



## **ç-Ahead: The Wireless-Only Future of Phone Service in Canada**

LYA COMMENT – October 5, 2010

LYA's new ç-Ahead Report, The Wireless-Only Future of Phone Service in Canada provides essential market segmentation of households that have disconnected and those that are intending to disconnect – based on interviews of over 2,000 Canadians on two different occasions – who are they, where are they (BC, AB, Sk/Mb, On, Qc and Atlantic Canada), how old are they, income, education and type of households segmentation, as well as who are their present fixed and mobile service providers, etc.

The Report has key quantified information on the number of subscribers by mobile carrier that are already living in wireless-only households and the number of lines at risk for fixed service providers – Bell, TELUS, MTS, Sasktel, Rogers, Videotron, Shaw and COGECO – based on their customers' plans to disconnect their home phone service(s).

For those households that have disconnected their fixed phone service, we have also researched their alternative telephone services used other than mobile including access independent VoIP and services such as Skype.

We provide a comparative review of pricing of service packages for home phone service, a basket comparison of fixed and mobile providers' plans as well as a discussion of the current battle for Quebec incited by Videotron's entry into the mobile space and Bell's quick pricing retaliation.

The Report also includes a five-year forecast of households disconnecting for Canada and the US, an essential input to completing your business plan.

Every telecommunications carrier in Canada is impacted by the migration to wireless. New entrants Wind Canada, Mobilicity and Public Mobile can be key beneficiaries as they provide mobile service with unlimited usage at attractive prices that are good substitutes for a fixed home phone service. However, competition from the flankers Fido, Chatr, Virgin, Solo and Koodo in this segment is already fierce and increasing further. Other service providers will use their residential service bundles to entice customers to keep their home phone line. Flankers and entrants cannot bundles services like Bell, Rogers, Videotron and likely-next-in Shaw can. And other fixed line providers without mobile may get left behind.

We highlight the following excerpts among the Key findings from this new LYA ç-Ahead Report:

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Close to 4.3 million Canadians live in households that have already disconnected their fixed home phone service. An additional 1.6 million Canadians or more could join this group over a relatively short term. A five year forecast to 2105 of wireless only households is provided in the Report.

When households disconnect, they turn not only to mobile services. Households without conventional fixed home phone service also use access-independent VoIP phone services and Softphone service such as Skype on their personal computer (PC) and mobile phone, in various albeit relatively small proportions. In particular, use of Skype for travelling shows potential for widespread adoption while travelling to reduce long distance and roaming costs. The proportion of users turning to Skype when travelling is among the information provided in the Report.

The Wireless-only market is one with differing market segments creating opportunities for carriers to target market different groups... For example, more women than men report using a mobile phone, but they are less likely than men to have already disconnected or plan to disconnect their fixed service. The younger demographic tends to track the US rate of disconnection. Respondents in Ontario had the highest response to the question of intent to disconnect, and Quebec the lowest. Disconnections when split by region tracks fairly closely with mobile penetration by region, etc.. Detailed segmentation statistics are provided in the Report.

Telcos stand to lose up to three times more fixed home phone lines to the going-mobile trend than cablecos over the relatively short term. Among telcos, variations in the intentions to disconnect are also significant. For example, MTS stands to lose 50% more fixed consumer telephony lines than SaskTel. Fixed home phone service subscribers of Rogers and Cogeco expressed the highest percentage of intention to disconnect Fixed phone lines at risk of being disconnected in the short term are quantified for the top 10 fixed line telephone service providers in Canada : Bell (incl. Aliant), TELUS, Rogers, Shaw, Videotron, MTS, SaskTel, Eastlink, Cogeco and Primus Canada.

On the other hand, Rogers Wireless has been to date the key beneficiary of consumers that are looking to disconnect their fixed home phone service. Half the “gone-mobile only” subscribers in Canada are subscribers to Rogers when consolidated on a per wireless carrier basis. The Report includes estimates of current wireless only customers to all major mobile carriers as well as quantifies the number of mobile subscribers per carrier looking to go mobile only in the short term.

On Pricing: The Report includes a comparison of fixed and mobile service pricing from all major service providers including wireless new entrants as well as a comparison of Quebec/Canada calling unlimited bundles being offered as of September 2010. The battle for Quebec: Bell

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reacted to Videotron's entry into mobile by creating a Quebec-specific bundle price for unlimited mobile targeted at Videotron's customer base of cable, home phone and Internet customers. Considering the case of all calling within Quebec, the Videotron package is 8% less expensive than that of Bell and Videotron also has lower pricing for its Canada-Canada long distance. On the other hand, for customers whose need is to call extensively across Canada, the equation may not turn out to be the same and alternatives to Bell or Videotron are more attractive.

The Report has 41 pages including 29 tables and figures.

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