

WHAT HANDSETS SAY ABOUT CONSUMERS

HOW THE PRICE BAND OF SMARTPHONES INDICATE CONSUMER PROFILE AND DIFFERENCES IN USAGE

- The advent of high-speed 4G internet, less-expensive mobile handsets and a correction in call data charges have encouraged the speedy adoption of smartphones.
- To help meet the demand of the mass market, new Chinese and Indian handset makers have launched models at under INR 5,000, making the entire category more affordable.
- The lower prices will result in higher smartphone penetration across consumer groups, which will expand the variety of users and usage trends.
- The price of handsets is thus emerging as a remarkable surrogate for monitoring the ever- widening set of users and their smartphone usage, thereby facilitating business and marketing strategy for better return on investment (ROI).

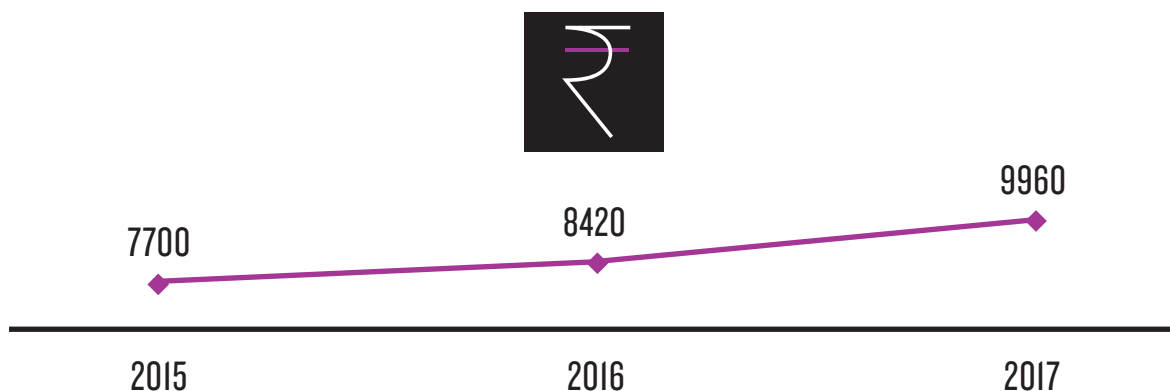
Telecom service providers in India have been riding a prosperous wave over the last few years. However, after the 4G launch in the second half of 2016, call and data rates have corrected sizably. Handset prices followed suit, as several manufacturers sought to capitalise on the unprecedented market demand.

Seizing the opportunity, new Chinese and Indian handset companies debuted models for less than INR 5000, offering an economical alternative to models that range up to twice what these manufacturers are charging. This sudden influx of affordable smartphones created a whole segment of new consumers who either upgraded from feature phones or were new mobile users altogether.

Despite the availability of economically priced smartphones, average smartphone prices are still increasing. In fact, the average cost has steadily risen from about INR 7,700 in 2015 to about INR 10,000 in 2017. We attribute this to the fact that a high proportion of smartphone users continued buying premium handsets, which are packed with better features and offer higher performance.

We expect the trend of the influx of value-for-money handsets and the increase of average smartphone prices, to widen the profile of smartphone users. It will also change the way people use their smartphones.

AVERAGE SMARTPHONE PRICE IN INR

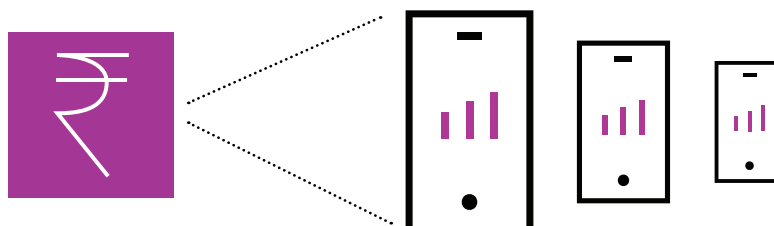


Source: Nielsen smartphone panel

In light of these trends, it became important to study if profiles of users and their usage could be mapped against price bands of smartphones. Said another way, is smartphone usage correlated with device cost? The prospect of using price as a surrogate for profiling users, offers immense benefits in designing business strategy.

THE RELATIONSHIP BETWEEN HANDSET PRICE AND USAGE

To conduct the study, we analysed our On-Device Measurement (ODM) data by dividing smartphones (excluding super premium models), into three major price categories.



Entry Level Handsets (priced <INR 5000)



Middle Level Handsets (priced between INR 5000 - INR 15000)



Premium Handsets (priced between INR 15000 - INR 25000)

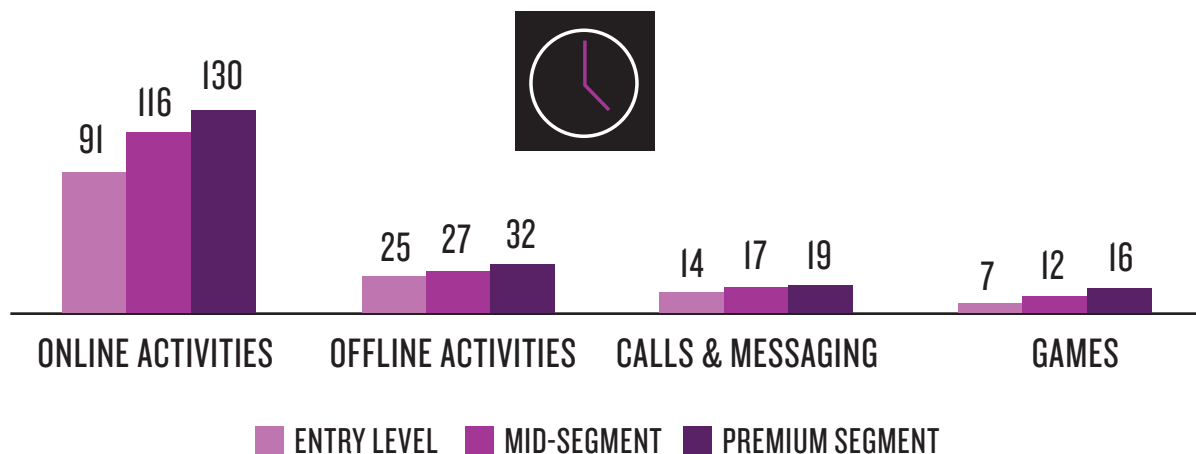


Source: Nielsen smartphone panel

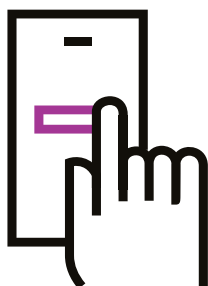
Our study yielded some notable findings:

- Based on the smartphone price band, there is a strong correlation between the amount of time people use their handsets and the evolution of the usage.
- The gap in the duration of usage is significantly different across price bands.
- Also, the type of apps used vary by handset price. There are mass apps that are used universally; however, the usage of “LIGHT” versions is higher among users of cheaper handsets.

TIME SPENT IN MINS/DAY



Source: Nielsen smartphone panel



**THERE IS A STRONG CORRELATION BETWEEN THE
AMOUNT OF TIME PEOPLE USE THEIR HANDSETS
AND THE EVOLUTION OF THE USAGE.**

PROFILE OF USERS

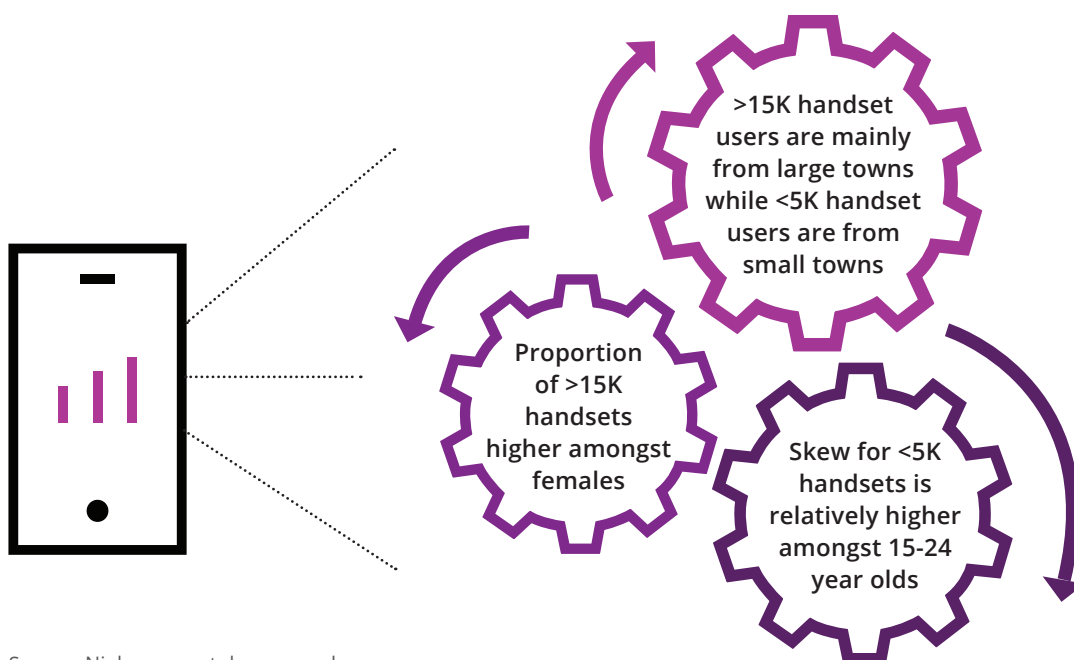
Our study revealed that almost half of India's entry-level users are between 15 and 24 years old, mostly students, and can be assumed to be data-hungry, though less affluent than premium handset owners. Among premium handset users, 60% are over 24 years old, primarily working professionals or self-employed. These users are usually affluent and data-hungry.

Expectedly, the ownership of expensive handsets is most prominent in towns with populations of more than 10 lakh people. More than half of the users with entry-level handsets are from small towns with a population of fewer than 10 lakh people.



AMONG PREMIUM HANDSET USERS, 60% ARE OVER 24 YEARS OLD, PRIMARILY WORKING PROFESSIONALS OR SELF-EMPLOYED. THESE USERS ARE USUALLY AFFLUENT AND DATA-HUNGRY.

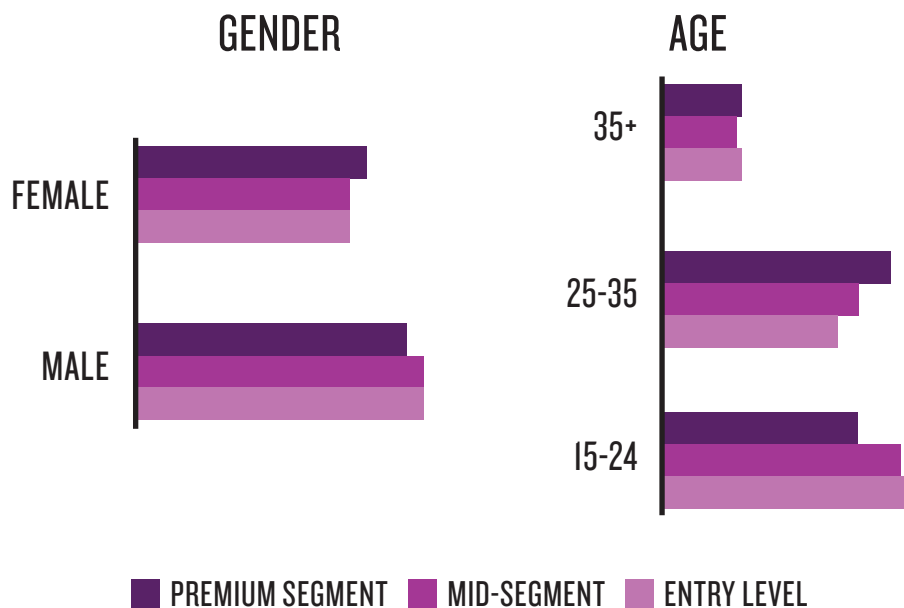
WHAT HANDSET PRICES REVEALS ABOUT THE PROFILE OF USERS



Source: Nielsen smartphone panel

A higher proportion of women use premium handsets than men, and most users of premium handsets are between 25 and 35 years old.

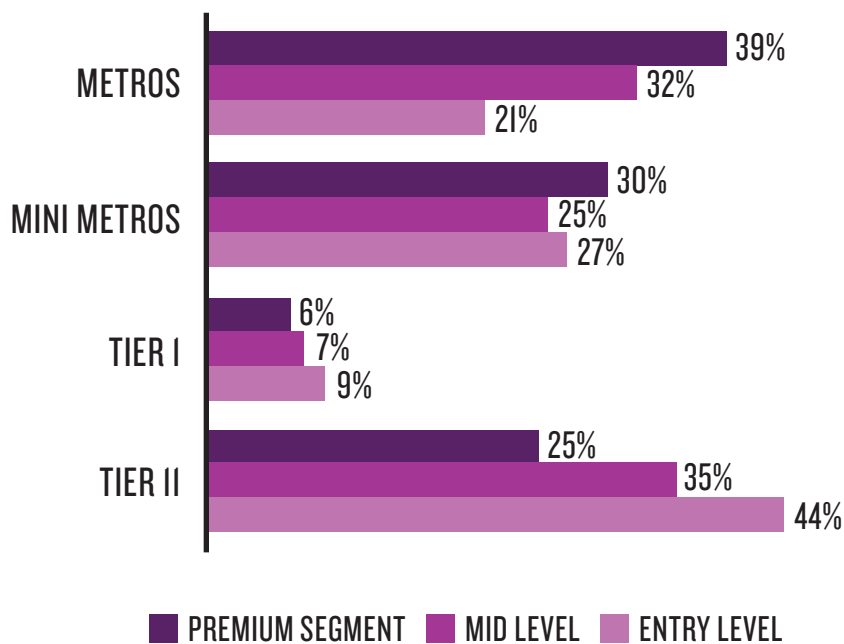
THE RELATION BETWEEN HANDSET PRICE, AND THE GENDER AND AGE OF USERS



Source: Nielsen smartphone panel

Consumers from the eastern region of India prefer entry-level phones, with the proportion of premium handset ownership being very small compared with the rest of India.

THE CONNECTION BETWEEN HANDSET PRICE AND GEOGRAPHY



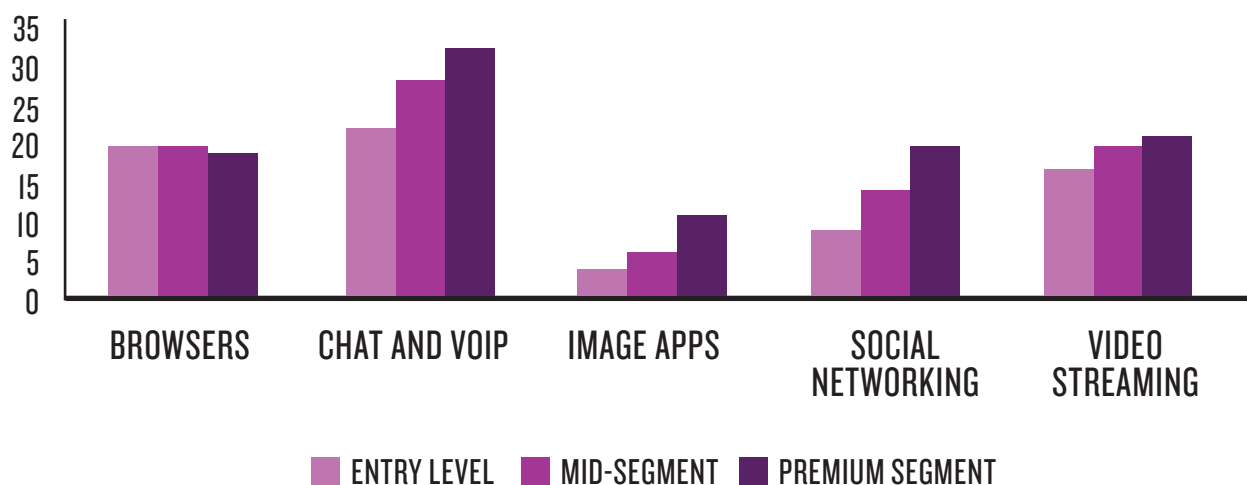
Source: Nielsen smartphone panel

SMARTPHONE PRICE AND THE PREFERENCE OF APPS

Current offerings from telecom brands mainly focus on high data usage. Consequently, the appetite for data consumption has risen over the last 15 to 18 months. Today's users in India, are consuming 1GB of data a day on their smartphones; a huge leap from the erstwhile average of 4GB a month.

As far as the usage of apps go, chat, video-streaming, browsers, social networking and image apps are the most engaging and account for more than 50% of the total time spent on smartphones. A comparison across price bands reveals that except for browsers, the time spent on these categories is much higher among users of smartphones priced over INR 15,000. A striking difference in engagement levels is apparent for image and social networking apps where the time spent by premium handset users is higher by 4 times and 2 times, respectively.

CATEGORY WISE USAGE OF APPS - MINS/DAY



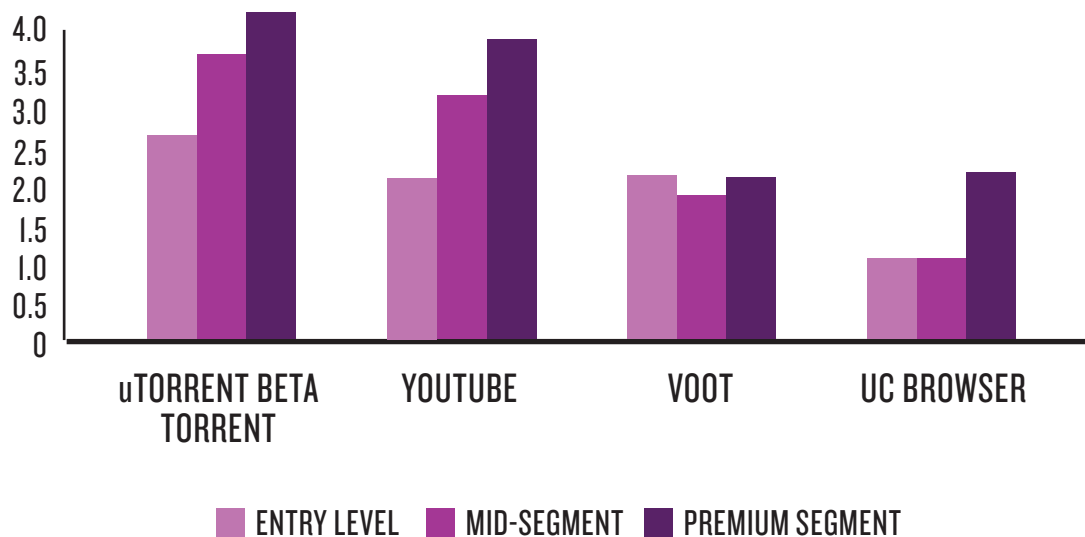
Source: Nielsen smartphone panel



VIDEO-STREAMING, BROWSERS, SOCIAL NETWORKING AND IMAGE APPS ARE THE MOST ENGAGING, AND ACCOUNT FOR MORE THAN 50% OF THE TOTAL TIME SPENT ON SMARTPHONES.

When it comes to individual apps, WhatsApp Messenger is the most engaging app across users of all three price bands. However, we do see differences when we look at usage of some other popular apps. Basic apps like Facebook Lite and UC Browser, that save space in comparison to full-service versions, are usually pre-installed in less expensive handsets to facilitate ease of operation. Hence, for users of smartphones priced under INR 15,000, the time spent on apps like UC Browser, Facebook Lite, and YouTube is relatively higher than users of higher-priced devices. For users of smartphones priced over INR 15,000, the highest engagement occurs on apps that consume a lot of data, like Facebook, WhatsApp Messenger, Instagram and Google Chrome.

CONSUMPTION OF DATA BY VARIOUS APPS IN GB







Source: Nielsen smartphone panel

HOW ENGAGEMENT DIFFERS ACROSS DIFFERENT HANDSET PRICE BANDS

We have also noticed that time spent varies significantly across price bands. The gap between users of the premium segment versus entry-level users is as high as ~60 minutes on overall time spent per day. The duration gap is maximum when it comes to gaming and online usage.

A granular look at the type of apps used, as well as the time spent and data consumed on each type of app can help understand the reasons behind the large variance in usage patterns.

APPS USAGE ▶	ENTRY LEVEL	MIDDLE LEVEL	PREMIUM SEGMENT
 <p>Social networking</p>	<ul style="list-style-type: none"> • Overall time spent on social networking is least. • The light version of Facebook has high penetration. 	<ul style="list-style-type: none"> • Highest proportion of social networking apps in mid-level handsets. • 63% higher usage rate compared to entry level. 	<ul style="list-style-type: none"> • 39% higher usage than mid-level handsets.
 <p>Image apps</p>	<ul style="list-style-type: none"> • These apps play least role in terms of usage as it only accounts for 2.5min/day. 	<ul style="list-style-type: none"> • 3.5 times higher usage of image apps. 	<ul style="list-style-type: none"> • Premium segment handset has 63% higher usage than the middle segment handset.
 <p>Video-streaming apps</p>	<ul style="list-style-type: none"> • Usage is least in these types of handsets. • Most of the users are not from large metros. 	<ul style="list-style-type: none"> • Video streaming apps in these handsets is 22% higher than that of entry level. 	<ul style="list-style-type: none"> • Maximum usage of video streaming apps done by this segment (3% higher than mid-range phones).
 <p>Internet browsing</p>	<ul style="list-style-type: none"> • Least differentiating app type. • The usage for browsing too is least for this segment. 	<ul style="list-style-type: none"> • Usage is 0.9% higher in case of these users. 	<ul style="list-style-type: none"> • Lower usage compared to mid-level phone users.

LOOKING FORWARD

- A. New categories of users, like school-going children, elders and housewives, are entering the segment. More purchasers are emerging from tier 3, 4 and 5 towns, as well as rural areas. So whole new markets are emerging with different sets of needs and expectations.
- B. Because of the differentiated needs and expectations of these new users, the strategies to cater to this new demand also need to change.
- C. Meanwhile, current mid-range and premium segment users will also upgrade their usage in terms of time duration, variety of apps used and usage of accessories.
- D. Informed decisions during these evolutionary periods can usher new opportunities for related companies like handset manufacturers, app players, accessory manufacturers and mobile service providers, amongst others.

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ABOUT NIELSEN

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The background of the entire image is a vibrant purple with a series of overlapping, wavy, three-dimensional-looking ridges and valleys, creating a sense of depth and movement.

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