



# \$1,550 Annual Value Add in T-Mobile ONE Helping Drive Record Low Postpaid Phone Churn

Service Provider Strategies (SPS)

## Report Snapshot

Postpaid pricing remains as competitive as ever in the US market. With unlimited voice, text and data plans now widely available, wireless service providers have adopted a strong focus on value-add differentiation and a tiered unlimited plan structure. T-Mobile's value add tops out at \$1,550 per annum for a single line, or over \$5,150 for a family of four, significantly higher than its rivals. While not all the value add offers will appeal to each subscriber, the savvy consumer can unlock significant value with the T-Mobile unlimited plans.

*This report has been published with inputs from T-Mobile US.*



Service Providers

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## T-Mobile Continues to Set Postpaid Standards with its Un-carrier Options

Since the launch of its first Un-carrier move in March 2013, T-Mobile has consistently outperformed its US wireless market peers in postpaid customer growth. This can be seen no more clearly than in its postpaid phone growth, adding over 16 million subscriptions to its base between March 2013 and September 2018 compared to a 3 million decline for the rest of the market.<sup>i</sup>

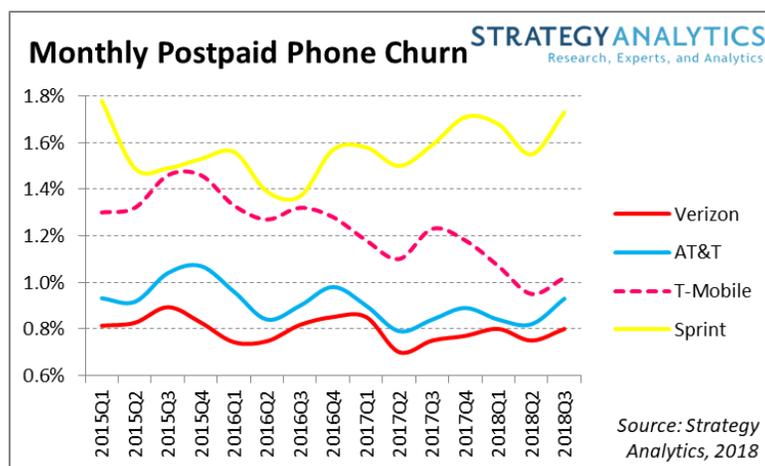
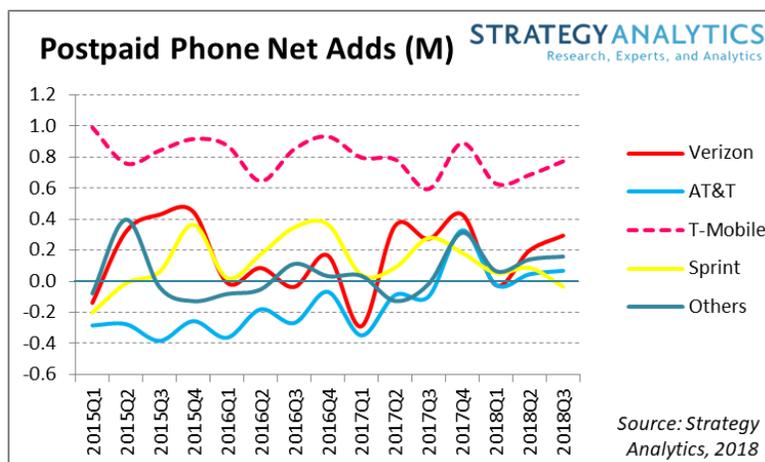
Many of the Un-carrier features that T-Mobile has introduced to the market have established themselves, in one form or other, as standard features of postpaid plans. The main smartphone plans across all tier one carriers now include:

- De-coupled service plans and device payment plans;
- Unlimited talk, text, data, with unlimited video use typically provided at standard definition quality;
- Unlimited calls to Mexico & Canada, and free roaming in those markets;
- Mobile hotspot data.

This has contributed to a market environment where spend on postpaid plans has fallen 4% between 2012 and 2017<sup>ii</sup>, but data use (as the key area of behavioral change) has increased ten-fold, according to CTIA. T-Mobile has continued to innovate with new Un-carrier features and, combined with significant investment in the quality of its 4G LTE network, it has been able to sustain market share gains despite competitive responses. The company's postpaid phone churn rate has been hitting record lows in 2018, at 1.02% year-to-date and even falling below 1% for the first time ever in Q2; closing the gap on market leaders Verizon and AT&T and significantly lower than Sprint, based on churn information in the companies' earnings reports.

## Unpacking the Value in T-Mobile ONE

While many Un-carrier features have been replicated across the industry, there is still significant unique value add packed into T-Mobile ONE. These include free subscriptions to Netflix (for family plans) and MLB.TV, free use of Gogo's Inflight Wi-Fi service, the inclusion of taxes and fees in the listed monthly plan price, free Scam ID protection and blocking, the free offers and discounts included in T-Mobile Tuesdays including most recently discount tickets to Live Nation concerts and a free year of Pandora Plus. Not all subscribers will be interested in all of these elements, but a savvy user able to access all of these offers could garner \$1,550 per annum in free offers and savings versus





other wireless plans, as itemized in the table below. Some of the features are account-level rather than line-level offers, though the maximum realizable savings scales up comparably for a four-line bundle to over \$5,150.

Feature	Description	Annual Value Single Line	Value Four Lines
<b>Netflix on Us</b>	Netflix Standard 2-screen subscription worth \$10.99/month, for customers with two or more T-Mobile ONE lines. <i>Includes sales tax.</i>	-	\$141.60
<b>ScamID</b>	Free nuisance/scam call protection service. <i>Comparable service from Verizon and Sprint charged at \$2.99/month</i>	\$35.88	\$143.52
<b>Gogo Inflight Internet</b>	Inflight texting and one hour of Wi-Fi on ONE plan; Unlimited Inflight Wi-Fi on ONE Plus plan; <i>Calculated based on a \$7 one-hour pass for US average 3 flights per annum</i>	\$21.00	\$84.00
<b>T-Mobile Tuesdays</b>	Free stuff and discount offers every Tuesday for customers opting in, through T-Mobile Tuesdays app. In first six months of 2018, users could have received \$483 of free items, excluding items where additional payments are required (e.g. buy-one get-one offers and % discounts)	\$966.00	\$3,864.00
<b>MLB.TV</b>	Free annual subscription. <i>Available as an option within the T-Mobile Tuesdays app in March 2018 (so a new user today could not access this)</i>	\$115.99	\$115.99
<b>Inclusive Taxes &amp; Fees</b>	Taxes and fees are included in standard monthly plan. <i>Taxes and fees are levied on voice access charge and interstate long distance fees; these vary significantly by geography and include a mix of fixed rate and % based fees. Estimate is based on the lower of the median fees charged by Verizon and AT&amp;T across the ten largest US states.</i>	\$66.96	\$201.60
<b>Simple Global</b>	Unlimited texting and 2G data in 210+ countries and destinations, plus calls at 25 cents per minute, comparable to Sprint. T-Mobile offers a \$5 day pass with 4G LTE data and unlimited calling, comparable to \$10 day passes available from Verizon & AT&T. <i>Calculated based on \$5/day differential for a single trip per year with average duration of 17 days (as per Bureau of Transportation Statistics)</i>	\$85.00	\$340.00
<b>Pandora Plus</b>	Free annual subscription, \$4.99 per month value for single line and four lines valued as \$14.99 Premium family option. <i>Available as an option within the T-Mobile Tuesdays app in August 2018 (so a new user today could not access this)</i>	\$59.88	\$59.88
<b>Live Nation \$25 T-Mobile Tickets</b>	2x discounted ticket per event. <i>Assume 4 events per summer season (8 tickets) at a savings of \$25 per ticket</i>	\$200.00	\$200.00
<b>Total Value Add in T-Mobile ONE Plan</b>		<b>\$1,550.71</b>	<b>\$5,150.59</b>

Source: Strategy Analytics, 2018, with inputs from T-Mobile US on T-Mobile Tuesdays offer value

Strategy Analytics has priced these items based on their stand-alone value. For offers relating to flights and international roaming, we have applied product values to travel statistics for the average US citizen, so the value here could be significantly higher for those more frequent flyers. T-Mobile Tuesdays customers could have received up to \$483 of free offers in the first six months of 2018, excluding buy-one get-one-free offers and % discounts, as additional expenses would need to be incurred here to unlock the offer and the offers vary widely from week to



week. No single customer is likely to be interested in all the offers available within T-Mobile Tuesdays, or perhaps even be able to access these as some are volume-limited or time-limited; for example, subscription offers such as MLB.TV and Pandora would have only been available to customers in the week they were offered within that app, so not offers a new customer could enjoy. However, the up to \$966 in annual value does highlight the broad scope of free offers available within that program. While the value and offers vary, subscribers typically can take advantage of an average of \$18 in offer value through T-Mobile Tuesdays each week.

T-Mobile also recently announced an additional value perk for subscribers: a partnership with Live Nation to provide T-Mobile customers with discounts, perks and access to Live Nation events. For this analysis, the Live Nation valuation focuses on subscribers who will have access to purchase discounted \$25 tickets for Live Nation amphitheater events during the summer (2 per event, offers will vary, savings is about \$25 per ticket).

## How the Competition Stacks Up

Verizon, AT&T, Sprint, Comcast and Charter also have unique value add features within their postpaid wireless plans, highlighting how competition on value has moved from 'traditional' wireless plan features to more ancillary offers. Once a plan includes unlimited voice, text and data (domestic plus some international), competing on these value-add features makes sound business sense.

As part of the evolution of competition on unlimited plans and value add features, we have seen the major carriers all move to a tiered structure for their unlimited plans and introduce fresh offers of value add perks. Rather than sticking with a 'one-size-fits-all' for unlimited plans, operators are using value add features to enable a tiered unlimited plan structure. This tiered structure provides additional ways to differentiate on offerings, and an approach to encourage users to migrate up to more value in premium plans to improve revenues, or to 'right size' to a lower tier basic plan to avoid churn while still benefiting from unlimited. Verizon, for example, now offers mix and match among its unlimited plan tiers for family plans so that each line can be on the tier that fits best for that individual's usage, and is introducing 6 months of free Apple Music. While both Verizon and AT&T have rolled out more expensive tiers of their respective unlimited plans, Sprint and T-Mobile, for example, have announced new basic, entry-level unlimited plans: Sprint Unlimited Basic and T-Mobile Essentials.

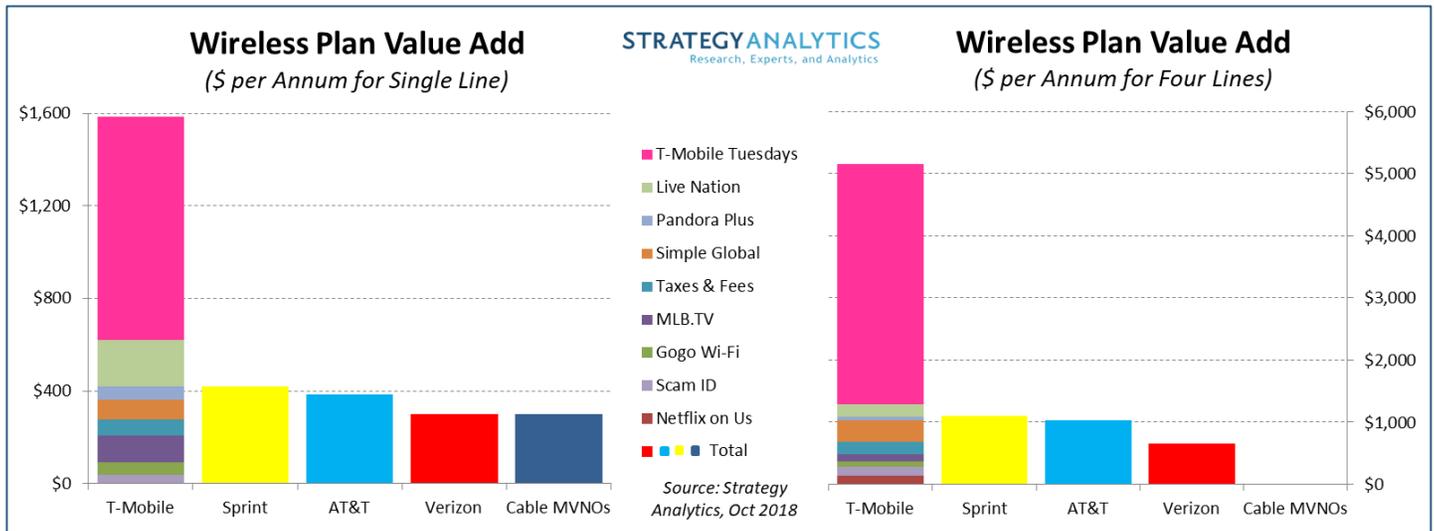
With all the value offered in T-Mobile ONE, as assessed above, how does the industry stack up, as competitors have also been adding new perks into their unlimited plans? When comparing plans offered at a similar price point to the T-Mobile ONE plan (currently \$70 per month for a single line plan and \$160 for four lines, with AutoPay, including taxes & fees), differentiated value add features include:

- **Verizon Go Unlimited - \$75 one line, \$160 four lines:** free **NFL Mobile** subscription and the **Verizon Up** opt-in program, which provides customers with a free offer for every \$300 spent, plus Bonus Rewards and local discount offers. The earned offers vary, and have included "up to four free months of Apple Music for new Verizon customers, and one free month for existing subscribers, along with 20 percent off roundtrip JetBlue flights, three free months of HBO NOW, up to \$10 per credit towards their next device purchase, up to 2GB bonus data, and more." Verizon recently announced a partnership with Apple for a new offer for Verizon unlimited subscribers of 6 free months of **Apple Music** (\$9.99 per month value).
- **AT&T Unlimited &More - \$70 one line, \$160 four lines:** a free **WatchTV** subscription (\$15/month as a stand-alone service) providing over 30 channels of live TV and 15,000 on-demand movies and shows. AT&T also



provides a free basic nuisance/scam call protection service, **AT&T Call Protect**. **AT&T Thanks**, which similar to T-Mobile Tuesdays offers new rewards each week. This program offers tiered access (based on number and level of AT&T services) to perks such as limited numbers of free tickets to exclusive events, BOGO or discounted items like Ticket Twosdays movie tickets and free content (most recently, a free family subscription to readly e-magazine service worth \$9.99 per month). For the sake of comparison with T-Mobile Tuesdays value, we have not included the value of discounts or BOGOs that require a purchase, and have estimated 2 free tickets at \$25 as a free reward; thus savvy subscribers with multiple AT&T services could potentially unleash significantly more value, particularly if they spend to get the discounted offers or manage to obtain more free event tickets.

- **Sprint Unlimited Plus - \$70 one line, \$180 four lines:** a free **Hulu** Limited Commercials plan (worth \$7.99/month) and free **TIDAL** Premium subscription (\$9.99/month). Like T-Mobile, Sprint also provides free **international roaming** (2G data, text, 20 cents per minute calls). Sprint, which recently introduced tiered pricing on its unlimited plans to include a new entry tier Unlimited Basic with SD quality video, stands out from the competition by supporting higher-quality **1080p video** on its unlimited smartphone plans at this price range, as well as 15 GB per line of **4G speeds hotspot tethering** support, features only available on higher tier plans elsewhere.
- **Comcast and Charter - \$45 per line:** Xfinity Mobile and Spectrum Mobile include standard unlimited plan features, though lack some international call and roaming elements included as standard at the top four. The \$45 unlimited plan represents a significant discount over \$70-75 offers, a savings clearly worth considering as a value add, though this advantage could be offset against the need for mobile customers to have an existing Comcast/Charter cable service and the lack of multi-line discounts removes this advantage entirely for a four line family.



As seen in the chart, the value add in the competitor plans falls significantly short of the T-Mobile ONE total. Even assuming T-Mobile ONE customers were only able to access a small portion of the free offers available through T-Mobile Tuesdays, the Un-carrier value-add for a single user is still several hundred dollars more than that of its rivals in comparably priced unlimited plans, including the value add in the new Sprint Unlimited Plus, at \$421 per



annum. The same is true for a four-line family, where the cable MVNOs drop off in terms of value add and T-Mobile maintains a healthy lead over its rivals.

## Implications

Postpaid pricing remains as competitive as ever in the US market. Despite growth in lower-priced unlimited prepaid plans, the US landscape remains dominated by postpaid plans, and the carriers' move to compete on features, as well as on price, for these plans has resulted in a strong focus on value-add differentiation between carriers and a tiered unlimited plan structure. Despite competitive responses to its Un-carrier moves, T-Mobile still offers strong value for money over the competition through the inclusion of taxes and fees in its plan pricing and a wide range of additional offers that have a broad enough appeal across sports, travel, video and retail interests to hit a wide demographic. While not all the value add offers will appeal to each subscriber, the savvy consumer can unlock significant value with T-Mobile ONE.

As the US moves toward the commercial reality of 5G competition for smartphones in 2019, pricing for consumer wireless offerings should remain dynamic and continue to evolve. 5G and further buildouts of Gigabit LTE will unleash new options, such as value add for premium tiers based on low latency or higher throughput speeds. Carrier partnerships with content companies and other players for value add features should continue to evolve and will be key to drive consumer uptake of services that will drive demand for new 5G devices, such as AR/VR, 360 degree HD video live streaming and social sharing and enhanced experiences in venue at sporting and music events, among others. Changes to pricing plan structures and value add will be accompanied by increasing use of AI-driven analytics to enhance contextual offerings to individual users to encourage ad hoc add-ons or tweaks to plans to add a layer of individualization on to the tiered plan approach—all aimed at increasing customer satisfaction to minimize churn and maximize ARPU and drive social recommendations to bring in new subscribers. If the T-Mobile acquisition of Sprint gains regulatory approval as we approach the 5G era, we will likely see additional changes to plan offerings as the Un-carrier, bolstered with new scale and spectrum, continues to push the industry with new Un-carrier moves.



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## About the Authors

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<sup>i</sup> T-Mobile US increased its branded contract phones from 19.7 million in March 2013 to 36.2 million in September 2018; Strategy Analytics estimated postpaid phone subscriptions for the rest of market declined from 193.3 million to 190.0 million over the same period

<sup>ii</sup> See "Worldwide Cellular User Forecast 2018-2023", Mar 20, 2018 (<https://www.strategyanalytics.com/access-services/service-providers/service-providers-strategies/market-data/report-detail/worldwide-cellular-user-forecast-2018-2023>)