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Comment: iPhone 3G S contract upgrade controversy

Will be the first of many as new handsets come thick and fast

by Stuart Miles published on 10 June 2009

Apple's latest iPhone announcement and mobile phone operator O2's subsequent dealing of it has highlighted a major problem the mobile phone industry faces in the next couple of years.

How can manufacturers continue to churn out new products at frequent intervals and operators still sell them, while keeping customers happy?

The iPhone 3G S case has highlighted this issue in particular as iPhone 3G owners currently on a contract with O2 are being forced to buy out the rest of their iPhone 3G contract in order to sign a new deal for the 3G S.

The disparity has occurred as more and more mobile phone operators have moved to longer 18- or 24-month contracts in an attempt to earn back the large sums of money they are having to invest to subsidise the latest and greatest handsets, which leaves consumers trapped in a long term contract while a new phone model is tempting them into an expensive upgrade.

Enjoying, as we do, in the UK a "free handset" business model, as long as you are happy to pay higher monthly subscription costs, as mobile phones get more and more advanced - something has got to give.

Presently that has meant operators increase the length of the contract in a hope that the monthly subscription costs and additional bolt-ons like internet or text messaging will eventually reap rewards for the O2s, Vodafones and T-Mobiles of this world and therefore give them a good return on investment for the handset.

This system, whether the consumer likes it or not, has worked well. Operators make their money in



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the long term, while consumers get the latest phones for free. Until recently (i.e., the last 5 years) the pace of advancements in mobile phones has been fairly slow. 10 years ago we were all playing Snake on a Nokia handset, however now if your phone doesn't offer you the latest console games to play on the go it's almost not worth having.

As we move towards wanting our mobile phone to be more than just a device that lets us make phone calls, the urge and pace of technology has meant that we all want to upgrade to the latest handset quicker than ever before.

Who could have guessed even two years ago that there would be not just one, but multiple handsets offering 8-megapixel cameras on the market? Or even handsets that offer a multitude of applications to personalise your phone all at the press of a button?

This, after all is the third iPhone announcement in 2 years. How's that for speed of progress?

So, it's not surprising then that phone operators across the globe have been caught out as to how to fund the urge and pace of this new technology. How could you predict that one of the best selling handsets would, in the space of two years, be updated three times?

Unless the operators start reducing the length of contract or reducing the amount they subsidise handsets, this isn't the last time customers are going to find themselves contractually stuck with only the expensive option of buying themselves out of said contract in order to get the latest handset.

Of course you could argue that is one of the fundamental elements and wonders of the world of technology - that tomorrow will always bring something better.

It's okay if you happen to be one of those early

adopters ready to jump in, and the cash to do it, but for those who jumped in earlier they just have to wait their turn -or face the financial consequences.

I personally always see technology as a long train. Jumping on now will get you on your journey, however waiting might get you a better seat.