

US Wireless Carrier Trends: Q3 2006

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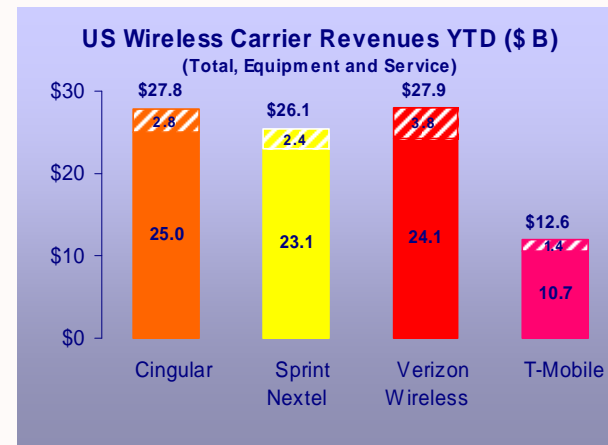
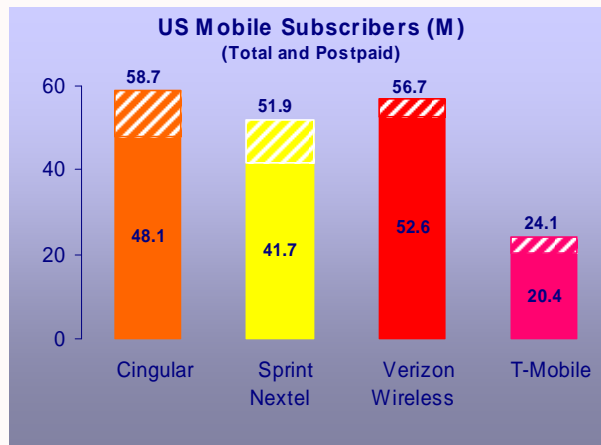
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Q3 2006 Highlights

- Cingular continued to be the largest US carrier by subscribers, however Verizon became the largest carrier by revenues, and had the most postpaid subscribers in the industry.
- Verizon led the industry with lowest subscriber churn trends, and gained the most subscribers with 1.9 million net additions.
- T-Mobile had the highest service ARPU of \$52, while Sprint Nextel had the highest postpaid ARPU of \$61.
- Verizon outpaced others in data trends with \$1.2 billion in data revenues in Q3, while Sprint Nextel continued to have the highest postpaid data ARPU of \$7.75.
- Verizon reported record text messages in the quarter at 14.4 billion, and multimedia messages at 290 million.

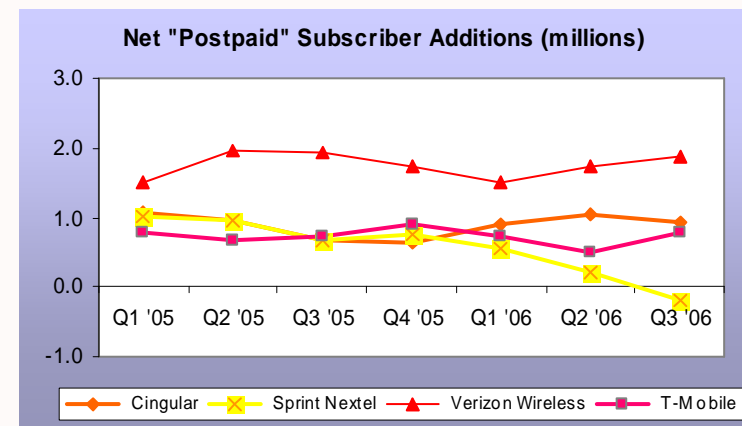
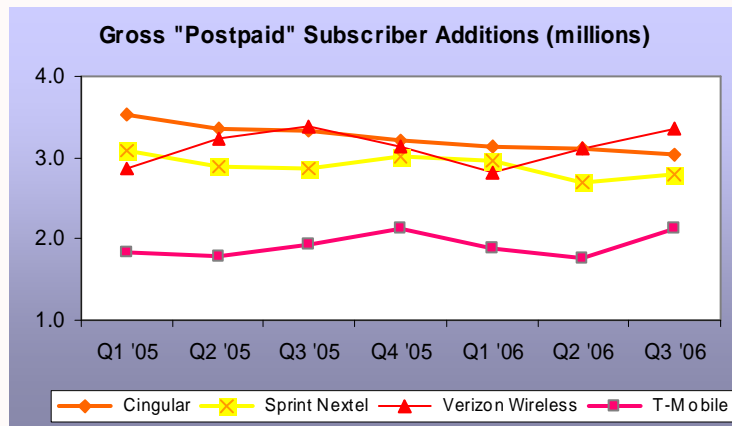
Top 4 Carriers Hold 85% of US Market



- Total US mobile subscriber base grew to about 224 million as of Q3 2006.
 - Cingular led the industry with 58.7 M subscribers (26.2% of US subscribers).
 - Verizon had the largest postpaid subscriber base (52.6 M or 92.7% of its subs.).
 - Verizon became the largest US carrier by revenues, fueled by growth in its data and handset revenues, while it maintained lowest customer churn trends in the industry.

Carriers play musical chairs!

About 70% of gross adds came from customers switching carriers



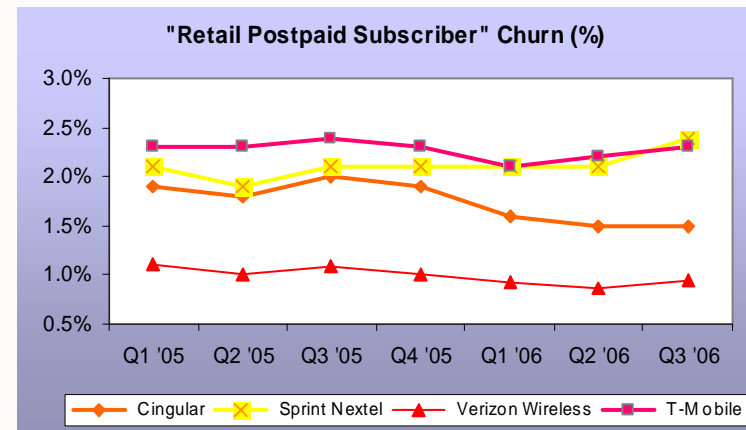
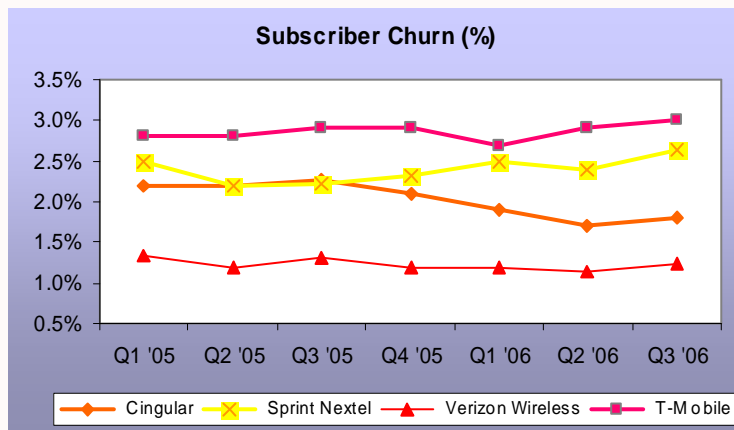
- Verizon led the industry in postpaid subscriber additions, and T-Mobile accelerated its pace of postpaid additions.
 - Verizon had the highest *gross*¹ “postpaid” additions gaining 3.4M subscribers, Cingular added 3.0M, Sprint Nextel 2.8M, and T-Mobile added 2.1M postpaid subscribers.
 - Verizon also had the highest *net*² “postpaid” additions gaining 1.9M subscribers, Cingular and T-Mobile had net gains of 0.9M and 0.8M respectively, while Sprint Nextel lost 0.2M due to increase in churn.

[1] “Gross” subscriber additions represent total additions before adjusting for churn.

[2] “Net” subscriber additions represent additions after adjusting for churn.

Churn keeps carriers awake!

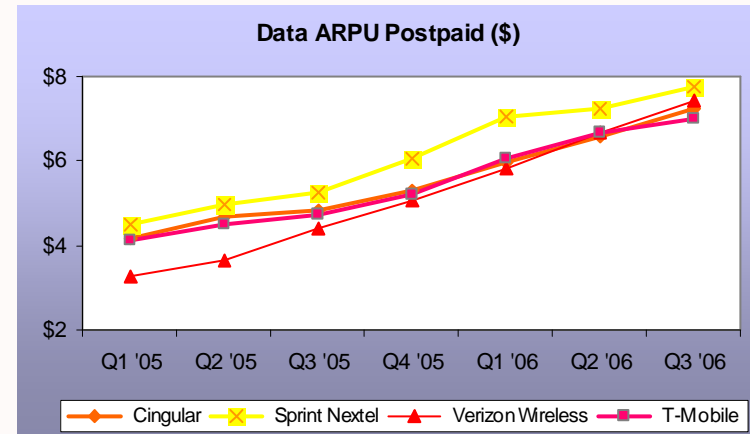
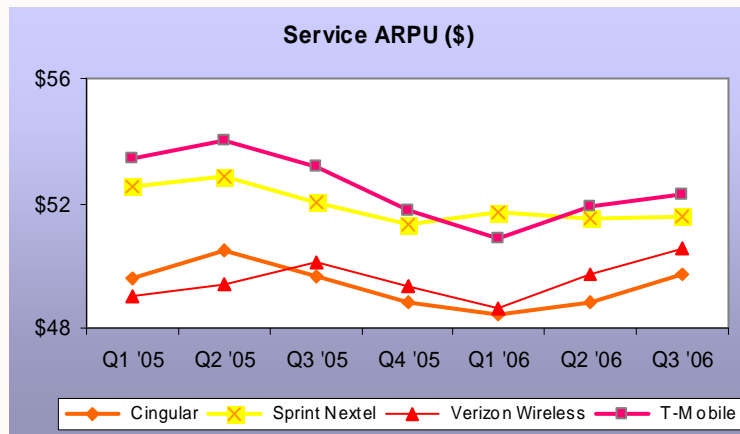
A customer in hand is better than two in the store..



- Subscriber churn³ continues to drive the competitive landscape
 - Verizon had the industry's lowest churn with retail postpaid churn at 0.95%, followed by Cingular at 1.5%, T-Mobile at 2.3%, and Sprint Nextel at 2.4%.
 - Sprint experienced higher involuntary churn as it tightened credit policies.
 - Considering about 4% of a carrier's postpaid contracts expire in any given month, postpaid churn of 1% indicates one in four of the "contract recently expired" customers may be switching carriers.

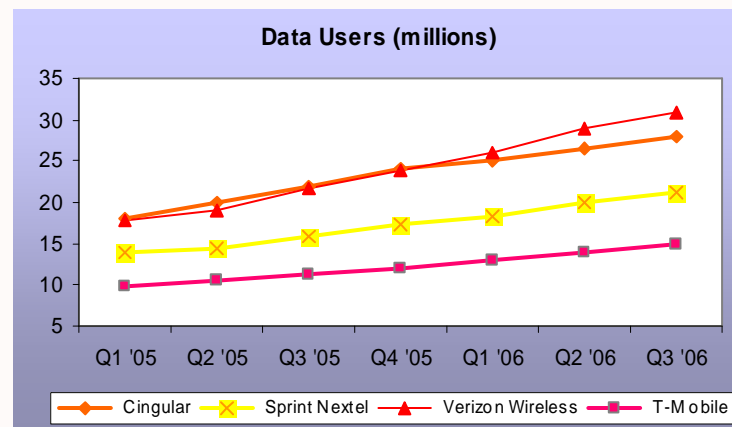
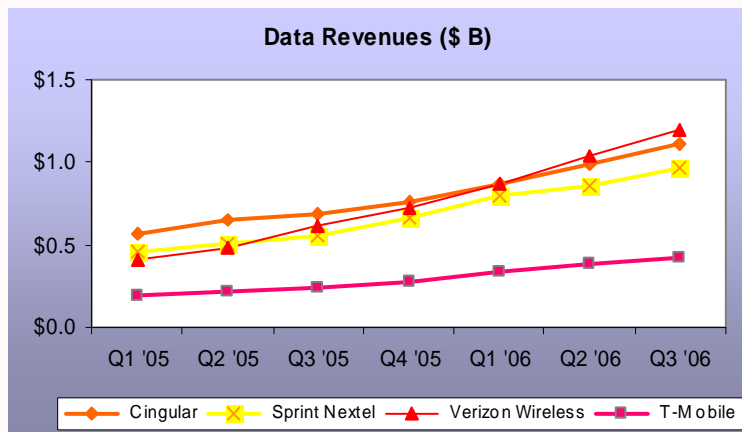
[3] Subscriber Churn represents percentage of customers on an average per month basis that terminated service during the quarter.

Data adoption key to ARPU growth



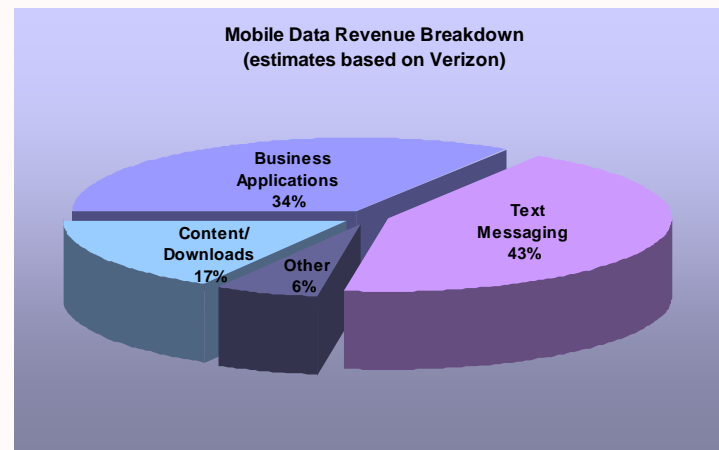
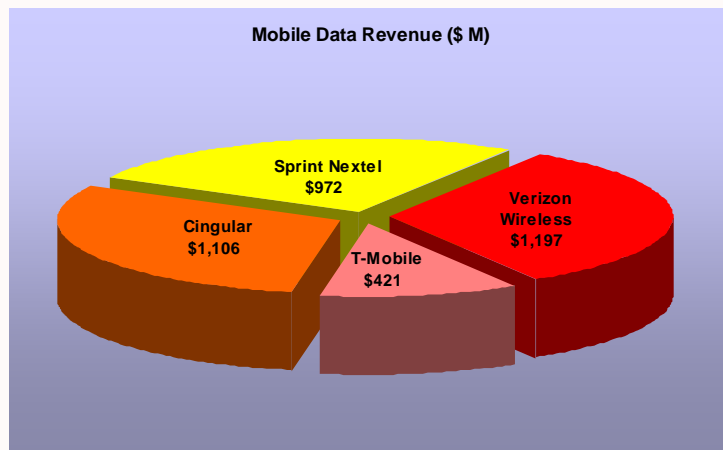
- ARPU trends slightly up driven by increases in data ARPU.
 - T-Mobile led the industry with service ARPU of \$52, while Sprint Nextel had the highest postpaid ARPU of \$61 and postpaid data ARPU of \$7.75.

Data contributes nearly \$4B in Q3.



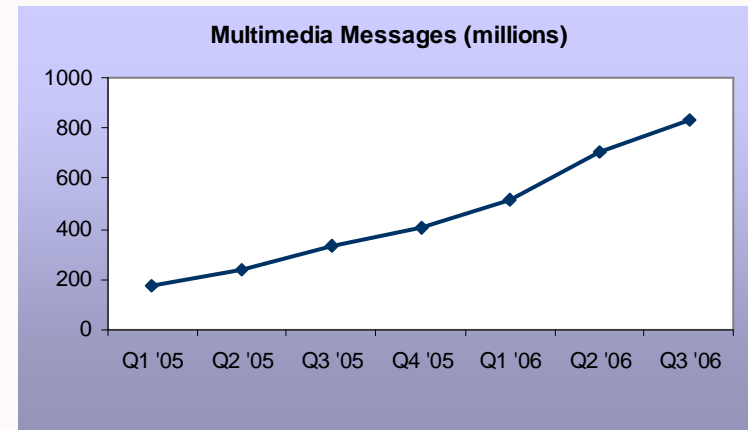
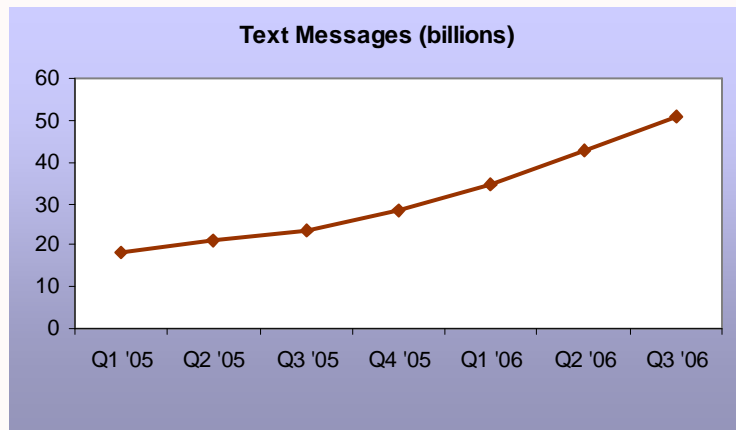
- **Verizon led the industry in data revenue growth.**
 - Verizon's data revenues reached \$1.2 billion, representing about 14.1% of service revenues. Cingular's data revenues grew to \$1.1 billion, representing 12.8% of service revenues.
- **Over 50% subscribers are data users, primarily text messaging users**
 - Verizon had the most active data users with 30.9M, and reported record text messaging volumes of 5 billion per month.

Business applications drive data growth



- Verizon's data growth driven by non-messaging applications.
 - Text messaging contributed an estimated 43% to data revenues.
 - Business applications such as broadband access and mobile email contributed more than one third of Verizon's data revenues and grew 135% year over year.
 - Other revenues from downloads, content and multimedia messaging contributed 23%.
- Adoption of 3G data services still in early stages.
 - Sprint had 1.5M EV-DO subscribers, or about 5% of their CDMA customer base.
 - About 25% of Verizon's subscribers had EV-DO capable devices.

US Mobile Application Trends



- Text messaging reached run rates of 200 billion messages per year.
- Multimedia messaging is over 3 billion messages per year.
- Mobile web browsing in US estimated at about 50 billion page views per year.

About Us

About the author

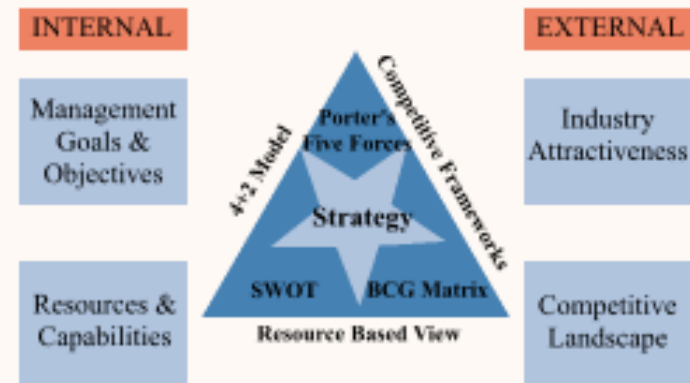
Neeraj Chawla has over 12 years experience in the technology industry and has led strategy planning at large companies such as Expedia and Toshiba.

About Strategic Mirror Consulting

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Strategic Frameworks



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