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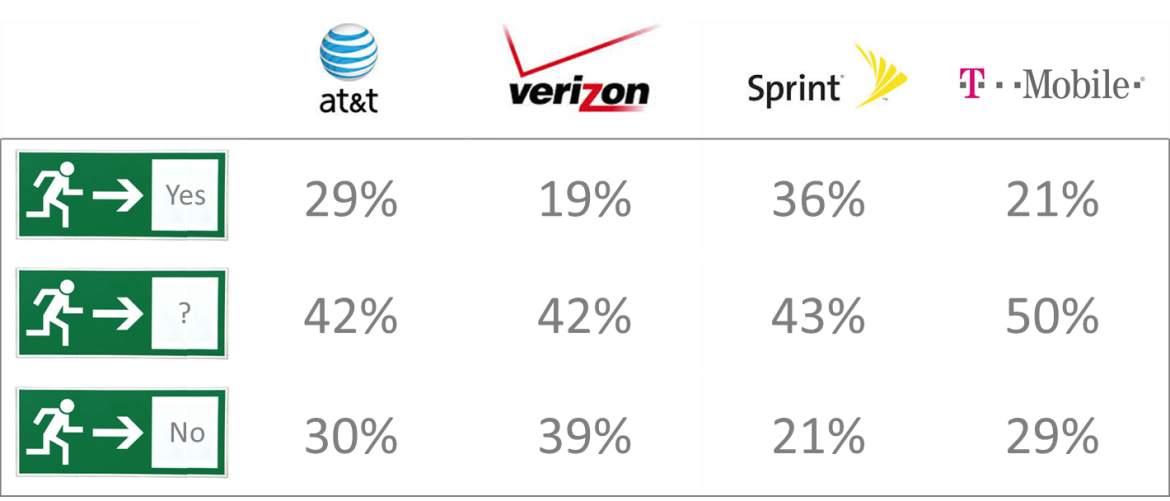
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US carrier loyalty to be threatened by first time smartphone buyers

*Carrier loyalty among featurephone owners drops 16 percentage points compared to smartphone owners*

New York City, May 7th – While current smartphone owners may not seem to pose a big threat to carriers in the next 12 months, featurephone owners do. Data released today by Kantar Worldpanel ComTech shows that of those featurephone owners looking to upgrade to a smartphone in the next 12 months an average of 26% are looking to change carrier in the process. Another 44% said they might change carrier in the next 12 months.

Figure 1: Intention to change carrier among featurephone owners looking to buy a smartphone in the next 12 months

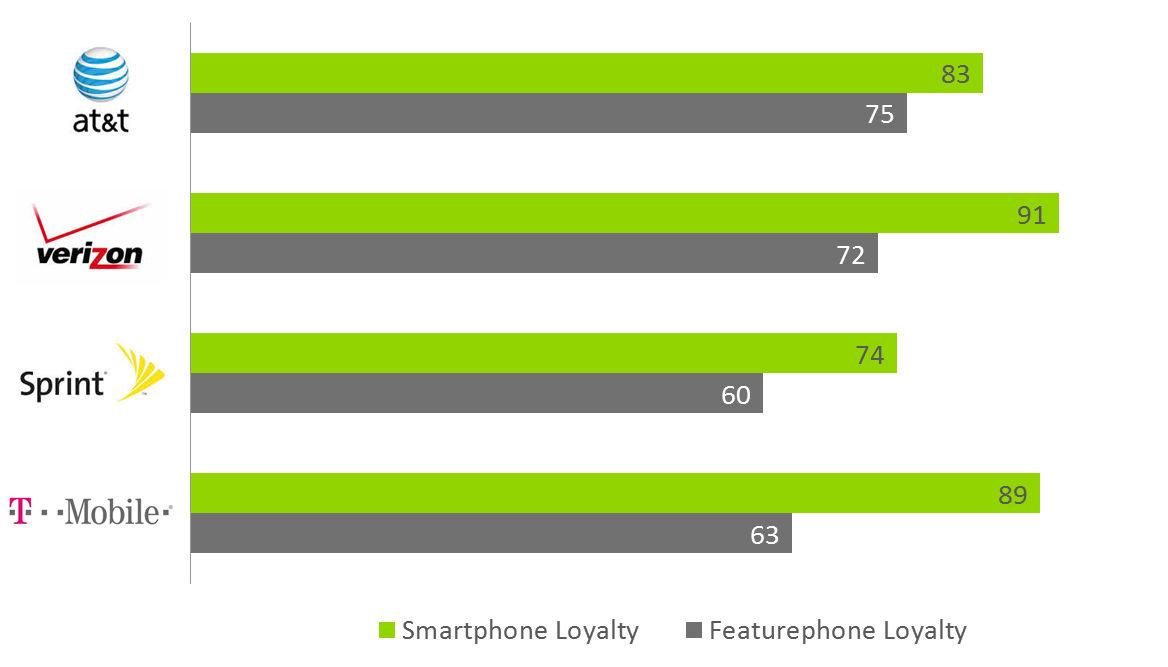


The quest for cheaper calls and lower data plans is driving the need for change. Handset availability is an issue only with featurephone owners at Sprint where 16% mentioned it. Customer service also does not seem to play a big role in carrier choice as an average of just 7% of featurephone owners intending to churn mentioned it.

As US carriers have raced to offer higher speed, better coverage and more payment options to smartphone users on contracts, users have grown more loyal to all carriers but Sprint. Among the smartphone owners interviewed, Verizon had the highest share of loyal subscribers in 1Q14 at 91%, followed closely by T-Mobile at 89% after the carrier saw a year-over-year increase of 18 percentage points (from 71% in 1Q13). AT&T ranked third in loyalty among its smartphone owners at 83%.

Keeping featurephone owners loyal seems to be much harder possibly due to the higher degree of flexibility that prepay offers to many of them. Among the top carriers, AT&T performs best with a 75% loyalty followed closely by Verizon at 72%.

Figure 2: Smartphone and featurephone loyalty by US carrier



“Among those smartphone owners who changed carriers in 1Q14, two factors drove their decision-making,” said Carolina Milanesi, Chief of Research at Kantar Worldpanel Comtech. “For Sprint and T-Mobile, it was network coverage. For Verizon and AT&T, it was cost.”

Cheaper data plans and better network coverage were also named by the smartphone owners interviewed as reasons why they intend to change carriers over the next 12 months.

“Although the percentage of smartphone owners intending to change carrier is small enough not to affect carriers’ bottom line when it comes to subscribers, these users are a carrier’s most valuable customers,” Milanesi said. “Understanding why they intend to switch and where they will go is crucial.” Among the AT&T smartphone owners looking for change, 65% are looking at Verizon, while 56% of Verizon smartphone owners looking to change are considering T-Mobile. While device portfolio might not matter to most, it is interesting to note that the availability of one particular device has made a difference for T-Mobile. Of the 56% Verizon smartphones owners considering T-Mobile, 64% are considering buying an iPhone.

“The datapoints collected from smartphone owners and intenders indicate that while device portfolios and customer care are important, the real battleground in carriers’ acquisition and retention is quality of service and competitive pricing,” concluded Milanesi.

**About Kantar Worldpanel ComTech’s Tablet Research**

The information used in this release is based on the research extracted from the Kantar Worldpanel ComTech US consumer panel. Conducting over 240,000 interviews per year in the US alone, ComTech tracks ownership and purchasing of device, carrier connections, billing and usage in the mobile phone and tablet market. The data included in this release does not include enterprise sales.

**About Kantar Worldpanel**

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