Pricing strategies for the Mobile Services

Seminar on Costs & Tariffs
Niamey, April 2001

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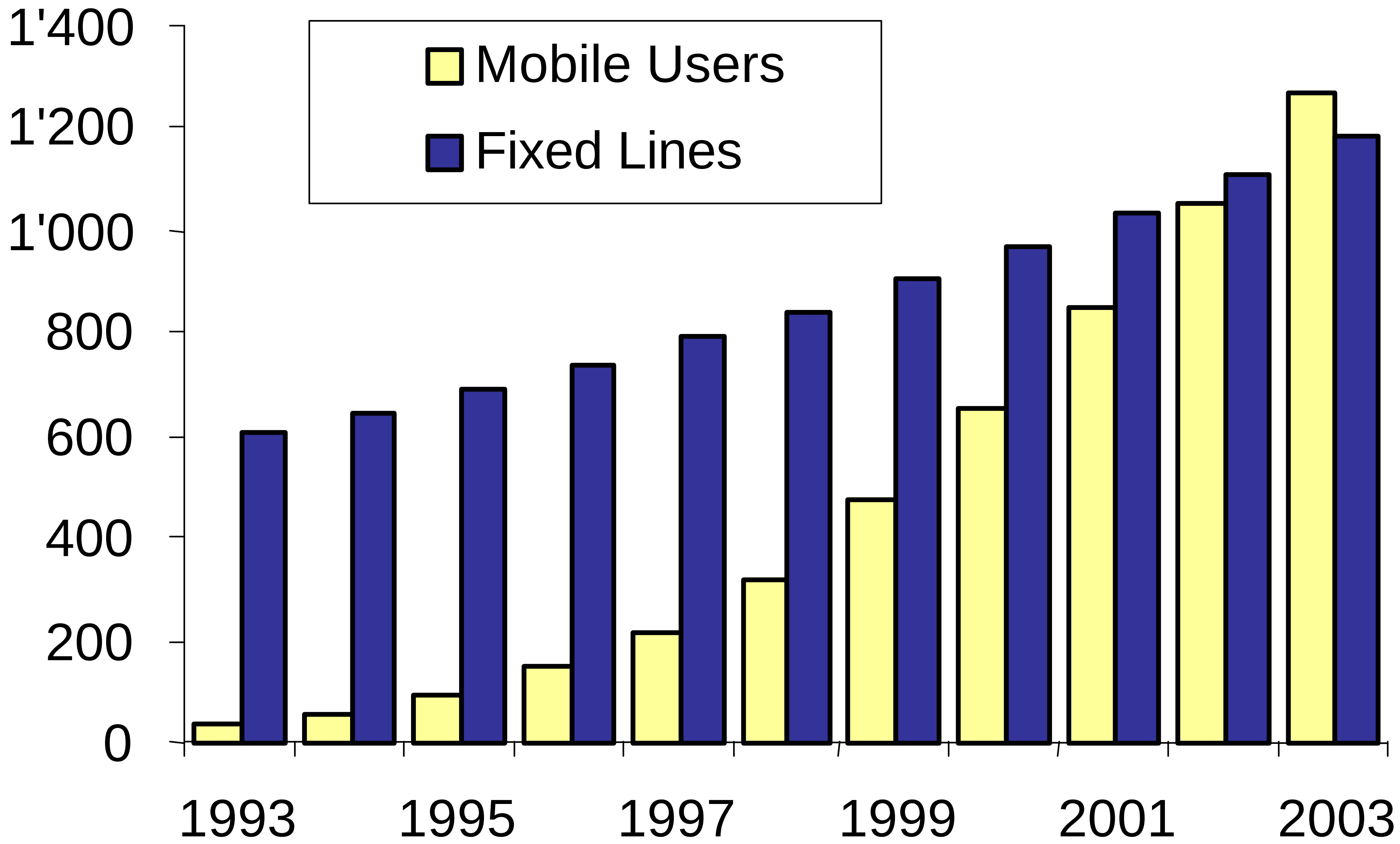
Pricing mobile services: Agenda

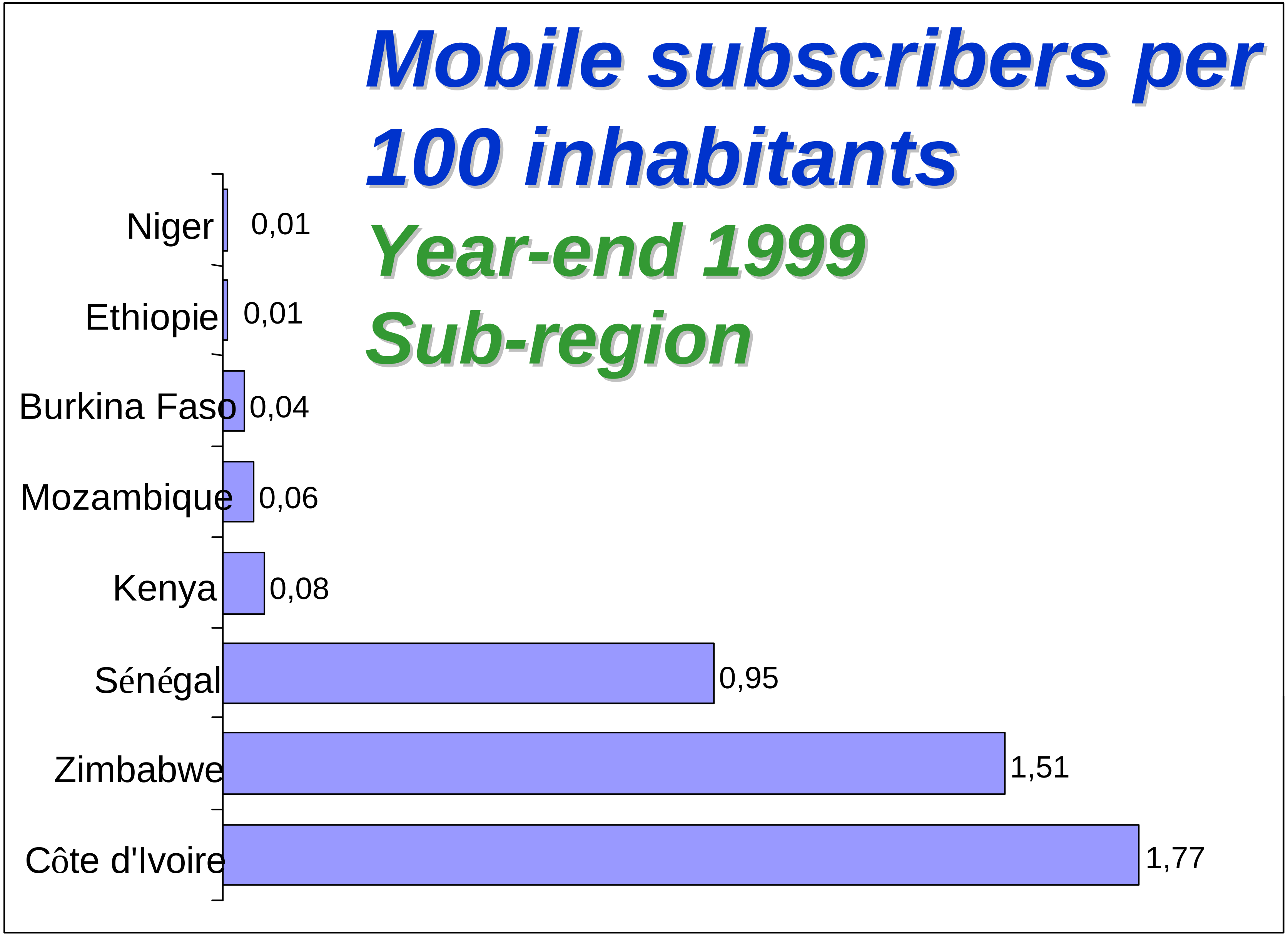
- **A Mobile Revolution**
  - **Worldwide and in the sub-region**
- **Pricing Mobile**
  - **Options**
  - **Price comparisons and trends**
  - **Price trends**
  - **Average Revenue Per User (ARPU)**
- **Fixed-Mobile Interconnect**
- **A Mobile Future**

A Mobile Revolution

Fixed Lines vs. Mobile Users, worldwide, Million



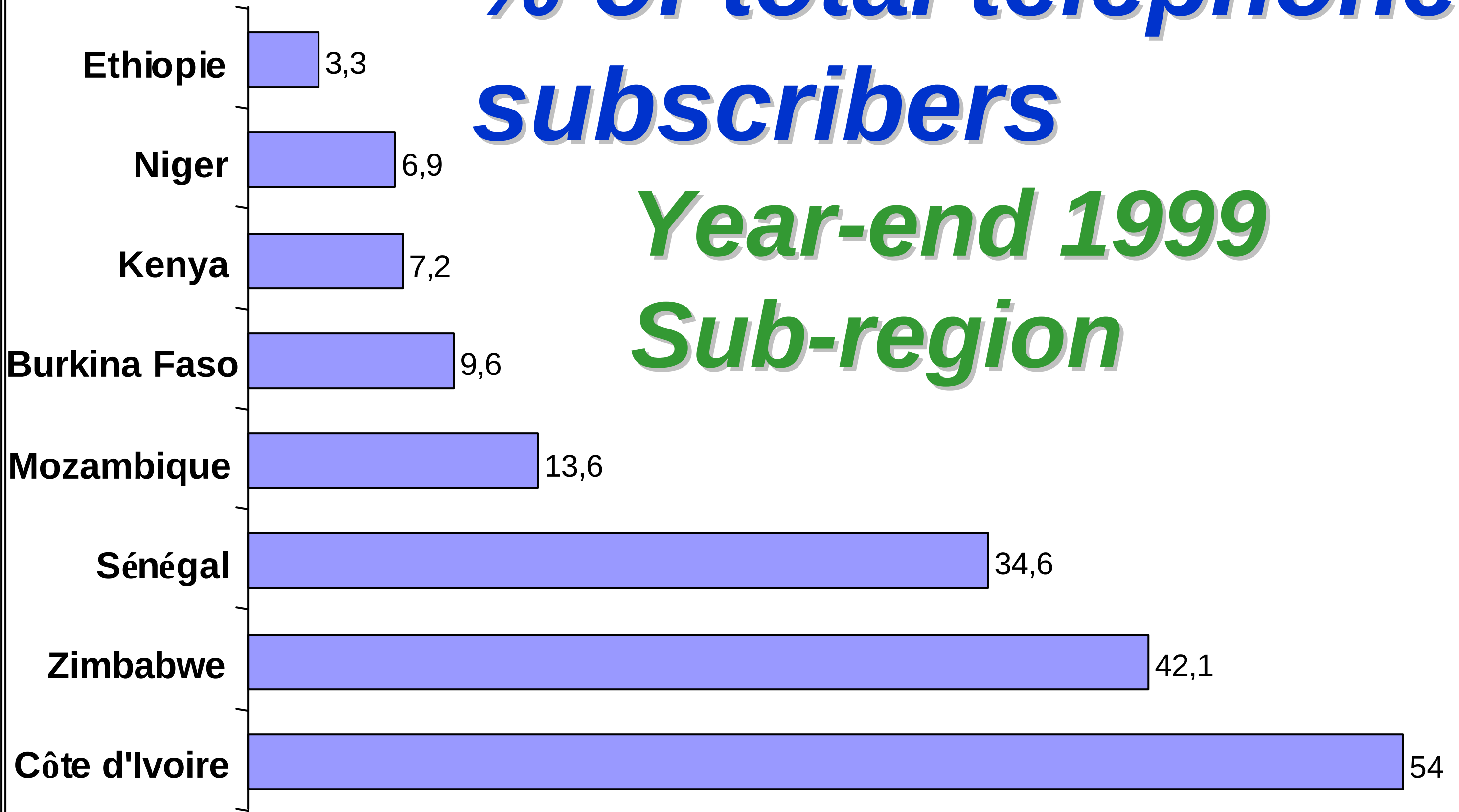
Source: ITU World Telecommunication Indicators Database.



Source: ITU World Telecommunication Indicators Database.

Mobile subscribers as % of total telephone subscribers

Year-end 1999
Sub-region



Source: ITU World Telecommunication Indicators Database.

The secret of mobile success

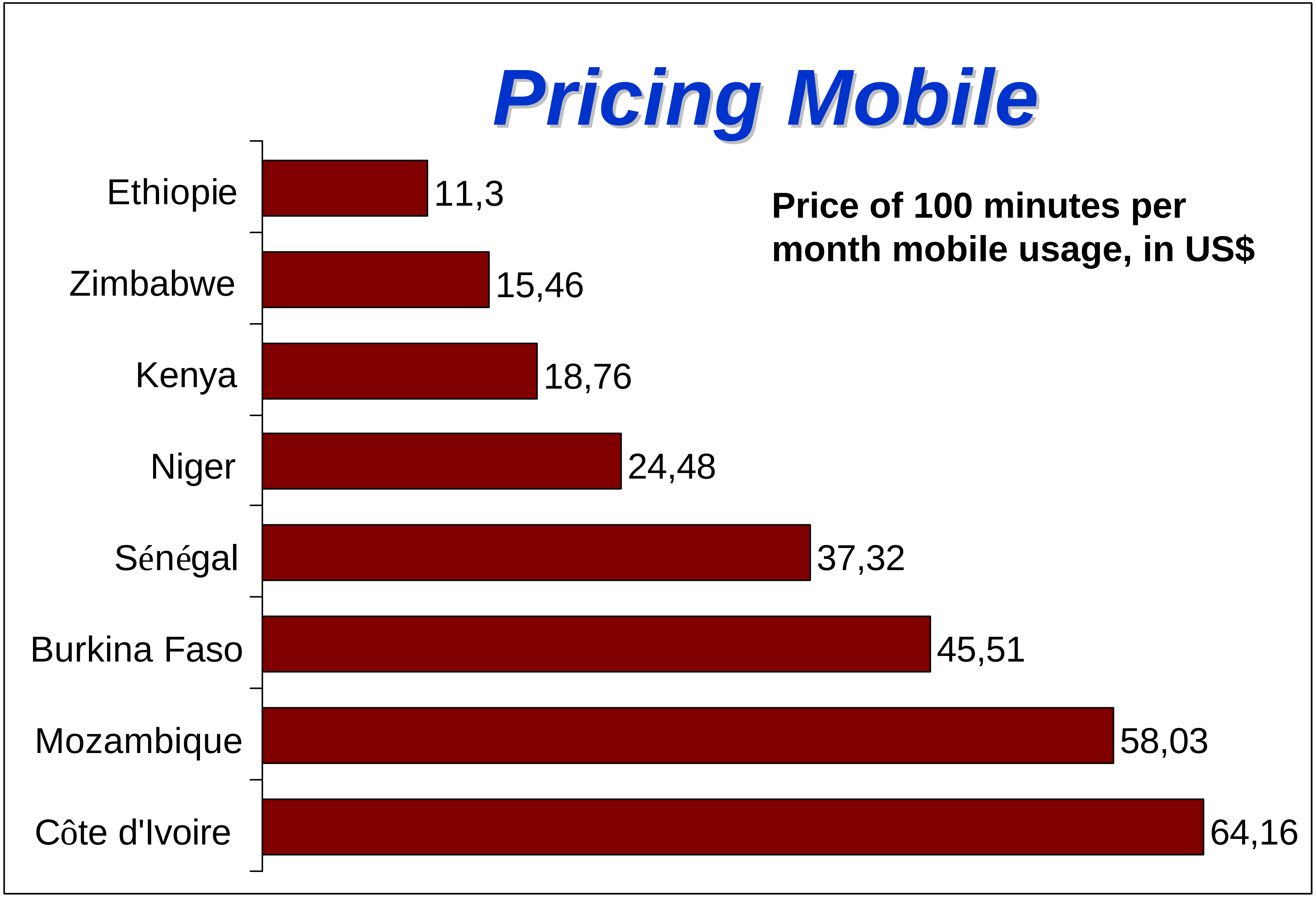
- **Why is mobile currently growing ten times faster (~55% p.a.) worldwide than fixed lines networks (~5.5% p.a.)?**
- **Why is the average mobile user much younger than the average fixed-line user?**
- **Why do users make calls using a mobilephone even when a fixed-line telephone is available and cheaper?**
- **What is the secret of the success of mobile?**

Price Options

A selection of price options
From Orange (UK)

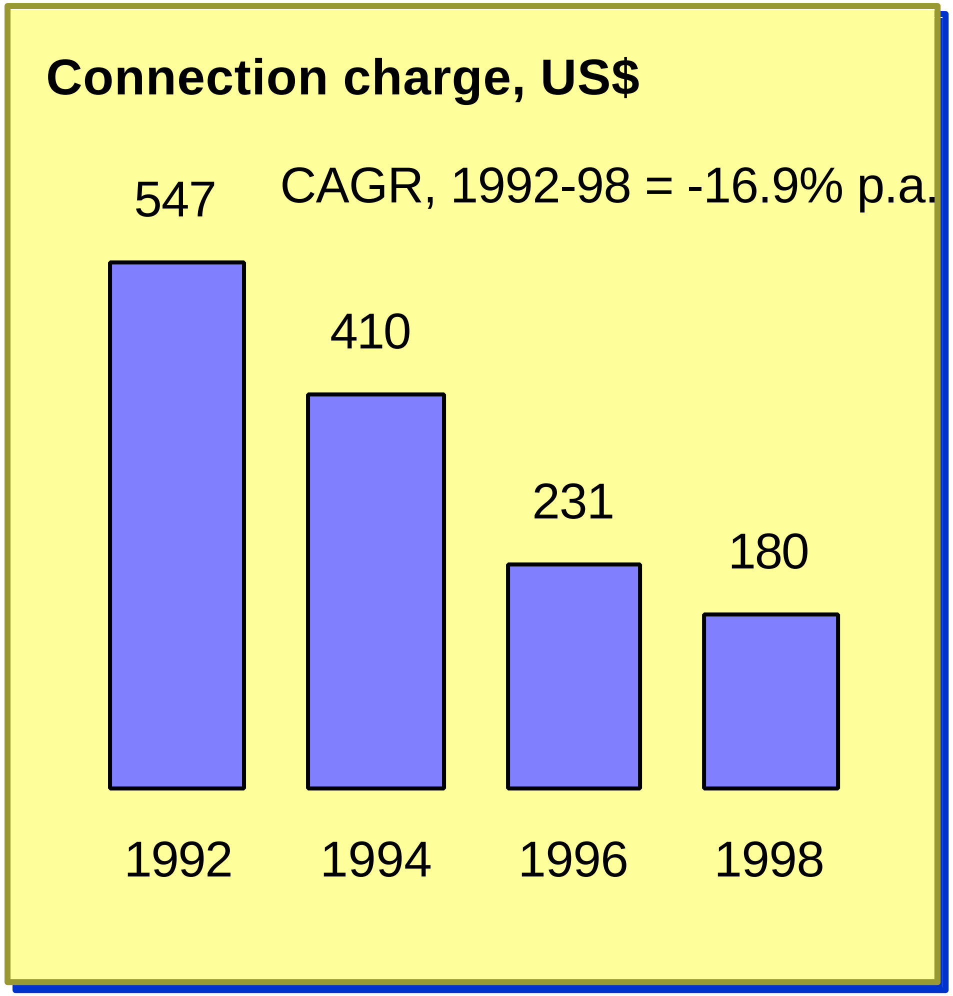
Plan name	Monthly charge for single phone	Standard talk time included (per month)	Peak time call charges (per minute)	Off-peak call charges (per minute)
Chat 60	£17.63	60 off-peak minutes	40p	5p
Talk 30	£17.50	30 minutes	30p	5p
Talk 120	£25.00	120 minutes	24p	5p
Talk 400	£58.75	400 minutes	22p	5p
Talk 1300	£176.25	1’300 minutes	17p	5p
Talk 3700	£470.00	3’700 minutes	15p	5p
Talk 7500	£940.00	7’500 minutes	15p	5p
Everyday 50	50p/day	50 minutes/day	40p	1p

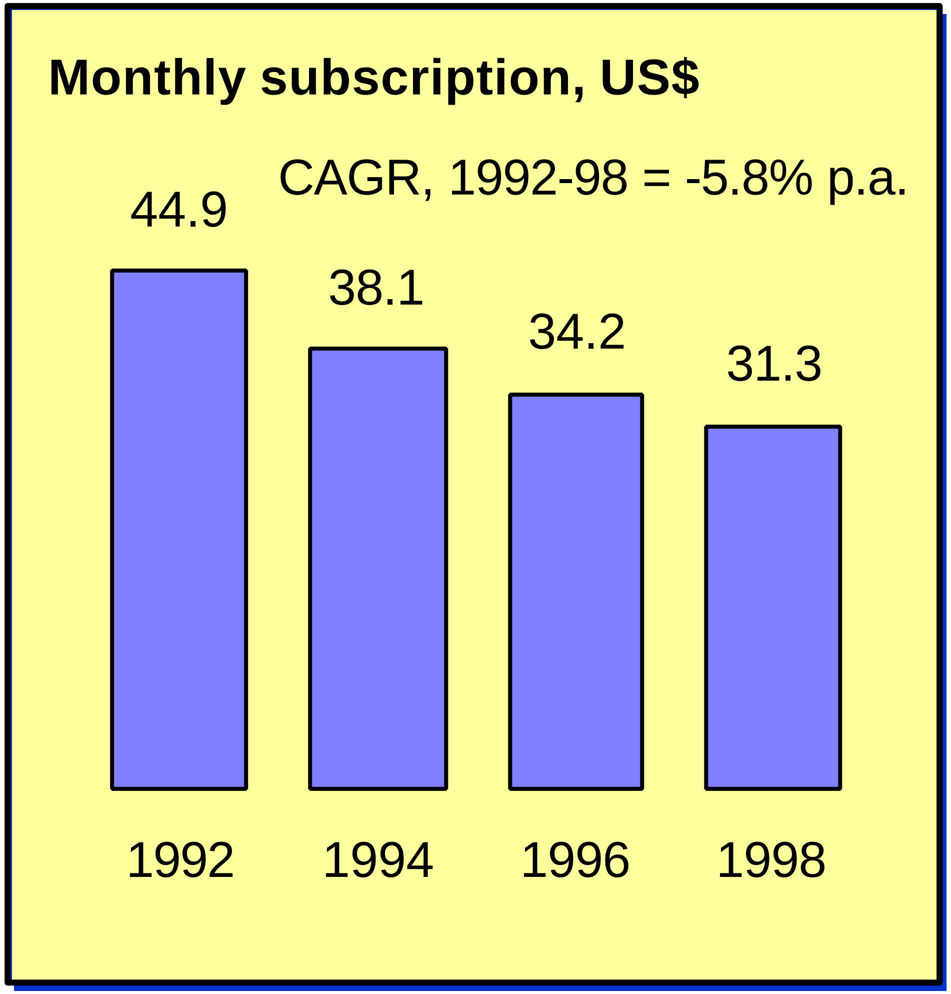
Source: http://www.uk.orange.net/kit/index.html.



Note: Price basket based on monthly subscription plus 50 mins peak and 50 mins off-peak use.
Source: ITU World Telecommunication Indicators Database.

Declining prices for mobile access, global average, in US$, 1992-98

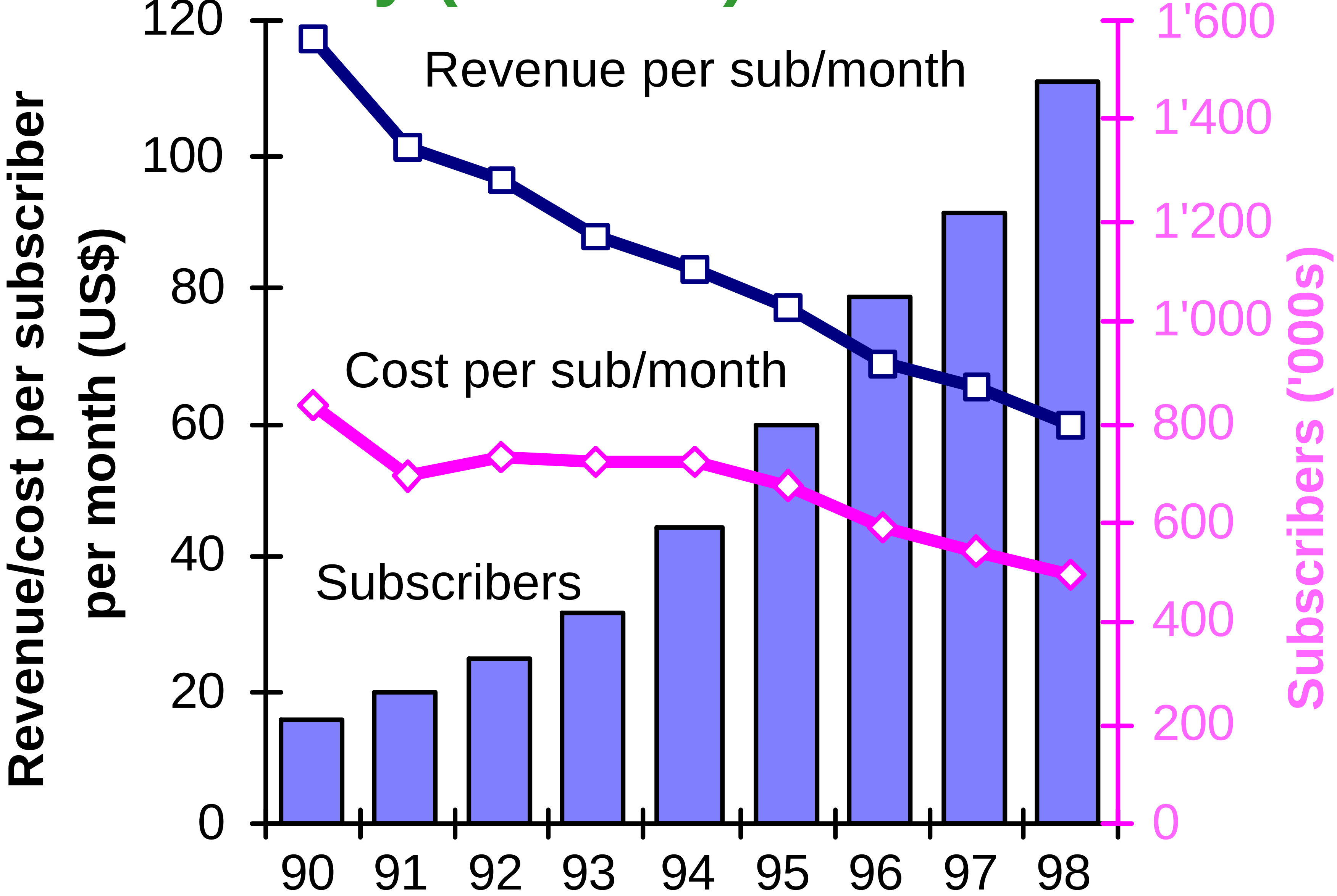




Note: CAGR = Compound Annual Growth rate.
Source: ITU "World Telecommunication Development Report 1999: Mobile cellular"

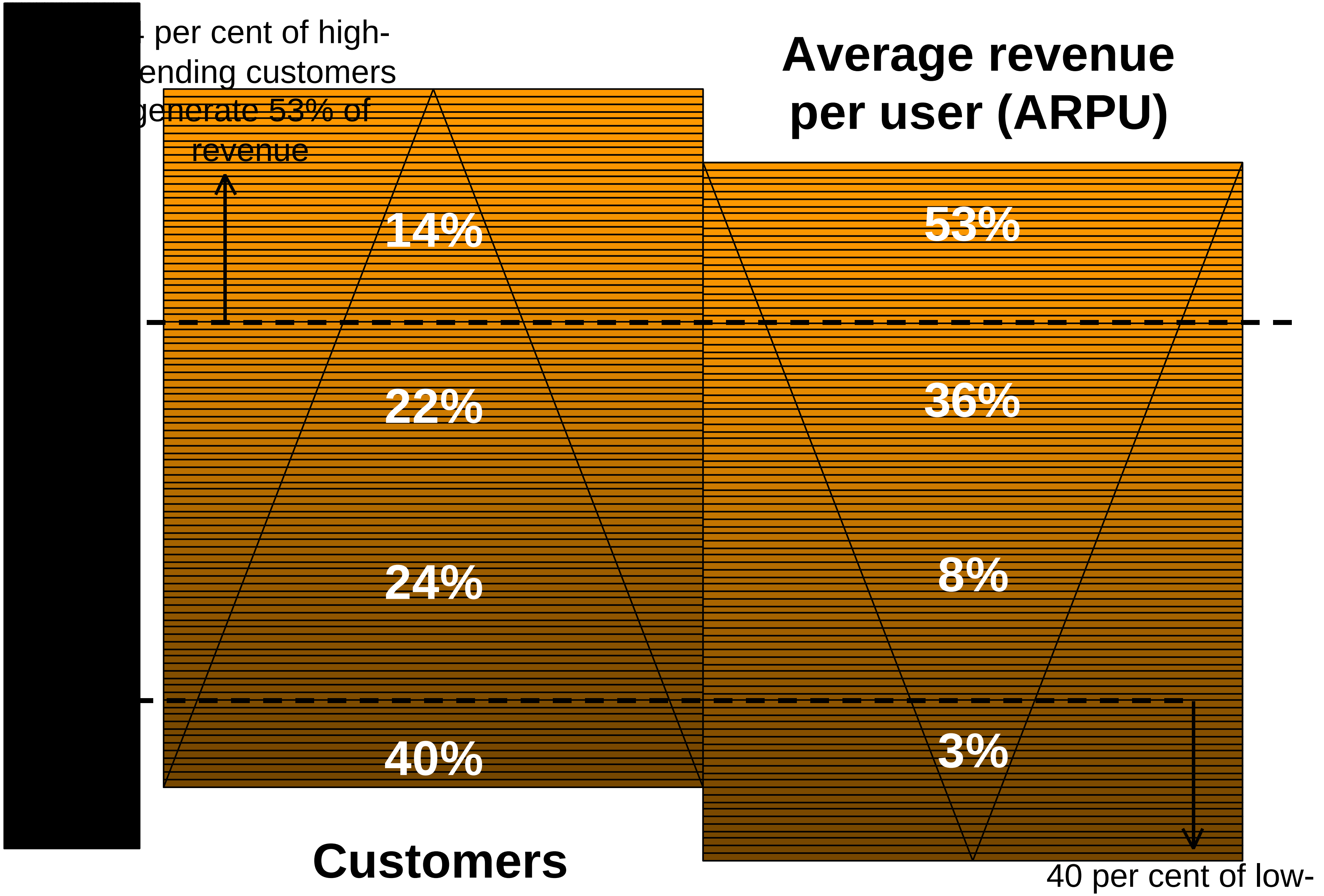
Average revenue per user (ARPU)

Bell Mobility (Canada)



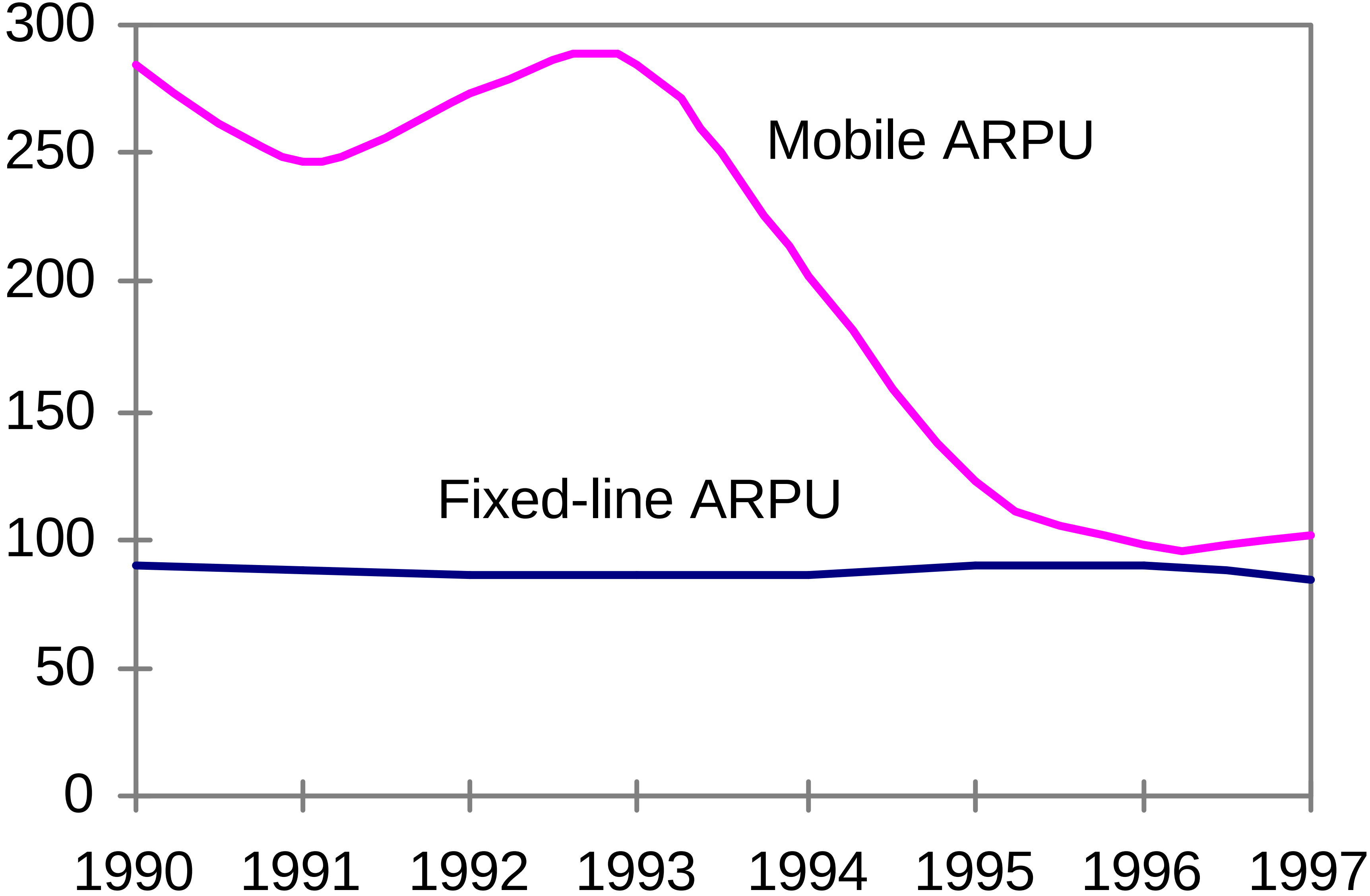
Source: ITU "World Telecommunication Development Report 1999: Mobile cellular"

Cultivate the high-spenders

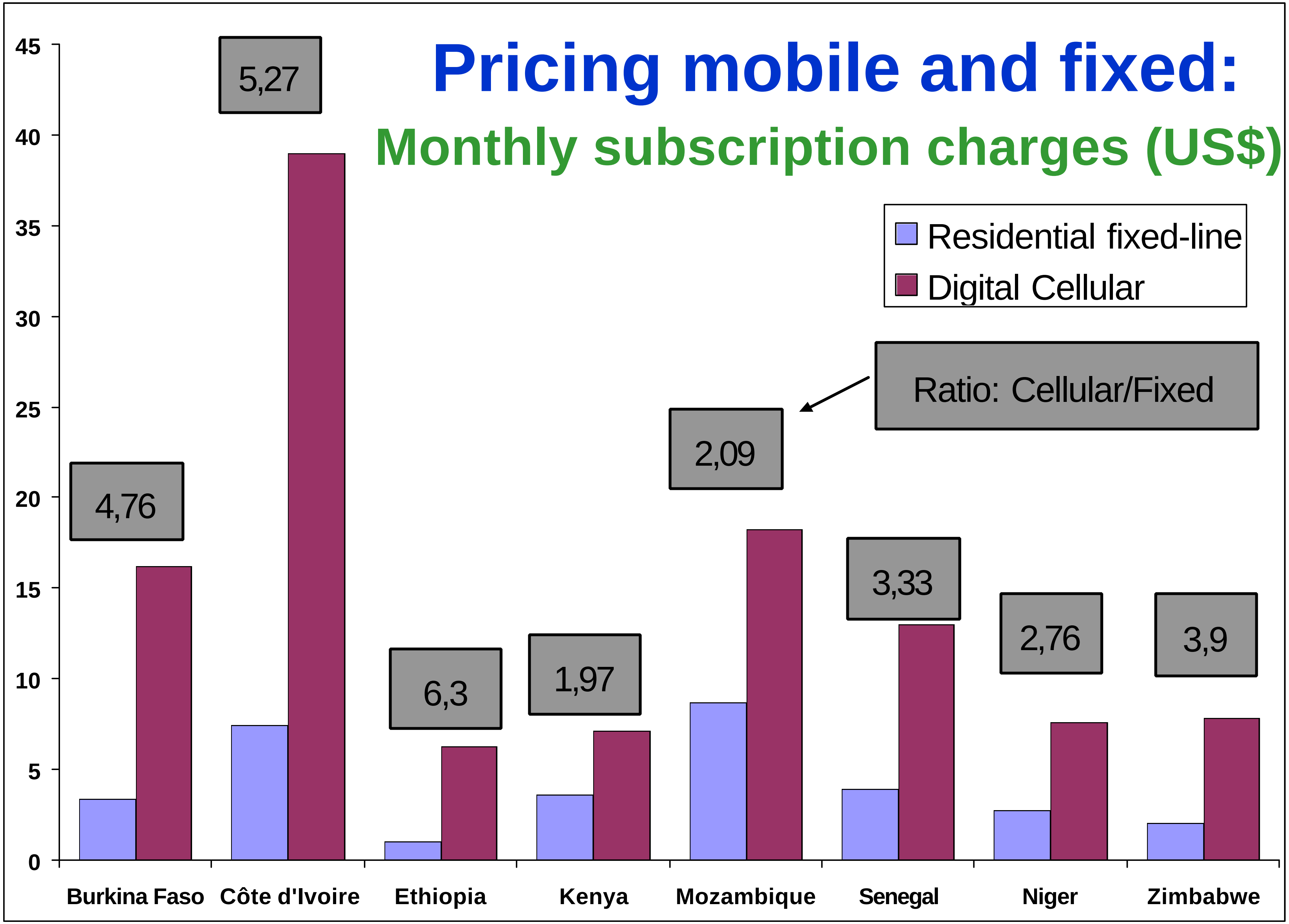


Source: Price Waterhouse Coopers, based on Canadian data.

Mobile ARPU converging with Fixed-line ARPU, Japan (Yen '000s p.a.)

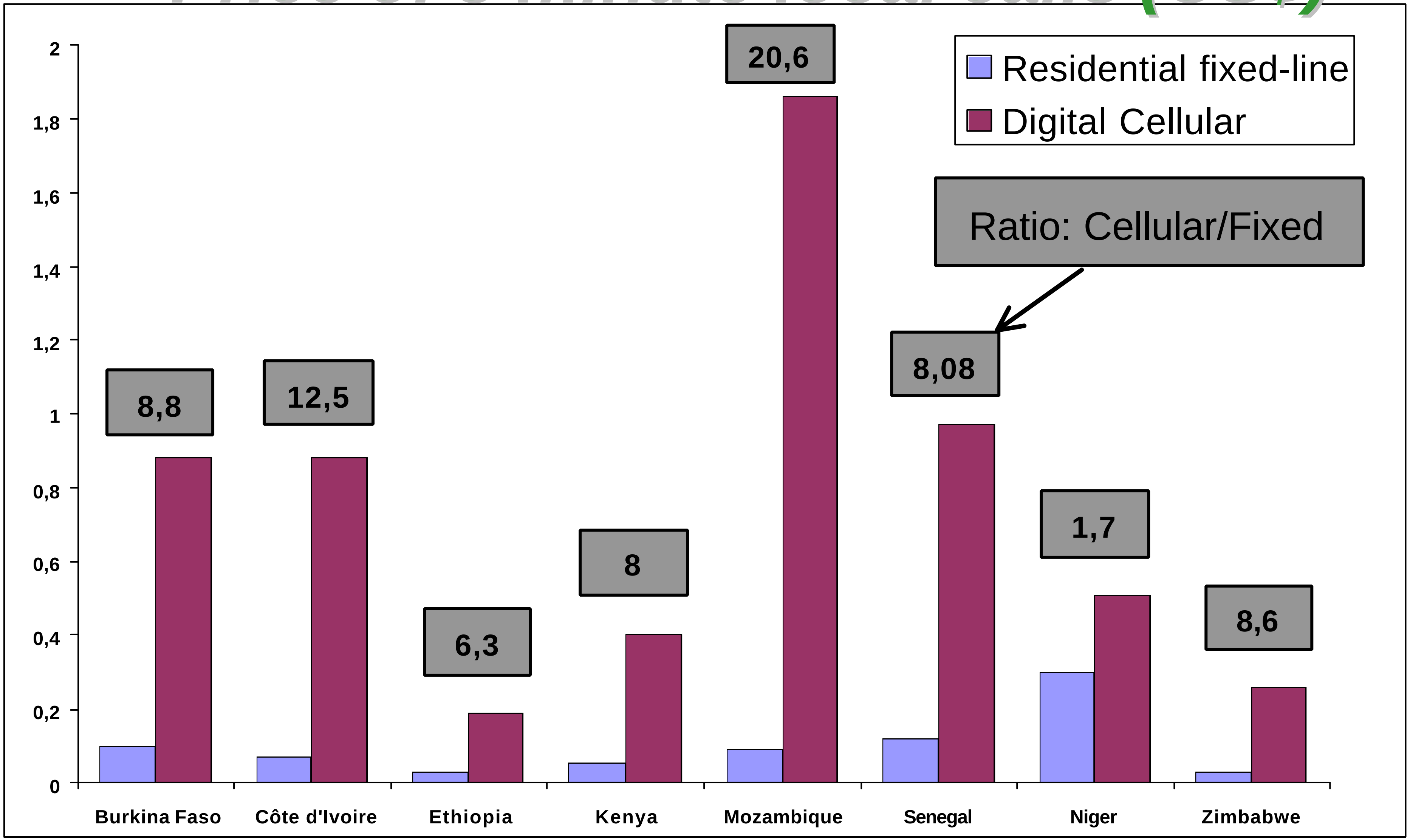


Source: ITU "World Telecommunication Development Report 1999: Mobile cellular"



Pricing mobile and fixed:
Monthly subscription charges (US$)
Residential fixed-line
Digital Cellular
Ratio: Cellular/Fixed
4,76
5,27
6,3
1,97
2,09
3,33
2,76
3,9
45
40
35
30
25
20
15
10
5
0
Burkina Faso
Côte d'Ivoire
Ethiopia
Kenya
Mozambique
Senegal
Niger
Zimbabwe

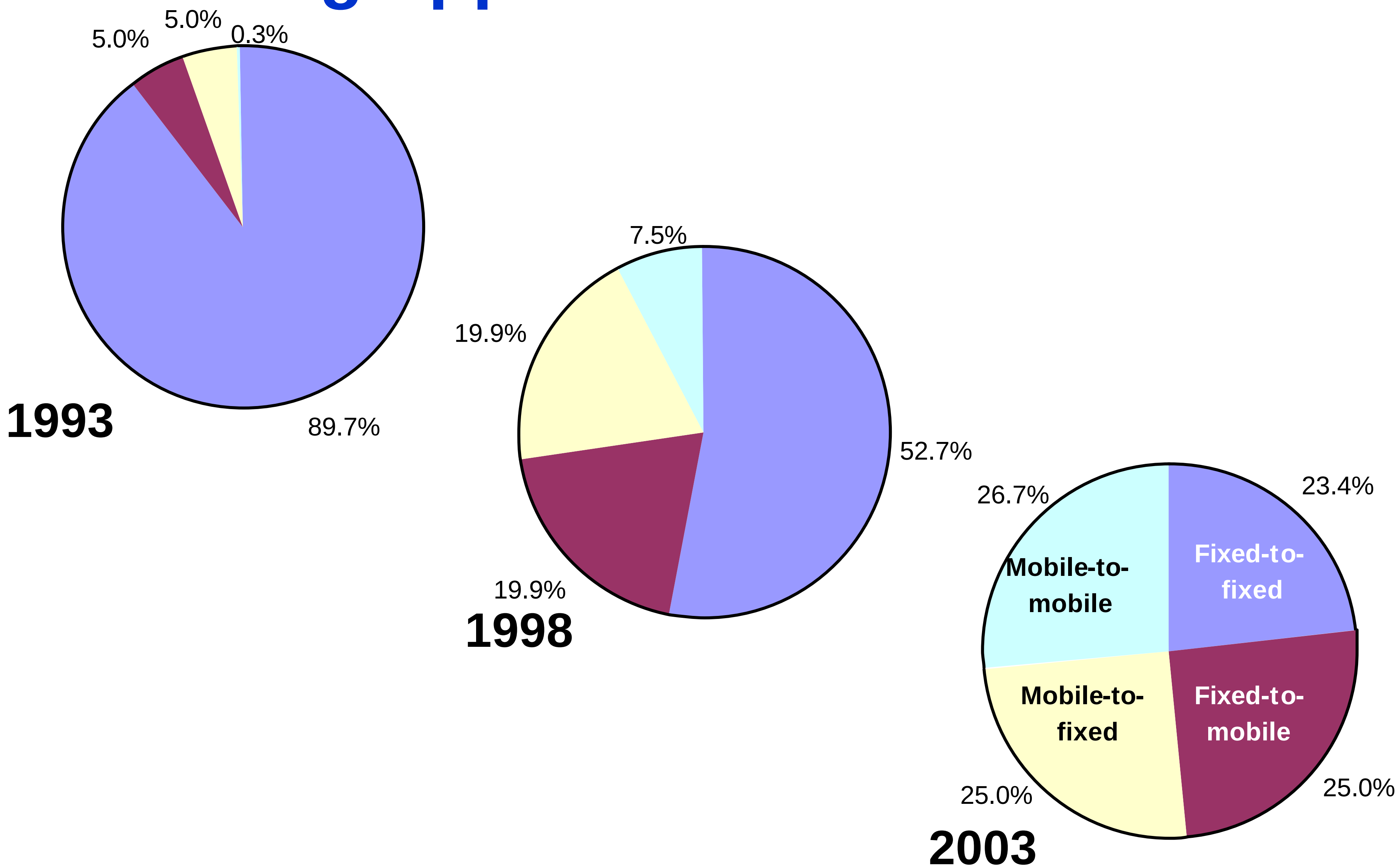
Pricing mobile and fixed:
Price of 3 minute local calls (US$)



Fixed-Mobile Interconnection

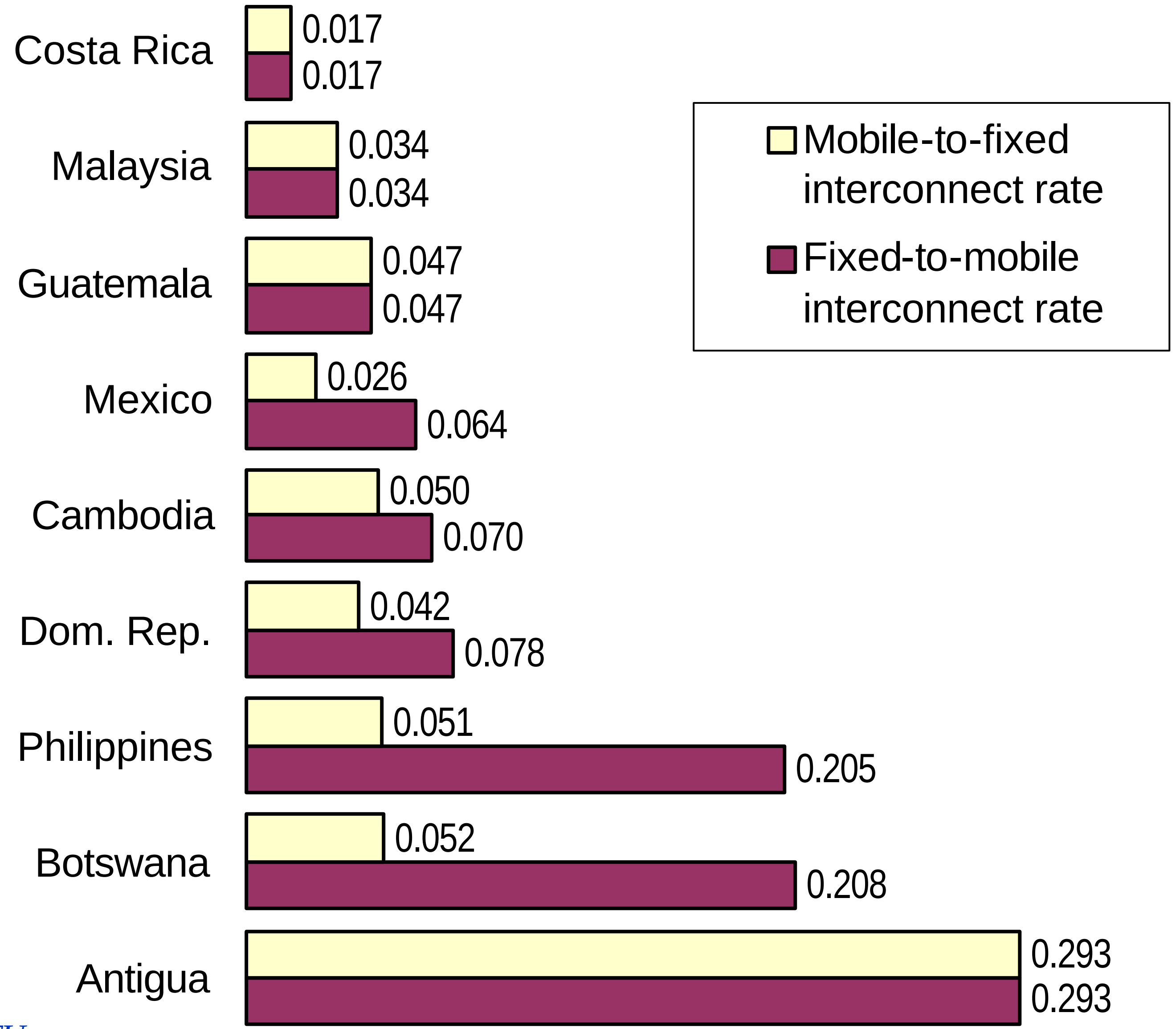
- Interconnect prices are a major determinant of retail prices
- Evidence of “market failure”
  - ⇒ Interconnect prices are variable but generally very high
  - ⇒ In Calling Party-Pays environments, caller may not be aware of the charge they will be paying
  - ⇒ Calling party does not have a choice of operator to terminate the call
- Fixed-to-mobile and mobile-to-fixed highly asymmetric
- By 2005, 75% of all calls worldwide will involve a mobile

Calling opportunities worldwide



Source: ITU Fixed-Mobile Interconnect website: http://www.itu.int/interconnect

Fixed/Mobile interconnect rates in selected calling-party-pays countries

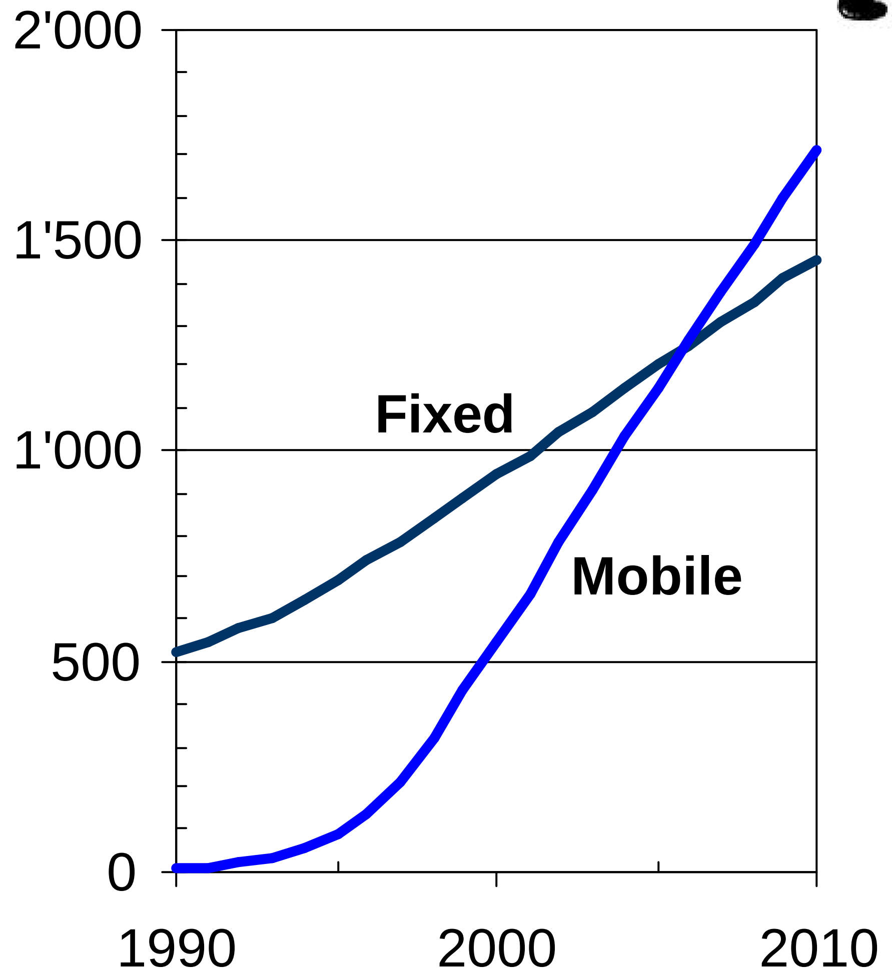


Source: ITU.

A mobile future

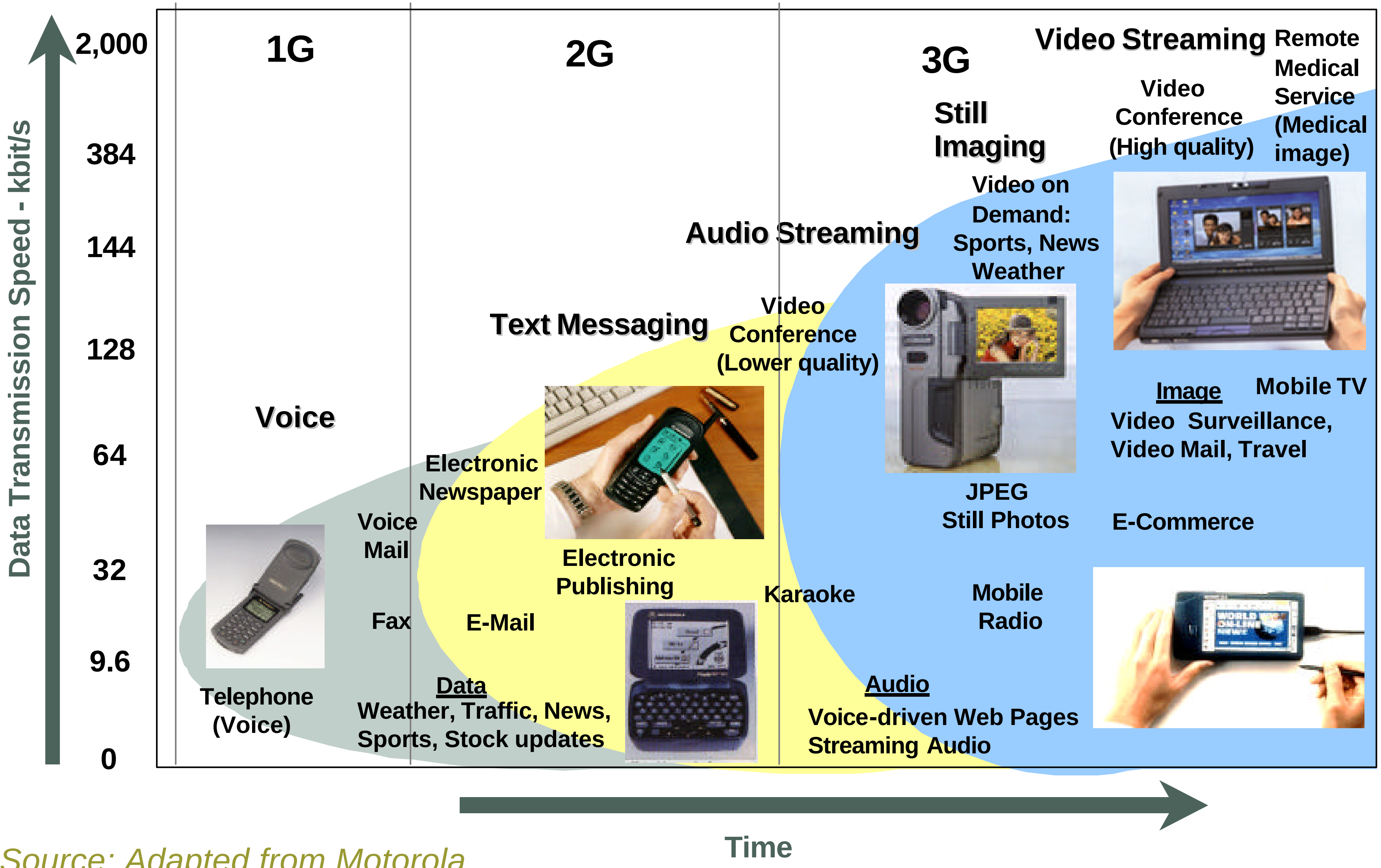
Actual and projected subscriber growth, fixed-lines and mobile, millions, 1990-2010

- **Mobile has overtaken fixed-lines in Cambodia, Finland, Italy, Korea**
- **Mobile subscribers to overtake fixed-line worldwide before 2005?**
- **Mobile revenue to overtake fixed-line after 2004?**
- **Fastest growth in developing countries**

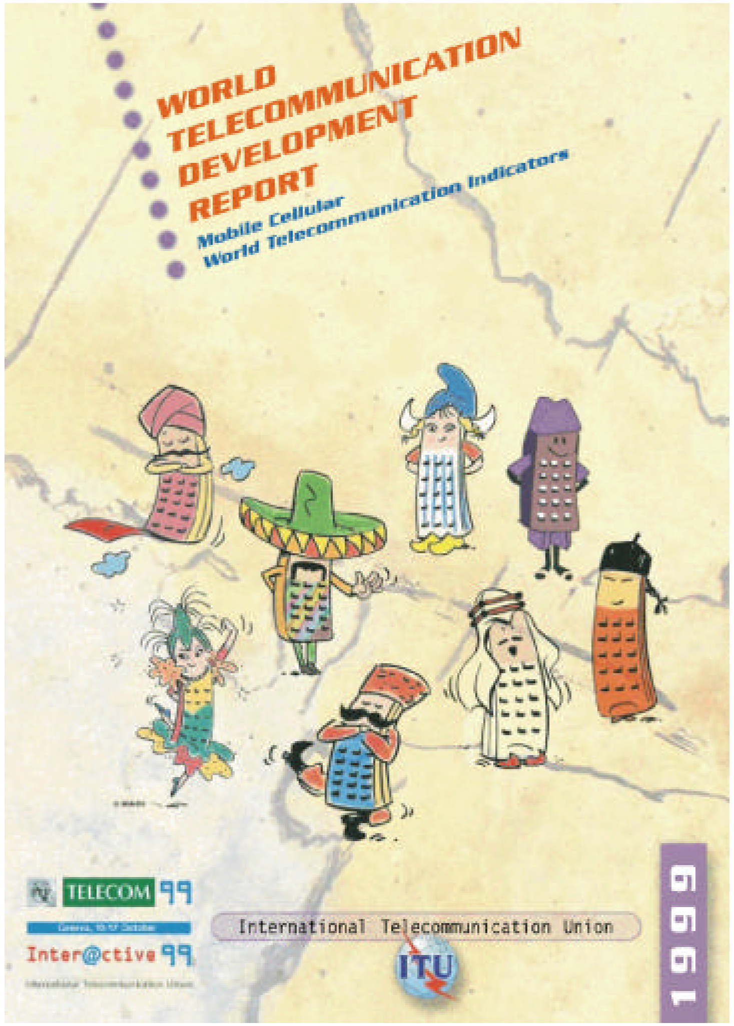


Source: 1990-1998 data from ITU World Telecommunication Indicators Database. 1999-2010 ITU projections.

The race for 3rd Generation mobiles: IMT-2000



Source: Adapted from Motorola.



For more information ...

- **Publication launch: 10 October 1999 (TELECOM '99)**
- **Available on paper and online (PDF format)**
- **World Telecom Indicators Database available online**
- **Website:**

http://www.itu.int/ti

Other reports launched at TELECOM '99

- **Direction of Traffic 1999: Trading Telecom Minutes**
- **Trends in Telecom Reform 1999: Convergence**
- **Internet for Development (updated with latest data)**