

SURVEY: 25 MILLION PENNY-PINCHING U.S. CONSUMERS SET TO SWITCH TO NO-CONTRACT/PREPAID WIRELESS IN NEXT SIX MONTHS

Will 2011 be “The Year of the Prepaid Cell Phone Consumer,” Building on Major Inroads Made This Year?; Fueling a Major Shift in Consumer Habits: Cutting Costs, Avoiding Painful Cancellation Penalties, and the Rise of the Unlimited No-Contract/Prepaid Option.

WASHINGTON, D.C.//November 4, 2010//One in five U.S. cell phone consumers with contract-based service – an estimated 24.6 million American adults – is likely to switch in early 2011 to less expensive unlimited prepaid wireless service with no early-cancellation penalty. And nearly one in 10 additional contract-based cell phone users would consider switching if they were not currently subject to an early-cancellation penalty, according to the first annual “*Net10 Prepaid Wireless Consumer Trends National Poll*” conducted by Infogroup/ORC for the independent New Millennium Research Council (NMRC).

In March 2009, NMRC was the first to correctly forecast an imminent shift by cell phone consumers from more expensive contract-based cell phone service with often hefty cancellation penalties to less expensive no-contract prepaid service. In March of this year, NMRC reported that – for the first quarter ever -- the number of new prepaid wireless phone customers in U.S. eclipsed the number of new contract-based phone customers during the final three months of 2009.

The new survey of 715 U.S. cell phone consumers also found that:

- Overall, roughly half (47 percent) of U.S. cell phone users with contract-based service – an estimated 57.8 million consumers – are “very likely” (23 percent) or “somewhat likely” (24 percent) to switch to “a no-contract or prepaid phone” when “your cell phone early-cancellation penalty period ends and you can switch at no cost.”
- Among U.S. cell phone consumers with contract-based service who say they are unlikely to switch to no-contract/prepaid service in the next six months well over half (56 percent) are “very or somewhat open to switching to a no-contract or prepaid cell plan *at some point in the future*, but you’re not planning to do so now.” Fewer than two in five contract-based phone users (38 percent) indicated they “don’t see yourself *ever* switching to a no-contract or prepaid cell phone.”
- The top four reasons cited for U.S. consumers to switch to a no-contract/prepaid cell phone (including “major” or “somewhat” of an impact): 68 percent “needed or wanted to cut cell phone bill costs”; 58 percent were “paying too much for a Smartphone with features you didn’t need or use”; 49 percent were “unhappy with (an) early-cancellation penalty for contract-based phone service”; and 48 percent cited the “recent availability of unlimited talk, text, Web and email access on no-contract basis for about \$50 a month.”

Sam Simon, senior fellow, New Millennium Research Council, said: “**With millions of recession-weary consumers looking to trim even more fat from their household budgets, 2011 is shaping up to be the Year of the Prepaid Cell Phone Consumer. Even without the need to pinch pennies during the current economic downturn, consumers are clearly fed up with the high prices of contract-based cell phone service and the gouging that goes on with early-termination fees (ETF). We were the first to forecast a big shift to no-contract/prepaid cell phone service by U.S. consumers, but we may have actually underestimated just how quickly this trend would catch on.**”

Important note: While the new national survey was underwritten with a grant from TracFone’s Net10, the Council maintained 100 percent editorial control over the poll, the analysis of the results, and the manner in which the information is released to the public.

OTHER KEY FINDINGS

The “Net10 Prepaid Wireless Consumer Trends National Poll” survey conducted by Infogroup/ORC for the independent New Millennium Research Council also showed the following:

- One in five U.S. cell phone users with contract-based service – an estimated 24.6 million consumers – are “very likely” (8 percent) or “somewhat likely” (12 percent) to “switch *in the next six months* from your contract-based cell phone service with an early-cancellation penalty to a no-contract cell phone with unlimited talk, text and Web or email access and no early-cancellation penalty.” Nearly one in 10 additional contract-based cell phone users (9 percent or an estimated 11.7 million consumers) “would consider switching, but you’re still going to be in your early-cancellation penalty phase six months from now.”
- Among U.S. cell phone consumers with a contract-based service who say they are unlikely to switch to no-contract/prepaid service in the next six months, the Number 1 reason cited for reluctance: “You like your current phone and don’t want to lose it and its features,” which was cited by over six in 10 (61 percent) as having a “major impact” (39 percent) or “somewhat of an impact” (23 percent). The Number 2 reason for reluctance: “You would be subject to a cancellation penalty and you don’t want to pay that,” which was cited by over half (52 percent) as having a “major impact” (33 percent) or “somewhat of an impact” (19 percent).
- Nearly six in 10 (59 percent) U.S. cell phone users with contract-based service – an estimated 72.5 million consumers – are “very likely” (36 percent) or “somewhat likely” (23 percent) to switch to “a no-contract or prepaid phone” when “you could get unlimited talk, text and Web or email access for \$50 a month with no penalty.”
- Over half (53 percent) of U.S. cell phone users with contract-based service – an estimated 65.1 million consumers – are “very likely” (26 percent) or “somewhat likely” (27 percent) to switch to “a no-contract or prepaid phone” when “you could get unlimited phone use for \$50 a month with no penalty for early-cancellation with a smart phone that costs you less than \$100.”
- Over two in five (42 percent) U.S. cell phone users with contract-based service – an estimated 51.6 million consumers – are “very likely” (17 percent) or “somewhat likely” (24 percent) to switch to “a no-contract or prepaid phone” when “you could tailor your phone bill to your needs, switching between unlimited phone use for \$50 a month for some months and \$25 a month for 750 minutes other months.”
- More than one in 10 U.S. cell phone users with contract-based cell phones – 12 percent or an estimated 18.1 million consumers -- are either “no longer in the penalty period and are actively exploring less expensive service” (7 percent) or feel “you pay too much for your cell phone bill, but you don’t know if your early-cancellation penalty is still in effect or if it is expired” (5 percent). Nearly one in five other consumers (19 percent) say: “You pay too much for your cell phone bill and you feel trapped by the penalty that you know you would pay for cancelling your service early.” Fewer than six in 10 (57 percent) agree with the following statement: “You are satisfied with your cell phone bill and would not switch because of cost.”
- How recently have consumers switched to no-contract/prepaid service?
 - 25 percent - have only had no-contract cell phones.
 - 33 percent - more than two years ago.
 - 16 percent - in the last one-two years.
 - 9 percent - between six months to a year ago.
 - 14 percent - in the last six months.
- Additional reasons cited for U.S. consumers to switch to a no-contract/prepaid cell phone (including “major” or “somewhat” of an impact): 40 percent mentioned “poor phone service, such as dropped calls”; 40 percent cited “poor customer service” and 36 percent mentioned “recent availability of Smartphones on a no-contract basis.” (See top four reasons on the first page of this news release.)

- Two in five cell phone consumers (39 percent) have a “basic, no frills cell phone that you use only or primarily for making phone calls,” 28 percent “a cell phone that makes calls, but is also designed for a lot of texting.” Another 11 percent say they have “Blackberry for personal use,” 7 percent an iPhone, 7 percent an Android smart phone, and 4 percent some other kind of smart phone.

METHODOLOGY

The “*Net10 Prepaid Wireless Consumer Trends National Poll*” was conducted for the New Millennium Research Council by Infogroup/ORC October 7-10, 2010 among a sample of 1,008 adults comprising 500 men and 508 women 18 years of age and older living in the Continental U.S. Respondents were screened for ownership of a working cell phone. All questions are based at least on this smaller subsample of 715 respondents with a working cell phone. Completed interviews were weighted by four variables: age, gender, region and race to ensure reliable and accurate representation of the total population, 18 years of age and older. The margin of error for results based on the total sample of cell phone owners is plus or minus 4 percentage points.

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 will be available on the Web as of 6 p.m. EDT on November 4, 2010 at <http://www.thenmrc.org>.