

Sprint Dials Up Discounts to Keep Users

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By Amol Sharm and Roger Cheng
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Without a hit phone or strong brand to lure consumers, Sprint Nextel Corp. increasingly is pushing discounts in a bid to reverse two years of subscriber losses.

The focus on lower pricing comes as other efforts, including a new marketing campaign and improved customer service, have been unable to stem defections.

The No. 3 U.S. wireless carrier by subscribers Thursday posted a \$1.62 billion fourth-quarter loss as it wrote down the remaining value of its 2005 Nextel purchase. It lost an additional 1.3 million subscribers in the quarter, bringing total losses for 2008 to 4.6 million. Sprint ended the year with 49.3 million subscribers.

Sprint said it is making some progress and predicts subscriber losses will slow this year. But it has a long way to go to recapture market share from AT&T Inc. and Verizon Wireless, which added a combined 3.3 million customers in the fourth quarter.

One of Sprint's remaining weapons is to undercut rivals on pricing. Chief Executive Dan Hesse said the company's marketing will increasingly highlight the savings of Sprint's monthly plans versus other carriers. "In this economy, I think that becomes important," he said.

For example, a Sprint plan with unlimited calling, text, email, Web access and navigation is \$99.99 a month, while similar plans from AT&T and Verizon are \$139.99. Sprint sweetened the plan this week, adding in laptop broadband access for a total of \$149.99 a month, compared with \$199.99 for similar bundles with AT&T and Verizon.

Last month, Sprint's Boost Mobile unit, which offers prepaid plans, added a \$50 monthly plan for unlimited calling, text messaging and Web surfing. Rory Altman, a consultant who advises telecom operators, said Sprint has no choice but to get more aggressive in its pricing to halt market-share losses. "They have to go down-market," he said. "There's no doubt that's a critical thing for the company to do."

But carriers generally react quickly, so it is unclear whether Sprint can carve out an edge. Already, T-Mobile USA Inc., a unit of Deutsche Telekom AG, is testing a \$50 flat-rate calling plan in San Francisco for customers who have been with the carrier for at least 22 months.

A spokesman for AT&T declined to comment on Sprint's new plans, but said, "The marketplace has clearly made its choice." Verizon Wireless, a joint venture between Verizon Communications Inc. and Vodafone Group PLC, declined to comment.

Carriers risk cannibalizing their business if they market discounted plans too aggressively, analysts said. Mr. Hesse said Sprint so far has seen "negligible" numbers of higher-paying users switching to the \$50 Boost plan.

Pricing moves alone won't revive Sprint's business. Mr. Hesse said the company needs to repair an image that became associated with poor customer service and inferior network quality in 2007. Sprint has been ramping up spending on television ads, in which Mr. Hesse is featured.

Carrying a hit phone such as Apple Inc.'s iPhone also would attract subscribers. Sprint said it has had success with some devices, such as Samsung Electronics Co.'s Instinct, and it is optimistic about the Pre from Palm Inc. later this year. But, so far, the carrier hasn't had a phone that lures significant numbers of customers away from rivals.

In the short term, Sprint's task is to slow customer losses and continue generating cash flow. Mr. Hesse told investors on a conference call Thursday that Sprint has cash to meet debt obligations at least through 2010.

In the fourth quarter, the loss of customers took a toll on revenue, which fell 14% to \$8.43 billion. A year earlier, Sprint incurred a \$29.32 billion loss on a big write-down for the Nextel deal.