

Road Warriors 2007: Love Them or Lose Them

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Executive Summary

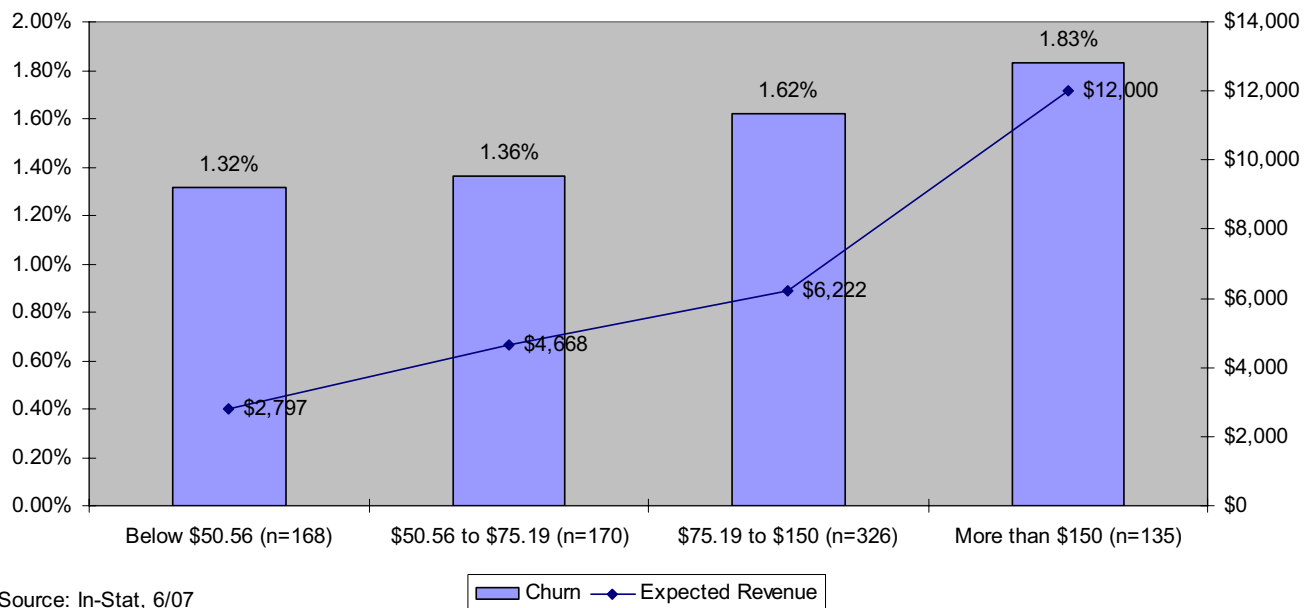
The conventional wisdom is that “road warriors” are the best and most desirable customers for a wireless operator. The problem is that wireless operators are failing to make these high average revenue per user (ARPU) users feel special. More than 60% of these users do not feel that their wireless operator appreciates their business and 80% believe that operators should do more.

The result is that, as Figure 1 shows, the churn rate for those with an ARPU over \$150 is 40% higher than the users with below average ARPU. If the churn rate for these users were the same as for the low ARPU users, the additional revenue from each customer would be over \$4500 over the expected life of the customer. This would easily pay for the some of the ways these customers would like to see some appreciation.

HIGHLIGHTS

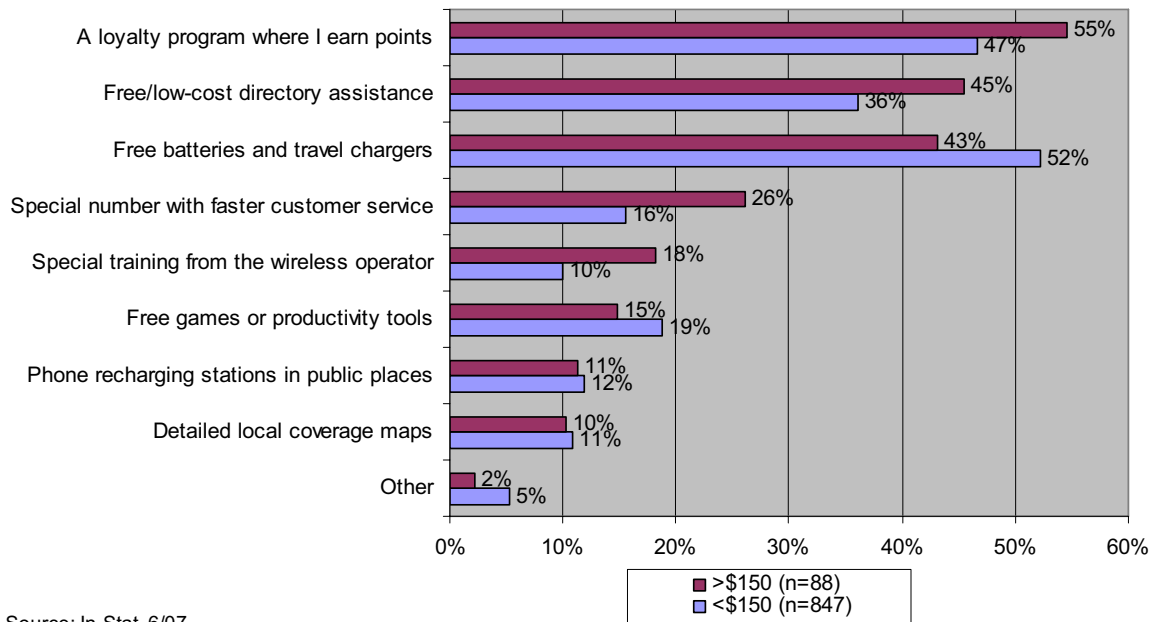
- Road warriors, those that travel more than 20%, are three times more likely to have an ARPU over \$150, own a smartphone, and use several mobile data services.
- Most Road Warriors do not feel that their wireless operator appreciates their business. The result is that their churn is much higher.
- High ARPU users want loyalty programs that support even more usage.

Figure 1. Churn Rate and Expected Revenue per User for US Business Users, by ARPU



The kinds of appreciation these users would like to see include loyalty programs where subscribers earn points for awards, free or low-cost directory assistance, and free batteries and travel chargers. The ranking of these preferences are in Figure 2. The key point about the top three awards is that they can be turned into even more revenue for operators.

Figure 2. Awards Preferred among US Low ARPU and High ARPU Users



Source: In-Stat, 6/07

For example, the awards that are a part of the loyalty program can offer new data applications and batteries. Directory assistance directly encourages more calling and offering more batteries and charging options ensures that heavy users can always make a call.

However, the greatest factor for higher ARPU is smartphone use. Among the respondents that travel at least 20% of the time, the ARPU is \$211 for smartphone users versus \$147 for cellular phone users. The expected annual revenue from a smartphone subscriber is \$3500 higher than for the cellular phone user that travels the same amount. A wireless operator simply giving the most expensive smartphone in the catalog to a high ARPU cellular phone user would more than pay for itself.

In addition to the challenge of keeping high ARPU subscribers is the task of finding them. High ARPU customers cut evenly across age, job title, industry, size of business, and, to a lesser degree, income. The only factor that distinguishes high ARPU users is that they tend to travel more frequently. The data from the survey used within this report puts the level of travel for the higher ARPU subscribers at 20% of the time away from the office.

However, not all heavy travelers are high ARPU subscribers nor are all high ARPU users heavy travelers. Nevertheless, the amount of travel is the best predictor of high usage. The immediate challenge is making these users more satisfied and less likely to churn. There has been precious little effort to discriminate on behalf of these users. The wireless operator with the best high ARPU loyalty program will see the benefits on the bottom line.