

Sprint offers DirecTV customers free year of phone service (Update)

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In this July 29, 2013, photo, a Sprint logo is displayed on a smart phone in Montpelier, Vt. Sprint is offering DirecTV customers one free year of cellphone service in a bold move aimed at the satellite TV company's new owner, AT&T. AT&T, which bought DirecTV for \$48.5 billion in July, 2015, has been promoting a bundle that knocks \$10 a month off a combined bill for video and wireless phone service. (AP Photo/Toby Talbot, File)

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in a bold move aimed at the satellite TV company's new owner, AT&T.

AT&T, which bought DirecTV for \$48.5 billion in July, has been promoting a bundle that knocks \$10 a month off a combined bill for video and wireless phone service. For a single line, the value of Sprint's promotion is about \$50 a month. It's Sprint's way of offering DirecTV customers a bundle without actually owning a video company.

Sprint, which is in the midst of a turnaround effort, has been making a range of promotional offers to lure customers. But so far, the Overland Park, Kansas, company hasn't been as successful as T-Mobile, which went through its own turnaround.

T-Mobile is now the No. 3 wireless carrier in the U.S. after surpassing Sprint this year. In the April-June quarter, Sprint lost 12,000 customers, while T-Mobile gained 760,000, in "postpaid" phone plans, the ones offered to customers with good credit. But Sprint says it's been reducing the size of its quarterly losses in customers and even saw gains in the months of May, June and July.

Craig Moffett, a senior analyst at MoffettNathanson, said the latest promotion is bold, but reckless.

"Sprint is already losing money and is burning through its remaining cash at an incredible rate," he said. "Offering free service for a year will only make a bad situation worse."

The free service will cost Sprint \$600 per line, plus any charges to pay off rivals' contract-termination fees or to finish off payments under monthly installment plans.

But Roger Entner, an analyst at Recon Analytics, said the costs are justified as investments for new customers.

"When you're No. 4, you can't afford to play it safe," he said.

Dallas-based AT&T Inc. has been using the DirecTV service as a way to package wireless access and entertainment. Sprint Corp., which doesn't have the entertainment component, isn't willing to cede those customers to AT&T.

The latest promotion shows how aggressive phone companies have become as they try to lure customers from each other, given that most Americans now have cellphones.

Sprint's offer is good for up to five lines on a single account, with each getting 2 gigabytes of data each month and unlimited calls and texts. It begins Friday and runs through Sept. 30. DirecTV customers must show some proof, like a DirecTV bill from the past 60 days, when signing up. But people can still sign up for DirecTV now to get the Sprint offer.

AT&T described Sprint's offer as an act of desperation.

"This ranks right up there with a desperate Hail Mary pass to a petite defensive lineman," the company said in a statement. "With Sprint's network and the many asterisks on this deal, we're feeling good about our offers."

Sprint's network isn't as extensive as Verizon's or AT&T's, particularly in rural areas, and a free year of service isn't good if it won't work where you need it.

There are other conditions:

— Existing Sprint customers must add a new line of service to qualify. And both new and existing customers must buy or lease a new phone through Sprint; they cannot use one they already own.

— Customers must pay a one-time activation fee of \$36, plus some monthly taxes and surcharges. Some taxes and surcharges are based on the number of lines rather than the cost of the plan, so customers wouldn't save anything by paying nothing for service. But similar taxes and surcharges would apply at AT&T.

— The free offer is only good for a year, but phones typically take two years to pay off. For the second year, customers would pay \$50 a month for a single line to \$180 for five lines. That's comparable to current rates.

— There's no option for data beyond 2 gigabytes without paying higher fees for exceeding the cap—1.5 cents per megabyte, or \$15 per gigabyte. And these aren't shared plans, so overage fees apply even if family members are below the cap. That said, 2 gigabytes is plenty for most people, unless they stream video.

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