

THE WIRELESS VANTAGE

A monthly view of the wireless consumer marketplace

By Andy deGaravilla and Adam Guy

Rural carriers are losing roaming revenues as tier-1 carriers build nationwide networks. But, companies like the new super-rural carrier formed from Alltel's purchase of Western Wireless, will be well positioned to take advantage of new growth opportunities as rural consumers exhibit interest in data services that is comparable to that of urban consumers.

The Internet offers marketers the clearest view into the purchase intentions of more than 20 million wireless consumers each month. The providers they evaluate, and products they research, are indicative of future buying and switching decisions. Compete's wireless services analyze millions of wireless consumers as they research products or manage accounts online. These services provide clients with strategic guidance to make more informed tactical decisions.

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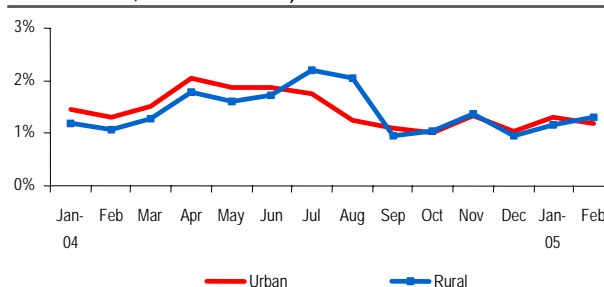
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WIRELESS DATA SERVICES: A GROWTH OPPORTUNITY FOR RURAL CARRIERS?

Compete segmented wireless consumers into two groups – rural* and urban – in order to assess segment-specific demand for emerging value-added services. What we found is that rural consumers are just as likely to exhibit interest in broadband access and mobile messaging data services as urban consumers (measured in terms of the percentage of shoppers on Alltel, AT&T Wireless, Cingular, Nextel, Sprint, T-Mobile, U.S. Cellular, and Verizon Wireless sites). Specifically, interest in high-speed wireless Internet that includes EDGE and EV-DO equipment and services, plus carrier-sponsored "wi-fi", has remained steady and similar across urban and rural consumers since January 2004.

Urban vs. Rural High Speed Wireless Internet Interest

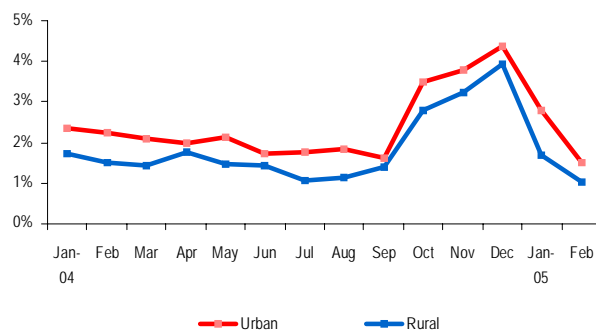
(% of urban and rural wireless users who expressed interest in high speed wireless Internet, Jan 2004-Feb 2005)



Compete noted significant growth in interest of e-mail/messaging offerings and Blackberry-related products in the fourth quarter of 2004. The increase occurred in tandem with the debut of the AT&T Wireless Ogo (which was discontinued in March) and T-Mobile Sidekick II products, which were accompanied by heavy online advertising. The new offers appealed to urban and rural consumers alike. Carriers should continue to market e-mail/Blackberry products to both consumer segments. Will they increase interest over the coming months and convert that interest into revenue? Stay tuned.

Urban vs. Rural E-Mail/Blackberry Device Interest

(% of urban and rural wireless users who expressed interest in e-mail/Blackberry devices, Jan 2004-Feb 2005)



CASE IN POINT: ALLTEL LAUNCHES ACCESS BROADBAND

Historically, rural carriers have relied on incollect roaming revenues (i.e., payments from other carriers for per minute network airtime charges) as a major source of revenue. Now, as tier-1 wireless carriers build nationwide networks, the market for roaming revenue has declined and rural carriers are shifting their business to grow revenue through value-added services.

To help make the business shift, Alltel announced a \$6 billion deal to buy Western Wireless and create a super-rural carrier in January 2005. Combined, the two carriers can leverage synergies that will make it viable for them to deploy higher speed data networks and subsidize feature rich devices including messaging capabilities, camera phones, and high-speed packet data. In fact, Alltel has already entered into high-speed Internet service with its Access Broadband using EV-DO in three U.S. markets.

*Urban consumers are defined as those living in U.S. zip codes with over 100 residents per square mile and rural users as those in zip codes with fewer than 100 residents per square mile.