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EXPERT: WALMART ENTRY INTO LOW-COST PREPAID WIRELESS SERVICE MAY BE “TIPPING POINT” FOR MILLIONS OF CONSUMERS

NMRC Expert Cites 2 Recent Surveys Showing Recession-Weary Consumers Poised to Move Away From Expensive Contract-Based Service; Entry of Top Retailer Could be “Real Game Changer”.

WASHINGTON, D.C./October 15, 2009//The announcement Wednesday that Wal-Mart, the United States’ largest retailer, will offer a branded low-cost prepaid service, “Straight Talk,” at the \$30 and \$45 levels, could end up being the “tipping point for millions of consumers who are already considering moving away from expensive contract-based cell phone service,” according to New Millennium Research (NMRC) executive director Allen Hepner.

Hepner is available today to discuss what the significance of the Walmart “Straight Talk” prepaid wireless service offering means for U.S. consumers. The NMRC published December 2008 and March 2009 public opinion survey projects that gauged the attitudes of U.S. phone consumers about contract-based and wireless cell-phone service. On the basis of that research, Hepner forecast in March that millions of Americans could shift in the coming months into lower cost prepaid plans in order to save money during the current recession.

While not endorsing any particular product or service, Hepner believes that the \$30 plan (with 1,000 minutes, 1,000 texts per month, mobile Web access and no-extra cost 411 calls, with no contract and no penalties) and the \$45 plan (unlimited calling, texting, mobile Web and 411) that Wal-Mart now offers under the “Straight Talk” brand are likely to play out as real “head turners” for consumers who associate the massive retailer with the experience of buying goods and services at the lowest possible price.

With average monthly contract plans reported to be about \$81, the more than 140 million U.S. contract-based wireless customers who use less than 550 minutes a month may now have even more reason to consider switching to a less expensive cell phone option, particularly in a changing environment in which plans for 1,000 minutes are available through Wal-Mart for \$30 per month, according to Hepner.

Highlights of the March 2009 and December 2008 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

would 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 Telecommunications Research and Action Center (TRAC) (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.

TO ARRANGE INTERVIEWS, CONTACT: Patrick Mitchell, (703) 276-3266 or pmitchell@hastingsgroup.com.