

Mobile Number Portability and the Accelerator Effect

On 20 January 2011, a new era dawned on the Indian Telecom industry with the launch of Mobile Number Portability (MNP). Service providers have spent lots of money and effort on MNP campaigns. It was featured in silver screen glitterati and discussed at length on various business and news TV channels. Looking back, mobile subscribers in Singapore were one of the first in the world to enjoy mobile number portability through this Call-Forwarding solution when it was launched there in 1997.

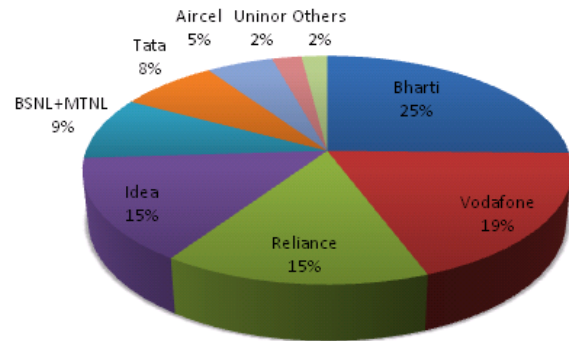


Fig 1: Indian Mobile Service Providers Market Split (as on April 2011)

Source: <http://www.coai.com/statistics.php>

Following Singapore, countries like Hong Kong, UK and Holland made this facility available to subscribers in 1999 and now over 54 countries around the world have implemented mobile number portability. The global experience shows that the postpaid segment (i.e. high ARPU customers) is more receptive of porting-in to a better service provider compared to other segments. However, industry bodies and service providers feel that MNP would not be a game changer in India owing to factors like multiple SIM usage and competitive tariff ecosystem. Also the postpaid to prepaid gap affects the outcome.

Market surveys have shown that a number of mobile users in India are unhappy with their existing operator and are willing to switch to another service provider if allowed to retain their number. But in sheer numerical terms, the response to MNP turned out to be less significant than what was expected. Hence MNP lost the buzz surrounding it, post launch.

The mobile subscriber base in India is more than 850 million. Every month, about 12 million new subscribers are getting added across networks. In comparison to this, MNP additions pale in terms of contribution to regular net additions.

However, the experience has not been uniform across operators. Operators like Vodafone, Airtel and Idea were the most to gain from MNP compared to others contrary to the belief that new entrants would be the most to gain.

MNP Porting Statistics (January - March)

Despite the delayed launch and a strained consumer adoption environment due to technical, regulatory and procedural glitches, almost 5 million subscribers had applied to port their mobile numbers by the end of March.

Operators	Total Subscribers in Millions	Subscribers Ported In	Ported In %	Subscribers Ported Out	Ported Out %	Net Addition	Net Addition %
Vodafone	127.36	488,250	0.38	295,489	0.23	192,761	0.15
Idea	84.29	391,191	0.46	240,402	0.29	150,789	0.18
Airtel	155.80	530,615	0.34	382,400	0.25	148,215	0.10
BSNL	88.82	107,724	0.12	257,817	0.29	-150,093	-0.17

Table 1: MNP porting statistics (January – March)

According to the Telecom Regulatory Authority of India (TRAI), the wireless user base grew 2.55 percent, from 791.38 million in February 2011 to 811.59 million in March with the addition of 20.21 million connections.

Operator	Net adds	MNP Net adds	Subbase Apr	MNP adds %age operator adds	MNP adds %age subbase
Airtel	8,818,089	507,000	164,614,687	5.7%	0.3%
Vodafone	9,614,771	514,000	136,979,113	5.3%	0.4%
Idea	7,820,516	470,392	92,110,157	6.0%	0.5%
BSNL	4,300,725	(409,000)	87,891,740	-9.5%	-0.5%

Table 2: Contribution of MNP to overall subscriber base

The Indian market has been on a roll with net additions crossing 10 million a month consistently since the past 2 years. But majority of the additions have been in the lower ARPU segment (INR 25) and hence the revenue growth from fresh subscribers has been less noteworthy. But, MNP port-ins are likely to be in the higher ARPU segment (above INR 500).

MNP vs Normal additions

A comparison of the profile of the fresh activations vs. MNP port - ins brings out several key differentiators –

Profile	Normal fresh addition	MNP Port-in	Implication
ARPU	Very low, < INR 100	Very good, INR 500 - 1000	5 - 10x increase on revenues
Loyalty	Very low – shift within 3 months, have multiple SIMs	Very high – could remain for > 12 months	Lower churn, higher profitability
Cost Of Sales	High, since distribution model is causing increase in commissions – average INR 200 per subscriber	Low, since majority are voluntary port-ins with NIL or low acquisition costs	Improves profitability

Table 3: Difference between MNP Port in and Normal fresh addition

Though the postpaid segment is still small; 4% against the 96% prepaid segment where the churn is greater, as non-number sticky customers always had an option to keep shifting SIMs based on promo-tariffs. Statistics show that the ARPU of regular postpaid subscriber is about 5 times ARPU of prepaid subscriber. And the postpaid subscriber is 3 - 4 times loyal compared to prepaid subscriber. Therefore the postpaid segment and customer value are the main focus areas, as it gives an opportunity to attract the “high ARPU sticky (loyal)” customers.

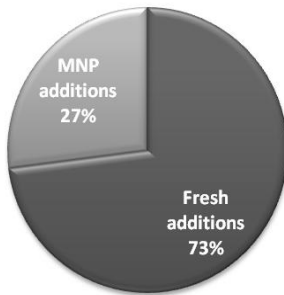


Fig 2: Revenue as %age of subscriber base additions

We have analyzed the performance of the major national operators in terms of MNP statistics. Considering major players like Airtel, Vodafone and Idea we see that the revenue from MNP additions are an average of 27% to actual subscriber base additions. Subsequently, though adoption will be limited to a relatively small segment of customers comprising postpaid and high - spending prepaid subscribers, a more pronounced effect of MNP is likely to be an increased focus on improving the customer experience in driving higher revenues through network superiority and customer experience excellence.

As an illustration, considering the effect of ARPU, the impact of the MNP net ports on the fresh addition gets enhanced as seen from the below table –

Operator	MNP Net adds	Revenue Equivalent Net adds	%age to actual sub base additions
Airtel	507,000	2,535,000	26.5%
Vodafone	514,000	2,570,000	24%
Idea	470,392	2,351,960	30%
BSNL	(409,000)	(2,045,000)	-

Table 4: MNP Net additions

MNP Accelerator

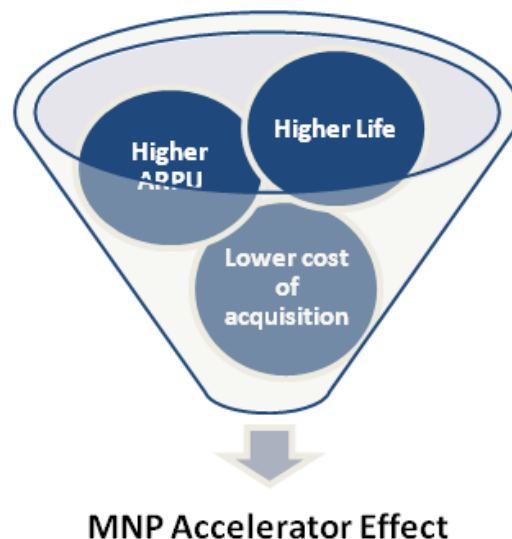
So the MNP additions are having a much larger impact in equivalent subscriber terms than is projected by just numbers.

The impact of MNP should be seen from the above perspectives –

1. *Brings higher ARPU subscribers to the operators*
2. *Attraction of subscribers with higher loyalty potential*
3. *Lower cost of sale*

Hence, we have devised a metric to assess the impact of the MNP port-in (port-out) subscriber vis-à-vis the average fresh subscriber – ‘**MNP Accelerator Effect**’ taking into account the effect of higher ARPU, higher life, lower cost of acquisition.

Based on industry averages, the MNP accelerator for the operators has been computed as below. This illustrates the Revenue effect of MNP port-in subscriber vs. average fresh addition over a 12 month period.



	Fresh adds	MNP adds	Accelerator effect
Airtel	881,808,900	1,216,800,000	138.0%
Vodafone	961,477,100	1,233,600,000	128.3%
Idea	782,051,550	1,128,940,800	144.4%
BSNL	430,072,500	(981,600,000)	-228.2%

Table 5: Fresh Net additions

Thus we can see that Idea would be probably getting nearly 50% more revenue over a year from their monthly MNP port - ins than from the average fresh addition, though the MNP port - ins is just 6% of their average monthly additions.

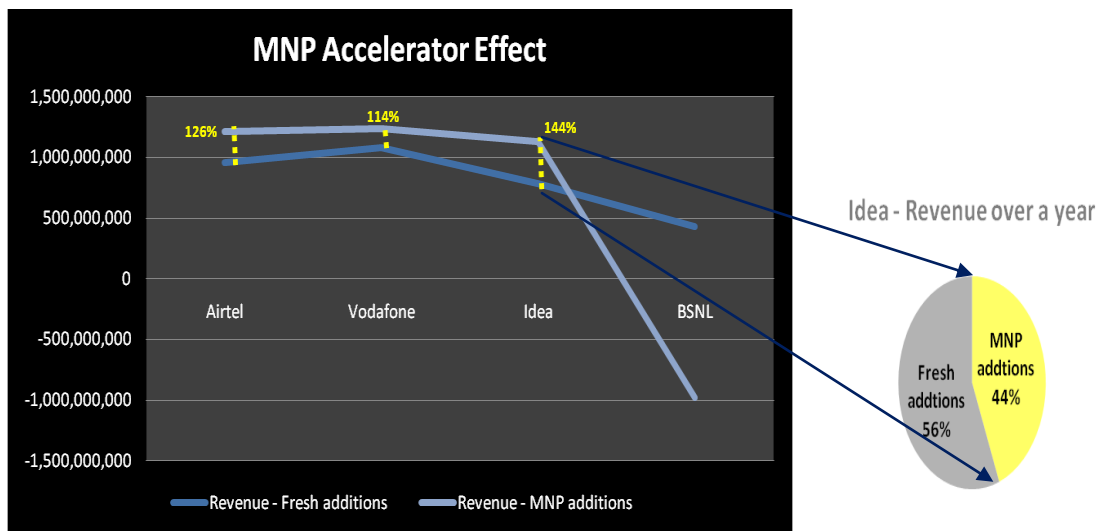


Fig 3: MNP Accelerator Effect

The wheel has ultimately taken the complete turn now and the customer is the King yet again with MNP which helps operators bring added choice and convenience to India's mobile subscribers @ cost - a mere INR 19 – a onetime MNP charge.

Operators should have a focus on MNP considering the revenue impact it can bring about. Investments in technology and networks would give an edge. In addition, improving the service delivery processes would ensure the new customer experience is rich.

Business intelligence and analytics helps to define and compute newer metrics such as the **MNP accelerator effect**. This helps to go beyond data and numbers to unveil the ultimate business and customer value.

About the Author

Sathya Karthik is the managing director and CEO of ABIBA Systems. As a management professional, he has handled a variety of leadership roles in telecom, services and technology companies. He has over 15 years of experience with 12 years in the telecom and technology sectors. He has managed operational and leadership roles across the telecom domain ranging from finance, revenue management, sales and customer service operations.

Sathya has defined, consulted and delivered process and technology outsourcing propositions for Fortune 500 global telecom companies. In ABIBA, he is translating the belief that Technology is an enabler by developing industry leading solutions to meet the BI and analytics needs of operators. Sathya's responsibilities with ABIBA Systems include Corporate Strategy, Sales & Marketing, Alliances, Telecom domain consulting, Client Engagement and Finance.

About ABIBA Systems

ABIBA Systems is a specialist telecommunications business intelligence and analytics software firm. It is reinventing business intelligence and analytics through its domain centric approach and business user driven solutions. Solutions from ABIBA Systems emphasize high user adoption, low TCO and quick deployment. ABIBA Systems' product portfolio includes Champion™, TeleView™, TeleRAS™, TIMS™ and CampPro™.

Recent accolades include

- Winner of Red Herring Asia Awards 2010, Shanghai, China.
- Listed as one of the top BI & Analytics companies to watch out for in 2011 by DataQuest.