

Verizon Wireless Share Everything Plan

Mobile Data Share Plan



EXECUTIVE SUMMARY

- **Customer Name:** Verizon Wireless
- **Industry:** Telecommunications
- **Location:** United States and Global
- **Number of Employees:** 73,800 employees
- **Number of Customers:** 98.9 million retail connections

BUSINESS CHALLENGE

- Accelerate moving customers to LTE network
- Increase ARPA, revenues, and profitability
- Differentiate in marketplace

NETWORK SOLUTION

- National LTE network coverage and capabilities
- New pricing framework that accommodates more consumer connections
- Robust ecosystem of more than 50 commercially available LTE devices; multiple platforms to encourage new application and services development

BUSINESS RESULTS

- Added 2.1 million contract customers: highest rate net adds in three years
- Increased overall market share by more than one percentage point
- Increased average connections per account by 4 percent

Overview

With a nearly national LTE network, Verizon has an opportunity to move the majority of its customers to a faster service that is more cost-effective for Verizon to provide. Verizon Wireless' Share Everything plan is a key strategic tool in this strategy.

Verizon launched its Share Everything mobile data share plans in July 2012. The new tariffs allow customers to share a data allowance among up to 10 devices on one account. Verizon's Share Everything tariffs, however, represent more than a shift in pricing for the company. In effect, Verizon has created a new business model for consumer mobile data that aligns with the company's overall vision of the Internet of Things. It also helps to show the way to a future where Verizon hopes to be customers' primary service provider managing the total mobile experience with a powerful combination of:

- National LTE network coverage and capabilities
- New pricing framework that accommodates many more consumer connections, but in a way that reduces the cost of selling, retaining, and managing these added connections and traffic

- Robust ecosystem of more than 50 commercially available LTE devices, with dozens more in the development pipeline
- Multiple platforms that will encourage new application and services development, enable and inspire new services that the company can monetize, and capture customer payments in new, dynamic ways
- Combination of assets and go-to-market advantages that are taking Verizon closer to realizing its vision of the “Internet of Things”

Service Innovation

Available exclusively to contract customers, Share Everything requires one smartphone to act as the primary account device. Other devices (including additional smartphones, tablet and notebook computers, USB modems, embedded PCs, mobile hotspots, home routers as well as numerous other connected devices) can be attached to the account to share the data allowance for the month.

- Each plan has two components: a line access charge per device, plus a fee for the shared monthly data allowance. Unlimited voice and messaging are bundled into the smartphone access charge.
- Line access charges, which range from US\$5 to \$20 per month per device, are lower for non-voice devices. Tiered pricing for line access charges enables customers to attach multiple devices to one account, eliminating the need to sign a separate multiyear contract.
- Data charges are \$15 per GB for customers who exceed their data allowance. But customers can top up with another 2 GB of data for just \$10, provided they do so before their monthly allowance runs out.

New customers are also required to take a Share Everything plan for data. To incentivize existing customers to switch to a Share Everything plan, Verizon also changed its upgrade policy for existing customers. Subsidized devices are only offered to customers who switch to Share Everything.

- Customers who pay full retail price for a device upgrade are not required to change their existing plan. This provision allows customers currently on the company’s discontinued Unlimited data plans to elect not to upgrade, pay full price for their upgrade, and remain on their existing unlimited data plan.

Increasing the selection of connected devices available will enable Verizon to capture incremental revenues from the increasing numbers of additional device attachments that the company believes it will capture over time with this new tariff model.

- Much of this growth will be driven by M2M connections from a much wider array of devices and solutions, all aimed at capturing incremental revenues from new services and devices. The Hughes platform, which Verizon acquired from Hughes Telematics in 2012, will enable a number of new opportunities in mobile payments, healthcare, and other areas in both consumer and enterprise segments.

“We want to break down the barriers between home and mobile.”

—Lowell McAdams, Chairman and CEO, Verizon Wireless

Opportunities

Verizon has created a number of opportunities with this data tariff change. This new approach is allowing the Verizon to:

- Accelerate moving customers to its LTE network. This strategy reduces the cost of transporting traffic on its network, helping Verizon to raise profit margins.
- Develop a robust device portfolio to attract new customers, new devices, and help ensure the continued support of key partners. This portfolio positions Verizon to take advantage of new devices and services that they can offer to consumers and businesses to increase the connectivity of customers.
- Move its sales model from selling subscription connectivity, to selling account connectivity. The company has discontinued using ARPU (Average Revenue Per Unit) as a metric and instead moved to ARPA (Average Revenue Per Account). This change not only has the promise of reducing the cost of selling, but it also substantially increases the value of each sale.

Challenges

Although Share Everything plans have had substantial uptake, Verizon still faces some challenges to realizing its full vision, including:

- Mixed customer reception, as some customers with existing unlimited plans are unhappy about having to make a choice between a subsidized device or continuing their unlimited data plan.
- Substantial monthly line access charge for devices on its data share plans may lower adoption rates and revenue that Verizon might otherwise achieve with lower-cost device access.
- Potential for ARPU dilution that naturally comes with increasing the mix of non-smartphone connections on the network.
- Risk that competitors may introduce more appealing shared data plans.

“We secured valuable spectrum. We fostered our robust device ecosystem. And this past year, we introduced share data plans that changed the industry’s pricing framework. These actions have resulted in consistent sequential growth throughout 2012.”

—Fran Shammo, SVP, CFO, Verizon Wireless

Strategic Partnerships

Verizon's deep relationships and influence with leading wireless device makers puts Verizon in the center of a robust LTE device ecosystem, which includes more than 50 available devices in a variety of form factors. The company currently has more than 130 consumer, enterprise, and M2M device partners, and hundreds of devices have been certified to date on Verizon Wireless Open Development Certification specifications.

- Among its consumer device partners, Verizon has deep and long-standing relationships with top smartphone OEMs including Apple, Samsung, Blackberry, LG, Nokia, and others, allowing the company to provide a compelling variety of devices in its current device portfolio

Success Metrics

Verizon Share Everything plans are already contributing to an increase in EBITDA margins, ARPA, subscribers, and market share:

- Verizon reported a 50 percent EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) service margin in 3Q12 following the launch of Share Everything; In Q4, similar success with customer uptake was offset in Q4 by the high number of smartphone activations, which raised subsidy costs.
- ARPA grew in 4Q12 by US\$9 (6.6 percent) YoY (Year Over Year) to end 2012 at \$146. Verizon expected an increase in data consumption based on the enhanced capabilities and speed of the LTE network.
- As of 4Q12, 23 percent of Verizon's postpaid customer base had signed up for a Share Everything plan (approximately 21.3 million customers), up from 13 percent in Q3 2012.
- Added 2.1 million contract customers in Q4 2012, its highest rate of contract customer net adds in three years.
- Increased its overall market share by more than one percentage point, ending 2012 with 33.1 percent share of subscribers.
- Increased its average connections per account by 4 percent, ending 2012 with an average 2.64 devices per account.

Share Everything also is an important component in accelerating the migration of customers and maximizing cost efficiencies to Verizon's extensive LTE network:

- In the past three years, the company has reduced costs in its wireless operating unit by \$5 billion; in 2013, the company has set a goal for another \$2 billion in cost reductions.
- In 4Q12, Verizon reported that nearly 50 percent of its data traffic resides on its LTE network, which is five times more efficient than on 3G, representing a substantial cost savings.

For More Information

To find out more about the Verizon Wireless Share Everything Plan, go to www.verizonwireless.com/wcms/consumer/explore/share-everything.html.



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