

Verizon hikes data fees in pricing revamp

Sinead Carew

The biggest U.S. mobile operator is also letting customers use their data allowance for multiple devices in the hope of enticing them to connect more gadgets, like tablet computers to its network with the new plans as customers will now be able to avoid paying for separate data subscriptions for each device.

While the new plans, available June 28, should boost Verizon Wireless revenue over time, many of its existing customers may be hesitant about adopting the new service plans, analysts said.

"It looks like it's good for people who are real heavy voice and messaging users," said Pacific Crest analyst Steve Clement. "For folks who don't care about voice and messaging, I don't think the plans are that good because they force you to pay a bit more for unlimited quantities of something you don't want."

For a customer with one smartphone who does not currently pay for unlimited calling, they would have to pay \$10 a month more under the new plan, for a package with the same amount of data, increasing their fee to \$100 a month. But a family with two smartphones that already pays for unlimited phone calls would save \$60 a month, bringing their fee down to \$150.

While the venture of Verizon Communications ([VZ.N](#) [1]) and Vodafone Group Plc ([VOD.L](#) [2]) had signaled for about a year that it would develop shared data plans, it had not given any details of the pricing overhaul until Tuesday.

Sanford C. Bernstein & Co analyst Craig Moffett described the Verizon revamp as "the most profound change to pricing the telecom industry has seen in 20 years." Verizon Wireless is the first U.S. carrier to sell data service plans for multiple devices. Analysts expect the entire industry to eventually follow suit.

But, others including consumer advocacy groups said the operator should go back to the drawing board if it is to appeal to consumers.

By including unlimited voice and texts in all plans, Verizon Wireless aims to avoid a revenue fallout as consumers have been moving away from text messaging and phone calls, the most profitable of mobile services.

FBR analyst David Dixon said some customers will be slow to switch to the new service but he expects a revenue increase from the new pricing once consumers add new devices and use more and more mobile data, through services such as video streaming.

"It's clearly a tick upward on data pricing. That's good news for investors. That's where the growth is," said Dixon, who believes the new plans will have strong

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Published on Electronic Component News (<http://www.ecnmag.com>)

appeal to subscribers with family plans at Verizon Wireless.

Investors pushed Verizon shares up 38 cents, or almost 1 percent to close at \$42.94 on New York Stock Exchange, its highest level since October 2007.

Analysts expect No 2 U.S. mobile provider AT&T Inc ([T.N](#) [3]) to soon follow Verizon's footsteps with a similar pricing change. AT&T executives have said they would move to shared data plans, but have not disclosed timing. AT&T declined to comment on the Verizon plan.

Bernstein's Moffett sees shared data consolidating market domination among AT&T and Verizon as smaller rivals Sprint Nextel ([S.N](#) [4]), the No. 3 U.S. mobile provider and T-Mobile USA, a unit of Deutsche Telecom ([DTEGn.DE](#) [5]), may not be able to react.

Analysts see the new pricing appealing to family plan subscribers that already pay for multiple devices. It would help particularly in families where data and voice usage varies widely between different family members.

"In a world where incentives for families favor concentrating around a single provider, the biggest providers win," Moffett said in a research note, adding that "Sprint doesn't stand a chance."

Scott Sloat, a spokesman for Sprint, which offers unlimited data usage for a flat fee, said that sharing data across devices "significantly increases the potential" for upsetting customers with surprise monthly bills due to data overage charges.

FLEXIBILITY, REVENUE GROWTH

Verizon sees the new price structure boosting its revenue as it expects the shared plans to encourage consumers to connect more devices to its network than just smartphones.

Analysts have long called for shared data plans because today most consumers do not choose tablets with cellular connections as they prefer to stick to more limited-range Wi-Fi wireless networks rather than pay a second cellular data fee.

Even though Verizon's new pricing involves a higher fee per gigabyte of data, it hopes that the inclusion of unlimited voice and texting and the shared data will make the plans popular.

"What I'm doing is giving you the flexibility to share the data you've paid for," Chief Marketing Officer Tami Erwin told Reuters. "Customers who are using more than one device will very quickly see the value in this."

Today, for example, many customers have to pay extra for going over their data allowance on their tablet even though they may not have used their full smartphone data allowance. With a shared plan this would not be an issue, Erwin said.

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"This is really intended to drive growth. My expectation is it doesn't change our margins," she said.

NEW FEE STRUCTURE

However, the reaction from customers was mixed on the Verizon Wireless web site. "I certainly love the idea, but I don't love being limited to unlimited talk/text," said one person identified as jimmyjohns in the website's chat room for customers. "Consumers are becoming so data centric, Verizon should offer this with sub-500 minute plans."

"I don't see how it works well for one person with one smartphone," said another customer identified as 21stNow.

Forrester Research analyst Charles Golvin said the plans were not simple enough. "Conceptually its a step in the right direction. However there's still too much complexity," he said.

A customer with a smartphone and a tablet will have to consider several price elements in the new plan before figuring out that Verizon Wireless will still charge them the same.

The new plan requires a monthly access fee of \$40 that includes unlimited calls and texts for a single smartphone, and another fee of \$60 for two gigabytes of data, which could be shared with up to 10 devices.

However, each additional device requires another access tariff such as a \$10 fee for a tablet or a \$20 fee for a laptop.

Forrester's Golvin questioned why the laptop fee was higher than the tablet fee. "To me there is no logic behind paying twice," the amount, the analyst said.

Today Verizon customers pay \$30 for 2 gigabytes of data and \$40 for the cheapest voice plan with 450 minutes of talk time and another \$20 for unlimited text messages. But if a customer also wants to connect a tablet computer, today they have to pay another \$30 a month for another 2-gigabyte plan, leading to a total bill of \$120 per month.

On average Verizon Wireless customers use about 1 to 2 gigabytes of data on their mobile device, according to Erwin, who said that customers' data usage keeps growing. She declined to comment on the trends for voice usage.

Verizon Wireless customers could choose to stick with the existing service plans, but any new customers will be required to sign up for the shared plans from June 28 onward, even if they do not intend to connect a second device.

Free Press, an advocacy group that supports universal access to communications, conceded that some families would save money on the new plans but questioned the standardization of unlimited voice and text services.

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"Just when people have started using fewer voice minutes and text messages, Verizon's response is to make them buy unlimited voice and texts," said Matt Wood, Free Press policy director.

Recon Analytics analyst Roger Entner said the new pricing was a good deal for family plan subscribers or heavy data users.

"This is for the technorati who have multiple devices," Entner said.

(Reporting by Sinead Carew; Editing by Muralikumar Anantharaman, [Jan Paschal](#) [6] and Sofina Mirza-Reid and [David Gregorio](#) [7])

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