

Summary
Cellular Carrier Satisfaction Survey
April 2003

LNP Causes Carriers to Closely Assess Customer Satisfaction to Anticipate and Quell Potential Churn

With Local Number Portability (LNP) on the near horizon (scheduled to be implemented on November 24th, 2003), churn rates are expected to go up. Users will have the ability to take their cellular phone number with them when switching to another provider. While, comparatively, churn rates are lower than in recent years, when they typically averaged 3% or more per month or 36% or more per year, they still average 2% to 3% of customers per month, which is basically one-fourth to one-third of all a carrier's customers that churn in a typical year. This number is exceedingly high when compared to churn in almost any other industry (even the credit card industry, for example).

The benefit of LNP implementation is that it will cause carriers to roll up their sleeves to improve pricing and customer retention programs. In the end, the implementation of LNP will be a true win for consumers, since they will be able to take their phone numbers with them when changing carriers, and service providers will offer better service and price in an attempt to retain customers.

The near-term implementation of LNP means that carriers need to closely assess their current level of customer satisfaction. Awareness of current customer satisfaction will allow them to prepare for churn when LNP occurs. Looking at customer satisfaction on various individual attributes – including service price, network quality/reliability, and others – will allow service providers to improve in the areas where their customers are least satisfied.

The top four drivers of customer satisfaction, according to a recent survey of In-Stat/MDR's Wireless Panel, include service price, good geographic coverage in the user's area of interest, network quality/reliability, and customer service. Wireless carrier's customer satisfaction can be judged based on each of these attributes, and also on an overall basis. In-Stat/MDR also created its own scores by which to judge providers' performance.

Verizon Wireless rated the highest on several scores and looks to be in the least threat of customer turnover once portability is implemented. No doubt that the company has done its own research, and, knowing this, has taken a lead role in promoting the implementation of number portability. Verizon Wireless's customers were more satisfied with the coverage and service quality they received than customers of other service providers. T-Mobile's customers were most satisfied with price. Verizon Wireless's and T-Mobile's customers were both equally satisfied with customer service and support.

In the business environment, corporate contracts are increasingly being implemented. This means that wireless carriers are challenged not to just satisfy the end-user customers,

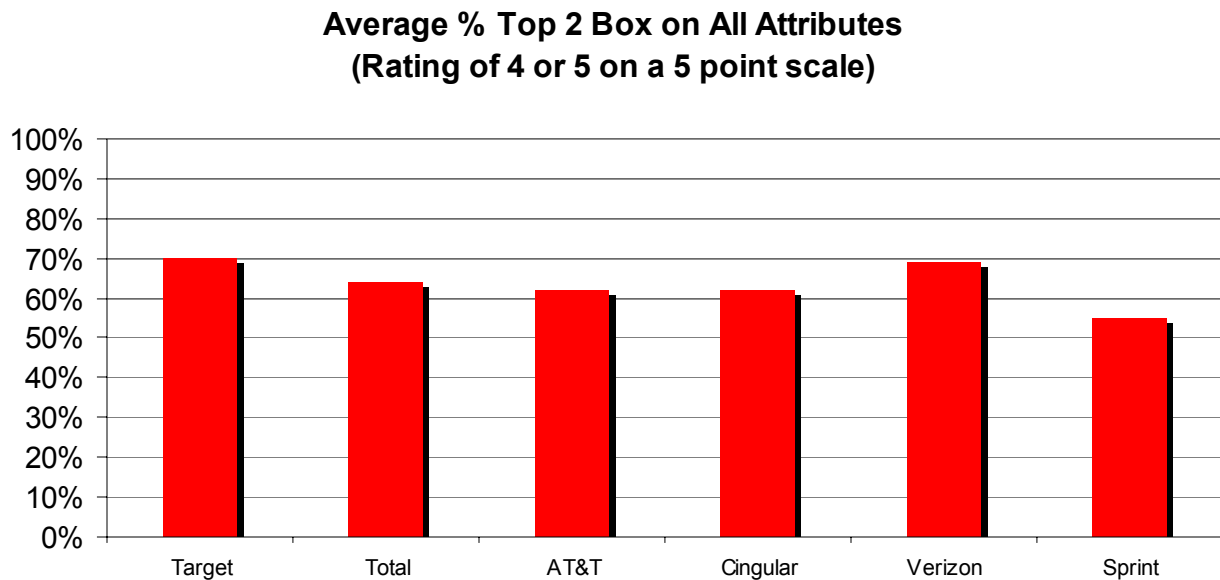
but also to keep its corporate decision-maker customers happy, by providing superior pricing programs based on volume, network management tools, and customer service. Both of these users can expect to receive better services and attention in the future from their cellular providers, in an attempt to slow churn due to the implementation of LNP.

About the Panel

In-Stat/MDR's Technology Adoption Panel (TAP) is a dynamic online group of thousands of technology users and decision-makers interested in contributing opinions and insights about technology usage and issues in the workplace.

The panel is recruited from many different sources and is composed of a diverse group, representing a wide range of company sizes, industries, and expertise. Data for this report was collected via a brief Internet survey. Participants — members of In-Stat/MDR's Technology Adoption Panel that use cellular phones (the Wireless Panel) — were e-mailed invitations to participate in a Web-based survey that was conducted from April 21st – 25th, 2003. Responses from 1,043 people are included in this research. If you are interested in joining the Technology Adoption Panel and/or learning more about it, please go to <http://www.instat.com/panels>.

Figure 1. Percent of Respondents Who are Extremely or Very Satisfied With Their Cellular Service



Source: In-Stat/MDR, 10/03