Your cell phone company's dirty little secret

By David Goldman, staff writer February 10, 2010: 4:08 AM ET

NEW YORK (CNNMoney.com) -- Mobile phone companies have been lauded for slashing the cost of unlimited voice plans, but many wireless customers' monthly bills are actually going to get a bit more expensive.

Last month, both Verizon (**VZ**, **Fortune 500**) and AT&T (**T**, **Fortune 500**) **lowered their unlimited voice plans** by $30 to $70 per month. Sprint (**S**, **Fortune 500**) recently unveiled a plan that allows unlimited calls to any mobile device for $60 per month. That brought the three biggest mobile carriers' prices closer to rival T-Mobile, which offers a $60 per month unlimited plan, and in line with a slew of low-cost carriers that offer similar plans for about $40 per month.

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But as the wireless giants go around touting their lower voice prices, data plan costs have been quietly moving higher for some non-smartphone customers.

It began with Verizon Wireless. Last month, that company began requiring certain non-smartphone customers to subscribe to a data plan that costs at least $10 per month. Mobile experts believe Verizon's move marks the first step in a larger trend to make up for carriers' lost revenue from voice.

"There's a big shift going on among mobile companies, in which there is a price reduction on voice and an increased emphasis on selling and requiring data services," said Dan Hays, partner at PRTM. "It is like a dirty little secret."

The new smartphones

Smartphone owners are used to paying for an unlimited data plan with T-Mobile, Verizon and AT&T customers doling out the most: roughly $30 per month. Sprint offers a slightly different service, but also requires smartphone users to subscribe to an unlimited plan.

But non-smartphone customers aren't used to high-priced data plans. Less expensive, limited data plans have been largely available but not widely adopted. Verizon said it began to require new customers who purchase so-called "3G multimedia" phones to subscribe to a data plan in part so that they could get the full functionality out of their phones.

"Many customers didn't understand they could use the Web on their phones," said Brenda Raney, spokeswoman for Verizon Wireless. "We hope that people who were reluctant to use data plans because they didn't know it was affordable will use them now."

Previously, Verizon offered non-smartphone customers two data plans: $10 for up to 25 megabytes or $20 for up to 75 megabytes. In January, Verizon eliminated the $20 plan and replaced it with a $30 unlimited plan that was previously available only to smartphone users.

3G multimedia phones include a wide array of phones, ranging from the LG enV Touch, which has a touch screen and a QWERTY keyboard, to the Motorola Entice, essentially a standard flip phone that can access the mobile Web.

Other carriers are planning similar data requirements for their non-smartphone devices in the next several months, analysts say.

"Non-smartphone users aren't using as much data as smartphone users, but they're getting closer," said Ramon Lamas, mobile device analyst with IDC. "Carriers see them as a breeding ground for increased data usage."

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Data overload vs. revenue

It's not just about increasing revenue, say analysts. Carriers are banking on the consumer-friendly aspect: phones are more fun and useful with the Internet.

"The 'naked aggression' reason is to boost revenue to offset declining voice revenue," said Charles Golvin, mobile analyst with Forrester Research. "But carriers also realize consumers won't get the enjoyment out of their devices without data."

But analysts caution that carriers need to be careful of data overload. 3G data networks are already in high demand from smartphone users, and smartphone usage was up 40% in 2009, according to an IDC study. AT&T has had **well-documented** 3G network troubles in New York and San Francisco due to the success of the data-hogging iPhone.

"Carriers are getting people to move to data, but they're doing it cautiously," said Lamas. "Rather than have everyone move to data immediately, they're testing the waters and taking the people who can weather higher prices first."

"Look how much revenue AT&T is getting from the iPhone," said Golvin. "It's easy for Verizon to make hay of AT&T's problems, but it's a problem that Verizon wishes it had." ■

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