



Savitar Research Group

Mobile Number Portability in India

A brief assessment

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8/4/2010

Introduction

Telecom Regulatory Authority of India (TRAI) Chairman JS Sharma, announced that the citizens of the country- India, would have access to Mobile Number Portability by October 31 2010. It has been a long delay for MNP in India. What is MNP exactly and why should you care? It matters to you if you want freedom of choice. If your mobile telecom network operator is not giving you the level of service you desire or the type of service plans to match your budget, you will want to switch to one who does. A mobile phone number has become a part of your personal and digital identity. You have given that number to everyone and changing the number will be painful and time consuming.

In such a case, you'd like to hold on to your current mobile phone number, yet have the freedom to switch to a mobile operator of your choice. That is not possible in the system today. When Mobile Number Portability or MNP becomes available in India, you can finally retain your number, yet change your operator.

For the mobile operators, in the MNP regime, they have to satisfy their customers or lose them to competition without any impact to the customer. In hyper competitive market that is prevalent in India today, it will put pressure on the operators, both incumbent and incipient, to increase their service quality levels and offer better schemes to retain any sense of loyalty.

Government is ushering in MNP to address customer quality issues such as voice quality and call drop volumes. It also forces the operators to use the spectrum more efficiently and forestalls customer abuse via lock-in schemes.

What is Mobile Number Portability

Mobile Number Portability (MNP) enables customers to retain their mobile telephone when changing from one mobile operator to another mobile operator. The end-user, customer, now will have absolute choice to switch to the service that best fits their budget and need.

We need to shed some light here about MNP. Some relate to the operator and government, others are that concern the customer.

Implementation of MNP

Evidently MNP implementation has not been smooth in the past. In India, issues that could arise based on experiences from immediate neighborhood- South Asia, and in general, around the world.

MNP Implementer

A third-party company will act as clearing house to carry out the call transfer operations on behalf of both (donor and recipient) operators during the interim phase. The third party company maintains a Central Database (CDB) that stitches the 'ported out' number from old service provider to 'ported in' number from new service provider. Primarily, the function of CDB is to keep current identification of the corresponding stitched numbers when queried for optimal routing of the voice and messaging service. Service providers will update their ported numbers database in sync with CDB.

MNPs are responsible for the hardware and software implementation of MNP. It is also up to them to work with the access operators and others to install and maintain compatibility for the system to work.

The process of porting is initiated by the customer by submitting an application to port along with the porting fees and other necessary documents. A processing house will check the validity and passes it on to the MNP implementer. The customer is in a lock-in period for three months wherein no other porting change is allowed.

The donor access provider will provide an optimal routing procedure to MNP implementer for any future activity on this ported mobile number. MNP implementer updates the CDB. All access providers will synchronize to the CDB for updates.

When a call is made by a ported number, the call origination access provider will query the CDB for proper routing procedure. CDB will respond with a routing rule to the origination access provider who in turn will handle the call as normal from there on.

MNP implementer makes money via a 'dipping' charge. Whenever a query is made to CDB by an access provider, a 'dipping' charge is applied. The per query charge rate is a mutually negotiated rate a priori between the MNP implementer and the access provider.

MNP implementation in India has been broken into two zones. Syniverse has been appointed as the implementer of MNP for Zone1- South and East zones. Telecordia has been granted the license for Zone2- North and West zones.

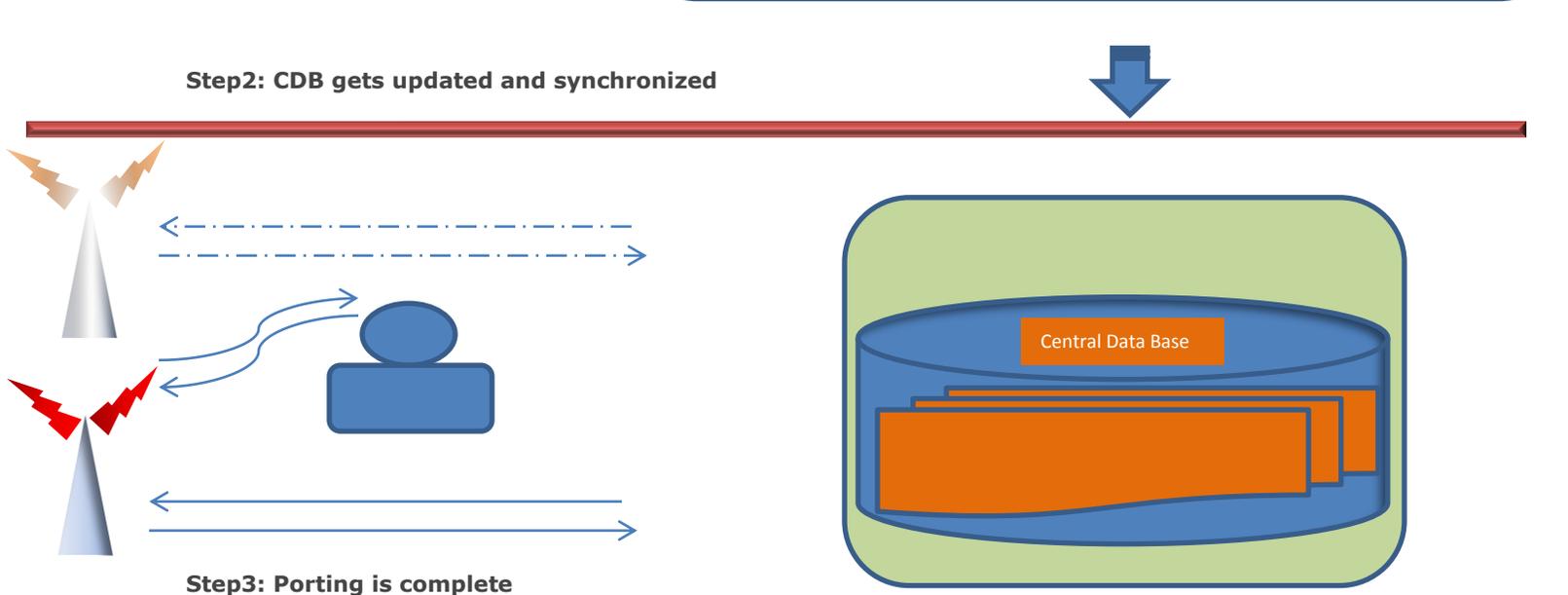
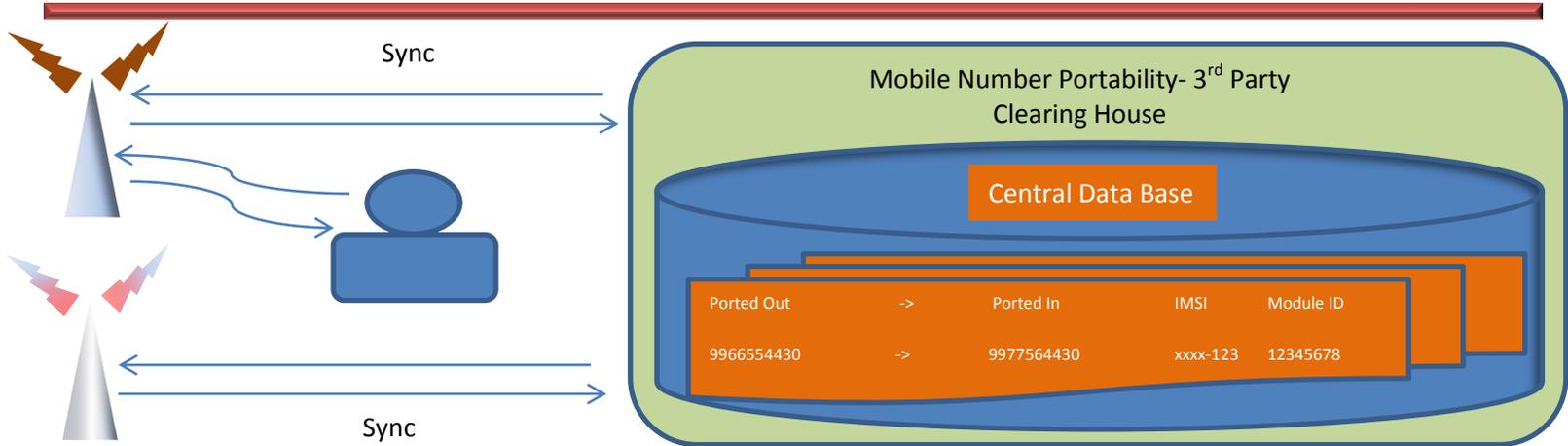
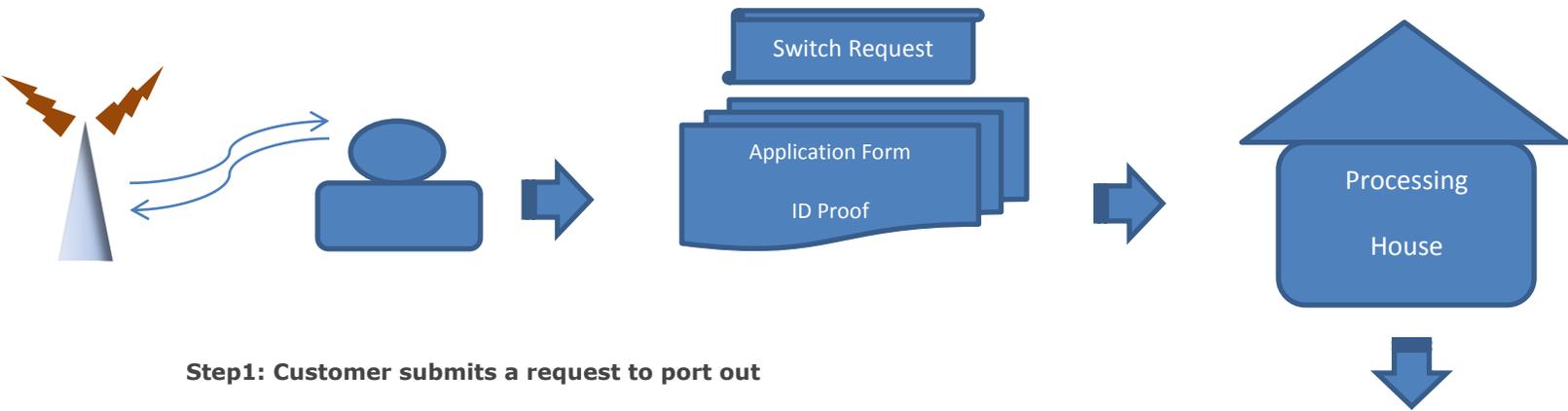
Operators

Access operators need to bear the costs of MNP implementation at their end and also bear the administrative costs even when they are the donor access provider per the government mandate. In addition they need to negotiate the “per transaction dipping charge” with the MNP implementer for the operational phase of the system.

Access operators may not levy any additional charges on the customers who are “porting out” according to the regulations.

Customers

Processing houses will accept customer requests/applications to transfer to the new service provider with appropriate documentation and porting fees. Once porting process is started, the customer cannot make any more requests for three months. This may allow the new operator to recover their acquisition costs.



Issues

- Operator Readiness and compliance
 - Lock in time of a porting customer to the new operator is three months. After the mandated wait time the customer can request another porting. Three months is a long duration from customer viewpoint.
 - Tardiness in processing and synchronization to CDB by dis-incentivized operators will be problematic at least in the beginning.
- Logistics
 - Security Clearance of submitted documentation in a timely fashion
 - Traceability and book keeping of mobile number and ownership through several portings for national security reasons
 - Porting time and general hassles may put off customers till the process gets proven and is more efficient
- Inter-circle issues
 - Currently only intra-circle porting is being implemented. Inter-zone and inter-circle portability have not been addressed

Key Players

Government- DOT, TRAI

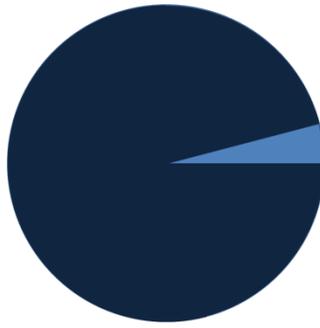
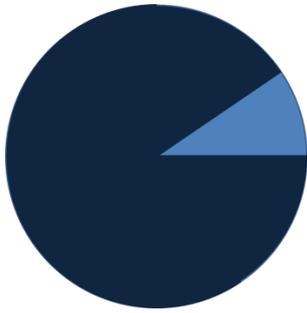
MNP Implementers- Syniverse, Telecordia

Operators

Incumbents: Bharti Airtel, Reliance Communications, Idea Cellular, Vodafone, BSNL/MTNL

Incipient: Telenor's Uninor, S-Tel, Etisalat DB, Videocon, Sistema-Shyam and Loop

Savitar Assessment



High End

Enterprise, business and high ARPU post-paid customers are key targets for disruptive schemes

Device lock-ins may be problematic

Advantage: Mostly incumbents

Mid-Range

Selective segments and geos skirmish on post-paid customers

Multiple SIM cards will dampen the MNP churn

Advantage: Incumbents

Low End

Status quo with low loyalty for pre-paid: Multiple SIM cards & affordability will suppress MNP related churn

Advantage: Even

What does it mean to operators?

TRAI has based its estimations of churn and projected volume for MNP based on market analysis from two firms. The Authority has estimated 10% porting rate for the first 15 months and 7%, 6% and 5% for the successive three years.

In Savitar's assessment, MNP will have no immediate impact on market conditions or market shares of incumbent operators at macro level. Incipient operators may launch circle and metro wise targeted schemes that may cause some churn. This makes sense for incipient operators to focus their efforts operationally on dense convertible markets.

The reported churn rates currently by incumbents range from 2 to 6% for post-paid and 8-10% for pre-paid. Three factors will dampen the MNP related churn factor in the most important post-paid segment: i. Multiple SIM card devices, ii. Voice pricing is at an all-time low and will not be a significant factor and iii. Efficiency of MNP system in initial stages. If we benchmark MNP deployment in Pakistan, it took a year before MNP volume picked up. This is contrast to optimistic projection by TRAI. This is not good news for incipient operators because it extends the duration of battle for customer loyalty via MNP tactics.

Among the incipients, Uninor seems to have good experience with targeted schemes using MNP in Pakistan. Others may learn from this and launch their own disruptive methods. The timing in the market is not favorable for a sustained campaign. Hyper competition has driven KPIs such as ARPU and RPMs (mid-forties per minute) to abnormally low levels. While hurting from the market conditions, incipient operators have to resort to poaching customers from incumbents at high acquisition costs. TRAI mandated customer lock in period is only three months. This time period may not be enough to fully recover acquisition costs. Another headache is that multiple SIM card users tend to retain an incumbent account and use incipient operator's pre-paid low cost plans. According to recent IDC report, as an end user device mix one in three shipments in India are dual SIM devices. Whatever campaign is launched, results will transpire over a period of a year with counter active measures by losing parties having costly effects in time and money for incipients.

Reliance seems to be looking forward to MNP according to executive statements and their growth on the GSM side. Aircel is also in a position to gain from MNP looking at their growth and marketing campaigns. Bharti is dismissing MNP as low priority even though there is some visible activity to prepare for MNP. Idea Cellular is comfortable that they will retain their market share and as well as protect their margins. Bharti and Vodafone in particular seem vulnerable on paper if Reliance launches a disruptive campaign. Vodafone in particular has reported higher churn in post-paid and pre-paid customers as compared to its peers even before MNP is launched. Bharti may stave off margin pressure with VAS revenue and rural customer adds. State owned BSNL may see some MNP churn in metro areas. But is largely viewed as most transparent and dependable operator. Moreover, their expansion in rural will continue to offset any large market share erosion via customer quality issues.

The position for MVNO's, as TRAI is contemplating on a bail out for some cash strapped GSM spectrum winners, will narrow significantly because of consolidation in industry, squeeze on margins and hyper-competition.

Conclusions

1. MNP will not introduce major changes in market dynamics in its first year
2. Incipient operators: For focus on dense convertible markets- Metros, circles, concentrate resources, offer better VAS and data plans
3. Incumbent operators: Sell bundles, ease network congestion via 2G capacity upgrades or selective 3G rollouts, improve customer service quality.