

Benefits to California Consumers from Zero-Rated Data

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Study Findings:

Today, at least 3.6 million Californians use their mobile devices to stream video and access other content with zero-rated data services offered by the carriers.

Californians using zero-rated services save \$130 million to \$158 million annually.

Table 1: Californians Using ZR Video Services

| Number of Customers | Annual Savings (\$ millions) |
|---------------------|------------------------------|
| 3,630,000 | \$130 - \$158 |

Low-income and minority Californians enjoy disproportionately greater benefits from zero-rated data. Californians who rely exclusively on a smartphone to access the internet enjoy benefits as high as \$30 per month per person from zero-rated data.

Table 2: Californians Using ZR Video Services by Demographic Group

| Demographic Group | All Customers | Smartphone Only Customers |
|--------------------------------|------------------|---------------------------|
| Latino/Hispanic | 1,499,000 | 391,000 |
| African American | 191,000 | 44,000 |
| Asian American | 387,000 | 75,000 |
| HH Income < \$20,000 | 235,000 | 68,000 |

These results are further broken out for the Los Angeles market. Out of the 3.6 million Californians using zero-rated services, 2 million are LA residents who save \$67 million to \$82 million annually.

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Table 3: LA Residents Using ZR Video Services

| Number of Customers | Annual Savings (\$ millions) |
|----------------------------|-------------------------------------|
| 2,031,000 | \$67 - \$82 |

Table 4: LA Residents Using ZR Video Services by Demographic Group

| Demographic Group | All Customers | Smartphone Only Customers |
|--------------------------------|----------------------|----------------------------------|
| Latino/Hispanic | 1,000,000 | 287,000 |
| African American | 106,000 | 25,000 |
| Asian American | 200,000 | 42,000 |
| HH Income < \$20,000 | 131,000 | 40,000 |

Among Californians who rely exclusively on a smartphone to access the internet, approximately 50% use their smartphones to access essential information and services such as online banking, medical information, and finding job opportunities. If not for zero-rated data services, access to such essential functions could be limited for some consumers.

Study Background:

We have studied the number of California consumers benefiting from “zero-rating”, the practice of offering mobile broadband data that does not apply to a customer’s (hard or soft) data cap.

Using survey data from a national consumer research firm, academic sources, as well as publicly available data from carriers, we have developed conservative estimates of the number of Californians who benefit from zero-rated data services as well as the benefits to these consumers. We obtained estimates of the number of customers from consumer survey research and publicly available data. We base our estimate of consumer benefits on reported usage of zero-rated streaming video services and a range of observed prices for mobile broadband data.

Although video streaming accounts for approximately 83% of data usage, zero-rating encompasses a much more extensive range of applications and services, including gaming, music, and health. Therefore, our findings are conservative estimates of benefits to Californian consumers from zero-rated data services.

Minority and low-income consumers are more reliant on smartphones to access the internet. According to one study, among residents who have a broadband internet connection, approximately one-third of low-income Californians (annual household income less than \$20,000) rely exclusively on smartphones and mobile broadband services to access the internet.

Looking at internet access by race/ethnicity, one-third of Latino and African American Californians and 24% of Asian American Californians with a broadband connection rely exclusively on smartphones and mobile broadband services to access the internet.

One common activity of these consumers is viewing video programming. For example, 77% of low-income adults in California use their broadband connection to watch and download TV shows, movies, games, and music. These consumers also use their smartphones for keeping up with the news (66% of low-income adults), finding job opportunities (57%) and online banking (42%). Without zero-rated data services, some consumers may have to make tradeoffs between accessing entertainment and other content on the internet.