

The 5G Evolution: A Look at Connected Company Opportunities



A Note on 5G Adoption Around the World

From Keith Demmings, President Global Lifestyle at Assurant

As we think about the progress 5G will enable through lower latency speeds and increased data capacities, the possibilities are almost endless. While the current environment has certainly pushed consumers to adopt & evolve their digital lifestyles, 5G networks have the potential to accelerate the pace of change and the art of the possible. While much has been written about potential 5G applications in entertainment, transportation, manufacturing, commerce and communication, I get most excited about what will come next, reflecting on all the innovation that has occurred from the transition to 4G network standards, including applications like Uber, Netflix, and Facebook, that were almost unimaginable under legacy 3G network standards.

The first and most immediate step toward this progress will sit with mobile carriers as they begin to release more 5G devices to the consumer market. Premium 5G smartphones can come with a price tag that rings up to as much as U.S. \$2,000 per device, making cost a barrier to adoption for large segments of connected consumers. On one hand, carriers

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have their work cut out for them when it comes to educating different consumer types on the value 5G-enabled devices provide in exchange for their cost. On the other hand, it's now critical for carriers to have the right trade-in and upgrade offers and asset disposition programs to drive adoption of 5G mobile devices and monetize the disposition of the 4G devices that are returned.

At their core, trade-in solutions incentivize customers to upgrade to the next generation of devices. While we have already seen increasing awareness and adoption of trade-in

solutions by carriers & customers, we expect trade-in offers to become more prominent in the future as we move towards 5G devices. A couple of things are going to happen: (1) consumers are going to look to upgrade phones, with pent up demand to upgrade to the next generation of 5G handsets, and (2) carriers are going to upgrade the devices they offer to improve their retention, network efficiency, and to market additional products and services to customers. **As a result, the trade-in value that a consumer can get from trading in their current device becomes an important part in the economic equation of how to motivate a customer to move to a 5G device, and limit profitability pressure associated with a rising upgrade rate. In Assurant's Connected Decade research study, consumers indicated that 5G offers will provide the first major incentive for switching carriers that we've seen in years. Carriers with the right offers stand to gain not only increased brand loyalty from their current consumers but also the ability to capture new market share quickly.**



At Assurant, we've developed a proprietary device pricing engine that we use at point-of-sale with our carrier partners. Our pricing engine looks at real-time supply and demand to make sure that we can provide the optimal price point to consumers to stimulate a trade-in. The end result is that we're able to help our carrier partners upgrade their customers and win new customers from competitors; and, equally as important, to make sure we can resell that device in the market at a margin that makes the trade-in offer viable for the carrier.

Our asset disposition algorithm, which we've invested in heavily over the last few years, looks to **all of** our disposition channels around the world to pinpoint where the best place is for us to sell each returned device. By taking this global approach, we're able to move mobile products quickly and avoid sitting on inventory. To put this in perspective for scale, we sold \$600 million of used phones in 2019, up from \$500 million in 2018. As 5G adoption grows over the next decade, we expect used device sales to continue to increase considerably.

As 5G proliferates, we expect consumers to become increasingly connected in every facet of their lives, driving the relevance and importance of our premium technical support services. And, as device values continue to rise, in combination with the increasing consumer dependence on mobile devices, the relevance of protection products and value added services will grow in lock step – as will the need for real-time repair and fulfillment solutions to increase the speed and convenience around repairs and delivery of replacement devices.

As we work with leading mobile carriers to capture and monetize this innovative shift in the market, the insights shared here as part of our *Connected Decade* research study help provide the basis for serving connected consumers around the world. Once you've read through the findings, I hope you'll reach out to my team to discuss other market insights that are informing the programs we provide to help carriers.

Keith

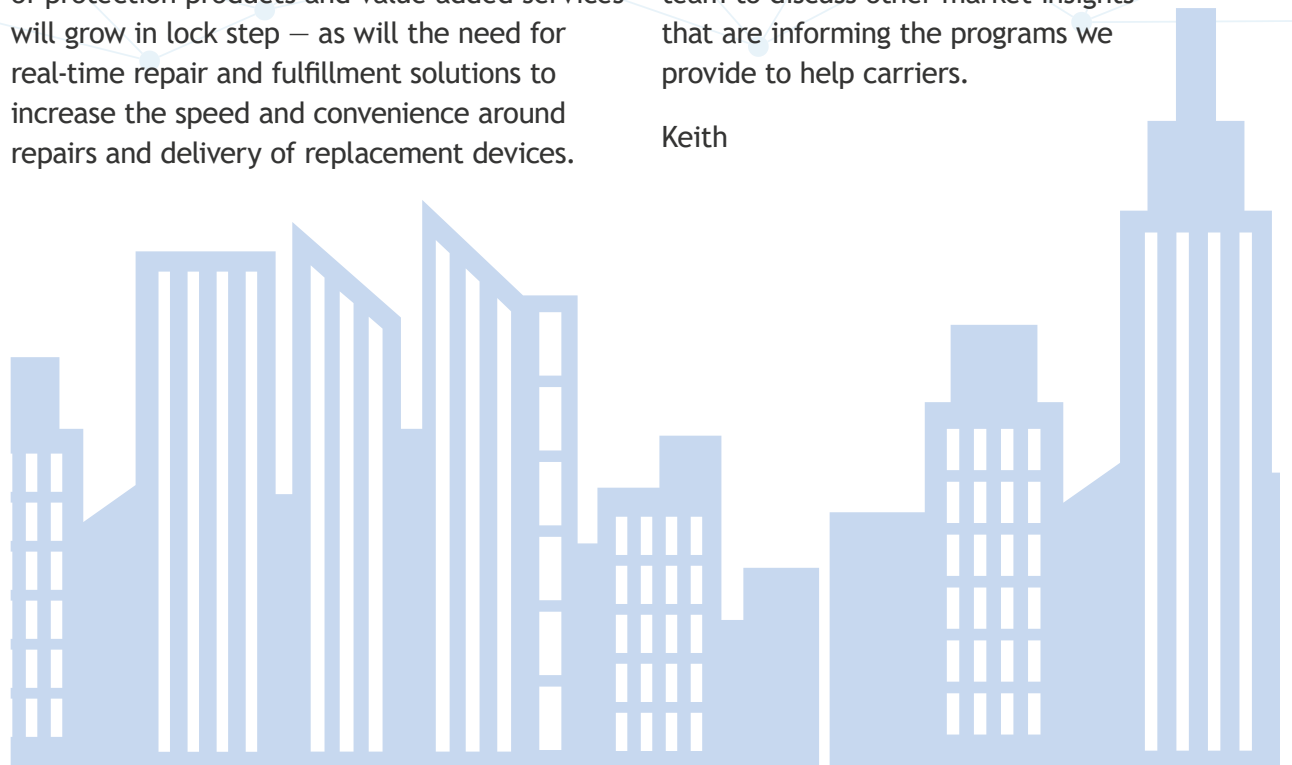


Table of contents

The market's perception of 5G and what it means for adoption

04

08

Driving faster 5G adoption: trade-in and upgrade offers

5G-ready revenue checklist for connected companies

10

06

A generational breakdown: Millennials, Gen Y and Gen X will lead 5G smartphone sales

Monetizing legacy devices: reselling 4G devices for maximum value

09



The market's perception of 5G and what it means for adoption

5G will be a game changer for consumers and carriers as substantially faster network traffic to and from devices accelerates downloads and app performance. But as these advanced devices start hitting the market, carriers are likely to see modest 5G adoption rather than an all-out wave.

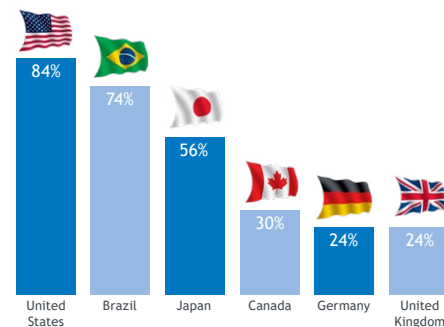
Early 5G devices are more expensive than their 4G counterparts, costing consumers up to \$2,000 each, making price a barrier to purchase for many consumers, particularly the younger generation. And, despite a lot of marketing hype about 5G, many consumers are only somewhat aware of what this next-generation technology means for them - which makes them less likely to pay for it. Case in point: 65% of respondents to Assurant's *Connected Decade* study said they have only a moderate awareness of 5G with millennials having a highest level of awareness (over 40% saying they're very aware).

According to the same study, as consumers become more knowledgeable about 5G, their belief that it will have a major impact on them personally and on society increases. Consumer sentiment currently varies widely by region.

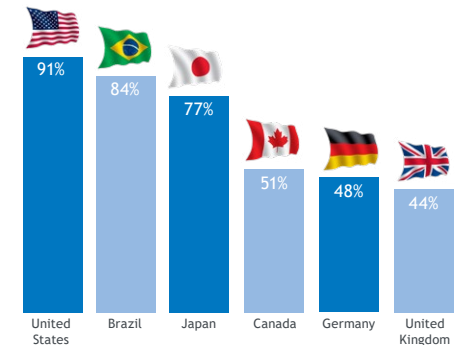
In Japan, for instance, just 56% of the population believe it will affect them personally, while 77% believe it will impact society in a marked way. In contrast, similar consumers in the U.S. have a stronger belief that 5G will impact them and society, 84% and 91% respectively.

5G's impact will be significant or enormous...

...on me personally



...on society



The market's perception of 5G and what it means for adoption

This gap presents an opportunity for carriers to educate and influence opinion around 5G, thereby driving greater upgrade intent across consumers when they're presented with the right offer.

Moderate interest, low awareness and high cost-of-entry are all contributing to a lackluster conversion cycle. But even within that gradual movement, there are consumers who will move faster than others, so it's important to understand 5G potential based on sub-tiers within the market.

So, what can carriers do to accelerate 5G adoption? Here are a few things:

1

Increase consumer education around 5G and its personal impact. Education will be critical when it comes to helping smartphone users see the value of paying for 5G devices.

2

Key in on the right trade-in offers, upgrade offers and other incentives to promote adoption as devices are pricey.

3

Plan for and capitalize on the anticipated glut of legacy 4G devices, early. An asset disposition program with the global reach to resell those 4G devices in regional markets will be key to maximizing mobile revenue.



Millennials, Gen Y and Gen X will lead 5G smartphone sales

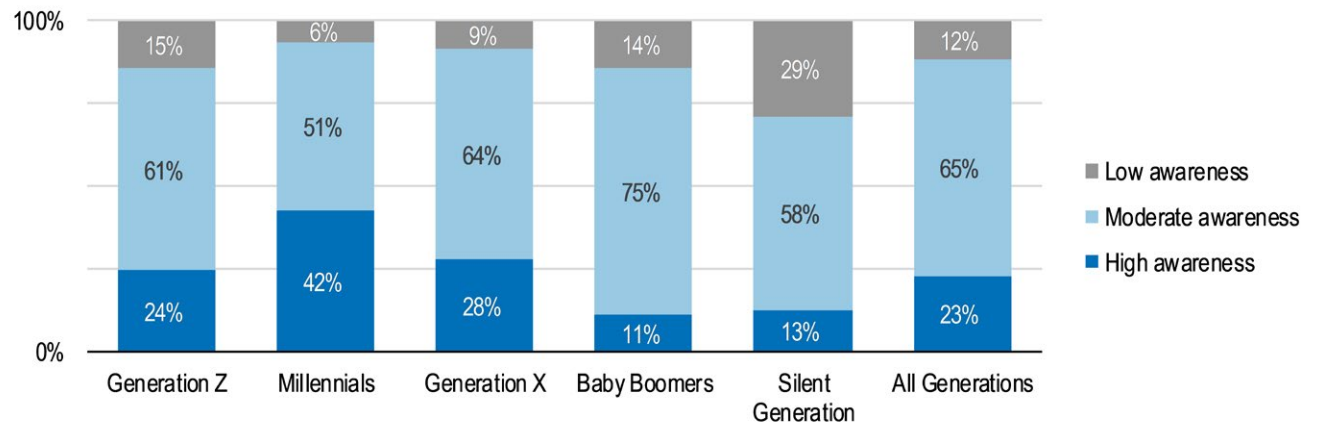
Overall, 63% of consumers are interested in upgrading to 5G, with millennials being the most likely group to upgrade, followed by Gen X and then Gen Z. These younger generations have the highest awareness of 5G.

Level of awareness is a powerful indicator of purchase intent: 46% of millennials who own Apple® devices have already said they will upgrade to 5G, as did 44% of Samsung® users in the same generation. This compares with 28% and 27% respectively for all generations of consumers.

Though this audience is the most inclined to upgrade, it will also be the most challenged to meet the financial implications that an expensive 5G device poses, making aggressive trade-in, financing and protection services necessary.

Understanding the differences among subsets of connected-device buyers will be important as carriers make decisions about product pipeline, distribution, marketing and other aspects of 5G execution.

Level of awareness about 5G



Millennials, Gen Y and Gen X will lead 5G smartphone sales

In another Assurant consumer study, we identified five key connected-consumer segments and how they buy value-added services for connected products. **Satisfying the different consumer personas will demand flexibility.**

CONSUMER TYPE	Technophiles	Utilitarians	Leisure Seekers	Home Protectors	Technophobes
<i>DESCRIPTION</i>	<i>Love all innovation</i>	<i>Prioritize practical convenience</i>	<i>Enjoy digital entertainment</i>	<i>Comforted by connected control</i>	<i>Engage infrequently with connected technology</i>
GENERATION AND DIVERSITY	Millennials and Gen Z, i.e., digital natives with average age of 39	Most significant gender imbalance: 58% are women with an average age of 45	A mix of millennials, Gen Y, and Gen X with average age of 47	Most diverse segment and least likely to live in a city	Oldest segment with an average age of 49
5G PERCEPTION	Sees the value of 5G is educated and, generally, very aware.	May not see the value of 5G, personally.	Could be attracted by lower latency/improved gaming or streaming experience	Already highly engaged in connected living and second most-frequent buyer of value-added services.	Unlikely to adopt 5G devices until 4G devices are off the market
AVERAGE CONNECTED PRODUCTS OWNED	Owens an average of 16 connected products	Own an average of five to six connected products	Owens an average of five connected products	Own an average of seven to eight connected products	Likely to own only one connected device
BIGGEST FRUSTRATIONS	Biggest frustrations with devices are excessively long repair and difficulties with installation	Biggest frustrations with devices are disappointing performance and fear of breaking a pricey item	Biggest frustrations with devices are a too-expensive warranty and fear of breaking a pricey item	Biggest frustrations with devices are disappointing performance and difficulties with installation	Relatively at ease with the limited connected products they own and don't see value in change

Driving faster 5G adoption with trade-in and upgrade offers

5G adoption may start off slow, but those carriers who move to accelerate the trade-in process stand to gain the most.

There are two opportunities carriers will be presented with during the Connected Decade: Upgrading from 4G and carrier switching. Though consumers have become more loyal to their chosen brand or manufacturer over the past decade, there is indication that there will be movement in the decade to come.

A sizeable group of consumers can see themselves switching sides in the coming decade, with the largest mobile device population, the younger generation, being the most inclined to make a switch to a competing carrier or device, given the right offer. An upgrade to 5G may be the first significant change in an otherwise predictable path of upgrades,

making this first-purchase experience critical to the carrier to capture valuable, loyal customers from their competition. Once secured, repurchase intent increases and remains consistently high through brand loyalty and affinity.

Offsetting the high cost-of-entry will make the trade-in offer critical to the carrier, as consumers weigh the options of whether to upgrade or even switch carrier services. The premium price tag of 5G devices presents a significant barrier-to-entry, particularly for younger consumers who are also the most inclined to upgrade. By packaging offers that reduce the cost-of-entry, successful carriers will be able to capture the interest of the most amenable and excited consumers, migrating them from 4G to 5G.

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Reselling 4G devices for maximum value

As the global leader in asset disposition, Assurant has helped our partners process over 15 million devices in 21 countries at a price that's 20% more lucrative than the average. Take a look at our asset disposition program for a better look at how we leverage our global distribution network to help you maximize revenue for older devices.

Those carriers with strong asset disposition solutions that maximize the value of legacy devices will be able to create aggressive trade-in offers, more appealing to the cautious consumer. Because the market adoption of 5G will happen gradually, 4G devices will retain their value in the near future, allowing carriers to offload devices into secondary markets. As the evolution continues, however, the value of 4G devices will progressively decrease, lowering the margin and ability for a carrier to present compelling offers to their customers. **Speed and flexibility will become important as carriers race to capture these valuable consumers.**

To win, carriers must have access to wide and deep secondary markets as well as access to market valuation data that allows for informed decision making when creating an offer.



5G-ready revenue checklist

The 5G evolution will undoubtedly open doors for higher sales and more loyal consumers who will make use of add-on services to gain the best value from their new device. The most prepared carriers will have the right resources lined up to meet all consumers as they learn more about 5G benefits, capturing the most sales.

5 Questions to Assess Your Readiness

- Do we fully understand all the consumer segments in our market and their understanding of 5G benefits, as well as their fears and motivations?
- How will we structure awareness programs to reach these unique segments?
- Are we ready to incentivize adoption with the right program offers, such as trade-in and upgrade and device financing?
- Are our tech support and onboarding programs scoped to help new users get set up on 5G devices and optimize them for the benefits they value most?
- Do we have a strong asset disposition program in place to monetize an influx of 4G devices in a way that delivers maximum value?

Those carriers with partners that can optimize customer data, build loyal relationships within the connected-product ecosystem, and offer aggressive upgrades will be a far more competitive position as we enter the Connected Decade.

If you have more questions about programs that can better prepare you for the coming wave of 5G adoption, reach out to our [team of mobile experts](#).



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About this report

Unless where otherwise noted, the quantitative insights cited in this report were developed using Assurant’s proprietary consumer tracking study, “Connected Living in the U.S.”

The data for this study is refreshed annually with representative samples of more than 1,000 U.S. adults in each wave. Eligibility is restricted to those who both own a smartphone and have wireless service. Participants are sampled at random from a total panel of 15 million Americans. Response data is captured using web surveys.

About Assurant

Assurant is a global leader in risk management solutions, helping protect where people live and the goods they buy. Millions of consumers count on Assurant’s innovative products, services and support for major purchases like homes, cars, appliances, mobile devices and funerals.

Assurant partners with leading companies that make, sell or finance those purchases to take great care of their customers and help their businesses grow. A member of the Fortune 500, Assurant has a market presence in 21 countries worldwide.

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