

## Apple's iPhone – why the price is not always right

By Rob Bamforth, Principal Analyst, Quocirca Ltd

What makes us choose one product over another? With consumer goods there are lots of reasons, and plenty of them are heavily linked to emotion. Does it make me look good? Does it make me feel better than the Joneses? Does the brand fit my self image? Oh yes, and hopefully does it practically do what I need it to and is it the right price?

You'd think that as the products become more technical and their functionality more complex that the less emotional reasons would kick in further, and the logical brain would override the heart. Who cares about style, colour, brand appeal and fashion, just as long as it is the top performer or is the lowest price?

So why in a recent poll did one third say they would switch cellular providers to get an Apple iPhone? And this is in Europe where we now expect 3G performance and that's not going to arrive in the first iteration of the device and probably not according to Steve Jobs until late 2008. So is cool style and usability worth paying the extra money for, while still losing out on bandwidth? It appears so, and I'm sure the three European operators who are reputedly sharing some of their network revenues with the Californian company – a first in the industry, blood and stones spring to mind – are expecting a broader halo effect as well as subscribers switching to get their hands on the white phone at the white price.

It begs the follow on question that would make the results even more interesting – how many of those responding were talking about what they would like from a business rather than a purely personal user standpoint? Unhappily for most employees (and perhaps some operators), handset choices have little bearing on the carrier selection process, but the business drivers do bring in some emotional context to the largely rational process.

In Quocirca research earlier this year, we asked medium and large enterprises across Europe about their cellular contracts and what were the reasons behind changes of provider. Price was the most important reason for about a quarter of

them. But clearly then not for the remaining 75%, which might appear surprising since national and roaming call costs have been the number one and two issues in mobile contract negotiations for the past few years.

The difference is this, cost is important when negotiating, but not necessarily the main reason for *switching*. This is critical for operators as churn and retention are major issues in the mature markets of Europe, both in the consumer space where mobile penetration is high, and in the business arena where buying decisions can be made in purchasing departments driven by identifying the lowest price at every contract renegotiation opportunity.

However in our research similar numbers of companies found both service and support and value added services to be similarly valuable, with another one in five in each case regarding them as the most important reason for changing operators. Making life easier and adding new features rather than being the cheapest alternative are important to logical businesses as well as emotional iPhone fans. This is wise thinking, because for all the desire to drive a hard bargain, there is more value to be lost and higher costs in the medium term from constantly swapping providers.

Whether the iPhone meets both personal and corporate requirements remains to be seen. It may have the cool factor to offer many things at the personal level, but tied to a 12 or 18 month fixed contract with only Wi-Fi for decent data rates will tarnish the shiny appeal, making many buyers wish for the good old days of their previous handset.

For business use, the lack of 3G could be an even greater limitation. Suitable perhaps for simple email, but with slow access to other corporate data, web browsing or the newer swagger-factor services such as streaming media, the organisation needs to ensure that employees think long and hard before diving into the European iPhone hype fest.

## About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

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