Your Future Wireless Provider Could Make You Rich

Description

Canada's telecoms all have their respective moats, somewhat impressive dividend yields, and, for the most part, offer a very similar suite of subscription services. But one telecom in particular is gearing up for something that will make the other three major players very concerned.

That telecom is **Shaw Communications** (TSX:SJR.B)(NYSE:SJR), and what Shaw is working on is a mobile network that it hopes will be able to counter its peers and draw in a large number of new customers.

Why mobile?

We are increasingly becoming glued to our smartphones. I recently came to the stunning conclusion that my smartphone has eliminated over 100 devices in the past five years. That list of devices varies from the non-tech notepad and pen that I used to scribble notes on to my long-gone and irritating alarm clock. My high-tech DSLR camera is now gathering dust because my smartphone takes pictures that are just as good, and I even got a text message this week from my vehicle, stating that "there's rain in the forecast and one the windows is open."

The potential here is truly endless, and it almost seems wrong to call these devices smartphones anymore. After all, the phone itself has been relegated to being just one of the dozens of applications on our devices, and each of those applications is using increasingly more data.

By some estimates, our data consumption appears to be doubling each year, and as Canada has some of the highest rates among developed nations, therein lies the opportunity for Shaw to undercut the entire market by giving customers what they want — good service at an affordable price.

Shaw's mobile solution is simply brilliant

Shaw's appropriately-named "Freedom Mobile" offers contract-free pricing with rates that are lower than any of the Big Three, and Shaw's plans come with a generous data allowance when compared to its peers.

The brilliant part of that model is that Shaw can draw in customers at lower price points where its network is already turned on, and that growth should, in theory, snowball into more customers across a greater area as its coverage area expands.

The strategy appears to be working. Despite the fact that Shaw's mobile network is still being built, the company has still managed to lure nearly 5% of the population on to one of its lower-priced plans at the expense of its peers, who are actively engaging in aggressive strategies to improve customer service and reduce churn.

In the most recent quarter, Shaw managed to draw in 54,000 new subscribers to its wireless segment, which brought the total number of subscribers to over 1.3 million. Impressively, that figure is likely to continue growing over the course of the next few quarters thanks to an expansion in Shaw's retail distribution network announced last month. Over the course of the next year, Freedom Mobile is set to be sold in 600 different prominent retail locations across the country.

Should you buy Shaw?

Some investors were jittered by Shaw's recent quarterly update, where the company posted a $91 million loss. That loss was attributed primarily to Shaw's 37% ownership of **Corus Entertainment**, which posted a whopping $935.9 million loss and slashed its dividend by 80%, prompting many investors to sell. Shaw's impact was a $284 million impairment charge, which put the company into the red.

While wireless is the primary focus of Shaw's growth strategy, the company also appeals to income-seeking investors with its monthly dividend, which pays out an impressive 4.45% yield.

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