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## WiFi becoming valuable customer retention tool

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Verizon Communications' WiFi strategy may be deja vu all over again. According to a piece in the *Wall Street Journal* [2], the operator is reportedly preparing to offer its home broadband service customers free WiFi access at hotspots via an agreement with Boingo. It appears similar offerings from competitors including AT&T, Cablevision and others are having an impact on Verizon.



Lynnette Luna

In March, market research firm Dell'Oro Group said it believed Cablevision's boost in net subscriber additions in the fourth quarter of 2008 likely was due to the cable company's rollout of WiFi in its service area. The operator reported a more than 70 percent sequential growth in net subscriber additions, which was higher than any other major cable operator in North America.

More recently, AT&T said the number of WiFi users and connections has dramatically increased on its 20,000-some domestic hotspots. The company said AT&T WiFi connections totaled 10.5 million in the first quarter 2009. That number is more than triple the 3.4 million connections the carrier recorded in the first quarter of 2008, and more than half of AT&T's 20 million total WiFi connections for all of 2008.

Interestingly, it was Verizon Communications that pioneered the WiFi strategy that other operators are having success with today. In 2003, the operator converted some of its existing Verizon phone booths in Manhattan into Verizon WiFi hotspots and offered WiFi for free to subscribers of its DSL service. At the time, it was heralded by some analysts as a brilliant move to attract and retain DSL customers.

By 2005, Verizon decided to phase out its WiFi offering, despite the fact that it did reduce churn, in favor of increasing its 3G EV-DO wireless broadband offering from Verizon Wireless. It was thought that once 3G was more ubiquitous, WiFi wouldn't be needed anymore since most hotspot providers charged for access. And the company's position as a whole as been: Why search around for a WiFi hotspot when you can have 3G everywhere?

That may be so, but when competitors start offering free WiFi on a widespread basis to their existing broadband and smartphone customers, Verizon starts paying attention. WiFi is nestling into an interesting position in both the fixed and mobile broadband industries as a valuable tool for customer retention.

No longer should WiFi be viewed as a competitive service that takes away precious data revenues from operators because it offloads data traffic. Indeed, with the way data traffic is going, operators are beginning to look to alternatives such as WiFi to ease possible congestion. And given the high costs associated with acquiring new customers, it seems that eating the cost to offer free WiFi just might make sense. As such, I wouldn't be surprised to see Verizon

Wireless, which has long resisted WiFi capabilities on phones, begin to embrace WiFi by allowing the option on more smartphones, and teaming up with its parent company to offer certain valuable smartphone users free WiFi as well.

WiFi is becoming a must-have for smartphone users. A recent [ABI Research report](#) [3] on behalf of the WiFi Alliance shows consumers view WiFi as a "must-have" feature for mobile handsets. The firm found that 77 percent of mobile phone users want WiFi on their next handset and three-fourths of the people who have WiFi capability in their smartphones use it regularly.

So my prediction going forward is that we'll see a number of players--both fixed and mobile broadband--begin to develop some creative offerings around WiFi in a bid to retain their customers. --[Lynnette](#) [4]

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