

SURVEY: ONLY ABOUT HALF OF CONSUMERS WHO SHOULD USE PREPAID PHONES ARE DOING SO TODAY, WITH “MYTHS AND LACK OF KNOWLEDGE” BLOCKING WIDER ACCEPTANCE

New Millennium Research Council Data Explores Impact of 10 Myths About Prepaid Phone Service; New Findings Come as Consumer Reports, TRAC Urge More Consumers to Consider Prepaid Amidst Recession Pressures on Family Budgets.

WASHINGTON, D.C.//December 4, 2008//While 29 million U.S. adults currently use prepaid/pay-by-the-minute prepaid cell phones today, a full 30 percent (including 25 million additional adults) appear to be good candidates for the less expensive cell phone service, according to a new Opinion Research Center (ORC) national opinion survey conducted for the New Millennium Research Council (NMRC) think tank.

With recession-squeezed American families trimming their household spending, the ORC survey is being released as two major consumer groups -- the Telecommunications Research and Action Center (TRAC) (http://www.trac.org/newsroom/releases/archives/2007/press_111308.html) and Consumer Reports (<http://www.consumerreports.org/cro/electronics-computers/phones-mobile-devices/phones/cell-phone-service-providers/cell-phone-service/overview/cell-phone-service-ov.htm>) -- are urging cell phone users to consider switching to the prepaid alternative from more expensive postpaid/contract-based cell phone service.

The new NMRC survey finding would put U.S. consumers in line with adults in other developed countries, where prepaid cell phones typically account for a third or more of consumer phone use. So, why is prepaid cell phone use in the U.S. so low, even among consumers who could save money by using it?

Allen Hepner, scholar, New Millennium Research Council, said: **“At a time when Americans are looking closer than ever at their family budgets, the New Millennium Research Council wanted to know more about why the U.S. level of prepaid cell phone use is so much less widespread than in other nations. What we found is that a combination of consumer uncertainty and myths about prepaid phones appears to account for the lower level of use in the U.S.”**

Graham Hueber, senior researcher, Opinion Research Center, said: **“It is clear that lack of consumer knowledge is a real impediment to cell phone savings. One reason why postpaid phone use is more prevalent today appears to be a lack of awareness about the end of cell phone contract periods and related penalties. The survey found that half of cell phone owners with a contract-based phone plan say they know when the cancellation penalty ends, whereas fully 43 percent do not. The result would appear to be that millions of American consumers are sticking with their current cell phone plan because they don’t know whether early-cancellation penalties are still hanging over their heads.”**

KEY FINDINGS

The ORC survey for NMRC of 1,007 Americans found the following:

- Fewer than one in 10 (9 percent) of Americans are unfamiliar with “prepaid” cell phones where the consumer pays for the minutes they use. A majority of Americans (86 percent) have heard of or have some familiarity with prepaid cell phones. About one third (32 percent) have owned one in the past, 18 percent have purchased one for someone else and 53 percent say they know someone who has a pre paid phone.
- Of those Americans with cell phones, fewer than one in five (16 percent or nearly 29 million) people have a prepaid phone. Of the balance, 85 percent have “postpaid”/contract-based service where they pay a monthly fee. (The two percentages add up to more than 100 percent because of a small number of consumers who have both prepaid and postpaid cell phones.)

- Even though only 16 percent of Americans use prepaid phone services, a much larger percentage would appear to be candidates for doing so. The survey found that 44 percent of Americans speak for 200 minutes a month or less on their cell phone in an average month. When the phone-use “bar” is lowered to an average of 100 minutes per month, there are still about one in three Americans (30 percent or a total of 54 million) who say they speak for only 0-20 minutes per month (12 percent) or just 21-100 minutes per month (18 percent).
- Five myths about prepaid cell phones appear to contribute to the lower level of usage such cell phones in the U.S. than in other nations:
 1. Over half of Americans (51 percent) believe that the following myth is true: “Switching to a prepaid cell phone is expensive because contract-based or postpaid cell phone customers are always under contract and have to pay a cancellation fee whenever they switch carriers.” Only about a third (34 percent) know that this statement is incorrect.
 2. Nearly six out of 10 Americans (59 percent) – including 70 percent of 18-24 year olds – mistakenly believe that prepaid phones “are good only for people who rarely, if ever, use their cell phones.” Fewer than a third (32 percent) of respondents knew that this is a myth.
 3. Within the margin of error at 42 agree/44 percent disagree, Americans split on the accuracy of this myth: “A contract-based or postpaid cell phone customer with an ‘unlimited’ calling plan is always going to pay LESS than a prepaid customer who pays by the minute.”
 4. By a margin of 40-39 percent, more Americans than not mistakenly believe that prepaid phones are only available in “very basic models.”
 5. Within the margin of error at 40 percent agree/41 percent disagree, Americans split on the accuracy of this myth: “Prepaid cell phone plans where you pay for the minutes you use always cost MORE per month than contract-based cell phone plans where you pay a monthly fee.”
- On the other hand, a majority of Americans see the following five myths for what they are:
 1. Over half (53 percent) know that it is untrue that most or all “people only buy prepaid phones for emergency use.”
 2. Over half (53 percent) know that it is untrue to say that most or all “people who buy prepaid phones have low income or bad credit - or both.”
 3. More than three out of five (62 percent) know that it is untrue that “a prepaid phone only makes sense as a ‘last resort,’ such as when you lose your job.”
 4. Half know that it is untrue that “prepaid phones don't get very good reception and only work in certain places.”
 5. Almost half (48 percent) know that it is untrue that “you can't get voice mail, text or take photos on a prepaid phone.”
- Postpaid cell phone use exceeds prepaid use among consumers even though slightly more than half (51 percent) of cell phone owners on a contract plan say they do not use all of their available minutes every month. Nearly one out of five (18 percent) say this happens to them nearly every month, while about one in 10 (11 percent) say this is the case only a few months of the year. Those most likely to not be using all their minutes on a regular basis include more than two thirds (67 percent) of those who are age 65 and over.
- Awareness of when the cancellation penalty ends varies widely by age. Only 44 percent of those age 18-24 years of age say they know when it ends. This percentage increases to 58 percent among

those 25-34 and reaches its peak of 61 percent with those age 35-44. The percentage decreases somewhat to 55 percent for those aged 45-64 and declines sharply to 37 percent among those age 65 and over.

METHODOLOGY

The ORC survey conducted for NMRC is based on the findings of a telephone survey conducted by Opinion Research Corporation's CARAVAN omnibus. The survey was conducted among a sample of 1,007 adults (505 men and 502 women) aged 18 and older living in private households in the Continental United States. Interviewing was completed November 21-24, 2008. The margin of error for surveys with samples of around 1,000 respondents, at the 95 percent confidence level, is plus or minus 3 percent. Smaller sub-groups in any survey will have larger error margins.

ABOUT NMRC

Created in 1999, the New Millennium Research Council is a Washington, D.C. think tank. The work of NMRC focuses primarily on the fields of telecommunications and technology. The contributors to NMRC reports develop workable, real-world solutions to the issues and challenges confronting policymakers. For more information, please visit <http://www.thenmrc.org> on the Web.

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EDITOR'S NOTE: A streaming audio recording of the news event is available at: <http://www.hastingsgroupmedia.com/NMRC/cellphoneusersurvey120408.wma>