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IAG undertook its annual survey among travelers to poll views on in-flight connectivity. IAG has been surveying this market for three years. The data has changed marginally, but there has been a strong movement in one area – travelers are willing to pay a lot less for in-flight connectivity than they once were prepared to. In 2006 the typical traveler who opted for a fixed annual payment was prepared to pay \$200; now this has dropped to \$137. Clearly this decline puts pressure on the few providers in the market and certainly puts a question mark on the decision by one vendor to charge \$49 per month, which translates into \$600 per year.

This survey was conducted online among travelers who frequent both Twitter and selected websites that attract people who have an interest in in-flight connectivity. The survey was conducted between May and August 2009. The report is based on 185 responses.

Summary

The results indicate high inelasticity of demand remains consistent. However, an area of concern for both system vendors and airlines is a sharp drop in the perceived price point of in-flight access. Respondents still like the idea of a flat fee, but now are prepared to pay a lot less for the service than even three years ago.

Where do you live?	Percent
North America	74.6
Europe	17.8
Blank	1.6
Oceania	1.6
Latin America/Caribbean	1.1
Middle East	1.1
South America	1.1
Africa	0.5
Asia	0.5
Total	100

The majority of respondents live in North America. This is the market with the greatest potential at this stage. These results provide interesting views on the market that was initially the primary area of interest when Boeing launched its Connexion service.

Where do you live?	How many flights do you make per year?
Africa	20
Asia	-
Blank	15
Europe	31
Latin America/Caribbean	21
Middle East	15
North America	31
Oceania	29
South America	11
Total	30

When looking at the regional breakdown and flight frequency, respondents as a whole make 30 flights per year. Typically six flights or more per year are defined as a frequent flier. This group therefore closely matches the ideal targets for in-flight connectivity service.

Where do you live?	What do you think an annual unlimited Wi-Fi access is worth? Please provide a round number, US\$/yr.
Asia	\$0.00
Blank	\$100.00
Europe	\$114.75
Latin America/Caribbean	\$100.00
Middle East	\$160.00
North America	\$147.22
Oceania	\$60.00
South America	\$45.00
Total	\$137.39

Respondents indicate that \$137 is their view of a fair price for unlimited access for a year. This is 32% lower than just three years ago. Note that respondents from Oceania, where long haul flights are among the worlds longest and connectivity therefore might be thought as especially valuable, are less than half the average valuation. On average the fair value per flight is \$4.58. Clearly providers are staring at price points among its most attractive customers considerably lower than what they expect. There is every reason to think this price point will fall further as access becomes ubiquitous.

Airlines offering Wi-Fi are toying with pricing models. Which pricing option best fits your needs?	Percent
I would select the flat fee only on long haul (>5 hour) flights	48.1
I would select the flat fee every time	30.3
I want an annual unlimited fee	11.9
I would select the metered fee every time	7
Blank	2.7
Total	100

The table illustrates that among respondents a flat fee is attractive on longer flights. Nearly a third of respondents prefer the flat fee option. Nearly 80% of respondents buy into some sort of flat fee – therefore it would be reasonable to assume these users would be using their connectivity as long as their batteries last or as long as they can.

Some airlines offer in-flight Wi-Fi. Would availability of this service make you switch airlines?	Percent
I would consider this factor in choosing an airline	65.4
It would have no impact on my airline choice	23.8
It would definitely make me switch	10.3
Blank	0.5
Total	100

In an attempt to understand the elasticity of demand for in-flight connectivity we polled respondents on how access to the service would change their buying habits. Nearly two thirds state this service could have an impact – but 10% say it definitely would have an impact. Less than a quarter of the respondents state the existence of the service would have no impact.

How often would you make use of in-flight Wi-Fi?	Percent
I would occasionally use it	48.6
I would use it on every flight they have it	47
I would never use it	3.8
Blank	0.5
Total	100

The table above shows a split between determined system users and occasional users. Together the “users” group accounts over 95% of respondents. We would suggest this demonstrates a rather steep demand curve. While it could be argued the respondent base for this survey is predisposed to make use of the service since we sought out technology users and sought them in places where connectivity information is available. That said, the same argument can be made about people who are adamantly opposed to in-flight connectivity. Our research, we believe, clearly shows the market is going to show strong demand. Indeed, the anecdotal feedback from vendors is that service take up is higher than they projected. This result is consistent with our data.

How important is the availability of Wi-Fi in an airport to you?	Percent
Very important	47
Nice to have	24.9
Important	24.3
Not important	3.2
Blank	0.5
Total	100

If we sum respondents who think airport Wi-Fi access is either very important or important, this accounts for just over 70%. Clearly access to the Internet is important on the ground and this comports with other data from the survey. Respondents uniformly demonstrated their relatively inelastic demand for connectivity. Once a person has experienced mobile access, demand rises. Rising sales of devices like iPhones and BlackBerry's demonstrates growing interest in remaining in touch constantly.

How important is the availability of Wi-Fi in an airport to you?	Laptop	Smartphone	Other
Very important	47.7	44.8	52.9
Important	25.3	27.6	11.8
Nice to have	25.3	24.1	29.4
Not important	1.7	3.4	5.9
Total	100	100	100

Respondents consistently demonstrate high demand for connectivity. Nearly three quarters of device users regard access as either important or very important.

How often would you make use of in-flight Wi-Fi?	Laptop	Smartphone	Other
I would use it on every flight they have it	49.4	49.1	47.1
I would occasionally use it	48.3	49.1	41.2
I would never use it	2.3	1.7	11.8
Total	100	100	100

As one would expect, the demand for in-flight access is high – with a uniform close to 50% of respondents stating they would use the service on every flight.