

Analyst Reactions to AT&T's Move for T-Mobile Customers

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AT&T has a plan to eat T-Mobile's lunch and it comes just as the un-carrier was getting ready to make a big splash next week at CES.

AT&T has announced a limited time offer of up to \$450 in credits for T-Mobile customers who switch over to AT&T. With rumors of T-Mobile next week launching a similar incentive program to get customers away from AT&T, the announcement looks like a pro-active move from AT&T. T-Mobile has been a thorn in the side of the carrier for nearly a year now and its un-carrier initiatives have practically forced responses from AT&T as well as Verizon and Sprint. So AT&T could be trying to get the drop on T-Mobile this time.

"T-Mobile was certainly taunting AT&T enough to see if they could get a reaction. They certainly got a reaction," said Recon Analytics' Roger Entner.

Considering that T-Mobile customers are price-sensitive, the promotion could be effective in drawing customers away, Entner said. "Americans are very easily motivated by money. And \$450 is quite a bit."

Yankee Group senior analyst Rich Karpinski definitely sees this as AT&T getting feisty with T-Mobile but warned of the ramifications.

"Offering straight bounty dollars to switch can be dangerous and really impact profitability," Karpinski said. "That operators are willing to do it reveals two things: organic switches are getting harder to come by and recent changes in approach to device subsidies has relieved margin pressure enough for operators to feel comfortable putting those saved marketing acquisition dollars right back into play again."

Karpinski added that Wall Street may not like to see expensive promotions like this, but customers will benefit. "As for operators, only the strong will be able to survive such costly tactics."

When rumors first surfaced of T-Mobile's plan to poach competitor subscribers by paying off early termination fees, Jefferies analyst Mike McCormack noted that a move like that is like "opening a Pandora's box, leading to intensified competition from larger peers that have better scale and higher profitability."

Entner said that AT&T was scrambling before to keep up with T-Mobile but with the carrier's latest move, it may now be T-Mobile scrambling to revise its plans for CES.

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