

EXPERT: PREPAID CUSTOMERS NO LONGER LIMITED TO “LOW-TECH PHONES”

NMRC Expert Says Arrival of More High-Tech Phones A Likely Breakthrough Development for Wider Consumer Acceptance of Prepaid; Touch Screen Prepaid Phone Now Here.

WASHINGTON, D.C.//December 10, 2009//One of the last remaining barriers to broader consumer acceptance to prepaid phones in the United States is now crumbling as prepaid cell phone companies are introducing more and more sophisticated handsets that can be embraced by younger text- and Web-oriented wireless customers, according to New Millennium Research (NMRC) executive director Allen Hepner.

Hepner, who has overseen two major U.S. surveys in the last two years on consumer attitudes about prepaid phone service, said that the arrival of the more advanced handsets should help prepaid phone service connect with recession-weary U.S. consumers who have not already considered prepaid as an alternative to more expensive and restrictive long-term contract-based cell phone service.

Hepner said: **“The bottom line here is that prepaid no longer means low tech when it comes to phones. One of the biggest raps on prepaid phone service was that the phones were behind the state-of-the-art handsets. Many consumers who were outside of the traditional prepaid consumer profile no doubt were put off by the notion of ‘going backwards’ in cell phone technology in order to use a prepaid service. The good news for those consumers is that the prepaid industry is catching up and can now cater to their needs.”**

While not endorsing any particular product or service, Hepner highlighted the following developments in terms of the introduction of higher-tech prepaid handsets:

- **Straight Talk.** This Walmart-exclusive brand (owned by TracFone Wireless) is now introducing the Samsung R810C “Finesse,” an iPhone-like touchscreen phone with apps, 2 megapixel camera and camcorder, full QWERTY keyboard, Bluetooth and high-speed data access. Straight Talk service also offers the Samsung R451C with mobile Web, 1.3 megapixel camera, MP3 player and a slider full-QWERTY keyboard.
- **Verizon.** Verizon is also starting to offer more advanced phones, including the Samsung Intensity with a 1.3 megapixel camera, slide-out QWERTY keyboard, microSD card and access to VCAST music and Rhapsody. The Intensity has a 1,000-entry phone book with room in each entry for five phone numbers, two e-mail addresses, an instant-messaging screen name, a street address, and notes.
- **T-Mobile and Boost Mobile.** T-Mobile and Boost are typical of prepaid phone service providers that have been a bit slower out of the gate in terms of offering higher-tech phone. The Samsung t349 offers a camera with video and Bluetooth, but is hampered by a half-QWERTY keyboard that makes it less than ideal for consumers who do a lot of texting. Boost offers the i465, which includes a full QWERTY keyboard.

NMRC PREPAID SURVEY FINDINGS

In December 2008 and March 2009, the NMRC published public opinion survey results that gauged the attitudes of U.S. phone consumers about contract-based and wireless cell-phone service. On the basis of that research, Hepner correctly forecast in March 2009 that millions of Americans could shift in the coming months into lower cost prepaid plans in order to save money during the current recession.

Highlights of the NMRC surveys include the following:

- Two out of five Americans with contract-based cell phones are likely to cut back on their cell phones to save money if, as is widely expected, the economy gets worse over the next six months. (March 2009)

- No fewer than 40 million Americans – 26 percent of consumers with contract-based cell phone service -- are “more inclined today than ... six months ago to look at a way to save money on your cell phone bill, such as by switching to a prepaid cell phone service.” (March 2009)
- 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.) (December 2008)
- Only 44 percent of those age 18-24 years of age say they know when their contract-based wireless phone penalty 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. (December 2008)

While NMRC has taken a leadership role in studying the views of U.S. consumers about contract-based and prepaid cell phone services, it is not alone in reaching the conclusions that millions of consumers could be better served in cheaper prepaid plans. Over the last two year, such organizations as Consumer Reports (<http://blogs.consumerreports.org/electronics/2009/01/cut-cell-phone.html>) and the National Consumers League (http://www.trac.org/newsroom/releases/archives/2007/press_111308.html) have both emphasized that millions of Americans now on contract-based cell phone plans could save money by switching to a prepaid cell phone service.

For the full March 2009 and December 2008 survey findings, please go to <http://www.thenmrc.org> on the Web.

ABOUT NMRC

Created in 1999, the New Millennium Research Council is a Washington, D.C. think tank. The work of the 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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