



Customer Satisfaction and Loyalty in Wireless Communications

Suppliers in any competitive industry must anticipate and manage competitive churn. This is particularly true of wireless communications in the US today. Wireless consumers can choose from a wide array of services and features/functions (voice, data, and video), access devices (cell phones and other portable handsets), service providers, and service plans. Many consumers are faced with decisions about abandoning non-wireless platforms altogether in favor solely of wireless access. In this environment, consumers are prone to experiment, making consumer loyalty and retention central to the strategic planning that equipment manufacturers and wireless service providers must do. For this, the opportunity now exists to obtain detailed information from the wireless consumer's perspective — in the form of customer satisfaction metrics, switching behavior, reasons for switching, prospects for adds and drops of services and service providers, and more.

What are the drivers of customer satisfaction in wireless communications? The answer is multi-faceted and hard to capture with a single overall measure. The wireless experience is a function of the access device and services used, the features and functions available on handsets and in service plans, pricing and bundling options, and the quality of customer service from wireless service providers. Customer satisfaction needs to be understood across these dimensions to predict a customer's likelihood to switch wireless plans, switch wireless service providers, purchase a new access device, and remove or add features or functions.

Apart from switching behavior, it is also important to understand why consumers behave the way they do. In the past, consumers purchased voice, Internet access, TV, music, and other services from different service providers. In today's converging world, the same service provider may be the source of multiple services. Hence, the decision to switch service providers has become complicated and multidimensional as well. From the wireless service provider's perspective, building loyalty in and retaining customers is a more complex exercise than before, but it also presents new opportunities. While it is imperative to meet or manage customer expectations, doing so requires access to detailed customer satisfaction measures and an understanding of consumer switching behavior.

Centris has the answer...



Centris has Developed a Unique Wireless Survey to Help You Understand

To gain key insights into the actual and prospective behavior of consumers of wireless services, Centris has developed an ongoing, flexible, and wide-ranging survey that is supported by many levels of qualitative and quantitative analysis.

Besides providing valuable business information and insights, the Centris wireless survey offers many unique benefits (especially to Charter members, see box on page 5). Charter members can combine their own proprietary data with survey data and have them custom-analyzed on preferential terms by Centris experts. For example, Centris can develop sophisticated models of consumer behavior that are essential for forecasting and strategic planning. These models pertain both to wireless alone as well as the relationship between wireless and other platforms. Charter members may also participate directly by inserting a limited number of questions of interest into the survey. Charter members will receive all tabulations and underlying statistical results from the survey. Finally, Centris can help to project consumer choice and demand at various levels — from the local (Census Block Group level) market to regional and national markets.

Key Features of the Centris Survey

- Conducted for a representative nationwide panel of households (and individuals within households).
- Designed to be longitudinal, i.e., to follow the same households (and individuals within households) over time (every quarter).
- Records wide-ranging access and usage data (including service provider, service plan, and cell phone handset information), both actual and prospective.

- Records individual-specific demographics, key location information (census block group, designated market area, state and region of residency, etc.).

This design enables the survey to track and project:

- Consumer behavior at the lowest possible level, i.e., the individual consumer of wireless services;
- Subscription, usage, satisfaction, switching, service selection, etc. over time and within local or wider market geographies; and
- Interactions across and substitutions within wireless and wireline access technologies for voice and non-voice communication services, Internet access, and television viewing.

With its pioneering focus on individual consumers of communications services, the design of the Centris wireless survey is both innovative and strategic. Where other industry surveys track technological trends, broad market and financial performance or, at best, limited aspects of consumer behavior for wireless services, the Centris wireless survey is both micro-level and comprehensive. The ability to track and evaluate the decisions and preferences of households and individuals offers the best opportunity to understand the all-important demand side of a rapidly developing — and converging — communications marketplace. Most importantly, this survey offers information on the entire wireless platform, (i.e., all forms of communication made possible by wireless devices or technologies), not just the use of cell phones for voice and a limited number of other communication services.



Key Applications of the Centris Survey: Customer Satisfaction and Loyalty

This survey is useful for tracking:

- Drivers of customer satisfaction
- Likelihood to switch – service plans and service providers – in next year
- Likelihood to purchase a new cell phone in next year
- Likelihood to remove or add various features/functions in next year

Key Benefits of Analysis Based on the Centris Survey

Statistical and qualitative analysis based on the Centris wireless survey sheds light on the future of the wireless platform in several ways:

- Explains how consumers change their behavior or adapt as market and general economic conditions evolve
- Explains movements over time of the interactions and correlations (if any) among reasons for switching service providers, reasons for switching service plans, cell phone characteristics
- Projects consumer switching probabilities over both time and space (i.e., different geographies)
- Explains trends in consumer preferences for different durations of service plan contracts in relation to satisfaction with service plan or service provider
- Produces more meaningful trends and forecasts of future multimedia wireless consumption

To understand customer satisfaction and loyalty in wireless communications, the Centris wireless survey focuses on three key areas of consumer behavior:

- **Satisfaction metrics for wireless phones and services**
- **Switching behavior**
- **Contractual arrangements**

These three areas are featured in detail in Centris' forthcoming comprehensive report on "Customer Satisfaction and Loyalty in Wireless Communications." This is a sneak peek into the contents of that fuller report.

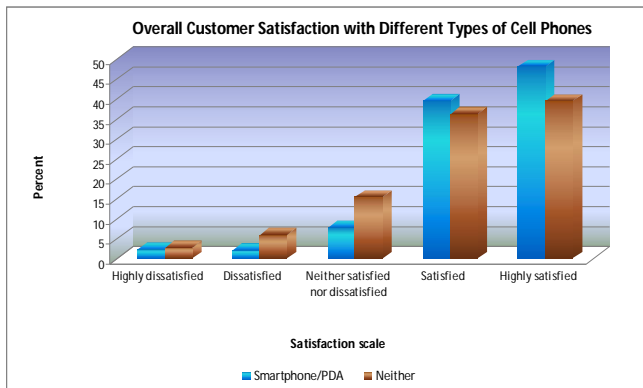
Satisfaction Metrics for Wireless Phones and Services

Detailed findings in the comprehensive report cover a multitude of topics in this area. All analysis is conducted at either the household or the individual consumer level. Examples of topics analyzed include:

- Overall satisfaction with cell phone
- Satisfaction with cell phone characteristics
- Overall satisfaction with cell phone, by make and type of cell phone
- Satisfaction with cell phone characteristics, by make and type of cell phone
- Models that explain satisfaction on levels in terms of cell phone and consumer (demographic) characteristics



The chart below summarizes overall customer satisfaction with different types of cell phones (smartphones/PDAs or neither). While the higher level of satisfaction with the more advanced phones may not be surprising, the question arises whether satisfaction with cell phones varies by consumer demographics (sex, age, or income) and residency/market locations. Answers may be found in the comprehensive report soon to be available for purchase or subscription (see details regarding Charter Membership at right).

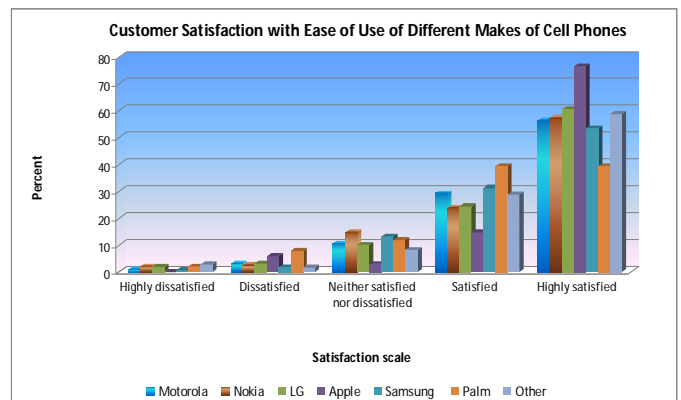


Regardless of phone type, most consumers are generally satisfied with their current phones. Users of smartphones/PDAs report greater satisfaction.

On another note, how satisfied are consumers with the ease of using their current cell phones? With other characteristics like size, weight, style, color, design, battery life, reception, coverage, and voice quality? The chart at right shows how satisfaction with ease of use varies by several prominent cell phone brands. The forthcoming comprehensive report provides similar information on additional well-known brands, and breaks down satisfaction levels by consumer demographics and residency/market locations. That report also reports satisfaction levels for other cell phone characteristics and analyzes various drivers of satisfaction levels statistically.

Charter Membership Includes:

- Comprehensive syndicated reports in each of three topic areas
 - *The Wireless Trifecta: Access Device, Service Plan, and Usage*
 - *Customer Satisfaction and Loyalty in Wireless Communications*
 - *Consumer Preferences for Wireless Broadband and Next-Generation Services*
- All tabulations based on the survey data
- Ability to customize your data
 - Merge your own data with those from the survey to answer questions of particular interest to you.
 - Insert a limited number of your own questions into our survey. Responses to those questions will be available only to you.
- Expert consultancy
 - Receive additional expert consulting on preferential terms as part of your Charter Membership. Talk to our experts about issues that are important to you.



Customer satisfaction with ease of cell phone use is highest among those with Apple phones (77% highly satisfied), and lowest among those with Palms (39% highly satisfied).

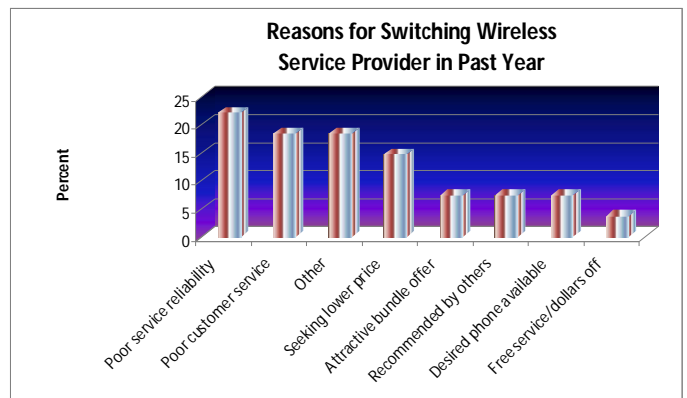


Switching Behavior

Why do consumers switch service providers for their wireline phone, Internet access, TV, and wireless needs? To whom do they switch? Do they drop certain services for others? Do they prefer a single source for all their services? What makes them change their cell phones? This section focuses on switching behavior. Examples of topics analyzed include:

- Switching wireless service provider, by type of service plan
- Reasons for switching wireless service provider, by type of service plan
- Wireless service and feature/function switched from in past year
- Recency of switching wireless service and feature/function in past year
- Switching wireline local service provider
- Wireline local service providers previously used
- Switching high-speed Internet access service provider
- Switching mode of Internet access (dial-up, DSL, cable, satellite, wireless)
- High-speed Internet access service providers previously used
- Switching TV service provider
- TV service providers previously used
- Probability of switching to new wireless service plan in next year
- Importance of various factors (price, features, etc.) in switching of wireless service plan
- Probability of switching to new wireless service provider in next year
- Importance of various factors (price, customer service, etc.) in switching of wireless service provider
- Probability of purchase of new cell phone handset in next year
- Importance of various factors (size, ease of use, etc.) in purchase of new cell phone handset
- Correlations between reasons for switching wireless service plan and cell phone characteristics (make, type, recency of purchase)
- Correlations between reasons for switching wireless service provider and cell phone characteristics (make, type, recency of purchase)
- Correlations between factors behind purchase of new cell phone handset and cell phone characteristics (make, type, recency of purchase)
- Prospects for removal of various wireless features/functions in next year
- Prospects for addition of various wireless features/functions in next quarter
- Models that explain switching behavior in terms of cell phone, service plan, and household (demographic) characteristics

Knowing why consumers switch service providers is crucial for formulating strategies of customer retention. The next chart shows that price may not be the main driving factor behind switching among service providers. Do these reasons vary in importance for consumers from a particular demographic sub-group or located in certain market areas? Find out from the forthcoming comprehensive report on “Customer Satisfaction and Loyalty.”



Poor service reliability is the main factor behind switching wireless service: 22% of consumers switched in the past year for this reason. This surpasses poor customer service, lower price, or 'other' reasons.

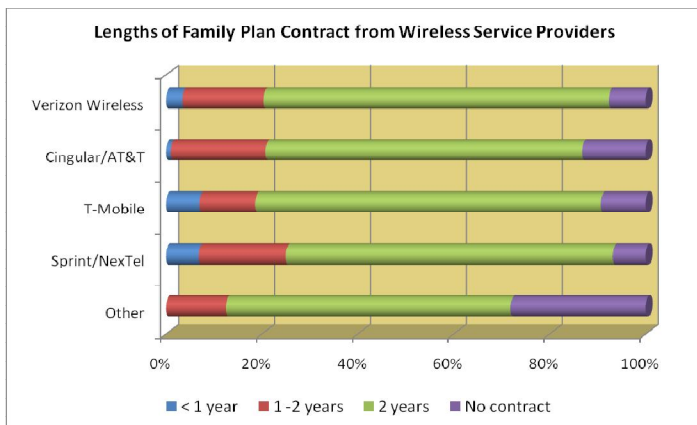


Contractual Arrangements

Wireless consumers enter into contracts that vary by service provider, service plan, and duration. Data on contractual arrangements provide another window into customer loyalty. Examples of information available on contracts include:

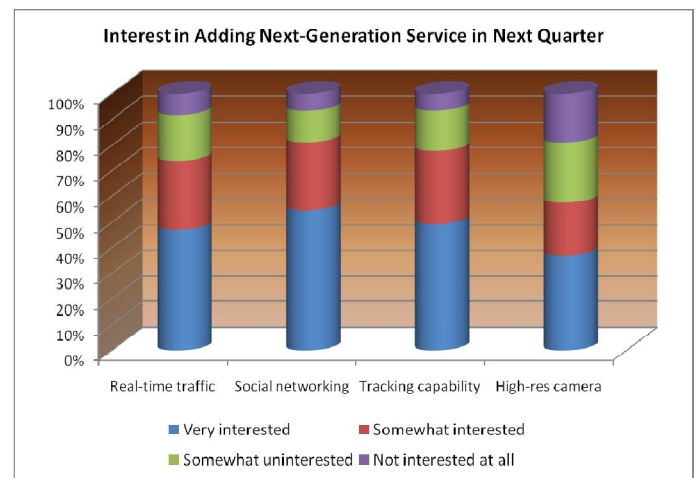
- Term (duration) of contract for wireless service plan
- Time remaining on contract, by type of service plan
- Term of contract by category of wireless service provider, service provider used most often, and type of service plan

The following chart shows the distribution of contracts by duration for the four major and remaining US wireless service providers. More details are available from the comprehensive report on “Customer Satisfaction and Loyalty.”



Most contracts run about two years in length. Contracts with Cingular/AT&T are more likely to run for one to two years, while ‘other’ (or smaller) service providers are most likely to offer service without contracts.

As several next-generation wireless services become available, it is important to know consumers’ current level of interest in subscribing to those services in the near future. The following chart gives a glimpse into those interest levels. See the comprehensive report on “Customer Satisfaction and Loyalty” for more detailed breakdowns.



Consumer interest in adding real-time traffic, social networking, and tracking capability services in the next quarter ranges above 80%, but it is lower (at 57%) with high-resolution camera capabilities.



Why this Suite of Research Products is a Compelling Purchase for You ...

Other market analysts may be able to provide you with a broad, sweeping view of consumer preferences for wireless consumption. But what CENTRIS can offer you is a comprehensive look at consumer preferences and satisfaction indices (at both household and individual consumer levels) and how they change over time for essentially the same consumers. This is a strategic research package designed to give you consistent tracking information on a nationally representative sample of households, which can be used to project future consumer behavior with respect to wireless devices and services.

Think about the impact that this type of research effort will have on the industry, and what it can do for your business – the competitive advantage that could be gained by signing up for this type of service. This type of research will eventually become a fundamental measuring stick in the wireless arena, as the industry continues to evolve rapidly.

Who would Benefit from *Customer Satisfaction and Loyalty*...

- Wireless telephone companies
- Wireline telephone companies
- Cable companies
- Broadcast networks
- Internet service providers
- Equipment manufacturers
- Content providers
- Search engine providers
- Advertisers
- Industry analysts

Don't miss out on your competitive advantage. Sign up for Centris' forthcoming comprehensive report for "Customer Satisfaction and Loyalty in Wireless Communications." Become a Charter Member today and enjoy unique Member benefits!

Call us today to find out more about

"Customer Satisfaction and Loyalty in Wireless Communications" Comprehensive Report

978.263.9031

About Centris

Centris, based in Fort Washington, Pennsylvania, is a member of the AUS Group, a top United States marketing research organization. Centris provides market intelligence on consumer preferences and behaviors regarding the purchase of voice, video and data services across all vertical markets. Centris provides national and local information that helps marketers plan and evaluate marketing strategies, track competitor actions, and optimize their marketing mixes.