

A monthly view of the wireless consumer marketplace

By Adam Guy  
Director, Wireless Practice

**Overage victims who are surprised by large wireless bills represent an attractive in-play opportunity for service providers. Sprint, Nextel and other providers are figuring out how to protect their customers from overage and use this protection to appeal to competitors' disgruntled customers.**

Compete helps companies competing in the wireless industry to leverage the Internet as the most powerful consumer listening device, sales channel and marketing/customer service platform.

Comments on this issue? E-mail [wirelesspractice@compete.com](mailto:wirelesspractice@compete.com).

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## OVERAGE COSTS HURT HIGH VALUE CUSTOMERS AND CAUSE CHURN CONSIDERATION

How do wireless consumers react to overage charges? New research from Compete shows that **overage is a significant problem** for many wireless consumers, but most are apprehensive about paying extra for protection and many do not want to bother to keep track of their minutes in real time. Instead, these overage victims consider switching providers.

In June 2004, Compete surveyed a national sample of postpay wireless users **online**. About 40% of these users indicated that they had gone over their allotted **bucket of minutes** and been surprised when they received a large bill. Heavier wireless users exhibited a higher incidence of surprise.

In spite of the risk of overage charges, just 24% of *surprised* users expressed a willingness to pay a **small flat fee** in order to reduce future overage charges. In addition, these users were less likely to proactively manage their usage compared to consumers that have never had a problem with overage charges.

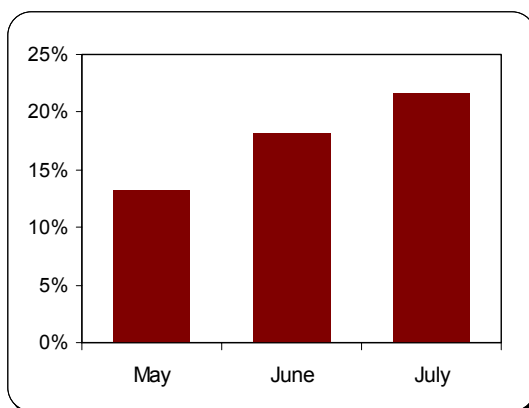
Instead of proactively managing their usage, overage victims indicated that they are considering switching wireless alliances. These surprised consumers were 70% more likely to seriously consider switching to another service provider in the near future. In order to contain potential churn and siphon overage victims from competitors, providers would be well-advised to offer overage protection programs that do not appear to cost extra and do not require the attention of customers.

## SPRINT LAUNCHES FAIR & FLEXIBLE

Recognizing that overage charges endanger **valuable customers**, in May 2004 Sprint launched Fair & Flexible, a program that adjusts monthly charges according to a subscriber's usage. Since its launch, the percentage of shoppers on the Sprint PCS website evaluating the program has nearly doubled from 13% to 22%. This growth is especially promising since interest in new programs tends to spike at launch and languish over time. In select markets, Nextel is trialing a similar program called *Flex Plan* that

### CONSUMER INTEREST IN FAIR & FLEXIBLE

(Portion of Sprint online prospects evaluating Fair & Flexible, 2004)



automatically bumps customers up to the next plan once they exceed a threshold of usage.

There are other **balance management** solutions available, such as text message alerts, but programs like **Fair & Flexible** are unique since they don't appear to cost users extra or require proactive usage monitoring from the end-user. While most Fair & Flexible plans include fewer minutes than similarly priced Sprint Free & Clear plans, the **marginal cost** of overage protection decreases for heavier users—the ideal segment to target with these programs.

### WIRELESS USERS' SURPRISE

(Composition of postpay wireless users, June 2004)

