Mike McCormack
-Jefferies LLC - Analyst

We'll let some more people filter in, but in the meantime we can get going. Thanks very much for joining us, day two of the Jefferies media telecom conference.

Very excited to have David Small with us, Executive Vice President of Wireless Operations from Verizon. A lot going on, David, so I'll sit down with you and we'll talk about a few things, and then we can open up later on for just a couple minutes of questions from the audience as well. Thanks, David.

David Small
- Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Thank you. You should see the Safe Harbor, just reminding everyone that that applies in this discussion.

Mike McCormack
-Jefferies LLC - Analyst

Great. Why don’t we just kick off, David, with your thoughts on the competitive landscape? We've seen a lot of pricing actions by the competitors; you guys have had a few promos out there yourself. How do you characterize the industry right now from a competitive standpoint?

David Small
- Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Well, I would tell you it’s competitive. There is no debate about that. I would also tell you that this industry has been competitive for a very long period of time.

What we attempt to do in our business is make sure that we attract and retain the high-quality customer segment that we go after. That particular segment attempts to differentiate a bit between price versus overall value.

So when you look at it in that regard, yes, we do make competitive adjustments from time to time, and we'll continue to do so as they're appropriate. But we also take a good hard look at the share we're capturing; we take a very hard look at the customer base that we retain; and we make moves accordingly.

But there is no debate, it's a very competitive industry. But it’s been that way for quite some time.

Mike McCormack
-Jefferies LLC - Analyst

I guess incrementally, are you seeing more pressure or more competition on the family share plans, or the single line? And as you think about that, how do you pivot around those two different opportunities?
David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes. I would tell you that the competition is moving in a space where we have historically enjoyed high share, the family segment. So you see some of the competitive moves that AT&T and T-Mobile and Sprint are doing. They're attempting to up their game in that regard.

So we do make very competitive moves, as we need to. Again we're looking very closely at our single-line accounts, our multi-line accounts. We rate and rank the overall risk profile of every one of those customers all the time, and we'll make moves.

Of late our most recent move -- we had very strong success with our 2-gig per line for life promotion. We put that out of the market for a while, and now it's back in there, and we see a very good response, especially to those who've become enamored with unlimited but yet don't really understand some of the hooks that are involved in that unlimited, and also realizing that unlimited isn't really unlimited in many cases.

And then I think at times consumers also tend to not fully understand exactly what their consumption patterns are. So we work to help them understand that unlimited isn't necessarily the right thing for them.

Mike McCormack - Jefferies LLC - Analyst

You and I were talking earlier about bundled offers. How does Verizon evaluate that. Thinking about maybe a FiOS combination with a wireless product, is that something that makes sense to you?

I know AT&T has been pretty aggressive on this DIRECTV promotion. How does Verizon think about that?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I would tell you that we have had mixed success in terms of overall bundling. What we generally see from the market is, when there is a bundling play, generally people think -- either their first or their second reaction is: I want a bottom of the bill discount. So with the markets where we offer wireless service and FiOS service, we've historically not had great success in doing that.

For many reasons, consumers -- for some it's interesting to have one bill. For others, frankly, they like to keep their business separate. So, look, if it's simply a bottom of the bill discount play, that's something that we're generally not interested in.

Mike McCormack - Jefferies LLC - Analyst

How do you think about subscriber growth? Verizon has been pretty aggressive in continuing to gain subs; other competitors are taking a different tack there.

How long does that process take for you guys? Is this -- you're going to be just gunning for sub growth in perpetuity, or do you think you're going to have some sort of leveling off at some point?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

We have a very strong internal approach around growth and profitability. We often say we are an "and" Company, and we will not pursue growth just for the sake of growth. It has to be profitable growth.

So when you look at some of our moves in that regard, we generally make tactical moves as necessary that support both growth and profitability. And we'll continue to do so.
Mike McCormack - Jefferies LLC - Analyst
Thinking about device lineup, how do you evaluate the ecosystem out there from an Apple versus Android perspective? What are you seeing the most demand for among your customers?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless
We see a pretty strong mix of both. You never want to overindex too far in one particular share or another share. So where we come back to is usually customer choice.

When a customer comes in and they have their mind set on a particular device, we may ask them a question or two. But then we’ll make sure that they get exactly what they want.

But for many customers who are mixed, we talk to them about the pros and cons of both and shift our approach accordingly. Not only is that Apple versus Android from an OS point of view; it’s also in terms of who is making the device.

So it’s -- whether it’s Apple, whether it’s Samsung or LG or HTC or Motorola or any other partners that we have. We always try to get the right device in the hands of the customer based upon their needs.

Mike McCormack - Jefferies LLC - Analyst
Thinking about Apple, there’s been a lot of news recently regarding privacy policies. Just wondering what your thought process is there.

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless
Yes, that -- first of all, I’d tell you it’s a tough issue. And I would tell you that Verizon has equal opinions and strength around customer privacy as well as safeguarding publics, from a public safety point of view.

That being said, the Apple case is a little bit unique. I’m not going to go into much depth on the Apple case.

And lastly I would tell you that this is an issue where you see a lot of friction at a very, very high level. In that regard, generally you need some sort of Congressional action to resolve some of those frictions.

Mike McCormack - Jefferies LLC - Analyst
Moving on to ARPA, as you think about Edge adoption, how should we be thinking about the stabilization? I know on the call Fran, I believe, was talking about 50% penetration gets you more of a stable ARPA environment. What are the moving parts around that?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless
Yes, we look at device payment or installment plans, and in many cases it’s simply a shift of revenue from service revenue to equipment revenue. So when you do get to that roughly 50% of your base is on EIP, then you start to see the inflection point of service revenue.

I won’t give you an exact quarter or month, but I would tell you we do see line of sight through the balance of 2016 where we will see that inflection point occur. And then we’ll see the economics trend appropriately.
Mike McCormack - Jefferies LLC - Analyst

Thinking about the customer base, I think you have 40% that are on the value plans or the non-subsidized plans; and 29% are paying an EIP installment payment.

How does that gap close or widen over time? I know there is a retention component to it, and we can talk about contract life as well.

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

When a customer is out of their two-year obligation, we will at times rightsize that customer in a very proactive manner. In other cases, we don’t do it in a proactive manner.

Generally the process is a customer will call us or come into a store or go online and take a look at it: Hey, here are some things I’ve heard about, what can you do for me?

As a result of that -- based upon again the risk profile of that customer -- we will make the adjustment. So customers, I think they’re aware of it, and we'll make the move accordingly.

I don’t expect that gap to grow. In fact, I would expect it to shrink over time.

Mike McCormack - Jefferies LLC - Analyst

I guess thinking about the potential or almost certain iPhone new launch coming in the fall, third-quarter, fourth-quarter time frame, what’s your thought on the upgrade cycle? Do you think you’re going to be well protected there? Do you have a lot of iPhone 6s coming off that could create a higher upgrade rate this year?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, look, it remains to be seen. I don’t -- can’t comment on exactly what Apple is planning to launch. That would be better coming from them.

Depending on the overall demand, this is an even year, so I would expect a more significant form-factor change. But that remains to be seen.

The way we look at our base is that we look at a number of different factors, whether it’s how long they’ve been with Verizon, or whether it’s what devices they use, or other upgrades on the account. We look at a number of different factors. So depending on the overall demand of the device that will impact our overall upgrade volume.

Look, we also see upgrade volumes cycle quite a bit based upon other devices that launch in the marketplace. At Mobile World Congress, you saw Samsung make some announcements about their device, and we have a very large Samsung base. We’ll see some demand there as well.

Then you’ll have other offers throughout the balance of the year until we get to the September/October time frame where historically they’ve launched a device.

Mike McCormack - Jefferies LLC - Analyst

Thinking about consumer behavior, maybe just your thought or your opinion about the end of a contract. Does the customer come off of EIP say: All right, this is great my bill is going down by, whatever, $27 a month; can’t wait to pay less.

Or do you think you’re going to see this rotation into the next device?
David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, my sense is I don’t think it’s quite as granular as many of us think that it might be for a consumer. They don’t necessarily know that on this date that they come out of cycle.

Fortunately, we do interact with our customers quite a bit, given the nature of what we do. And in that regard we’re continually sharing options with them in terms of some of the things that they’re capable of doing.

In terms of people keeping the devices a little bit longer, I think there will be a temptation for consumers to keep their devices longer. But as you see more and more software enhancements on devices, I think that will continue to drive the steady demand for consumers getting new devices.

Mike McCormack - Jefferies LLC - Analyst

Then just thinking about factoring, how do you guys evaluate the need for that? Like, I guess the service receivable versus the EIP receivable, how important is it for Verizon to have that in place?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Look, we try to maximize overall shareowner value. At times that means we want to drive cash in the business, and so we’ll continue to do the factoring that we’ve done.

I think I’d defer to Fran or Mike to give more guidance in terms of exactly what we plan to do. But that being said, it’s an important element of the business. And fortunately for us -- again back to this high-quality consumer base -- this makes our overall receivable that much more interesting to folks who may want to do that.

Mike McCormack - Jefferies LLC - Analyst

So, as Edge becomes a bigger part of the base and you have more gross adds coming in or activations coming in on EIP, how do you think about the consumer credit issue out there? We’ve been in a decent economy; we’ve got some market hiccups here. But as you look into the next year or so, is there a bigger risk as an industry that we see a consumer credit problem?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

At this point I don’t see one. I would tell you that there’s a few things that we, in particular, look at.

Again, we’re constantly looking at the service receivable balance versus equipment receivable balance, and that will dictate a little bit in terms of how we move forward. But I don’t see a big, big concern there.

The only thing I would tell you is -- and I think we’ve said this before -- that just because of the magnitude of the equipment receivable versus one or two months’ service receivable, we could potentially see a slight uptick in bad debt.

Mike McCormack - Jefferies LLC - Analyst

I guess, along those lines, thinking about prepaid versus postpaid, as a category we’ve seen significant shrinkage in prepaid customers over time. Leap and Metro customers, the old pay-in-advance folks, sort of moving in different directions.
We’ve heard other carriers talking about prepaid customers, actually good postpaid customers. Thinking about that migration over time, does that change the dynamic from a credit perspective?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I think it does a little bit. We have for the last probably year, year and a half or so — it’s not a significant component of our business, but we do look at consumers’ overall payment history, their overall credit class; and based upon that we will convert some of our prepaid customers to postpaid customers.

You might expect — I think Fran has publicly said this in the past — that our prepaid customers generally have — because they are looking for that high-quality experience and overall value, they tend to be a little bit higher credit class than what some of the other prepaid competitors get.

Mike McCormack - Jefferies LLC - Analyst

Thinking about bringing those customers, onboarding into the postpaid world, how do you handle that? Is there a down-payment system, or is this just culling through your prepaid base saying this customer has as good credit as our postpaid base?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

It’s a little — there’s a number of different things we do. We have a pretty strong CRM approach with a leader there that’s doing a very nice job for us. We will look at their payment history, and we’ll look at a number of other factors.

And based upon not only our proactive work in terms of what we do, there’s also a customer base that comes into our store for a number of things — they might want to refill a replenishment card, they might want to make a payment — and that’s always an opportunity for every customer that comes in to talk to them a little bit more about what are some other things that they might get value out of in their lives. And we take advantage of that opportunity. So we would proactively do that with consumers at the point of interaction as well.

Mike McCormack - Jefferies LLC - Analyst

You guys have been, I guess, hesitant or not interested in leasing programs. Is there a particular reason for that as you weigh against EIP? Are there residual value risks? Secondary handset risks?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, that’s — we are not moving into the leasing space. We have a phrase in our Company: never say never. But at this point, we don’t see that as something that we’re going to be offering anytime soon.

My concern with leasing is that I think many consumers don’t exactly understand what they’ve signed up for when they first decide to lease a device. It’s very attractive and compelling for this $1 offer or $5 offer, but there’s a couple of economic things.

First of all, you generally have to surrender a device that’s in good working order. And there’s really not much, if any, economic value the consumer gets in return for giving that device. So you have that issue.

Then the subsequent issue is around, at the end of the lease what do they do? They don’t necessarily own anything. And if there is a balloon payment or a lease expiration payment that they have to make, I think we’re going to see a little bit of blowback from some customers who don’t know exactly what the arrangement is.
So we're going to watch that very, very carefully. And then if customers -- we see a strong, strong demand where we could capture share, we would, of course, evaluate that.

**Mike McCormack - Jefferies LLC - Analyst**

It sounds like the customer confusion is probably more of an industry issue as opposed to Verizon-specific, then.

**David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless**

Yes, I think it is. I think it is, and we want to make sure that -- look, we're leaders in this industry and we have a responsibility to keep the industry where it needs to be from an overall approach and reputation. So that's another reason why we're not at this point overly excited by it.

**Mike McCormack - Jefferies LLC - Analyst**

Talk a little bit about the promotion you guys put in the marketplace for the $650, the rationale behind it, and how consumers have been reacting to it.

**David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless**

Yes, you know, it's interesting because when you have an offer for $650 there's a lot of information that consumers really need to understand. It's an up to $650; and beyond that, again, you return a device in good working order and then you get on our device installment. This is an offer that some of our competitors have as well.

I would tell you that in many respects, I also look at it as the headline gets really intriguing. But then when you find that you can get that from others it tends to keep the base a little bit more where they're at.

It's not completely intuitive, but when a consumer is evaluating and they realize that that's across-the-board, it gives them one less reason to switch for something that, on the surface, might appear to be a little bit more intriguing but isn't necessarily.

**Mike McCormack - Jefferies LLC - Analyst**

When you're managing this business, looking at the different metrics that are coming out, ARPA seems to be a number that Verizon focuses on, which is inclusive of tablets, obviously. Thinking about tablet demand, ARPA opportunities, what does the future hold? I know you guys are doing some IoT stuff that could also impact that.

**David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless**

Yes. In terms of overall ARPA, we have a pretty simple approach in our business, and that is: Get new accounts. When we get a new account, drive connections to that account. And then drive usage on those connections on that account.

It's very fundamental, but our business is very fundamental. So when we think about connections, there's a number of things that we have been doing.

Certainly tablets are a big part of that, and the connected tablet is only a relatively small portion of our overall base: 10% or 11% or so have a connected tablet. So we see great upside there.
A second strategy that we've deployed in terms of tablets is that we're trying to penetrate the family base with tablets that are attractive to kids. So we have an Ellipsis Kids tablet which has a foam bumper around it and has a unique educational slant to the software that's on it. When a kid outgrows that particular tablet then the bumper can be removed and the software can be reset, so that it's a traditional 8-inch Ellipsis tablet, so we think that provides for staying power and retention in terms of our overall tablet market.

But to your point, beyond tablets there's a number of other things that we've launched. One of them happens to be something we call hum, which is a module that you plug into your vehicle, and it allows you to do a number of things around roadside assistance, around maintenance, around tracking of the device. So anybody who has a teenager that's driving, that's of great interest.

We're actually seeing elderly coming in and wanting to get this on each of their vehicles; they find this to be a good, viable substitute to some of the other roadside assistance mechanisms that are out there. Then they like the incremental benefit of being able to track their car and having the ability to speak to a mechanic should they need to do so.

So we're pretty bullish on this particular element as well, and we're doing fairly well there.

Mike McCormack - Jefferies LLC - Analyst
With a couple of teenage kids myself, I might keep the bumper on for a bit longer.

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless
Yes. Well, I'll tell you, my teens don't necessarily like it, but that's part of driving dad's car.

Mike McCormack - Jefferies LLC - Analyst
Just touch if you will on -- we don't have to talk specifically about any particular cable operator, but there's been a lot of talk about cable entering the business. You and I talked earlier about whether or not the industry structure is set up for a fifth provider.

Maybe more importantly, thinking from a technology standpoint, is WiFi a reasonable broad coverage technology to use for this type of service?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless
Yes, there's a lot of sub-questions in that question you asked. I'll dwell on the WiFi element of it.

Look, WiFi technology will continue to evolve over the course of time, but today the security is not where it needs to be; the propagation isn't where it needs to be; and the handoff from site to site on WiFi isn't where it needs to be. So over the course of time we'll see that evolve.

We think there's a great place for WiFi, and we do see a lot of WiFi offload at times. But there's also equal demand from that -- if not greater demand -- from the assurance of knowing that no matter where you are and when you're there, you will always have safe and secure and high-performing data access ready for you.

So, clearly an opportunity, but it is not -- it is a substitute for what I would consider to be very stationary use and even light mobile use, as an example in an office building. But when you're out and about in a true mobile environment, WiFi is not where it needs to be.
I guess before we move on to a small-cell discussion, thinking about capacity, how does Verizon evaluate capacity needs? And maybe you can bounce that between spectrum needs versus building out more network.

I know last summer you guys did a fairly large presentation regarding the small-cell network build. But just how do you identify what you do from a capacity standpoint and when you need those items?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I'm going to just at a high level give some principles. I do need to stay very far away from the spectrum auction that's underway, so I won't comment on that one.

But I will tell you that in every case you have to look at a geography and you have to really assess: Okay, so is this geography better served by a macrocell, or a macrocell and a series of small cells that sit within that particular geography? What we look at is we look at usage patterns, consumption patterns, and trends.

One of the things that I don't know is incredibly well understood is the notion of small-cell. If you have a geography in which you have one sub-element or a sector of that particular geography that has high usage and requires an augment, in a pre-small-cell environment really your only approach is to add other macrocell somewhere in that area.

So we've historically done some cell – you call that cell splitting. And we've done some of that.

But with a small-cell deployment you can really go in, in a targeted way, and add capacity that's meant to augment the coverage and capacity that's there from the macrocell. And that allows you to be an incredibly efficient operator of a network.

That's how we think about small-cells: generally more for capacity, and let the macro site cover from a coverage point of view.

Mike McCormack - Jefferies LLC - Analyst

I guess thinking about small cells, what have you experienced so far? It's probably early days, but the cost curve on how much it is to deploy? Also we've heard from the tower operators even how it's a timely process or a time-consuming process. Are those two items getting better from a cost and time perspective?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I think they are. I'm going to avoid any statements about tower companies today, for obvious reasons. But that being said, look, it boils down to a cost-benefit analysis that you do.

Given the fiber assets that we have around the country, that pre-positions us very, very well to do small cells when the economics of a small cell are far better than a macro type of an augment.

Mike McCormack - Jefferies LLC - Analyst

I guess moving on to the 5G world, you guys are been fairly vocal about the opportunity there. How does that develop over time? We're still obviously pre-standards. But how do you evaluate the need for it, and the timing of it?

And then maybe thinking about the ultrahigh frequency, what does that look like from a build perspective?
David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes. The first thing I would tell you is back in 2006 when we, along with Vodafone, made a statement that 4G LTE was the future of the industry, there were a number of naysayers there. But that being said, the naysayers were not quite so vocal on December 6 of 2010 when we flipped the switch and lit up about 108 million PoPs for coverage.

So there is an obligation associated with being a technology leader, which Verizon is, so we take that obligation very, very seriously and we're working very aggressively. You saw some announcements from Roger Gurnani earlier this week out of Mobile World Congress about the work we're doing with Ericsson and Intel and Samsung and LG and Nokia and others to make sure that we are leading in this regard.

So what's interesting, we're doing a lot of testing in different parts of the country, different scenarios. We're doing some in-building versus out of building, highly mobile versus stationary. I think the use cases are going to be varied over the course of time, but we want to make sure that we are at the ready and first to actually deploy any commercial 5G. In order to do that, you have to do a lot of the hard work up front to make sure that you're ready to do so.

So we're very pleased with what we're seeing thus far. I know earlier this week we also talked a little bit about some of the very high-frequency spectrum. We've done some testing on that, and that's about all I'll say at this point. But so far we're seeing some pretty incredible results in terms of both speed as well as latency.

Mike McCormack - Jefferies LLC - Analyst

I guess thinking about the architecture regarding 5G, is that going to be vastly different than what you're doing today on small cells? Density obviously has to probably get better there.

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I think it remains to be seen. But I would tell you as a general rule 5G will require more dense infrastructure, which is, again, part of why some of the moves you've seen of late around some of our fiber acquisitions are very important for us, as we continue to evolve in that regard. But I would expect density to be greater.

Mike McCormack - Jefferies LLC - Analyst

How do you size the 5G spectrum availability? I think a lot of people see this amorphous amount of high-frequency stuff. How do you warehouse and look at the inventory out there?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, that's a tough one that I think I probably will not go into a whole lot of depth on, again, only because of the spectrum auction that's underway now.

Mike McCormack - Jefferies LLC - Analyst

Sure. As far as the XO acquisition, you have an option there on the spectrum as well. Is that down the same path that we're talking about in 5G?

Then you can also talk perhaps about the fiber asset itself and what that brings to Verizon.
David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes. As one, I'm very excited about what we're doing with XO. Because when you think about fiber density and you think about a particular geography, you need far more robust fiber assets. We do have a lot today with some of our previous acquisitions we've made over the course of time. But when you think about cell splits and you think about existing macro towers, having more assets upon which to light up macro cells with our own fiber versus somebody else's fiber is a good thing to have.

Having that fiber density for buildout of small cells is also incredibly important to us. So I think there's a number of ways in which we're going to exploit that fiber asset that we're getting and very excited by it.

In terms of the spectrum, again, given the period that we're in I won't comment a lot about.

Mike McCormack - Jefferies LLC - Analyst

Sure. I guess thinking about the cost structure of Verizon Wireless, one of the things that I joke with Fran a little bit: Every year we come into another year he says there's tons of cost to come out of the business. And you guys are a growing business at the same time.

When you evaluate the opportunities out there over the next year or two, what are the key areas where you think you can save on costs?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I'm glad you brought this question up, because I think there is a fair amount of debate out there about what is left. I would tell you that, first of all, late last year we announced a restructuring of our organization. We've been in the same structure for about 15 years. What we found over the course of time is where you get a little bit burdened by process and a little bit burdened by structure.

So what we ended up doing is eliminating a layer. What we found, though, is that eliminating a layer vertically we were also able to eliminate some layers horizontally.

What do I mean by that? In the past, we've had a headquarters organization; and then we had four areas; and then we had 20 regions underneath that. We moved to a headquarters and a six-market structure.

As a result of that, there's far less handoffs that occur between a headquarters location to an area and then to a region and vice versa. Sometimes the feedback gets filtered a little bit from the field until the time it comes back.

So that really, we have seen some very good benefit from a speed, from an agility point of view, from a speed of information flow. And we're able to be both proactive as well as react in a much quicker fashion. So that's one area.

But let me -- I'll give you a couple of other examples that I'm actually pretty charged up about. The first one is in 2014 we took almost 160 million calls from our customers. In 2015, starting with the foundation of our simple pricing, continuing with the foundation of a lot of hard work around process optimization, around simplification of our business, the number of calls we took in 2015 was 133 million.

So, Fran has talked in the past about that call volume reduction. We're continuing to see that.

Another element, though, and I won't give you the specifics, has been in the overall call duration. We're working on a number of tools that allow for our employees, our care representatives around the country, to analyze very deeply exactly why the customer may be calling before they get too far into the conversation. We've worked on a number of tools to improve troubleshooting processes and we'll continue to do that.
Another area I would tell you is in the retail channel, because that’s another high-cost area for us. One of the things that we have set a target of in 2016 is to increase the percentage of overall transactions that occur within 30 minutes in our store channel. By looking at that and using that as an objective, it really serves as a forcing function to help you analyze: Are these functions really, really necessary?

But beyond that, it gets to: Are all of these screens rendering? One case in point is we’ve looked at historically a customer walks into a store, it would take 13 screens for them to buy an accessory. Now that seems a little excessive to me, and it did to the team as well.

As a result of a lot of IT work and optimization work, we were able to shave that down to four screens. So this is the type of fundamental process evaluation in the mechanics of the business that we’re going to continue to drive and continue to take cost out of the business. So I still think there’s a lot there.

Mike McCormack - Jefferies LLC - Analyst

I guess moving on to mobile content, and we can talk about AOL and go90 in a minute, but as you think about the FiOS asset as it is today and you’ve got a lot of content on the wireline, quote-unquote, side of the world, is there an opportunity to monetize something on the FiOS side, on the wireless side as well?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I think there is. Look, we do -- as much as my earlier comments around bundling, we do have a lot of overlap in our customers. There is -- having one content organization acquire all of our content across all of the screens, to include home and when people are mobile, that has really helped us really rationalize what’s most important to customers. So we’ll continue to do that work.

Mike McCormack - Jefferies LLC - Analyst

I guess thinking about the AOL acquisition, we’ve talked about programmatic advertising in the past. What does that mean from a mobile perspective, to monetize that?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes. AOL has been a good acquisition for us. I know Marni and her team are very proud of the work that’s underway. We’ll touch upon go90 just briefly here.

The consumption patterns of people consuming video are changing, and they’re changing in a very rapid way. I look at, even in my own family situation, kids aren’t hanging around the living room watching TV quite as much.

Either watching TV and they have a tablet and they might be doing a couple things at once. Some are consuming video on the tablet.

So we’re also seeing even usage patterns change in which more and more Millennials are watching content -- they describe it as snackable. They watch a little bit of this, a little bit of YouTube, a little bit of Netflix.

We have found our strategy going forward around go90 is to make sure that the content that we have on go90 is incredibly compelling. So we have a lot that really attracts Millennials.

We also have the NFL, which obviously attracts a strong subset of our entire customer base as well as other competitors’ customer base. We’ve just announced NBA content that we’ll have as well.
Marni and her team have done some things with, I think, Warner Music and Sony and a few others. And we're going to continue to augment the content on go90 so that it continues to grow in the manner that it has.

Mike McCormack - Jefferies LLC - Analyst

I guess thinking about a topic that we've been talking a little bit about internally, and we've published some notes on this as well, but the whole password sharing issue. Go90 obviously has no problem with that because it's not a paid service.

But how much of that are you seeing out there from a content perspective, maybe on the FiOS video side being used wirelessly amongst your customers, sharing passwords for high-end content?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, I don’t think we see a ton of that activity. In fact, I read something about Netflix made a comment not long ago about their point of view. I have not seen a ton of that.

Although I will tell you also that many of our customers, especially in the Northeast that come in, when we get them set up we download FiOS mobile app for them to make sure that they can consume video while they're on the go.

Mike McCormack - Jefferies LLC - Analyst

Sure. We've got time for one or two in the audience if there's one out there. I think we've got a roaming mic there as well.

QUESTIONS AND ANSWERS

Unidentified Audience Member

As you think of, like, network densification in general, whether it’s small cells or LTE over WiFi, can you envision a scenario where you have carrier-neutral solutions? Like especially given like the challenges with building access and interference and fiber backhaul.

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

Yes, stadiums are probably a pretty good example where you have neutral provider DAS out there, and we will generally work with stadium owners. And we'll continue to see that happen.

As it relates to in-building, I think every scenario is going to be a little bit different. It's tough to predict the future, but I would venture to say over the course of time we could see more and more of that occurring.

Mike McCormack - Jefferies LLC - Analyst

We have time for just one more.
Hi, I just want to ask how Verizon chose to partnership with, on the 5G, when traditionally there is Qualcomm dominate the LTE, but now you have Intel setting the standard for data center, but ARM pretty much as a standard for a lot of IoTs. So how do you properly pick out who to work with on 5G?

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

For 5G, it’s a good question. Our approach is really around helping to stand up the entire ecosystem. So I won’t mention any particular partner -- nor my earlier comments of omission of any partners is meant to make any statement. Look, everybody has a strong interest in getting into 5G, and our obligation is to help lift the entire industry and make it happen for consumers.

Mike McCormack - Jefferies LLC - Analyst

Great. David, thanks very much for joining us.

David Small - Verizon Communications Inc. - EVP Wireless Operations - Verizon Wireless

My pleasure, Mike. Thanks.