

## WiFi: The Price is Right?

Dr. Samuel H. Book

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In February 2003, T-Mobile announced that it would reduce the cost of using WiFi service in Starbucks coffee shops because of disappointing consumer response. ForceNine Consulting has recently conducted a detailed consumer study that indicates T-Mobile is on the right track. Our research indicates that, while interest in public WiFi hotspots is very high, pricing above an effective rate of \$2 per hour will choke off any emerging demand.

ForceNine recently conducted the most comprehensive consumer study to-date on the demand for public hot spot WiFi service. The resulting report, *The Market for WiFi Hot Spots: Consumer Behaviors and Relationship to 3G*, is based on conducting nearly 3,000 online interviews among randomly selected samples of cellular and internet consumers. The report focuses on WiFi business models and pricing, consumer behaviors relevant to potential use of WiFi and 3G services, consumer demand for WiFi service, and preferences for WiFi and 3G features including access speed, security, mobility, multi-connectivity, and cost. Survey data are statistically valid within a margin of error of +/- 2.5%.

Our surveys revealed highly elastic, or price sensitive, consumer demand for WiFi service, especially among those who are familiar with WiFi. The survey data indicate that 40% of internet and cellular consumers wanted to use public hot-spot WiFi service at a nominal cost, while nearly 20% would use WiFi service if the usage fee were \$1 per hour or \$5 per day. Importantly, only 2% to 3% of internet and cellular consumers surveyed would use WiFi service if the usage fee were \$2 per hour or \$10 per day.

Nearly one-in-five current internet and cellular consumers are likely to become “early adopters” of public hot-spot WiFi service. Early adopters will skew toward males and frequent business travelers. The survey shows that early adopters are willing to pay \$25 per month for unlimited WiFi usage based on desired usage patterns.

With the reduction of monthly pricing to \$30 per month (with a 12 month commitment), and assuming desired usage patterns as reported in our research, T-Mobile is now within consumers' desired price range. However, most “per use” or “per session” price plans for WiFi use are well above optimal levels according to these consumers, and most monthly contracts are still above these levels as well. As of March, major WiFi operators were charging between \$40 and \$70 per month for unlimited service (based on a monthly contract).

It is clear that these are early days in terms of WiFi pricing strategy and pricing levels. We will see considerable experimentation with price levels and service bundling in coming months. Consumers are telling us that while the price may not be right, it is getting closer.

For additional information about ForceNine Consulting and its report, *The Market for WiFi Hot Spots: Consumer Behaviors and Relationship to 3G*, click on [www.forcenine.net](http://www.forcenine.net) or call Sylvia Panayi, Senior Analyst, 202.887.0118.

“The Market for WiFi HotSpots: Consumer Behaviors and Relationship with 3G” report is available for purchase in CD ROM format for \$1,450 from ForceNine Consulting at <http://www.forcenine.net>.

### **About ForceNine Consulting**

ForceNine Consulting is a high-level consulting firm providing financial, management and strategic planning services to the telecommunications industry. With a focus on the \$15 billion wireless broadband sector, particularly WiFi and 2.5G/3G, ForceNine Consulting provides market research, strategic planning, industry intelligence, technology support and publications. The firm's

financial service offerings include valuations, due diligence, mergers and acquisitions support, and turn-around assistance. With more than 20 years experience in the telecom industry, ForceNine Consulting's analyst and sector experts' skill sets include certified appraisers, former industry CEOs, Ph.D.s, engineers, research analysts and entrepreneurs. ForceNine Consulting and Itelogy Partners ([www.itelogy.com](http://www.itelogy.com)) formed a partnership in 2003 to attend both North and South American technology markets.

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If you wish to purchase the WiFi report, [click here](#).

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