Gartner Says Western European Mobile Connection Growth Has Stalled and Warns of Consumer Upgrade Fatigue

Gartner Mobile Business and Technology Conference 2002, Copenhagen

Copenhagen, 18 June 2002 - Gartner today said mobile connection growth has slowed down in Western Europe. According to new figures from Dataquest, a unit of Gartner, connections grew 1.3 percent in the first quarter of 2002 compared to 6.5 percent in the same quarter last year. For the full year 2001, connection growth went down from 57.4 percent to 19.5 percent. Gartner said the market has reached saturation and the downward trend is set to continue over the next four years with the compound annual growth rate (CAGR) falling from 51.6 percent for the period 1997-2001 to 3.1 percent for the period 2002-2006. Speaking at its mobile business and technology conference in Copenhagen today, Gartner said this is a warning flag signalling that operators must change their business model to make money from services other than voice and that the latest numbers demonstrate that this will now be forced on them.

Mobile penetration rates for Western Europe reached 75.2 percent in the first quarter of 2002, up from 67 percent compared to the first quarter last year. The two countries with the highest penetration at the end of 2001 were Italy (88.9 percent) and Portugal (85.6 percent), and these countries also had the highest prepaid share of 86.6 percent and 79.6 percent respectively.

The mobile market has reached saturation point and focus on customer retention and upgrades to new phones is now crucial, particularly in light of new 3G operators entering the market. However, Gartner warned operators of 'consumer upgrade fatigue' which it said will be the biggest bottleneck over the next 18 months.

According to Nick Jones, Vice President and Research Fellow at Gartner, "MMS, GPRS, 3G, J2ME - there are too many selling points and too much variety which confuses the buyer, and the new technologies and services do not provide enough value for people to want to pay the high costs of these new phones." He added, "phones will become obsolete fast and to benefit from the new stream of services consumers could need to buy a new phone every six months. With new generation handset prices around 500 Euro, you can expect consumer resistance."

Jones concluded, "The big problem for operators will be that consumers' desire to absorb change is far less than the operators' desire to create change." This means that operators will need to maintain low technology services much longer than planned and Jones urged operators to find services that are genuinely valuable rather than 'cosmetically nice'.

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