

## **NMRC: RECESSION HAS CELL PHONE CONSUMERS' NUMBER, AS TWO OUT OF THREE NEW WIRELESS SUBSCRIBERS IN U.S. GO PREPAID**

***"Era of Penny Pinching" in Cell Phone Use Forecast One Year Ago in NMRC Survey; Permanent Shift in Consumer Habits? Attractive Prepaid Deals to Keep Trend Going in 2010 and Beyond.***

**WASHINGTON, D.C.///March 31, 2010///**Penny-pinching U.S. consumers struggling to make ends meet in the ongoing recession are shunning contract-based (also known as "postpaid") cell phones in favor of less expensive prepaid cell phones, as was correctly forecast a year ago by the New Millennium Research Council (NMRC), an independent telecommunications and technology think tank.

The 4<sup>th</sup> quarter of 2009 marked the first time that the number of new prepaid wireless customers in the U.S. outnumbered new contract-based cell phone providers, according to industry data from both Ovum/Datamonitor and IDG. Based on the ongoing recession and the recent surge in attractive prepaid phone deals, NMRC expects the trend in favor of prepaid cell phone use to be evident again when industry subscription data is reported for the 1<sup>st</sup> quarter of 2010 and throughout the rest of the year.

According to the most recent available quarterly data:

- New prepaid cell phone subscribers accounted for nearly two thirds (65 percent) of the 4.2 million net subscribers added by U.S. phone carriers in the fourth quarter of 2009.
- The prepaid segment of the wireless market grew by 17 percent in the 4<sup>th</sup> quarter of 2009 to 54.4 million subscribers, up from 46.3 million in the same quarter in 2008. By contrast, contract-based cell phone service grew only 3 percent over the same period of time.
- One out of five cell phone subscribers are now using prepaid phones. The prepaid segment represents a larger proportion of subscribers in the US than ever before, hitting 20 percent in the 4<sup>th</sup> quarter of 2009, up from 18 percent at the end of 2008.
- Overall, there were 285 million wireless subscribers in the U.S. at the end of 2009.

Jose Guzman, Project Coordinator, New Millennium Research Council, said: **"We stand by what we forecast a year ago: The era of cell phone penny pinching is officially here. Thanks to the recession, the U.S. cell phone marketplace continues to undergo fundamental changes that will just get bigger as the economic downturn deepens. What is different from a year ago is the explosion in new 'all-you-can-eat' and unlimited prepaid deals as low as \$30 and \$45 that will remain attractive to consumers long after the current recession is over."**

Telecommunications analyst Mark Lowenstein, Managing Director, Mobile Ecosystem, said: **"Customers want greater flexibility in the relationship with their wireless operator. Pre-paid services have become more mainstream -- available at attractive prices, on the best networks, and with a competitive array of devices and features. We're also seeing the growth of various flexible pricing options with regards to data services."**

Guest expert John Breyault, Vice President, Public Policy, Telecommunications and Fraud, National Consumers League, said: **"We believe that in a tough economy, consumers are increasingly on the lookout for ways to cut costs to help make ends meet. In recent years, there has been a proliferation of affordable prepaid cell phone plans, with plans including unlimited voice, text and web access for as little as \$45 per month. Consumers are comparing these offerings to the outrageous early termination fees, expensive bandwidth-capped data plans, and ever-increasing pay-as-you-go text messaging rates on traditional postpaid plans. As such it is little wonder that consumers are turning to prepaid in ever-greater numbers, while postpaid subscriber growth remains essentially flat."**

One year ago, NMRC released a survey on March 19, 2009 of more than 2,000 Americans conducted by Opinion Research Corporation (ORC) showing that 39 percent or 60.3 million were contemplating cutting back on their cell phones to save money if the recession continued. NMRC correctly noted that the 2009 data “strongly suggest that a recession-related shift in attitudes and purchasing habits is already underway.” (For more information, go to [http://newmillenniumresearch.org/news/031909\\_NMRC\\_ORC\\_cell\\_phone\\_survey\\_news\\_release.pdf](http://newmillenniumresearch.org/news/031909_NMRC_ORC_cell_phone_survey_news_release.pdf).)

On October 15, 2009, NMRC issued a follow-up statement that the explosion over the summer and early fall in increasingly inexpensive and diverse prepaid wireless cell phone plans represented a likely “tipping point” in consumer habits. (For more information, go to [http://newmillenniumresearch.org/news/101509\\_media\\_availability.pdf](http://newmillenniumresearch.org/news/101509_media_availability.pdf).)

### **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 31, 2010 at <http://www.thenmrc.org>.