

INDUSTRY TRADITIONAL

Acquisition Cost	Contract	No Contract	Contract but No Hidden Costs	No Contract and No Hidden Costs
Advertising	87.5	87.5	87.5	87.5
Commission	100	100	100	100
Subsidy	150	150	150	150
Total AC	337.5	337.5	337.5	337.5
Months to Break Even				
Average Rev/Month/Unit	52	52	52	52
Cost to Serve/Month	30	30	30	30
Monthly Margin	22	22	18.18	18.18
Months to Break Even	<u>15.34</u>	<u>15.34</u>	<u>18.56</u>	<u>18.56</u>
Lifetime Value (LTV)				
Margin/Year	264	264	222.75	222.75
Retention Rate	0.76	0.28	0.76	0.28
Churn Rate	0.24	0.72	0.24	0.72
Interest Rate (Assumption)	0.05	0.05	0.05	0.05
Acquisition Cost	337.5	337.5	337.5	337.5
	<u>572.84</u>	<u>5.36</u>	<u>430.60</u>	<u>-48.21</u>

Acquisition Cost

Advertising	30
Commission	60
Subsidy	30
Total AC	120

Price/Minute to Break Even in 17 months

Minutes/Month (like Revenue)	200
.45*Minutes/Month (like Cost to Serve)	90
Industry's Months to Break Even	17
Price/Minute	<u>\$0.064</u>

VIRGIN MOBILE

Acquisition Cost

Advertising	30
Commission	60
Subsidy	30
Total AC	120

No Contract and No Hidden Cost

at \$.10/minute

Minutes/Month	200
Price/Minute	0.10
Revenue/Month	20
Cost to Serve (45% of Monthly Revenue)	9
Monthly Margin (21% of Cost to Serve)	7.44
Acquisition Cost	120
Months to Break Even	<u>16</u>

Lifetime Value (LTV)

Margin/Year	89.26
Retention Rate	0.28
Churn Rate	0.72
Interest Rate (Assumption)	0.05
Acquisition Cost	120
Total LTV	<u>-4.08</u>

**No Contract and No
Hidden Cost**
at \$.20/minute

200
0.20
40
18
14.88
120
8

178.51
0.28
0.72
0.05
120
111.83

No Contract and No Hidden Cost
at whatever Mark wants/minute

200

0
0
0.00
120
#DIV/0!

0.00
0.28
0.72
0.05
120
-120.00