

Wireline-to-Wireless Number Portability Will Reshape U.S. Telecom Market

The U.S. Federal Communications Commission (FCC) will likely soon allow customers to take their phone numbers with them when they switch between wireline and wireless carriers. It will change the whole telecom market.

Event: On 31 July 2003, Gartner published research on how local number portability (LNP) will affect the U.S. telecom market.

First Take: Gartner believes that the FCC will soon mandate wireline-to-wireless LNP. If they remain within their local area, customers could take their old numbers with them even if they switch between wireline and wireless carriers. The Cellular Telecommunications & Internet Association (CTIA) has petitioned the FCC for wireline-to-wireless LNP. The FCC will likely grant this petition, possibly by mid-2004, for the following reasons:

- The FCC has always set number portability policies to advance competition.
- The CTIA has the support of its members, which represent a large sector of the industry; this support facilitates FCC approval.
- This proposal would delay the exhaustion of the 11-digit dialing pattern as mobile phones, fax machines and other devices gobble up available phone numbers.

Wireline-to-wireless LNP would likely affect customers' calling patterns and areas, and state and federal regulations (nearly 10 percent of wireline consumers would transfer their service to wireless if they could keep their phone number). It would also affect carriers' marketing strategies, product offerings and plans, pricing, and interconnection agreements as well as coverage, telecom quality, and security.

How the market will restructure:

- Only companies with the business models and affiliations to offer the full range of voice and data wireline and wireless services will succeed. Thus, wireline-to-wireless LNP underscores the wisdom of incumbent local-exchange carriers not spinning off their wireless operations while long-distance carriers, such as AT&T and MCI, scramble to reacquire wireless properties.
- Carriers that own wireline and wireless operations will be the least vulnerable but are the most inflexible. Unless these carriers develop truly integrated wireline/wireless solutions, their offerings will likely not be differentiated or competitive enough to stop wireline-to-wireless migration.

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- Unaffiliated wireless operators will find it difficult to compete against affiliated carriers and will likely go out of business unless they adopt a more comprehensive business model or partner with, acquire or be acquired by a wireline operator.

Effect on customers:

- Wireline-to-wireless LNP will predominately affect the mass market.
- Remote workers and small businesses will increasingly use mobile phone for inbound calls, especially where the quality of service is good.
- In the near-term, wireline-to-wireless LNP will likely not affect the business market much until wireless coverage and quality-of-service issues are resolved.

Analytical Sources: Ron Cowles and Alex Winogradoff, Gartner Research

Recommended Reading and Related Research

- “U.S. Carriers: Implement Portable Phone Numbers” — Carriers should now concentrate on LNP compliance and marketing their services. Lobbying and appeals will further paint the industry as complainers and obstructers. **By Ron Cowles**
- “Telco/Satellite Alliances Expand Service Bundling Capabilities” — Service providers should use bundles to reduce customer churn, lower the cost of sales and boost revenue per user. **By Jay Pultz and Kathie Hackler**

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This FirstTake was excerpted from a Gartner Dataquest Market Analysis, TELC-WW-DP-0573, “Wireline-Wireless Number Portability: A Market Change Agent,” which was first published on 31 July 2003. To see more about Gartner’s analysis of telecom regulations, go to www.gartner.com/pages/section.php.id.2030.s.8.jsp.