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GoPhone: Good For AT&T And Good For The Market



AT&T Wireless' new GoPhone offer lowers the costs of wireless, eases the purchase for new users, and expands the market. The next step? Apply the same thinking to postpaid.

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Yesterday, AT&T Wireless launched GoPhone, a set of plans aimed at consumers who have yet to join the wireless world and that bridge the gap between post- and prepaid. These plans look and are priced like today's ubiquitous postpaid accounts, but they charge a recurring monthly upfront fee to a credit or debit card. And in stark contrast to prepaid, AT&T claims that low acquisition costs, minimal handset subsidies, and upfront service fees make it breakeven at sign-up on GoPhone customers. This is a good idea, and not only for AT&T, because GoPhone:

- **Taps a new customer segment.** Carriers today primarily compete for the same high-value customers, which only induces churn. Yet those without wireless represent a significant market -- 42% of US households -- and because nearly three-quarters of them are armed with a credit card, they are able to pay. At only \$69.99 for an activated phone that comes with a 30-day refund, many will take the plunge.
- **Benefits payment companies and retailers.** Credit and debit card issuers like Citi will get their share of payments that today are more often paid by check. Retailers like Circle K, 7-Eleven, and Target benefit, too, by adding a new high-ticket category to their inventory.
- **Paves the way for innovations in postpaid service.** Eliminating the credit check and emphasizing Web and automated, phone-based self-service make GoPhone customers less costly to activate and serve. **To reduce postpaid activation costs, AT&T should use Self-Service Set-Up from VeriSign and Telespree to let new postpaid customers buy and initiate service directly on the phone -- and fall back on GoPhone if the credit check fails.** To increase self-service and online billing, AT&T should use mMode as a carrot. How? Offer 1 MB of free data for three months if customers eschew paper billing.

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