

Sprint overhauls Virgin Mobile, includes data

May 6 2010, By PETER SVENSSON , AP Technology Writer

(AP) -- Sprint Nextel Corp. is revamping Virgin Mobile, the prepaid wireless service it bought last year, and making it focus on inexpensive plans for young people who would rather text or send Facebook messages than talk.

The announcement, set for Thursday, clarifies Sprint's strategy in the increasingly important prepaid market. With cheaper prices and increasing choices of phones and services, prepaid plans have lured more consumers in the last year. In the first three months of this year, new prepaid subscribers outnumbered those who signed traditional two-year contracts in the industry as a whole.

For Sprint, prepaid is especially important, because that segment represents all of the company's growth. It's losing contract-signing customers to AT&T Inc. and Verizon Wireless.

Next week, Virgin Mobile will introduce three new plans that include unlimited text messaging, e-mail, and Web access. The prices start at \$25 per month for 300 minutes of calling.

"The way traditional telecom plans are oriented, it's all around big buckets of minutes, and on top of that, if you want to get text and data, they're typically bolt-on or add-on packages," said Dan Schulman, the head of Sprint's prepaid division, "These young, data-oriented, constantly connected customers, in order to get that functionality, are paying for all these minutes that they never use."

Unusually for a prepaid service, Virgin Mobile will be selling a BlackBerry for these plans, but at high price compared to a contract plan: \$300. Carriers don't subsidize the phones for prepaid service as much as they do for contract-signing customers, so the few high-end phones available for prepaid service are expensive. Virgin Mobile will charge an extra \$10 per month for data service for the BlackBerry.

Sprint is stripping Virgin of its pay-by-the-minute plans, though current customers can remain. Next week, it plans to introduce a new brand for these services, which are aimed at the low end of the prepaid market and people who use their phones only occasionally.

Boost Mobile, Sprint's other main prepaid brand, will remain focused on unlimited calling plans, aiming at people who talk a lot.

The fourth prepaid brand at the company, introduced this year, is Assurance Wireless, which takes government subsidies to provide free wireless service to poor households, so far in five states.

Schulman said Sprint will use the four brands to target different types of consumers precisely.

"We will focus on that on a ZIP code by ZIP code basis," he said. "We may only distribute one or two of the brands in retail in certain ZIP codes and another brand in another ZIP code."

Sprint had 11 million prepaid customers at the end of March. The only provider with more is Tracfone LLC, which buys network access from other carriers and mainly sells pay-by-minute service.

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