

## **SURVEY: 60 MILLION U.S. CONSUMERS WORRIED ABOUT RECESSION LIKELY TO HANG UP ON HIGH CELL PHONE COSTS**

### ***Shift in Consumer Attitudes and Habits Already Underway With Contract-Based Cell Phones and Cell Phone “Extras” Set to Take Biggest Hits, Prepaid Cell Phones Are Poised to Gain Ground.***

**WASHINGTON, D.C.//March 19, 2009//**As fears about the recession become more widespread, millions of Americans are on the verge of disconnecting expensive cell phone plans. Two out of five Americans with contract-based cell phones -- 39 percent or 60.3 million consumers -- 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, according to new survey of 2,005 Americans conducted by Opinion Research Corporation (ORC) for the New Millennium Research Council (NMRC).

The first annual ORC survey for NMRC on cell phones and economic trends also finds that:

- A potentially major shift in consumer habits at the expense of contract-based cell phone service is underway as more consumers seek to save money in the face of the recession. 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.” This group includes 38 percent of those in households making \$35,000 a year or less, 32 percent of African Americans and 30 percent of those aged 18-34.
- Cell phone extras -- such as Internet connectivity, email and texting -- are also likely to take a hit in the economic downturn. A total of 19 million Americans -- one in five cell phone users with cell-phone extras -- have “considered cutting back” (5 percent) or actually “have cut back” (15 percent) on such features “in the last six months because of actual job loss, fear of job loss, the recession, or any other related financial concerns.” More than two out of five cell phone users with extras on their phones (41 percent) say it is “very” (19 percent) or “somewhat” (21 percent) likely that they will cut back on cell phone extras “if the economy gets worse in the next six months.” Fewer than two in five (39 percent) say it is “not likely at all” that they will make such cuts in the face of a deepening recession.

Allen Hepner, scholar, New Millennium Research Council, said: **“The era of cell phone penny pinching is officially here. Thanks to the recession, the U.S. cell phone marketplace is undergoing fundamental changes that will just get bigger as the economic downturn deepens. What we see in these survey findings is clear evidence that most consumers will keep a cell phone during this recession, but only after shifting to less expensive cell phone plans, such as prepaid, and also by scaling back on cell phone extras including Internet connectivity and texting.”**

Graham Hueber, senior researcher, Opinion Research Center, said: **“It is important to note that these findings do not just point to a *potential* shift in consumer attitudes and habits about cell phones. The change in thinking and purchases is clearly already taking place and has been for months. For example that, we see that 8,740,000 Americans -- that is 19 percent of consumers without a cell phone -- report that they already have ‘discontinued cell phone service in the last six months because of actual job loss, fear of job loss, the recession, or any other related financial concerns.’ This strongly suggests that a recession-related shift in attitudes and purchasing habits is already underway.”**

The New Millennium Research Council commissioned and released a December 4, 2008 survey identifying major consumer myths about cell phone plans and related costs. In March 2008, NMRC released a major study identifying the potential income-generation and public safety benefits that would result from extending cell phone service to the millions of low-income Americans currently without it.

In recent months, Consumer Reports (<http://blogs.consumerreports.org/electronics/2009/01/cut-cell-phone.html>) and the Telecommunications Research and Action Center (TRAC) ([http://www.trac.org/newsroom/releases/archives/2007/press\\_111308.html](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.

### **OTHER KEY FINDINGS**

- Nearly one in five Americans who now have prepaid cell phone service (17 percent) say they switched in the last six months from a contract-based cell phone service due to job or recession-related concerns. This figure includes 23 percent of 18-34 year olds and 29 percent of African Americans with prepaid phones.
- The ranks of all Americans without a cell phone who have “discontinued cell phone service in the last six months because of actual job loss, fear of job loss, the recession, or any other related financial concerns” includes 29 percent of 18-34 year olds and 28 percent of those living in households earning \$35,000 a year or less.
- Among those who are likely to cut on back on their cell phones to save money “if the economy gets worse in the next six months” are 44 percent of those aged 18-34, 54 percent of those in households making \$35,000 a year or less, and 55 percent of African Americans.
- Two thirds of prepaid cell phone customers say they are saving money “compared to a landline phone or contract-based cell phones.” Fewer than three in 10 (29 percent) said they were not saving money.
- Fewer than half of cell phone users (48 percent) say that the extras on their phone “such as Internet connectivity, email and texting” are delivering a “great deal” (29 percent) or “some” (19 percent) value. About one in five people see little value in such services. About a third of cell phone users (34 percent) have no such extras on their phones.
- More than four out five Americans (84 percent) are concerned about the economic recession and already have cut back their spending “quite a bit” (39 percent) or “somewhat” (45 percent). Only about one in 10 Americans (12 percent) have made no spending changes as a result of the recession. Over half (52 percent) of individuals in households earning less than \$35,000 a year already have cut their spending “quite a bit.”
- Four out of five Americans own a cell phone, ranging from 84 percent of 18-34 year olds to just 68 percent of those age 65 or older. While 91 percent of those in households earning \$100,000 or more have cell phones, less than two-thirds in households earning \$35,000 a year or less (65 percent) have such devices. Nearly one in five Americans (17 percent) reports having a prepaid cell phone currently, compared to 84 percent with a contract-based cell phone. (There is some overlap due to individuals who own both types of phones.) African Americans at 22 percent are the group most likely to have prepaid cell phones.

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

### **SURVEY METHODOLOGY**

The data generated 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 2,005 adults (1,002 men and 1,033 women) 18 and older living in private households in the Continental United States. Interviewing was completed March 5-9, 2009. The survey was weighted by four variables: age, sex, geographic region and race to ensure reliable and accurate representation of the total population. The margin of error for surveys with samples of around 2,000 respondents, at the 95 percent confidence level, is plus or minus 2 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 March 19, 2009 at <http://www.thenmrc.org>.