

Surviving the Cell-phone Jungle: Simple Steps to Rein in Wireless Costs

A report prepared by the Citizens Utility Board (CUB)
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Introduction

Unlimited calling plans, text plans, roaming charges, early termination fees. Cell-phone bills are confusing and it's hard for the average consumer to choose the right plan and make sense of the monthly cell-phone bill.

As a result, according to a new online tool that analyzes wireless bills, Illinois consumers are paying too much for their cell-phone service and could save hundreds of dollars a year by scaling back unused minutes and eliminating unnecessary, and often unwanted, extra features and services.

The Citizens Utility Board (CUB) launched the online tool, dubbed the CUB Cellphone Saver, in 2008 to help consumers take the guesswork out of choosing the right cell-phone package. The tool, the first of its kind in the nation, uses software developed by a Houston, Texas-based company called Validas, Inc.,¹ to automatically analyze wireless bills of the five biggest carriers: AT&T, Sprint, TMobile, U.S. Cellular, and Verizon.²

The free web tool allows visitors to upload a copy of their online wireless bill and within seconds view a detailed analysis of how that bill could be cut. The Cellphone Saver compares the user's current bill to the dozens of plans available from other carriers and the customer's own company and provides a detailed report of how the bill can be trimmed.

The Cellphone Saver provides consumers with objective, independent advice they can't find any place else. But it also provides invaluable data about how consumers use—or don't use—their wireless service.

The following report details the findings of a comprehensive review of nearly 7,000 wireless bills, the first review of its kind in the state done by a consumer group. According to that review, the vast majority of Cellphone Saver users could save money, over \$300 a year, by switching phone plans and/or eliminating extra, and often unnecessary, features and services on their wireless bills.

Summary of Findings

Data collected by the CUB Cellphone Saver paints a picture of consumers burdened by bloated calling plans and costly “extras” on their monthly cell-phone bills.

In the first 11 months of operation, the CUB Cellphone Saver analyzed 6,985 wireless bills and found that the vast majority of them, **73.4 percent**, could save money by switching plans or carriers and/or cutting unnecessary, extra features. The study found the average user could save **\$331 a year—or \$662 over the typical two-year cell-phone contract**.

¹ CUB has no affiliation with and receives no financial compensation from Validas. CUB is not affiliated with any wireless carrier.

² Since the launch of the tool, a small sample of Nextel bills, which merged with Sprint, has been included.

Applying those savings statewide would produce a total of **\$727,749,046**³ in savings for Illinois consumers.

An analysis of other data collected by the Cellphone Saver shows:

- Of the bills for which the CUB Cellphone Saver was able to recommend savings, the average consumer was overpaying by an astounding **\$27.61 per month, or \$331.32 per year**.
- The majority of bills analyzed included unused, paid minutes, with the average user wasting 439 minutes a month, or 46 percent of paid minutes. That's almost seven and a half hours—an entire workday of wasted minutes, and the equivalent of a phone conversation lasting longer than a flight from Chicago to Reykjavik, Iceland.⁴
- The vast majority of bills with text messaging plans had consumers paying for unused messages, at an average of 386, or 65 percent, unused text messages a month.
- More than half of the Cellphone Saver users who were overpaying wasted an average of \$10.64 a month on pricey extras, like phone insurance plans, expensive 411 calls and unnecessary features, such as “roadside assistance,” which often get bundled into packages.
- Miscellaneous fees and surcharges levied by carriers accounted for 13.4 percent of cell-phone charges, surpassing what Cellphone Saver users paid in government taxes and fees on their bills.

With the economy struggling and the cost of basic necessities like housing, food and gasoline on the rise, it's more important than ever that consumers take steps to rein in the monthly costs over which they have control. As the following report shows, Illinois consumers could be wasting more than \$700 million a year on their wireless bills, but by following a few simple steps, the monthly cell-phone bill doesn't have to break the bank.

CUB Cellphone Saver to the Rescue

CUB launched the Cellphone Saver in 2008 to help consumers understand and find ways to save on their wireless bills. In its first 11 months of operation, the tool analyzed 6,985 cell-phone bills, with a total of 15,994 lines and just under \$1 million in charges.⁵ The average user's bill had 2.3 lines and cost \$130 a month.

Cellphone Saver users made or received a total of 3,266,392 calls and used a combined total of 11,212,393 minutes, with the average call lasting 3.4 minutes. The average user made or

³ Annual savings of \$331.32 applied to 73.4 percent of total wireless households of 2,992,526. Total wireless households is based on the total number of Illinois households with a landline phone and on TNS Telecoms data that showed wireless penetration of 75 percent in 2006.

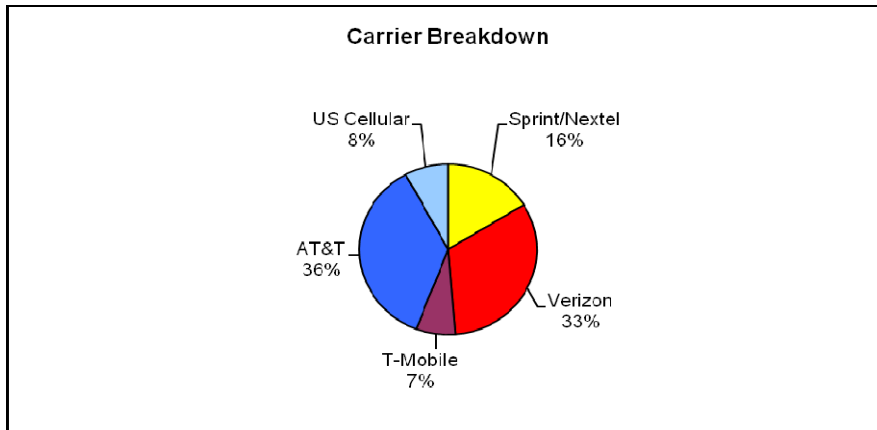
⁴ Source: www.HowManyHours.com, assuming an average flight speed of 500 mph for a commercial airliner.

⁵ A “soft launch,” or testing phase, began in June, 2008, with the final, public launch of the tool in August, 2008. Data reported is for the period June 2008 through April 2009.

received about 468 calls a month and used 1,605⁶ minutes. Cellphone Saver users made or received an average of 793 text messages a month.

As Table 1 shows, a majority of the lines analyzed by the Cellphone Saver, 69 percent, were from AT&T and Verizon. The remaining carriers, Sprint/Nextel, U.S. Cellular and T-Mobile represented 16 percent, 8 percent and 7 percent, respectively, of lines analyzed.

Table 1—Current Carrier Breakdown



Along with recommending ways to save, the Cellphone Saver also provides valuable information—data until today available only to the wireless industry—about how consumers use their wireless service and what they actually pay for on their cell-phone calls.

For example, as Table 2 illustrates, data from the Cellphone Saver show that voice charges, as would be expected, represent the largest cost on cell-phone bills, roughly 61 percent of total charges, while messaging and data charges each account for about 6 to 7 percent of charges.

While government taxes and surcharges, such as the federal Universal Service Fee, account for 9.64 percent of the total Cellphone Saver charges, miscellaneous carrier surcharges and fees account for a whopping **13.44 percent** of charges. These fees include things like termination and activation fees; equipment, shipping and accessories charges; services like navigation and roadside assistance, which customers may or may not actually use; international roaming and walkie-talkie service; and bogus surcharges such as “administrative” charges, which carriers levy simply to boost profits.

⁶ The per-line average was about 698 minutes.

Table 2—Usage and Cost Profile

Charge Category	Total Bill Amounts	% of Total
Voice Charges	\$552,813.71	60.88 %
Data Charges	\$54,564.97	6.00 %
Messaging Charges	\$61,789.72	6.80 %
Directory Assistance, Insurance and Late Fees	\$29,278.40	3.22 %
Carrier Surcharges	\$24,856.04	2.74 %
Govt. Taxes and Surcharges	\$87,556.92	9.64 %
Misc. Carrier Fees ⁷	\$97,201.24	10.70 %
Total Bill	\$908,061.00	100.00 %

The Key to Wireless Savings: Don't Pay for What You Don't Use

During the 11-month period studied, the Cellphone Saver identified savings totaling \$141,630.77 or \$27.61 a month, for 73.4 percent of users. Those recommended savings totaled an average of **\$331.32 a year, or \$662 over the typical two-year term of a wireless contract.**

The bulk of those savings resulted from the tool recommending the user switch to a new, less expensive plan with the current carrier or switch to a new company. The Cellphone Saver identified a total of \$67,373.65 that could be slashed from bills by changing voice plans and a total of \$54,557.32 that could be saved by following “tips” the tool gives to eliminate extra, unnecessary or unused features and services.

The Cellphone Saver recommended an additional \$16,267.15 in savings from switching text messaging plans and another \$3,432.65 in savings from switching data plans, which allow customers to access the Internet through their cell phones.

These overcharges occur primarily because consumers are paying for vast amounts of minutes and messages they don't need and don't use. According to the Cellphone Saver data, consumers paid for an average of 439 minutes—or 46 percent of their allotted, paid minutes—that go unused each month. That represents seven hours and 19 minutes of talk time—almost an entire workday of wasted minutes.

Messaging plans fared even worse among Cellphone Saver users, with an average of 386, or 65 percent, of paid, allotted messages left unused at the end of the month. In fact, the Cellphone Saver found that for a majority of its users, the best messaging plan was no plan at all. Instead,

⁷ Includes other miscellaneous carrier charges such as activation charges, account restore charges, termination fees, equipment and shipping charges, accessories, and other charges such as “roadside assistance.”

paying separately for each text message was the most economical option. Of course, some users in the sample had extremely high message usage and are better off with a messaging plan.

It's clear from this data that consumers have great difficulty accurately predicting their cell-phone usage, and wireless companies take advantage of that confusion by herding customers onto overpriced plans that don't match their calling needs. Confusion, along with fear of oppressive, per-minute overage fees for using more than a plan's allotted minutes, likely keep consumers tied to these bloated packages.⁸

However, hefty overage fees are not a big concern for most Cellphone Saver users. Just 9.3 percent of users paid any overage charges at all. While it's true that charges for exceeding a plan's allotted minutes can be huge—the few overage charges identified in the study averaged \$40 a month—they pale in comparison to the huge sums of money being wasted by consumers each year on unused minutes.

Table 3—Unused Minutes/Messages⁹

Voice Plans	Minutes	Avg. Per Bill
Allotted, paid minutes	4,400,306	956
Minutes Used	2,378,372	517
Unused Minutes	2,022,011	439
Percentage Unused		45.9 %
Messaging Plans		
Allotted, paid messages	909,337	598
Messages Used	322,430	212
Unused Messages	586,907	386
Percentage Unused		64.5 %

Eliminating the “Extras” Adds Up

Scaling back large, unlimited calling plans is the best way to immediately cut cell-phone costs, but identifying and eliminating the “extras” on bills can also make a big difference. The Cellphone Saver has the unique ability to identify unnecessary services and features on bills and spot potential errors or miscalculations by cell-phone providers.

⁸ Overage fees vary by carrier but can run about 40-50 cents per minute for usage beyond the plan's allotted minutes.

⁹ Represents 4,605 bills with unused minutes (81.5 percent of bills that had paid minutes) and 1,522 bills with unused text messages (85.5 percent of bills with messaging plans). The actual numbers could be even higher. These are conservative estimates that leave out unlimited plans to prevent exaggerated results.

Of 5,129 bills for which the CUB Cellphone Saver identified savings, more than half were burdened with extra, potentially unnecessary services and features that could be eliminated, for a total savings of \$54,557.32. That’s an average of \$10.64 for every bill with savings. These “extras” included services the customer may have signed up for and used—in which case the tool recommends alternatives to avoid the costs in the future—as well as services consumers don’t use but may get erroneously billed for.

For example, most wireless companies offer insurance plans that cover replacement of the cell phone under certain circumstances. At a reasonable sounding price of around \$4 to \$5 a month, many consumers opt for this extra service, but it’s unwise unless the phone used is an expensive, feature-laden model. Since most phone insurance plans contain numerous exclusions, it’s often difficult for users to take advantage of the benefits if something happens to the phone.

Yet, of the 6,985 bills analyzed by the Cellphone Saver, almost half, 46.6 percent, included insurance charges that cost an average of \$5.64 a month. Cutting that service alone would save Cellphone Saver users, on average, almost \$68 a year.

Using 411 on a cell phone is another bad idea—it’s also a bad idea on the landline—but 23.4 percent of Cellphone Saver users made 411 calls, with charges averaging \$3.89 per bill. The average price of a 411 call was \$1.54 per call. CUB and the Cellphone Saver’s advice: Use any of the free directory assistance services, such as 1-800 FREE 411, 1-800-GOOG-411 or 1-800-Info-Fast, on both the cell and home phone, instead of falling for this expensive service.

Other “extra” charges the tool can identify, include “roadside assistance,” a service through which consumers get help if their car breaks down; text charges on wireless cards; voice overages and roaming charges that can be eliminated by switching plans; navigation charges; and charges for downloading premium content, solicited or unsolicited, off the Internet.

Table 4—Recommended Savings

Recommended Savings	Total Annual Savings	% of Total Savings
Voice Plan Savings	\$67,373.65	47.6 %
Data Plan Savings	\$3,432.65	2.4 %
Message Plan Savings	\$16,267.15	11.5 %
“Extras” Savings	\$54,557.32	38.5 %
Total	\$141,630.77	
	Avg. Per-bill Savings: \$331/year	
	73.4% of total bills	

Conclusion: It's a Jungle Out There

Consumers today have a bevy of telecommunications services from which to choose. But with that increased choice has come increased confusion. As this report clearly shows, consumers are in desperate straits when it comes to choosing the right wireless plan. Cell-phone companies have every incentive to up-sell expensive packages, loaded with extra features and services, and to design plans that confuse and befuddle the average consumer. And even the savviest customers may have difficulty finding the right size plan for their calling needs.

If the data from CUB's Cellphone Saver users is any indication, most Illinois consumers are paying too much for their wireless service and could slash hundreds of dollars a year from their bills by making a few simple changes:

- 1) Don't pay for unused minutes—choose the smallest calling plan feasible and monitor bills carefully for several months to make sure the plan fits your calling needs.
- 2) Don't pay for unused text messages—choose the smallest plan feasible and if you don't use a lot of messaging consider a pay-as-you-go plan instead of a large package of messages.
- 3) Don't pay to insure your cell phone—it's likely a waste of money and the coverage could very well be so limited as to be useless in the event you need a new phone.
- 4) NEVER dial 411 from your cell phone—instead use one of the many free 411 services, like 1-800 FREE 411 or 1-800-INFO FAST.
- 5) Be on the lookout for extra charges you may or may not have ordered—if you see something that doesn't make sense, ask your cell-phone company to remove it and credit your bill.
- 6) If your cell phone company doesn't provide a plan that matches your usage level, consider one of the new pre-paid options like Cricket, Boost or Virgin Mobile. These companies can offer better prices for some customers and they don't lock you into a lengthy contract.
- 7) Use **CUB's Cellphone Saver** periodically to make sure you don't pay a nickel more than you should with your current provider—and to help find a cheaper plan when your contract expires.