



Price baskets in KSA and CITC benchmarking study

Hiroshima, December 2015



What is a price basket?

- A (monthly) consumption volume, representative of the average consumer of telecoms services.
- Typically calculated for voice calls (number, minutes), SMS and data volume

Methodology CITC followed in defining the KSA price baskets

Step 1

Usage baskets
calculated based on
data provided

- Data provided by service providers in response to data requests
- Average consumption/user/month based on data received

Step 2

Cross-check and
finalisation of the
usage baskets

- Evaluation of the advertised tariff plans by the service providers
- Assessment of the consumption data in Step 1 vs. tariff plans



CITC carried out a benchmarking study in early 2015 using price baskets and based on principles of the ITU approach

Objectives of the study

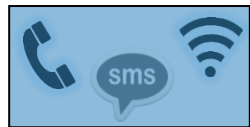
- Estimate the cost of telecoms services for an average user in KSA
- Compare the estimated cost against benchmark countries (in the region and the rest of the world)



Covering mobile and fixed markets



Benchmarking KSA against 23 countries



Use of price baskets



Using advertised tariff plans of service providers during Q1 2015

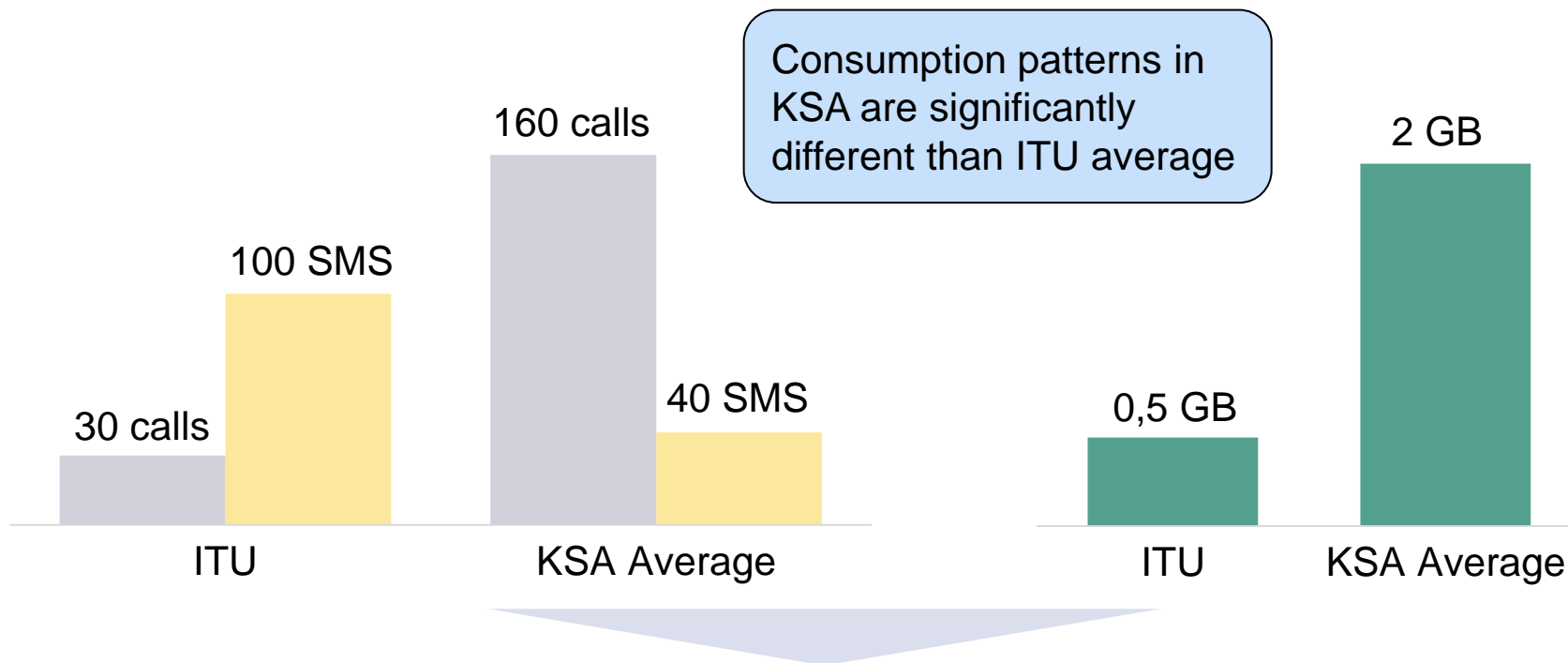


KSA-specific consumption baskets

Mobile voice and SMS services

Mobile broadband services

Consumption patterns in KSA are significantly different than ITU average

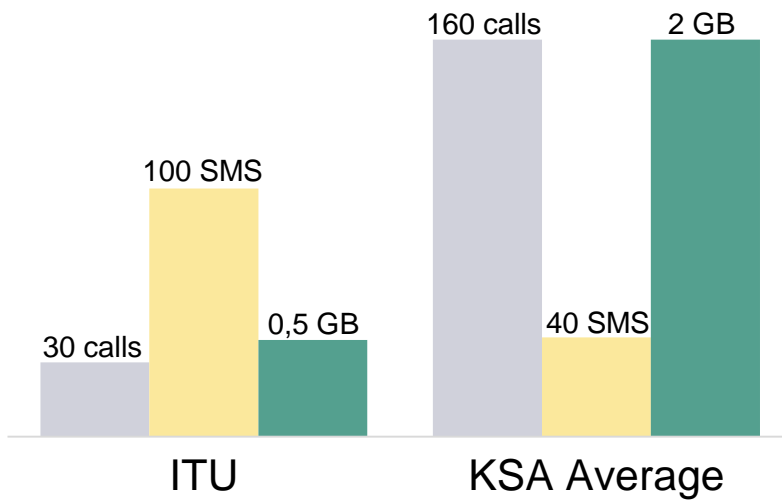


- ✓ Given the differences observed, comparing the cost of the KSA consumption baskets across countries was the logical approach for our study



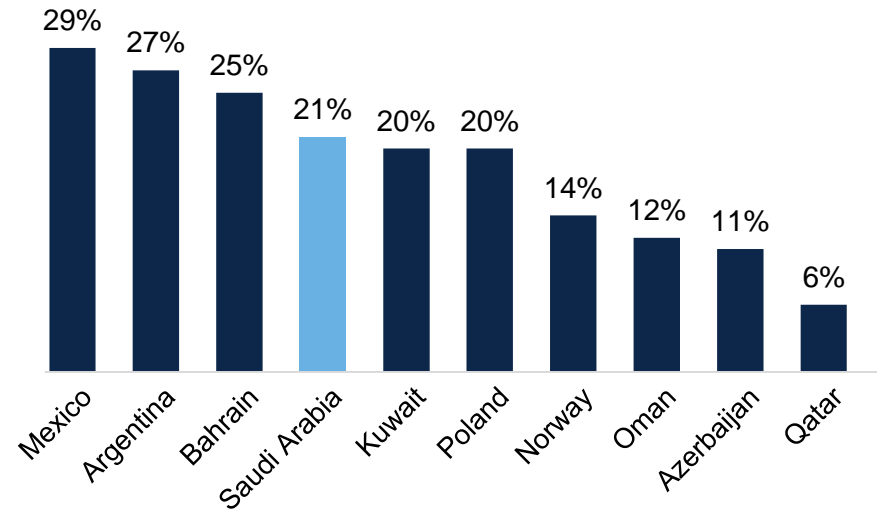
Bundle tariffs

Bundled mobile services



Most current plans in KSA are bundles combining 3 services

Discounts for bundled purchase*



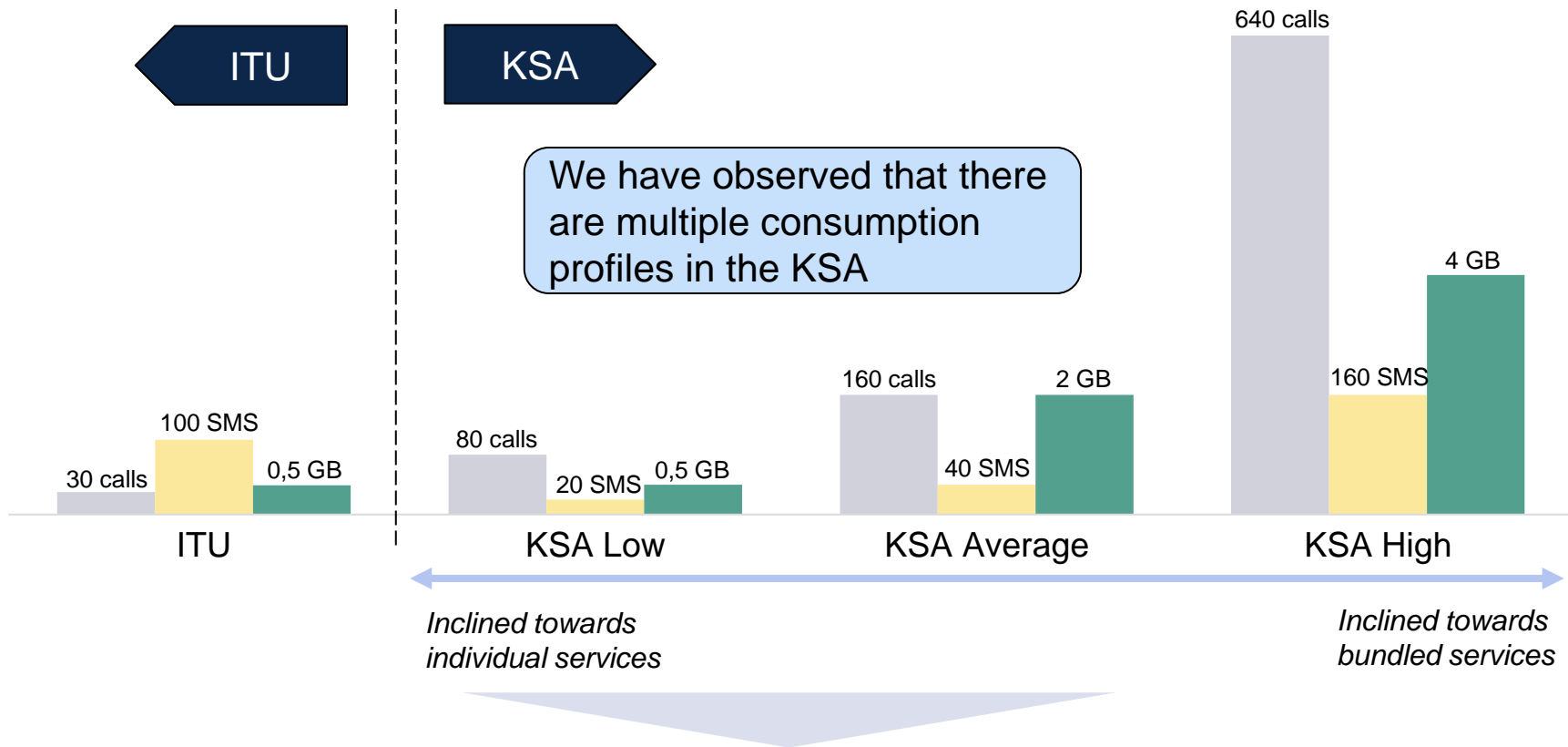
Especially in mobile, bundles are becoming more attractive and demanded

- ✓ Given the significant discounts with bundles, we considered the cost of the KSA consumption baskets when purchased as a bundle (as well as individually)

(*) % difference of the lowest cost of purchasing mobile voice, SMS and data as a bundle vs. Individually observed in benchmark countries



Multiple usage profiles






We have observed that there are multiple consumption profiles in the KSA

- ✓ We have benchmarked the cost of services for each usage profile to get the full picture of the price levels for different consumer groups



Wide set of data used

	ITU	CITC
 <p>Analysed service providers</p>	1	2
 <p>All current plans (incl. bundles)</p>	X	✓
 <p>Type of plan</p>	Only prepaid or only postpaid for some service sets	Prepaid and postpaid

Important findings

Most economic tariffs are not always available from the first operator

In 14/24 countries, lowest costing tariff was from 2nd operator for mobile bundles

Consideration of all plans ensure bundle discounts are captured

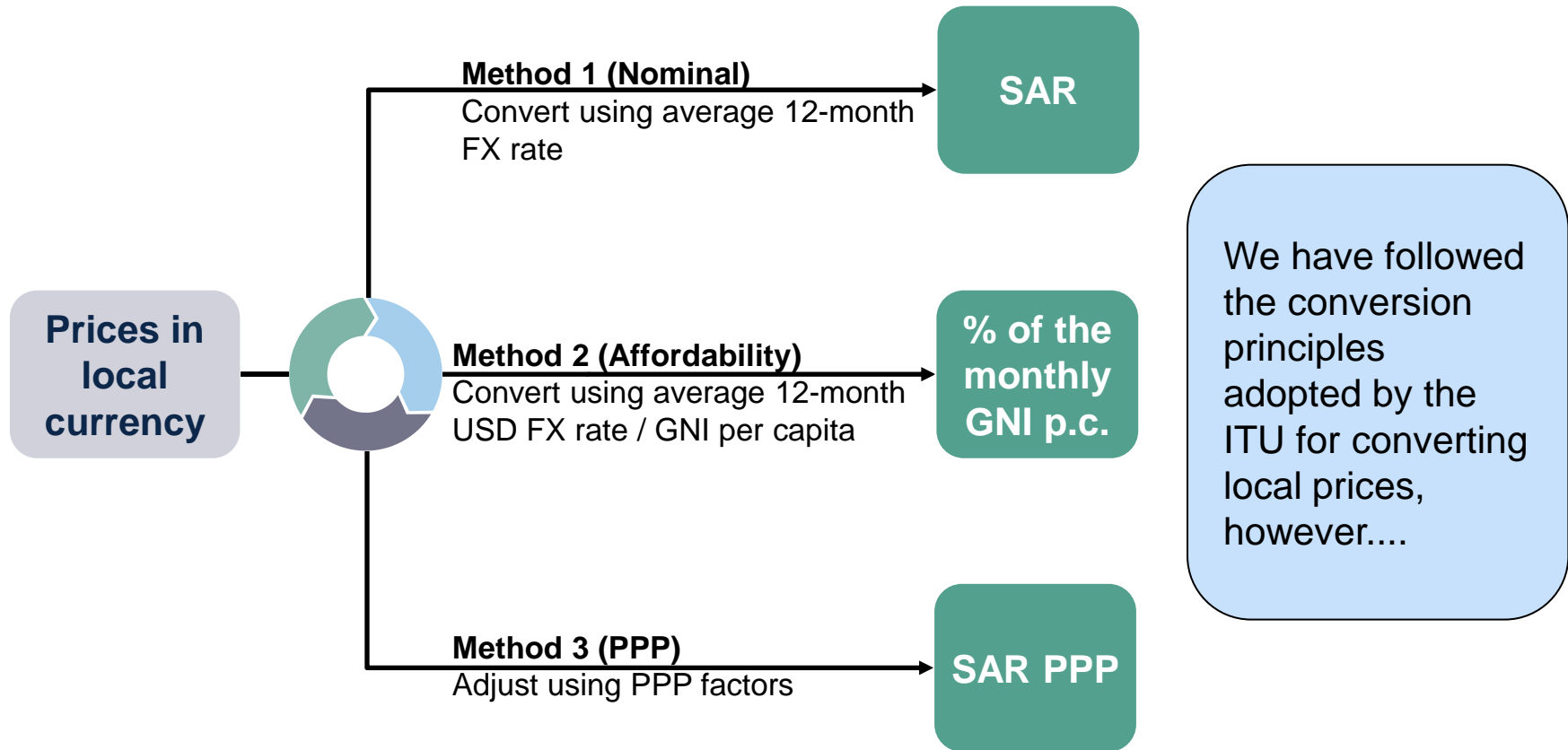
50% of the time the lowest costing tariff was a bundle (for mobile service sets)

Analysis of both prepaid and postpaid plans better fits with market realities

For mobile voice and SMS services, in half of the countries, the lowest costing tariff was a postpaid plan



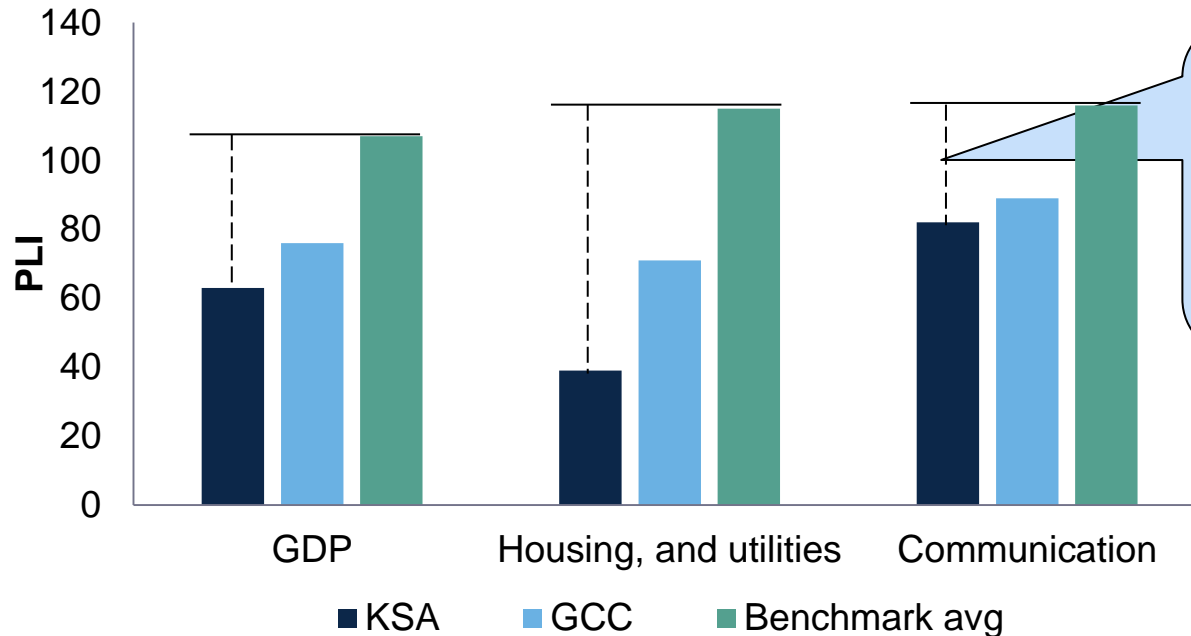
Approach to comparison of local prices ...





... Approach to comparison of local prices

Price level index (PLI) for different consumption categories*



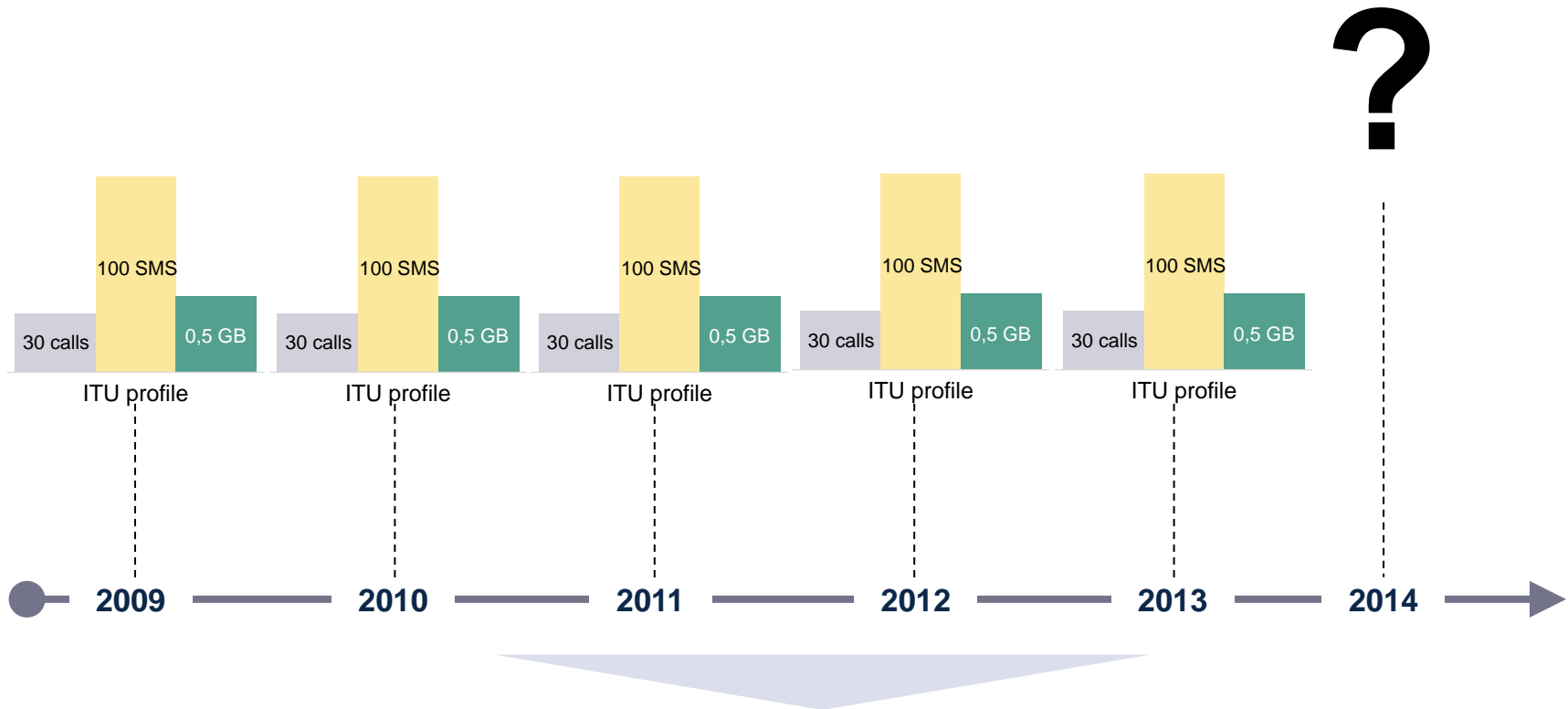
.. we have also observed that purchasing power of 1 SAR is closer to benchmark average in the 'communication' category than other categories

- ✓ Under Method 3 we have used the PPP factors calculated by the World Bank for the communication category.



Suggestion #1: Given pace of change in usage habits, baskets in MIS Reports may need frequent review to adequately reflect the market trends

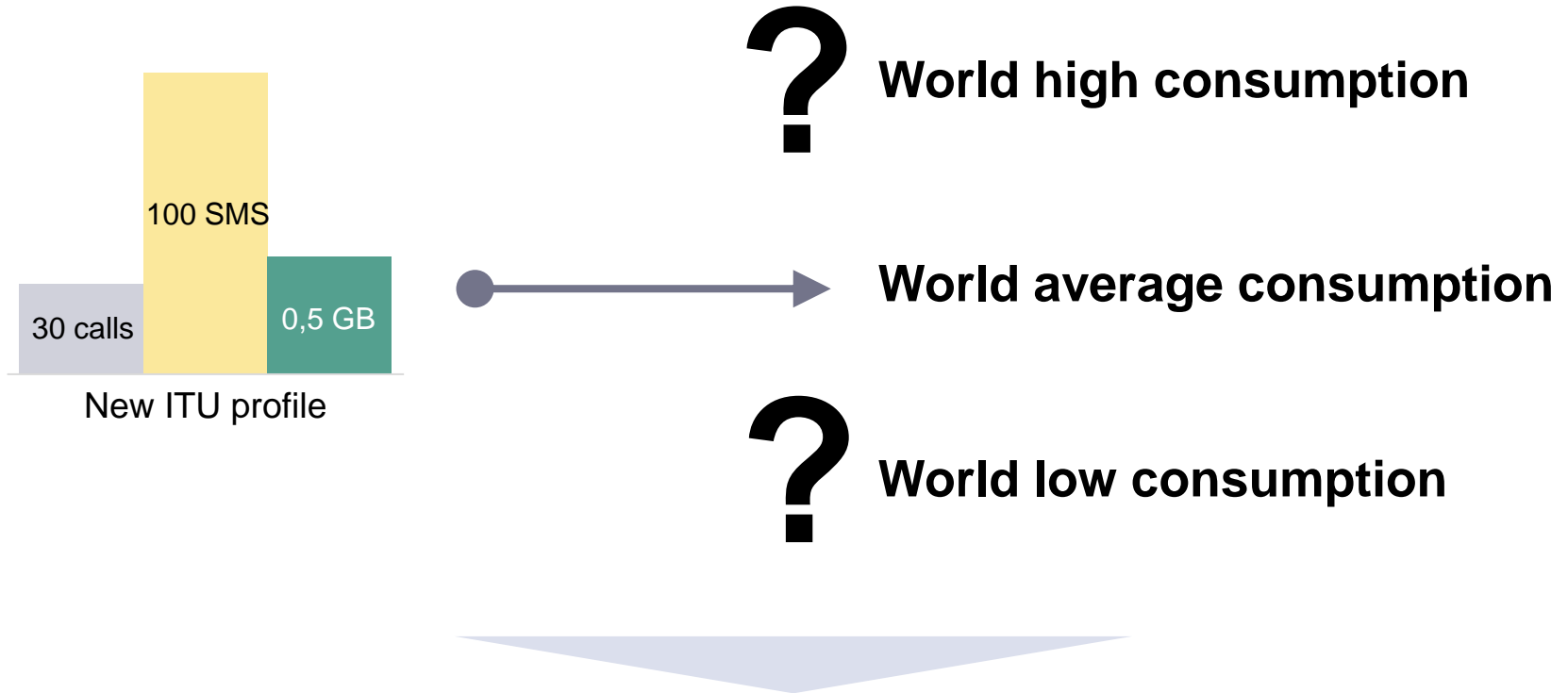
Mobile usage profile used in previous ITU MIS reports



Updated usage baskets will improve representativeness of the consumers



Suggestion #2: In addition to a world average, a low and a high consumption basket may lead to deeper understanding of the markets



Better comparability among countries with similar consumption profiles



Other Suggestions

Data from 2 service providers

Consideration of all announced tariffs from 2 providers definitely improve the accuracy of the study

Improved accuracy of results

Wider set of tariff plans

Consideration of all tariff plans (including bundles and all prepaid and postpaid plans) in countries would better capture the overall price levels given the changing consumption habits

Better fit with market realities

Communication PPP factors

Usage of the PPP factor for communication category eliminates the effect of asymmetric price differences in non-telecoms sectors across countries

Improved accuracy with PPP comparison



Thank you □