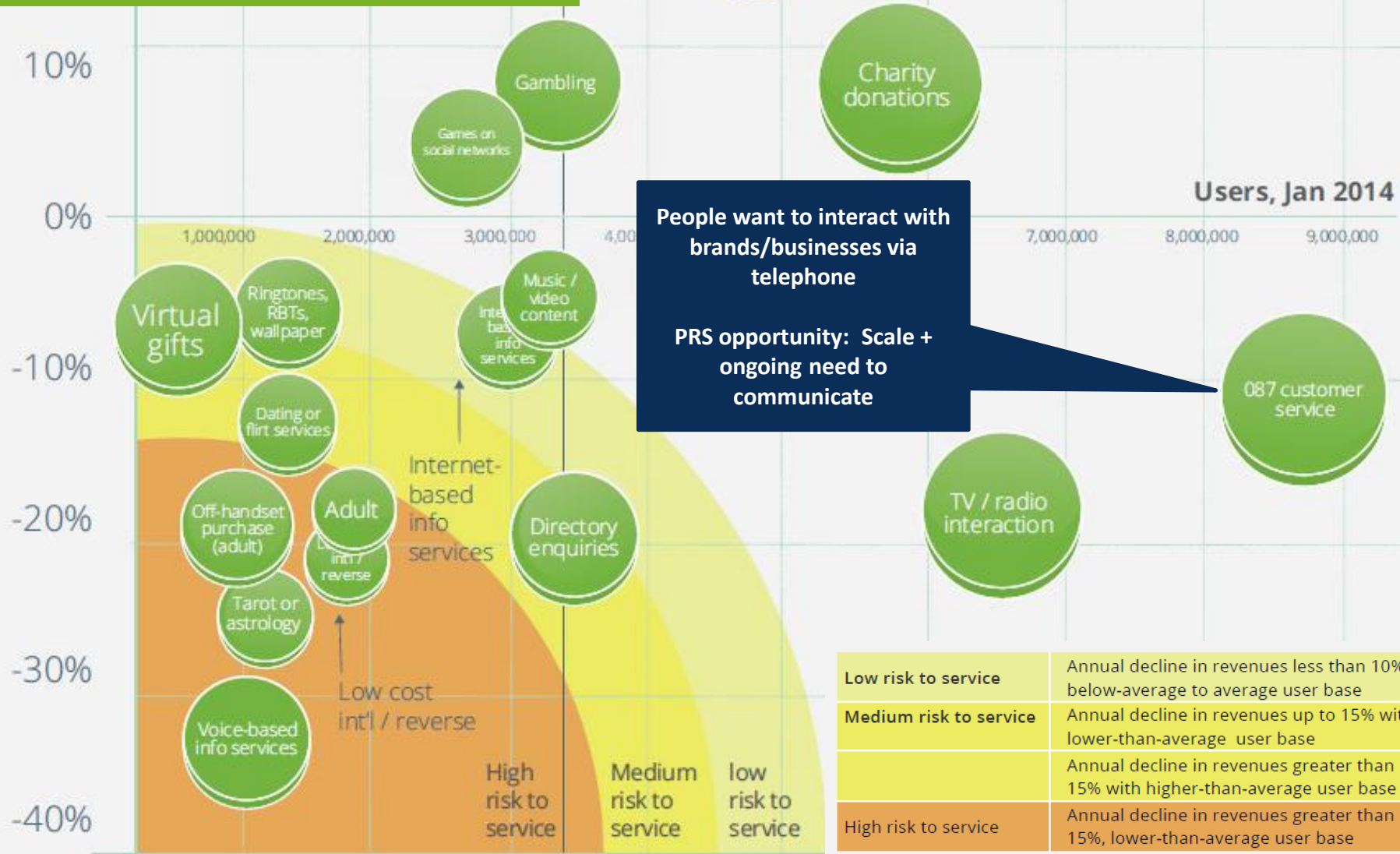
Outgoing fixed and mobile voice minutes (billions)



80% of PRS users use their mobile more
Only post-pay minutes experiencing growth

Sizing the opportunity

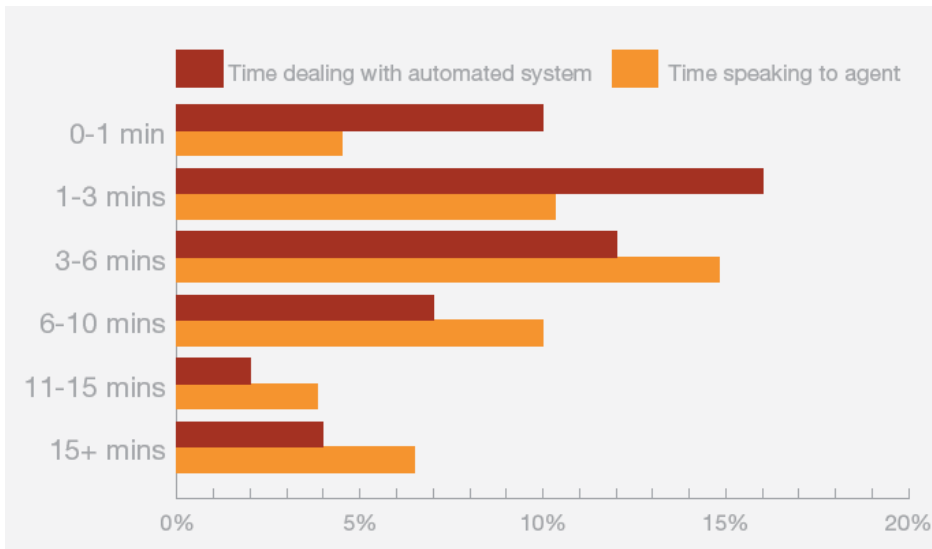
% revenue growth, 2014-15



Voice-based opportunities



How patient are consumers when contacting customer service?



- Customer service numbers will always have appeal
- Consumers prioritise phone above all other channels when communicating with brands / businesses
- Customer service PRS users has scale >7 million
- Queue jumping?



How do consumers want to communicate with brands/businesses?

Majority say voice!!!

Source: mobilesquared client research, Astellia

Smartphone impact on PRS

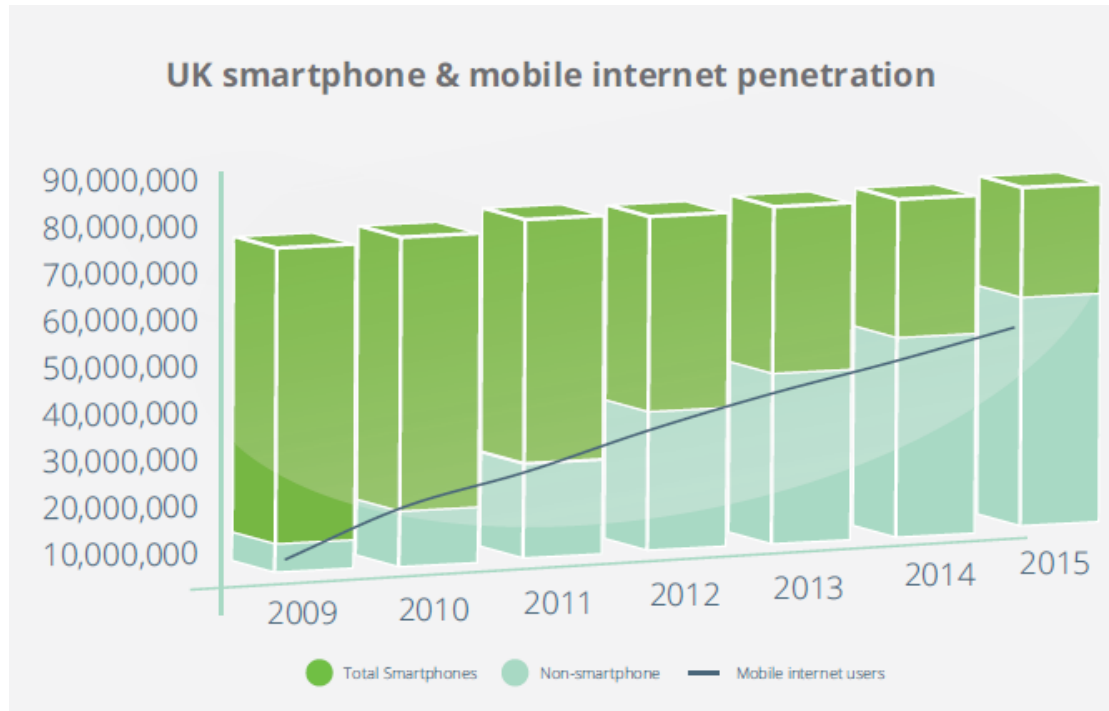


Smartphone growth



UK smartphone penetration **68%**

Mobile internet penetration **62%**



Why have you reduced or stopped using PRS in 2014?

2.8 million PRS users claim they get free content elsewhere

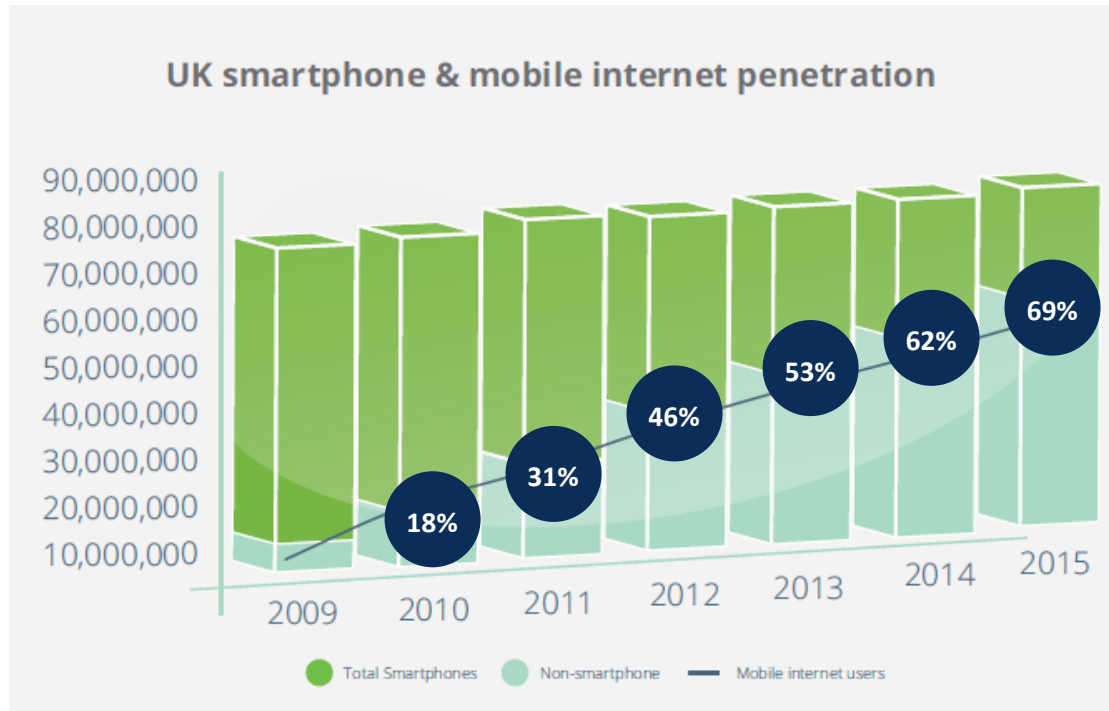
2.6 million people claim to not afford PRS any more

Smartphone impact



UK smartphone penetration **68%**

Smartphone penetration among PRS users **72%**



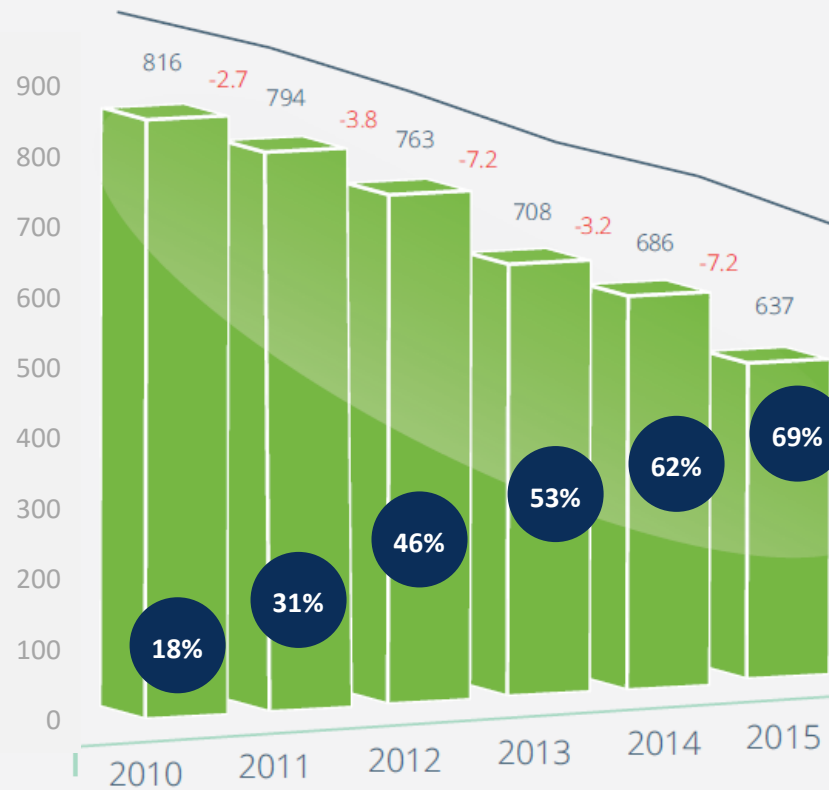
Why have you reduced or stopped using PRS in 2014?

2.8 million PRS users claim they get free content elsewhere

2.6 million people claim to not afford PRS any more

Smartphone impact on revs

PRS market revenues 2010-2015e (£m, excl VAT)



2009-2010 last time PRS experienced increase in revenues

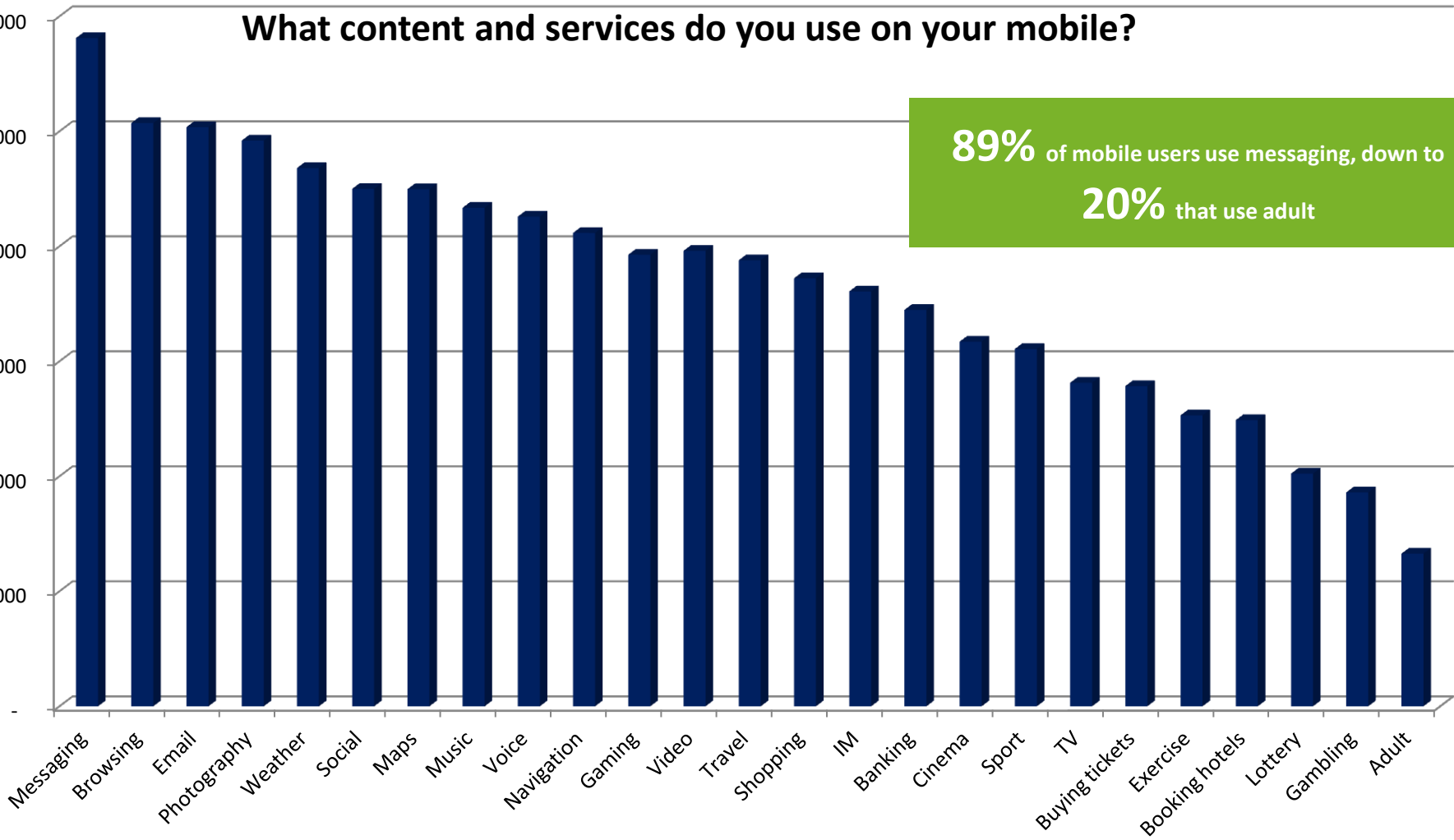
Since **2010** PRS market has experienced year-on-year decline as smartphone penetration has grown from 18% to 69%

Driving PRS content & services



What content and services do you use on your mobile?

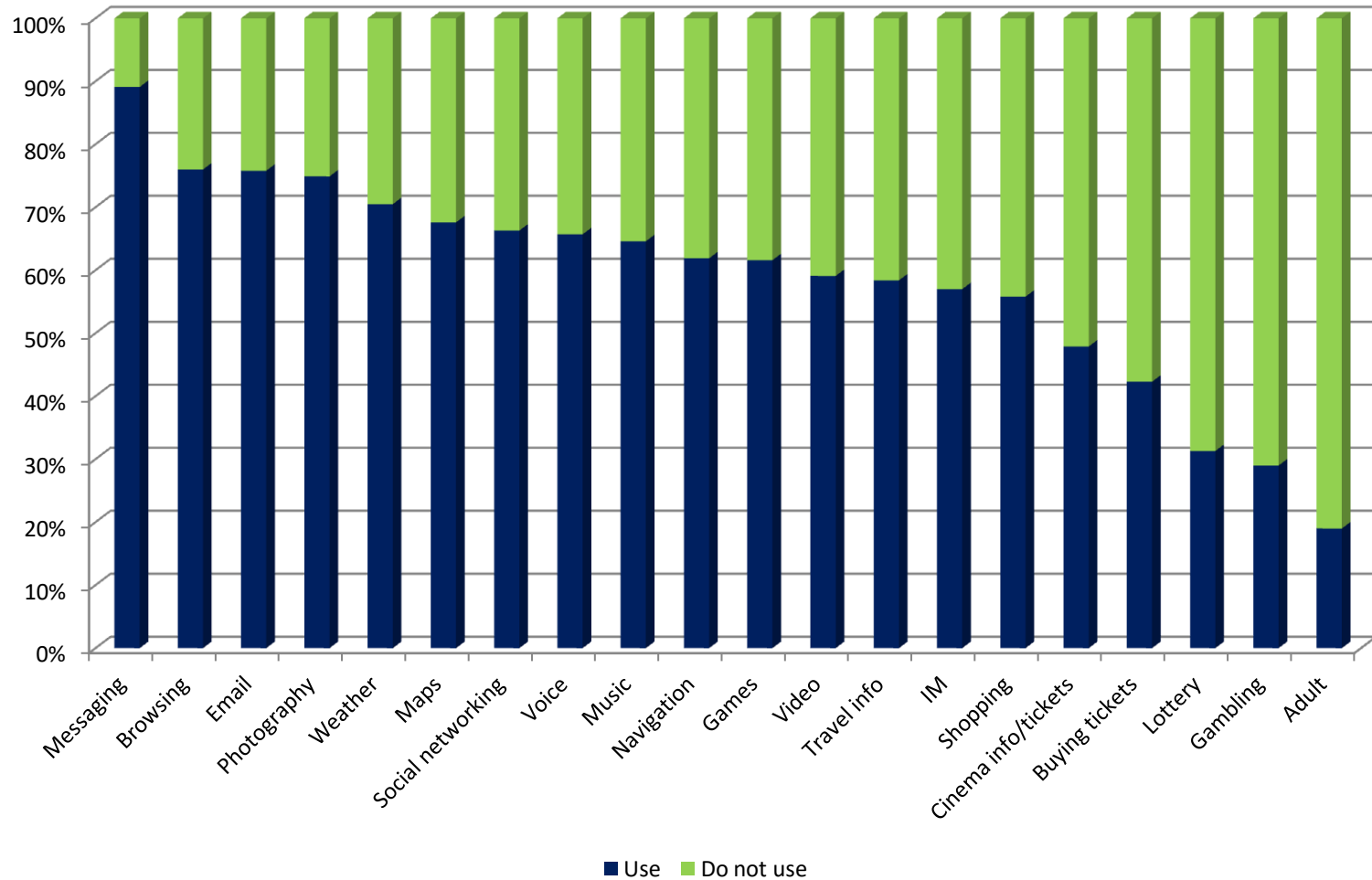
89% of mobile users use messaging, down to 20% that use adult



Source: mobilesquared

Key findings

What mobile services do PRS users use?



Source: Annual Market Review 2014, PhoneyPayPlus

Average users, Jan 2014

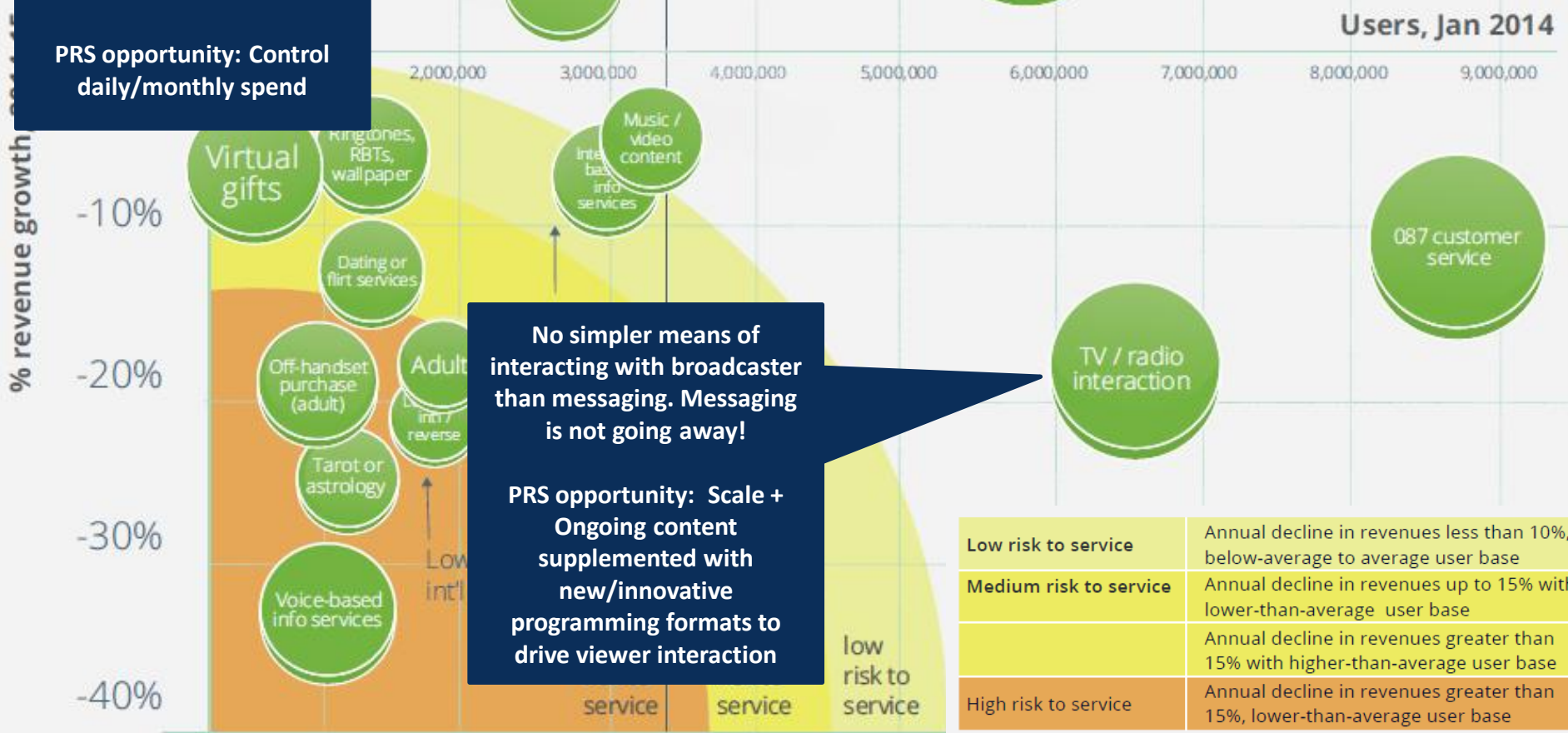
Sizing the opportunity

PRS viewed by industry as feeder network to entice users to increase spend and use credit card.

PRS opportunity: Control daily/monthly spend

45 million app users in the UK. 80-90% of time spent on phone per day is using apps. Approx. 30% of UK is unbanked. Apps present greatest long-term opportunity for PRS.

PRS opportunity: Go where the users are / money is

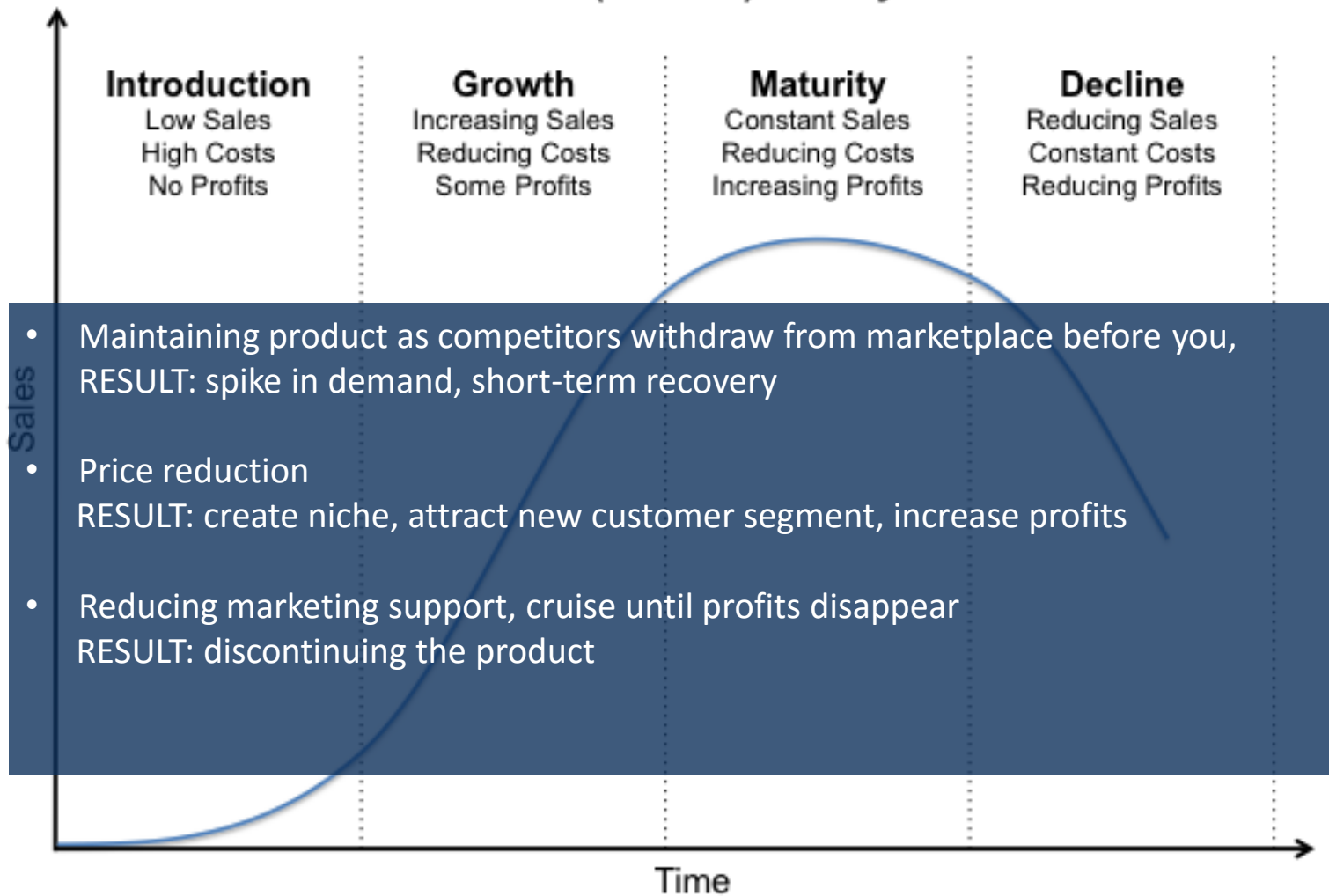


No simpler means of interacting with broadcaster than messaging. Messaging is not going away!

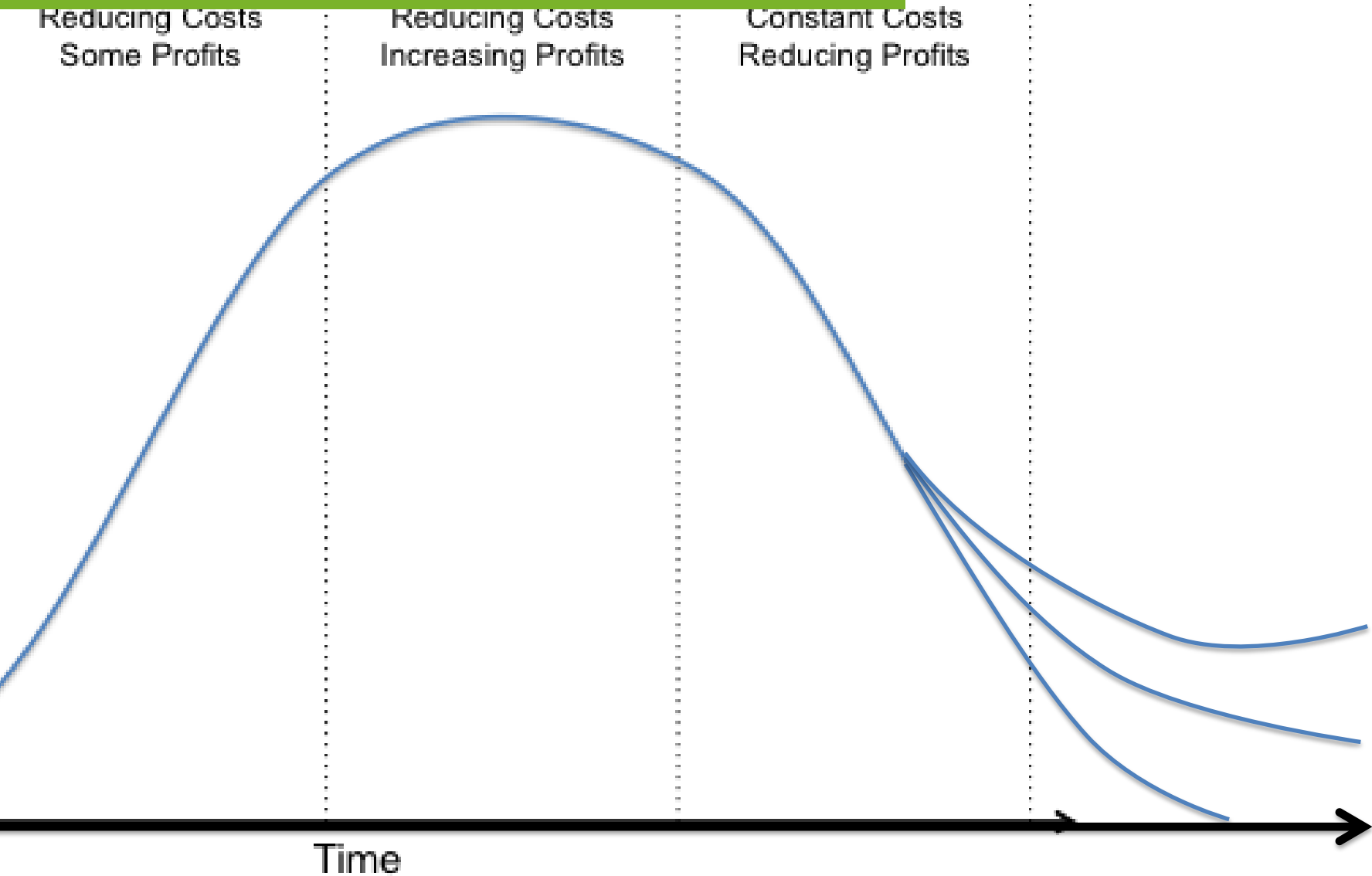
PRS opportunity: Scale + Ongoing content supplemented with new/innovative programming formats to drive viewer interaction

Low risk to service	Annual decline in revenues less than 10%, below-average to average user base
Medium risk to service	Annual decline in revenues up to 15% with lower-than-average user base
	Annual decline in revenues greater than 15% with higher-than-average user base
High risk to service	Annual decline in revenues greater than 15%, lower-than-average user base

Product (Service) Life Cycle



What is your PRS strategy?



sales

Consumer perception of PRS



Despite the clarity required when promoting PRS as mandated by regulation, consumer perception of PRS pricing is **inaccurate**.

On average, consumers believe PRS costs an average of:

- £1.63 to vote on X Factor
- £1.08 per minute to call DQ
- £2.77 per minute to call a chat line

Cost-related issues are the principal reasons for PRS users to reduce their usage of PRS or stop using the services altogether.

25% of consumers claimed to know how much PRS costs

41% said they did not know

Consumers believe PRS costs between **£0.25 - £10**

Q. What reason/reasons can you attribute for using these services less of stopping using them altogether?

Reason	PRS users
I can get content free elsewhere	2,836,000
I have less disposable income	2,185,000
I can't afford them anymore	2,641,000
I wasn't aware how much I was spending on these services	939,000

PRS pricing not reflective of changing market dynamics (internet, device evolution, behavioural changes)

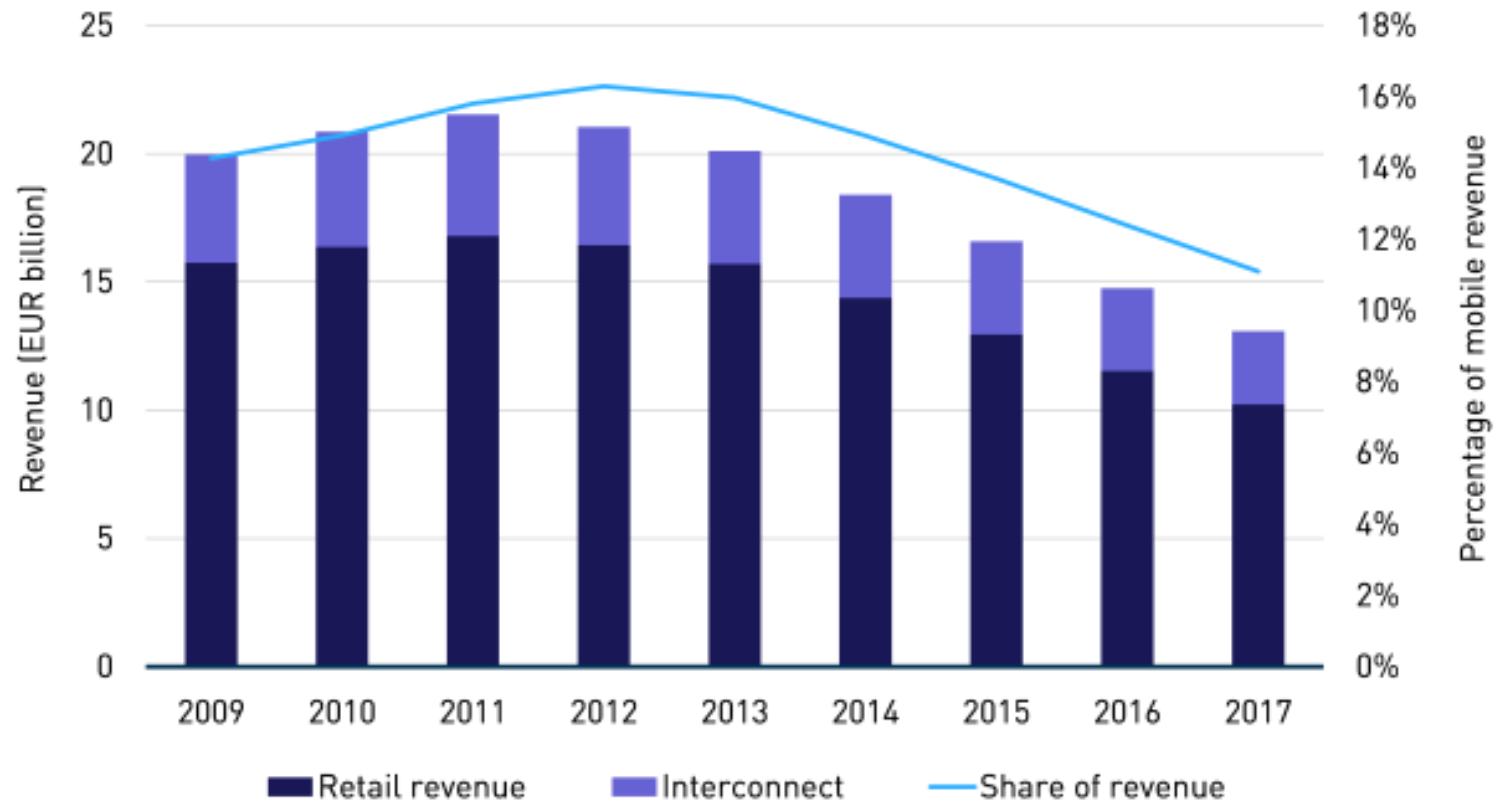
Innovation?



Proximity?

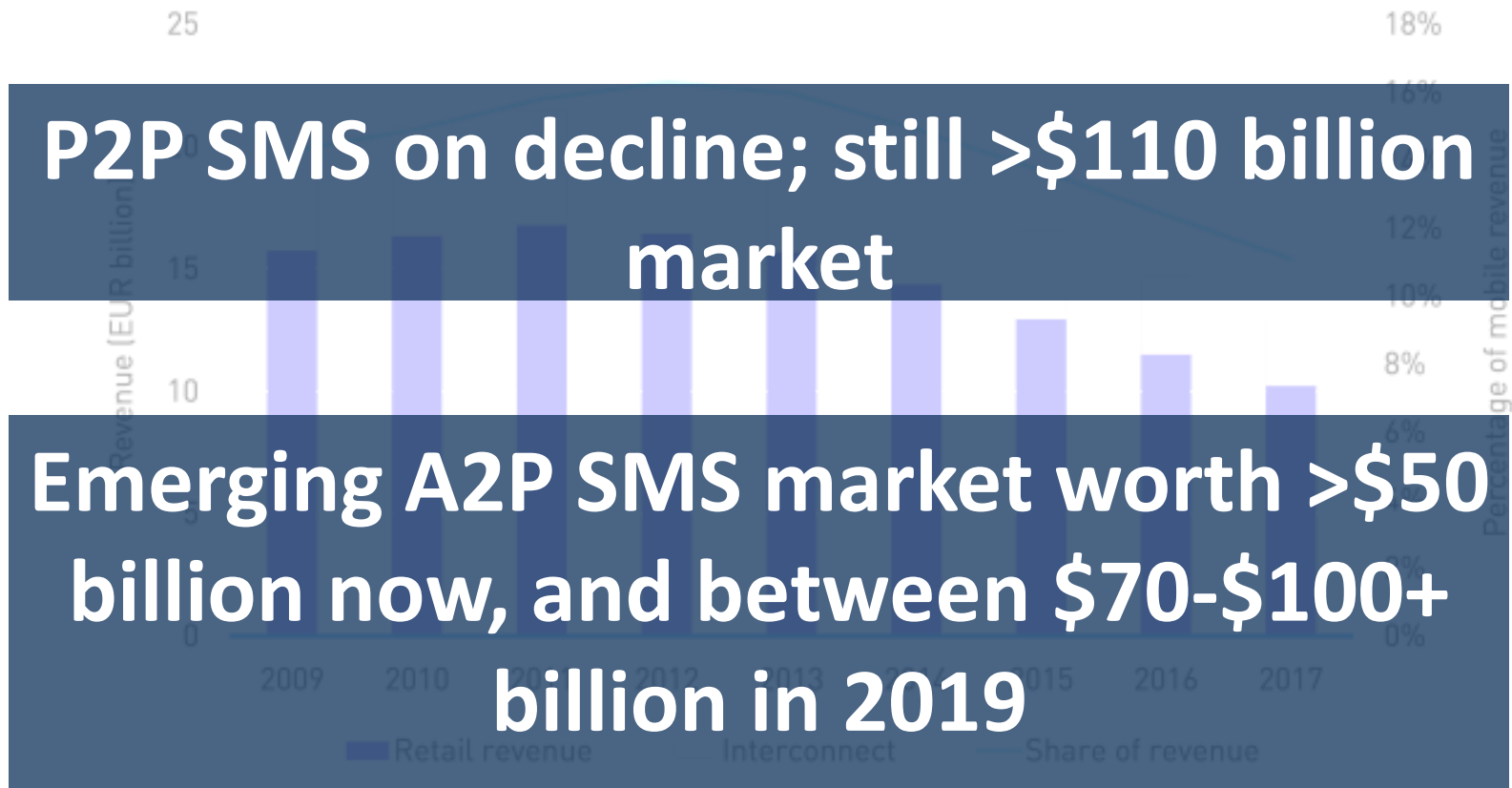


Let SMS show the way



Demise of SMS has predicted for years, but ...

Let SMS show the way



Evolution



Source: Analysys Mason

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Questions



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