

Wireless Service Provider Trends

New Survey Looks At Ongoing Battle Among Industry Leaders

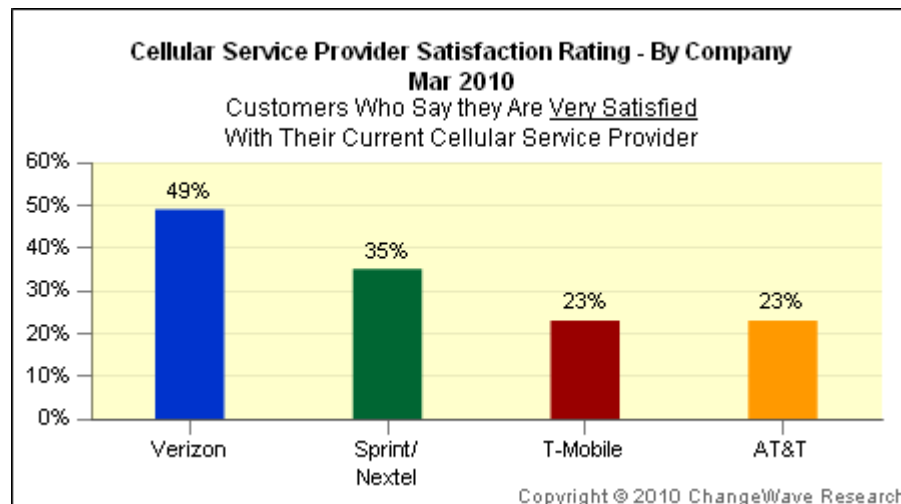
Andy Golub and Paul Carton

Overview: During March ChangeWave surveyed 4,040 consumers on their attitudes towards the wireless service provider industry – including trends in customer satisfaction and loyalty, future market share demand, and the issue of dropped calls.

The survey – conducted immediately before the latest Verizon iPhone rumors – also took a close-up look at the potential industry impact if Verizon were to offer the Apple iPhone.

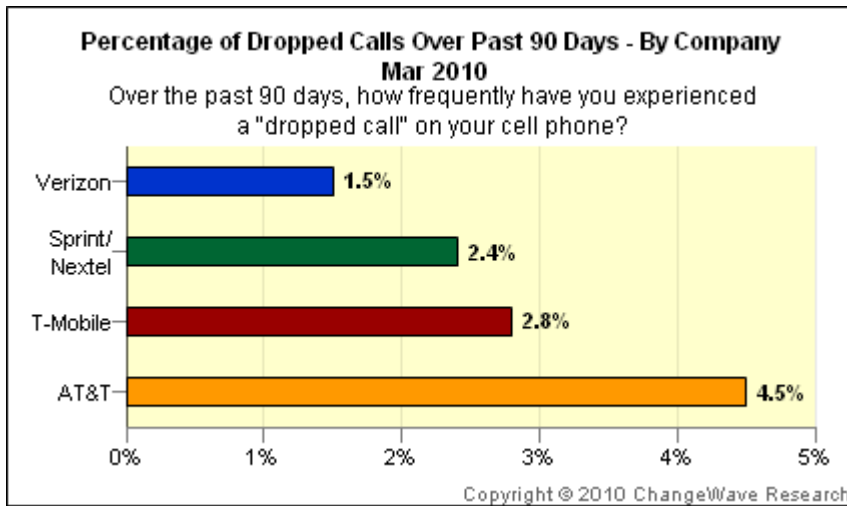
Customer Satisfaction

As in previous ChangeWave surveys, Verizon remains the clear industry leader in customer satisfaction – with nearly half of Verizon’s customers (49%) saying they are *Very Satisfied* with their cellular service.

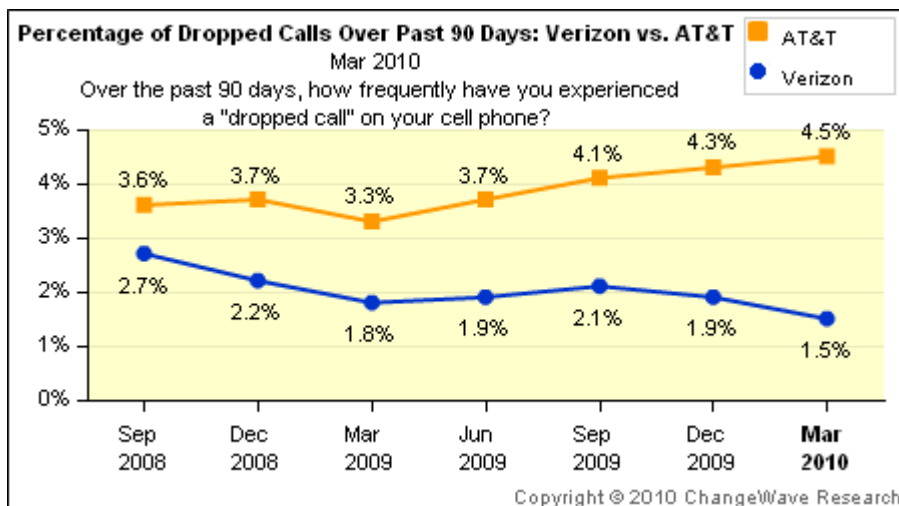


We note that Sprint/Nextel (35%) is now second in terms of customer satisfaction, with T-Mobile (23%) and AT&T (23%) lagging well behind.

Dropped Calls. Verizon also ranks best in terms of number of dropped calls, with Verizon customers reporting only 1.5% of their calls being dropped over the past 3 months. This compares to 2.4% for Sprint/Nextel, 2.8% for T-Mobile and 4.5% for AT&T customers.



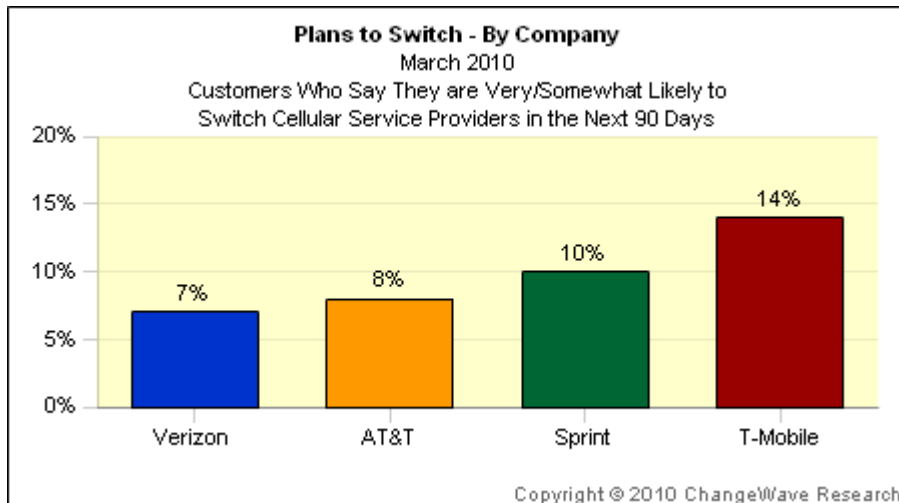
Importantly, while Verizon has its all-time best dropped call rating in the current ChangeWave survey, AT&T has just reached its all time worst rating on this all important measure.



Customer Loyalty

To measure subscriber churn rates, we asked respondents how likely they are to switch wireless providers over the next 90 days. Only 8% say they plan to make a change – matching the lowest level recorded in a ChangeWave survey.

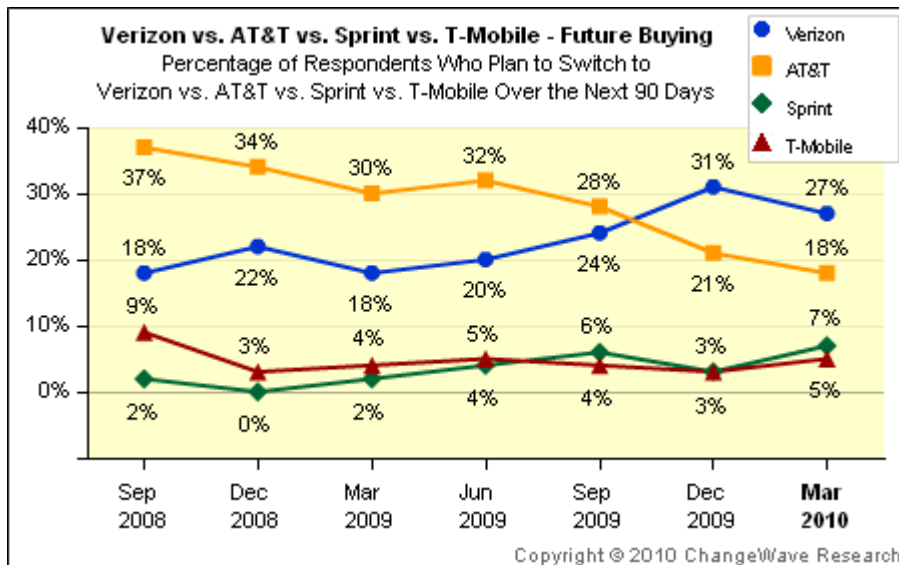
At the provider level, 7% of Verizon’s customers and 8% of AT&T’s say they’ll switch. Sprint/Nextel (10%) and T-Mobile (14%) lag behind the two industry leaders.



AT&T's low churn rate – despite its relatively poor *Very Satisfied* rating and its high percentage of dropped calls – is attributable to the huge advantage it continues to maintain as the exclusive U.S. service provider for the Apple iPhone.

Which Provider Gains Most From Customer Switching?

Thanks largely to a huge influx of Motorola Droid buyers, Verizon showed a leap in new customers in our previous survey. In the current survey, the percentage of customers who say they'll switch to Verizon has settled back a bit – dipping 4-pts to 27%. Nonetheless they still hold a sizable lead over their top competitor – AT&T (18%) – which is 3-pts lower than last quarter and a full 14-pts lower than 9 months ago.

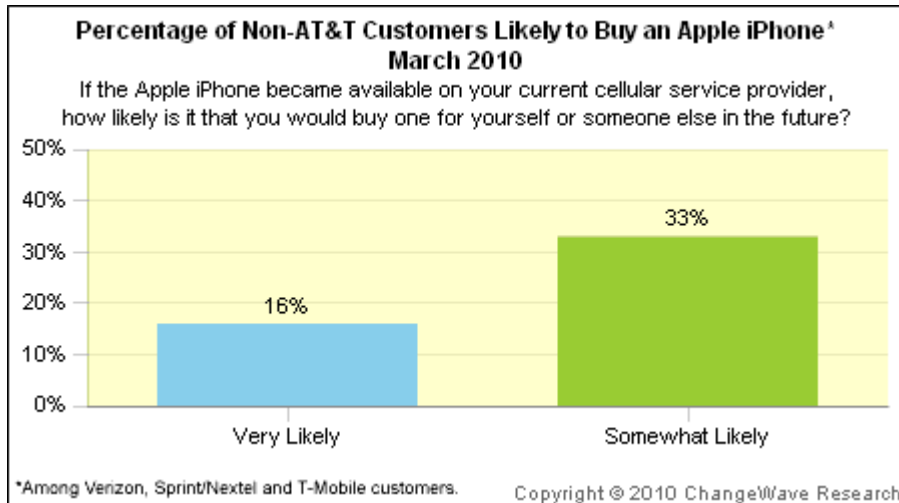


We note that Sprint/Nextel (7%; up 4-pts) is experiencing an uptick in terms of future share, which could be due to their new 4G wireless offer combined with some of the lowest price plans in the industry. It remains to be seen, however, whether Sprint's latest rise will have staying power.

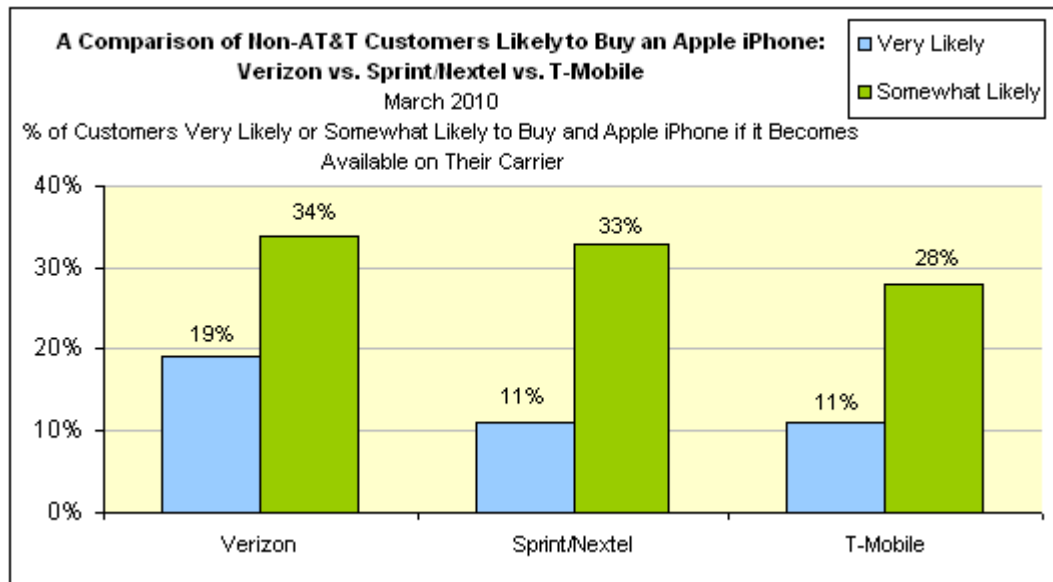
Potential Impact of a Verizon iPhone

The current survey was conducted before the latest Verizon iPhone rumors kicked up again. But one of the most interesting findings involves how likely non-AT&T customers would be to buy an Apple iPhone if it becomes available on their current provider:

Among Verizon, Sprint/Nextel and T-Mobile subscribers, an astonishing 49% say they're *Very* or *Somewhat Likely* to buy an iPhone for themselves or someone else if it becomes available on their carrier.



When we looked only at Verizon subscribers, that number rises to 53% – with 19% saying they'd be *Very Likely* and 34% *Somewhat Likely* to buy a Verizon iPhone.



In particular, the survey results show an unprecedented level of pent up demand for the iPhone among Verizon subscribers. If Verizon were ever to offer the iPhone, the evidence points to it having a profound and likely transformational impact on the industry.

In comparison, 11% of Sprint/Nextel customers say they're *Very Likely* and 33% *Somewhat Likely* to buy an iPhone if it becomes available. Among T-Mobile customers, 11% say they're *Very Likely* and 28% *Somewhat Likely*.

Bottom Line: Overall, the wireless service provider market appears quite stable.

Verizon remains the leader in customer satisfaction and loyalty, and its customers report the lowest number of dropped calls. It also appears positioned to pick-up future market share.

While AT&T is clearly struggling in these same areas, it holds the biggest trump card in the industry – the Apple iPhone. But AT&T’s greatest strength may yet prove transitory. As the possibility of a Verizon iPhone grows, so does the potential for a huge new wave of demand that would alter the playing field between the top two industry leaders.

We’ll take another look at the potential impact of a Verizon iPhone in an upcoming ChangeWave smart phone survey.

Summary of Key Findings

<p>The Battle Between Industry Leaders</p> <p>Percentage of Customers Who Are Very Satisfied with their Service Provider</p> <ul style="list-style-type: none"> • Verizon (49%) • Sprint/Nextel (35%) • T-Mobile (23%) • AT&T (23%) <p>Percentage of Dropped Calls Reported by Customers</p> <ul style="list-style-type: none"> • Verizon (1.5%) • Sprint/Nextel (2.4%) • T-Mobile (2.8%) • AT&T (4.5%) 	<p>Customer Loyalty</p> <p>Likelihood of Switching:</p> <ul style="list-style-type: none"> • Verizon (7%) • AT&T (8%) • Sprint/Nextel (10%) • T-Mobile (14%) <p>Future Share – Next 90 Days:</p> <ul style="list-style-type: none"> • Verizon (27%) • AT&T (18%) • Sprint/Nextel (7%) • T-Mobile (5%) 	<p>Is the iPhone a Trump Card for the Industry?</p> <p>Percentage of Non-AT&T customers likely to buy an iPhone if it becomes available on their current provider</p> <ul style="list-style-type: none"> • Verizon Customers <ul style="list-style-type: none"> -- 19% Very Likely -- 34% Somewhat Likely • Sprint Customers <ul style="list-style-type: none"> -- 11% Very Likely -- 33% Somewhat Likely • T-Mobile Customers <ul style="list-style-type: none"> -- 11% Very Likely -- 28% Somewhat Likely
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The ChangeWave Research Network is a group of 25,000 highly qualified business, technology, and medical professionals – as well as early adopter consumers – who work in leading companies of select industries. They are credentialed professionals who spend their everyday lives on the frontline of technological change. ChangeWave surveys its Network members weekly on a range of business and consumer topics, and converts the information into a series of proprietary quantitative and qualitative reports.



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The Findings

Introduction: During March ChangeWave surveyed 4,040 consumers on their attitudes towards the wireless service provider industry – including trends in customer satisfaction and loyalty, future market share demand, and the issue of dropped calls.

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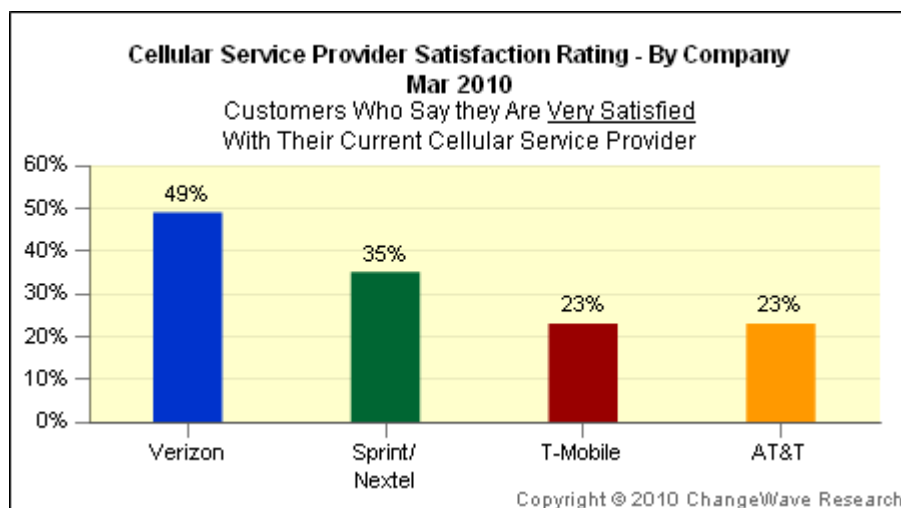
Customer Satisfaction

As in previous ChangeWave surveys, Verizon remains the clear industry leader in customer satisfaction – with nearly half of Verizon’s customers (49%) saying they are *Very Satisfied* with their cellular service.

How satisfied are you with your current cellular service provider?

Current Survey (March 2010) – Satisfaction Breakout by Service Provider

	Total	Verizon	Sprint/ Nextel	T-Mobile	AT&T	Rogers/ Fido
Very Satisfied	33%	49%	35%	23%	23%	28%
Somewhat Satisfied	52%	44%	52%	62%	55%	52%
Somewhat Unsatisfied	11%	5%	10%	13%	17%	17%
Very Unsatisfied	3%	1%	2%	2%	5%	3%



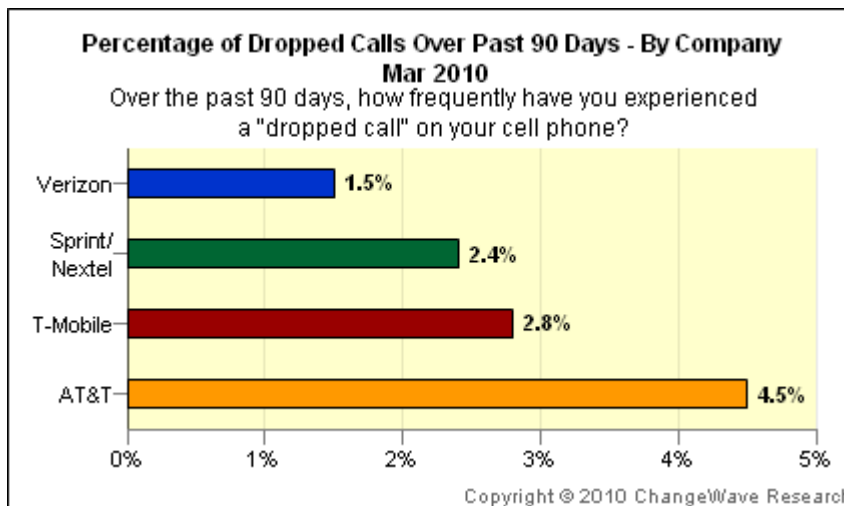
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ChangeWave Research: Wireless Service Provider Trends

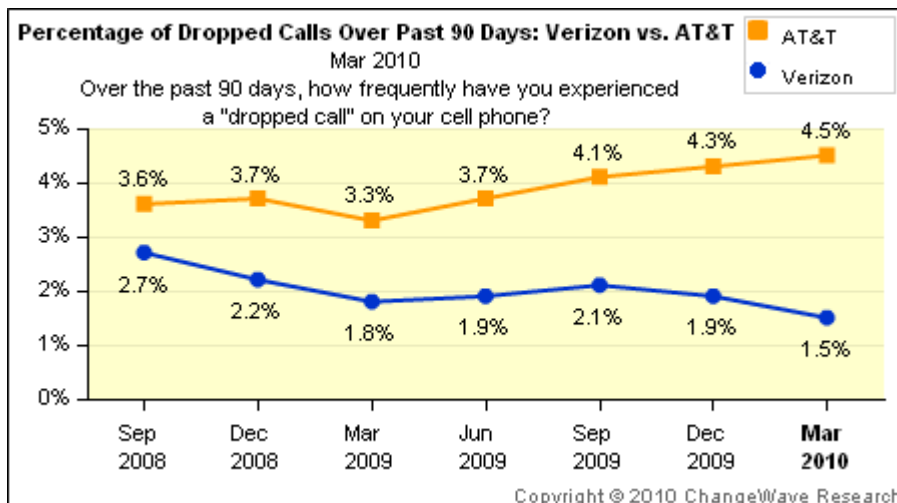
Dropped Calls. Verizon also ranks best in terms of number of dropped calls, with Verizon customers reporting only 1.5% of their calls being dropped over the past 3 months. This compares to 2.4% for Sprint/Nextel, 2.8% for T-Mobile and 4.5% for AT&T customers.

Over the past 90 days, how frequently have you experienced a "dropped call" on your cell phone?

	Current Survey Mar '10	Previous Survey Dec '09	Previous Survey Sep '09	Previous Survey Jun '09	Previous Survey Mar '09	Previous Survey Dec '08	Previous Survey Sep '08
Total	2.8%	3.2%	2.7%	2.8%	2.5%	2.6%	3.1%
Verizon	1.5%	1.9%	2.1%	1.9%	1.8%	2.2%	2.7%
Sprint/Nextel	2.4%	3.1%	3.3%	3.9%	2.9%	3.4%	4.4%
T-Mobile	2.8%	3.9%	2.9%	4.1%	5.8%	4.0%	4.5%
AT&T	4.5%	4.3%	4.1%	3.7%	3.3%	3.7%	3.6%



Importantly, while Verizon has its all-time best dropped call rating in the current ChangeWave survey, AT&T has just reached its all time worst rating on this all important measure.



ChangeWave Research: Wireless Service Provider Trends

Here's another look at a breakout of respondents in terms of dropped calls over the past 90 days.

	Total	Verizon	AT&T	Sprint/ Nextel	T-Mobile
Never	23%	26%	14%	22%	26%
Less Than 1% of Calls	30%	35%	25%	33%	29%
1% to 5% of Calls	33%	30%	38%	30%	32%
6% to 10% of Calls	2%	0%	3%	3%	2%
More Than 10% of Calls	10%	4%	18%	8%	8%

Customer Loyalty

To measure subscriber churn rates, we asked respondents how likely they are to switch wireless providers over the next 90 days. Only 8% say they plan to make a change – matching the lowest level recorded in a ChangeWave survey.

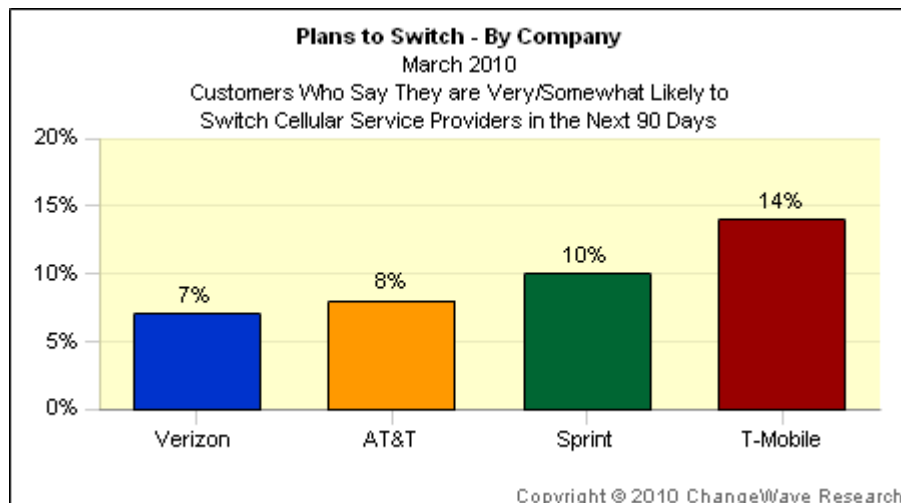
At the provider level, 7% of Verizon's customers and 8% of AT&T's say they'll switch. Sprint/Nextel (10%) and T-Mobile (14%) lag behind the two industry leaders.

How likely is it that you will change cellular service providers within the next 90 days?

	Current Survey Mar '10	Previous Survey Dec '09	Previous Survey Sep '09	Previous Survey Jun '09	Previous Survey Mar '09	Previous Survey Dec '08	Previous Survey Sep '08
Very Likely	3%	4%	3%	4%	3%	3%	4%
Somewhat Likely	5%	5%	5%	6%	5%	5%	7%
Unlikely	86%	86%	87%	86%	88%	87%	83%
Don't Know	3%	3%	3%	3%	2%	3%	3%
Not Applicable	2%	2%	2%	1%	2%	2%	2%

Breakdown of Respondents by Provider

	Total	Verizon	AT&T	Sprint/ Nextel	T- Mobile	Rogers/ Fido
Very/Somewhat Likely	8%	7%	8%	10%	14%	9%
Unlikely	86%	88%	88%	86%	81%	85%



AT&T's low churn rate – despite its relatively poor *Very Satisfied* rating and its high percentage of dropped calls – is attributable to the huge advantage it continues to maintain as the exclusive U.S. service provider for the Apple iPhone.

Which Provider Gains Most From Customer Switching?

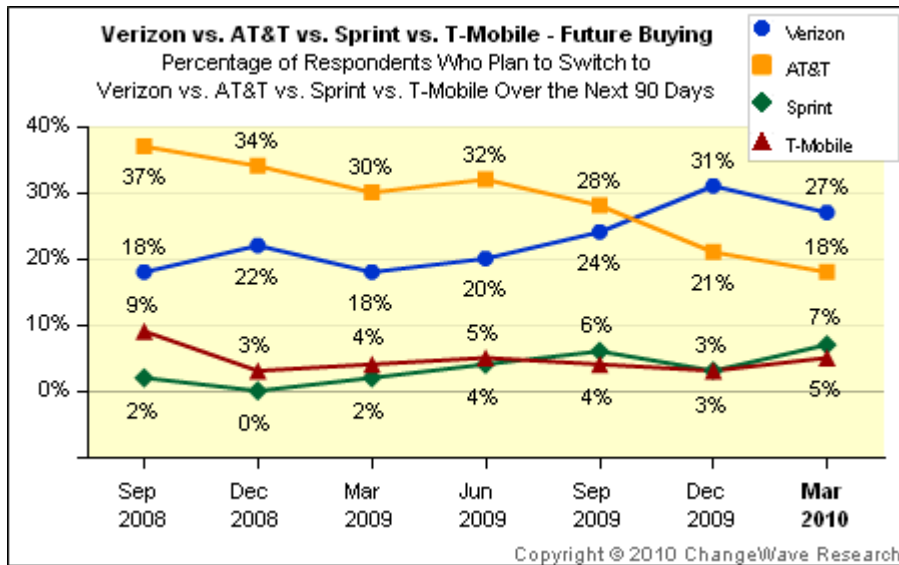
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For those of you who are likely to change cellular service providers, which company are you most likely to switch to?

	Current Survey Mar '10	Previous Survey Dec '09	Previous Survey Sep '09	Previous Survey Jun '09	Previous Survey Mar '09	Previous Survey Dec '08	Previous Survey Sep '08
Verizon (incl. Alltel)	27%	31%	24%	20%	18%	22%	18%
AT&T	18%	21%	28%	32%	30%	34%	37%
Sprint/Nextel	7%	3%	6%	4%	2%	0%	2%
T-Mobile	5%	3%	4%	5%	4%	3%	9%
Rogers/Fido	2%	1%	2%	4%	4%	2%	2%
Don't Know/NA/Other	39%	41%	35%	35%	40%	40%	30%

ChangeWave Research: Wireless Service Provider Trends

Here's another look at future market share trends for Verizon, AT&T, Sprint/Nextel and T-Mobile:

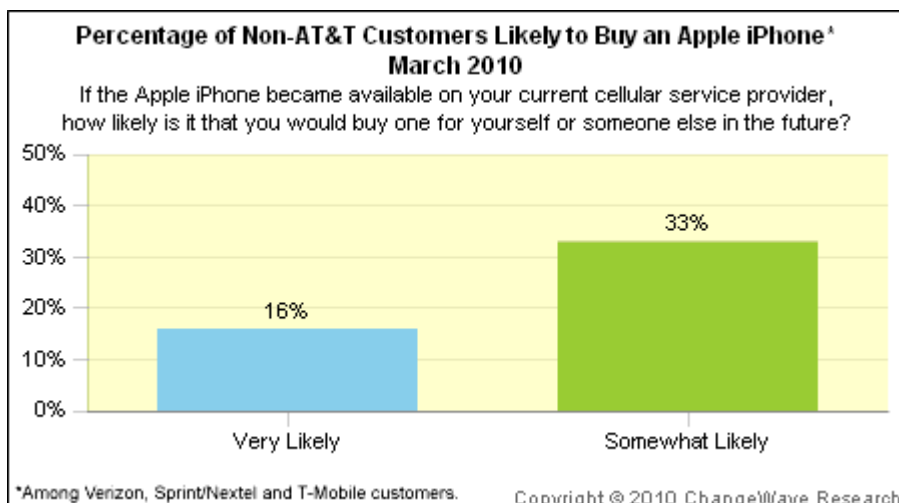


We note that Sprint/Nextel (7%; up 4-pts) is experiencing an uptick in terms of future share, which could be due to their new 4G wireless offer combined with some of the lowest price plans in the industry. It remains to be seen, however, whether Sprint's latest rise will have staying power.

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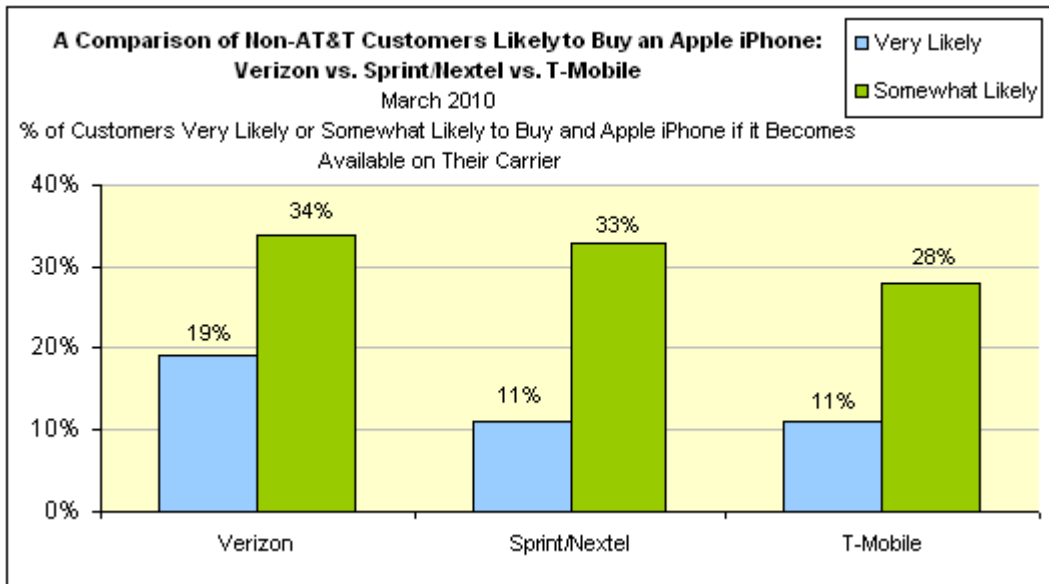
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When we looked only at Verizon subscribers, that number rises to 53% – with 19% saying they'd be *Very Likely* and 34% *Somewhat Likely* to buy a Verizon iPhone.



In particular, the survey results show an unprecedented level of pent up demand for the iPhone among Verizon subscribers. If Verizon were ever to offer the iPhone, the evidence points to it having a profound and likely transformational impact on the industry.

In comparison, 11% of Sprint/Nextel customers say they're *Very Likely* and 33% *Somewhat Likely* to buy an iPhone if it becomes available. Among T-Mobile customers, 11% say they're *Very Likely* and 28% *Somewhat Likely*.

To better understand those who are not interested in buying an iPhone even if it became available on their service provider, we asked:

And for those who would not consider buying an Apple iPhone even if it were available on your current cellular service provider, what's the most important reason why not?

	Current Survey Mar '10	Previous Survey Dec '09
No Need - Current Cell Phone is Sufficient	56%	55%
Monthly Service Fees are Too Expensive	14%	14%
Cost of iPhone is Too High	8%	10%
Don't Like iPhone Features, Appearance and/or Touch Screen Interface	5%	4%
Corporate Policy Restrictions	4%	4%
Because of Current Economic Conditions	1%	1%
Other	9%	7%
No Answer	2%	4%

More than half (56%) say their current cell phone is sufficient, while another 14% say the monthly service fees are too expensive.

Current Market Share

In terms of current market share, AT&T (33%; down 1-pt) is edging out Verizon (32%; unchanged) for the top spot among the major wireless service providers.

Who is your cellular service provider?

	Current Survey Mar '10	Previous Survey Dec '09	Previous Survey Sep '09	Previous Survey Jun '09	Previous Survey Mar '09	Previous Survey Dec '08	Previous Survey Sep '08
AT&T	33%	34%	33%	31%	31%	31%	30%
Verizon (incl. Alltel)	32%	32%	32%	31%	30%	30%	29%
Sprint/Nextel	9%	9%	9%	10%	10%	10%	11%
T-Mobile	8%	8%	9%	10%	9%	10%	10%
Rogers/Fido	3%	3%	3%	3%	3%	3%	3%
Other/NA	13%	13%	14%	15%	16%	15%	17%

Extra Services Offered By Providers

Many cellular service providers offer additional services for an extra charge. Which of the following extra services - if any - do you currently pay for? (Check All That Apply)

And over the next 90 days, which of the following extra services - if any - do you think you'll subscribe to for the first time? (Check All That Apply)

	Currently Pay For	Will Subscribe for First Time – Next 90 Days
Text Messaging Plan	42%	4%
Data Plan/Internet Access	38%	7%
Email	16%	4%
GPS Navigation	6%	5%
Music/MP3's	3%	1%
Ringtones/ Ringback Tones	3%	1%
Downloaded Games	3%	0%
Streaming Data (e.g., Sports Scores, Stock Tickers)	2%	2%
Streaming Video (e.g., V-Cast, Mobile TV)	2%	1%
Other Location-Based GPS Services	1%	1%
Wallpaper	1%	0%
Other	3%	4%

Corporate Market: Wireless Service Providers

ChangeWave also conducts business spending surveys, and during February 2010 we took a look at Corporate Wireless Service providers. A total of 880 respondents involved with IT spending in their organization participated.

Who is your company's cellular service provider?

	Current Survey Feb '10	Current Survey May '08	Current Survey Aug '07	Previous Survey May '07
AT&T	33%	32%	25%	23%
Verizon (incl. Alltel)	33%	32%	33%	32%
Sprint/Nextel	10%	12%	12%	13%
T-Mobile	5%	5%	7%	9%
Rogers/Fido	4%	2%	5%	4%
Other/NA	16%	14%	17%	17%

How satisfied is your company with its current cellular service provider?

	Total	Verizon	Sprint/Nextel	AT&T
Very Satisfied	27%	45%	23%	15%
Somewhat Satisfied	55%	45%	54%	66%
Somewhat Unsatisfied	11%	6%	12%	14%
Very Unsatisfied	3%	1%	5%	4%
Don't Know	3%	3%	5%	1%
Not Applicable	1%	1%	0%	1%

How likely is it that your company will change its cellular service provider within the next 6 months?

	Total	Verizon	Sprint/Nextel	AT&T
Very Likely	3%	3%	4%	4%
Somewhat Likely	9%	4%	9%	12%
Unlikely	79%	85%	75%	77%
Don't Know	8%	8%	12%	7%
Not Applicable	1%	0%	0%	1%

ChangeWave Research Methodology

This report presents the findings of a recent ChangeWave Research survey on Wireless Service Providers. The survey was conducted March 16-23, 2010, and a total of 4,040 members participated. Additional findings on the Corporate Wireless Service Providers market are the result of a February 9-23 survey of 880 respondents involved with IT spending in their company.

ChangeWave's proprietary research and business intelligence gathering system is based upon the systematic gathering of valuable business and investment information directly over the Internet from accredited members.

The Research Network is assembled from senior technology and business executives in leading companies of select industries. More than half of members (53%) have advanced degrees (e.g., Master's or Ph.D.) and 91% have at least a four-year bachelor's degree.

The business and investment intelligence provided by ChangeWave provides a real-time view of companies, technologies and business trends in key market sectors, along with an in-depth perspective of the macro economy – well in advance of other available sources.

About ChangeWave Research

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