



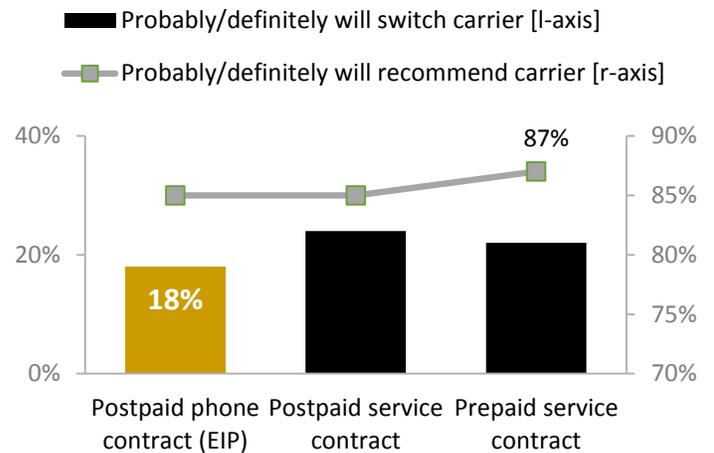
Plan Type and Satisfaction Drive Brand Advocacy

hayden.shipp@jdpa.com | 805-418-869

Carriers are becoming less differentiated by network quality or handsets, resulting in customer purchase decisions increasingly based on payment plan options. Carriers that have reorganized their businesses to up the sales of equipment installment plans (EIPs) are experiencing a rise in the number of new subscribers and a reduction in churn rates. Customers see the value of interest-free financing, making pricier phones more accessible. They also appreciate the transparency of EIP bills, which completely separate phone charges from service charges.

EIPs will be a key part of the industry's near-term future. Recent study results show that customers with EIPs are the least likely segment to indicate they will switch carriers during the next 12 months. Also, the prepaid segment is growing, and carriers that best harness their prepaid customers' advocacy will benefit going forward.

SERVICE TYPE AND LOYALTY/ADVOCACY



Source: J.D. Power 2015 U.S. Wireless Purchase Experience StudySM—Volume 1, fielding period Jan-April 2015

Behind the Numbers

- Price is the most important determinant in carrier selection, and its importance is rising. Price as a reason for choosing a carrier has increased to 45% in January-April 2015 from 40% in January-June 2011. This shift has occurred despite growth in consumer confidence and disposable income measures during the same period.
- Overall satisfaction with total ownership¹ is higher among prepaid customers—who are particularly likely to base carrier selection on price—than among those with contracts, which is driven primarily by a higher level of satisfaction in the Cost of Service factor among prepaid customers. With respect to contract plans, overall satisfaction is highest among customers with EIPs.
- The prepaid segment is important partly due to the impact of customer recommendations on future sales. More than half (52%) of prepaid respondents say they “definitely will” recommend their current carrier; this rate drops to 48% of phone contract customers and 47% of service contract customers.
- Recommendations are a trustworthy and influential form of marketing, with 17% of study respondents citing them as a determinant of their carrier choice. For comparison, only 15% cite promotional incentives. Because advertising is a massive expense for a carrier (e.g., 4.7% and 4.3% of revenue for T-Mobile and Sprint, respectively), increasing customers' propensity to recommend is an opportunity to reduce costs.
- Although the lack of a contract allows prepaid customers to switch carriers with ease, they are actually more loyal than service contract customers. They indicate a higher likelihood of staying with their current carrier and a lower likelihood of switching carriers than service contract customers.
- Prepaid customers are much less likely to switch to any sort of contract service than contract customers are to switch to prepaid: 70% of prepaid customers do not intend to switch service type, compared with 55% of contract customers. As such, carrier resources are generally better spent on keeping prepaid customers satisfied than trying to persuade them to sign contracts.

¹ J.D. Power 2015 U.S. Wireless Total Ownership Experience StudySM—Volume 1, fielding period Jan-April 2015

J.D. Power does not guarantee the accuracy, adequacy, or completeness of any information contained in this publication and is not responsible for any errors or omissions or for the results obtained from use of such information. Advertising claims cannot be based on information published in this publication. Reproduction of any material contained in this publication, including photocopying in part or in whole, is prohibited without the express written permission of J.D. Power. Any material quoted from this publication must be attributed to J.D. Power.