

Cost Cutting Strategies at the Bottom of the Pyramid

The SMS Story, Missed Calls, and others

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Learning Initiatives on Reforms for Network Economies

Agenda

- Research methodology & key findings:
 - *Harsha de Silva*
- The SMS story, missed calls, and others
 - *Lorraine Carlos Salazar*
- The *next billion* customers
 - *Ayesha Zainudeen*

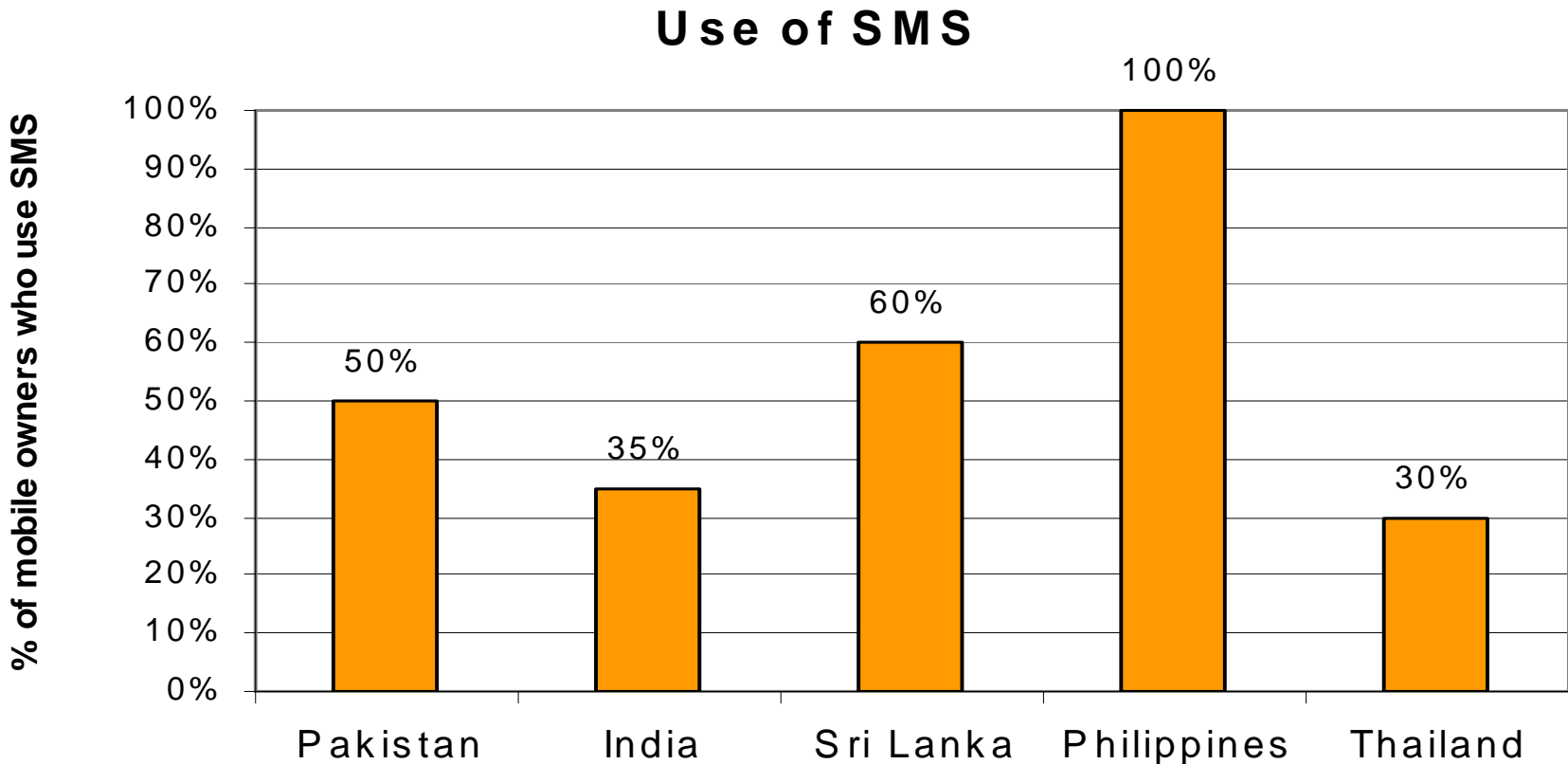


General '**cost cutting**' strategies due to high cost perceptions...

- SMS
- Second-hand mobile handsets
- Missed calls
- Prepaid subscription



It's true: Philippines is the SMS capital of the world



Lack of meaningful information? Of local-language capabilities on handsets?

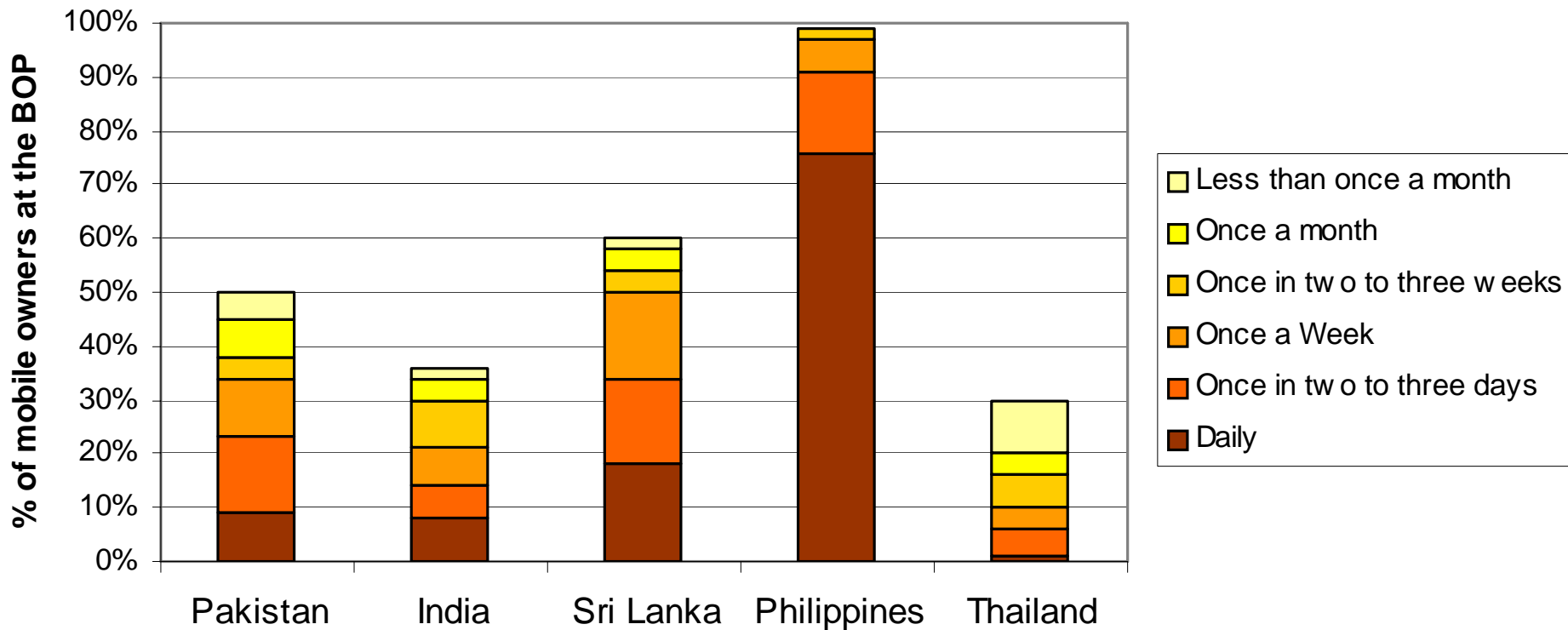
Who types the SMS?

	Pakistan	India	Sri Lanka	Philippines	Thailand
I type my own SMS	77%	88%	92%	99%	98%
Someone else types the SMS for me	23%	12%	8%	1%	2%

Lower literacy levels in Pakistan & India



Frequency of SMS use



75% at BOP use SMS on a daily basis

Filipino SMS use aided by language advantage, and driven by high cost of use?

Urban vs. rural SMS use

Use of SMS		
	Urban	Rural
Pakistan	55%	39%
India	48%	40%
Sri Lanka	51%	63%
Philippines	100%	100%
Thailand	49%	26%

Anomaly in rural Sri Lanka...Perhaps to do with prices, or the outdated def'n of urban and rural

Why so much SMS in Philippines?

cost-cutting through SMS,
missed calls, and more...



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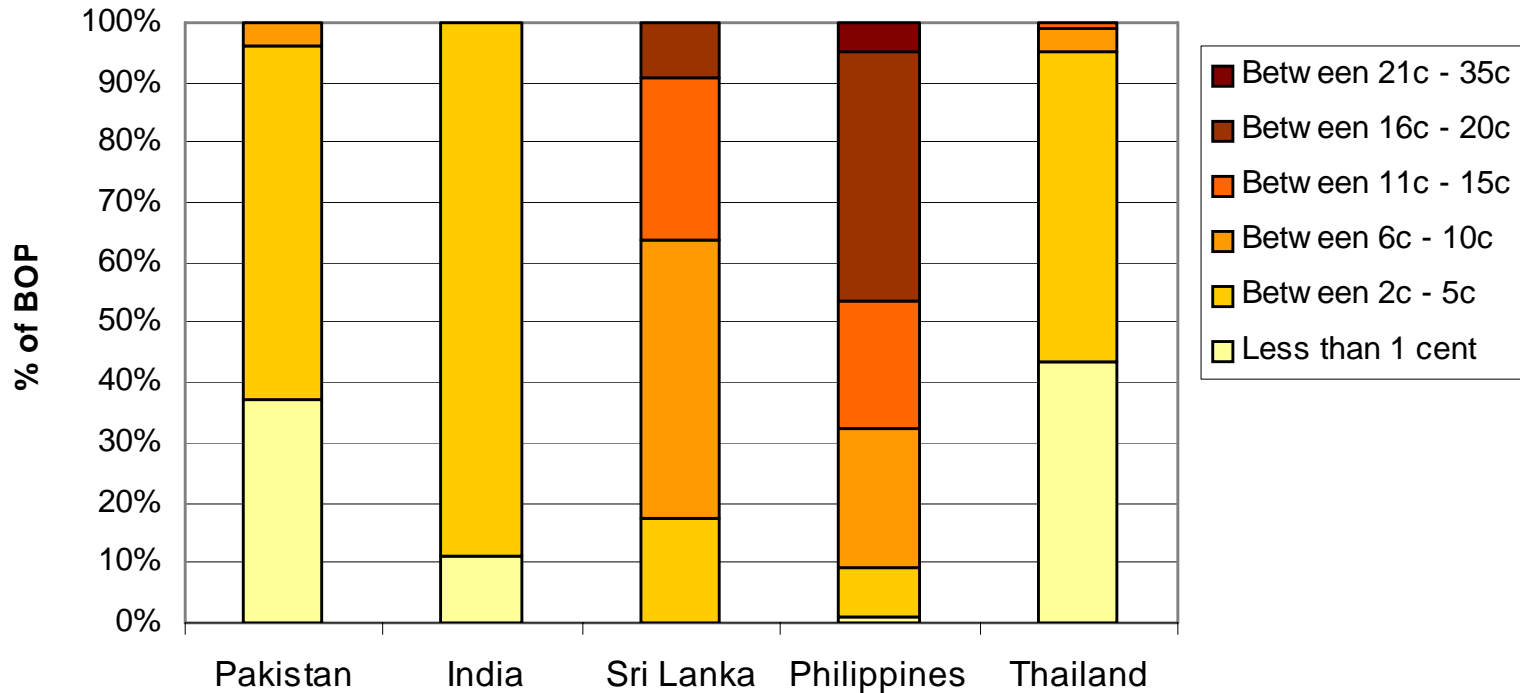
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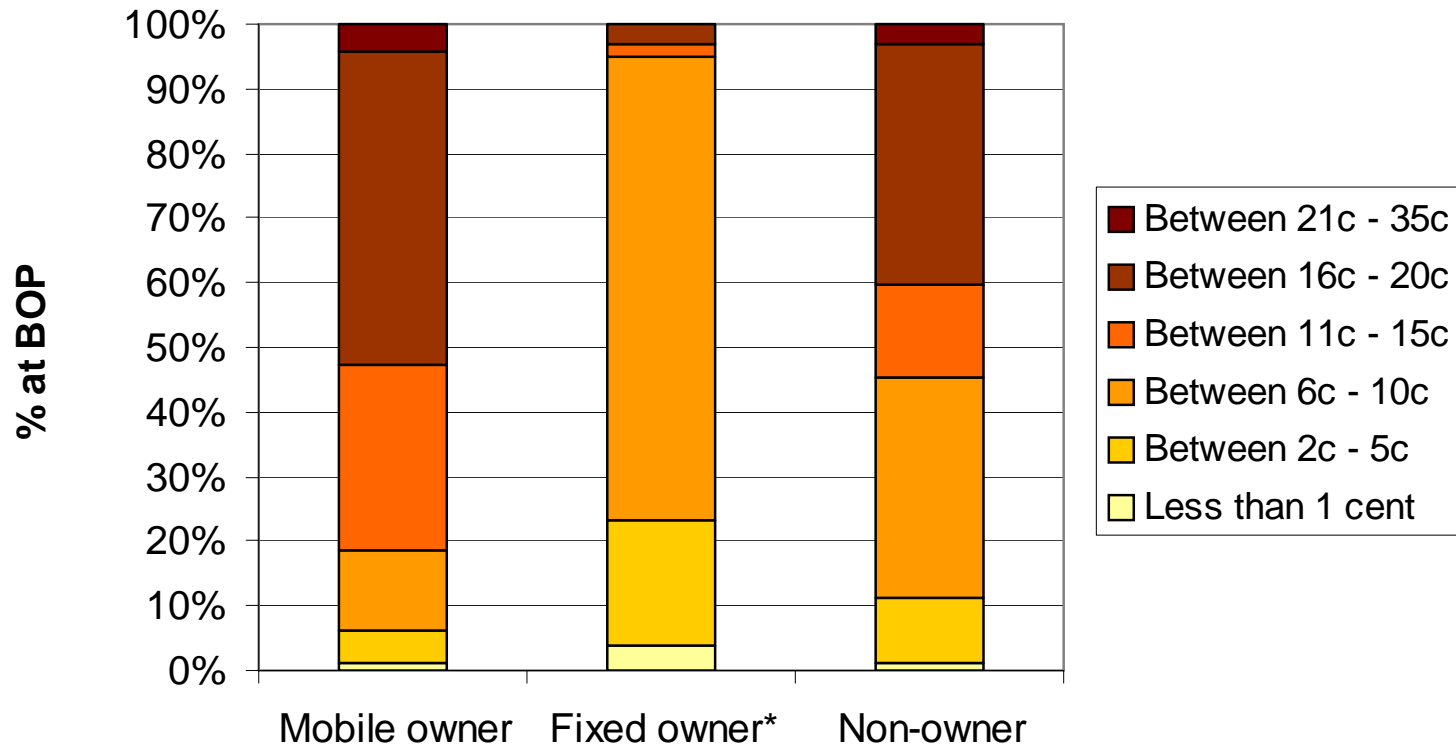
High expected per minute costs

Expectation of the cost of a one minute local call (US cents)



...especially on mobile

Expectation of the cost of a one minute local call (US cents)



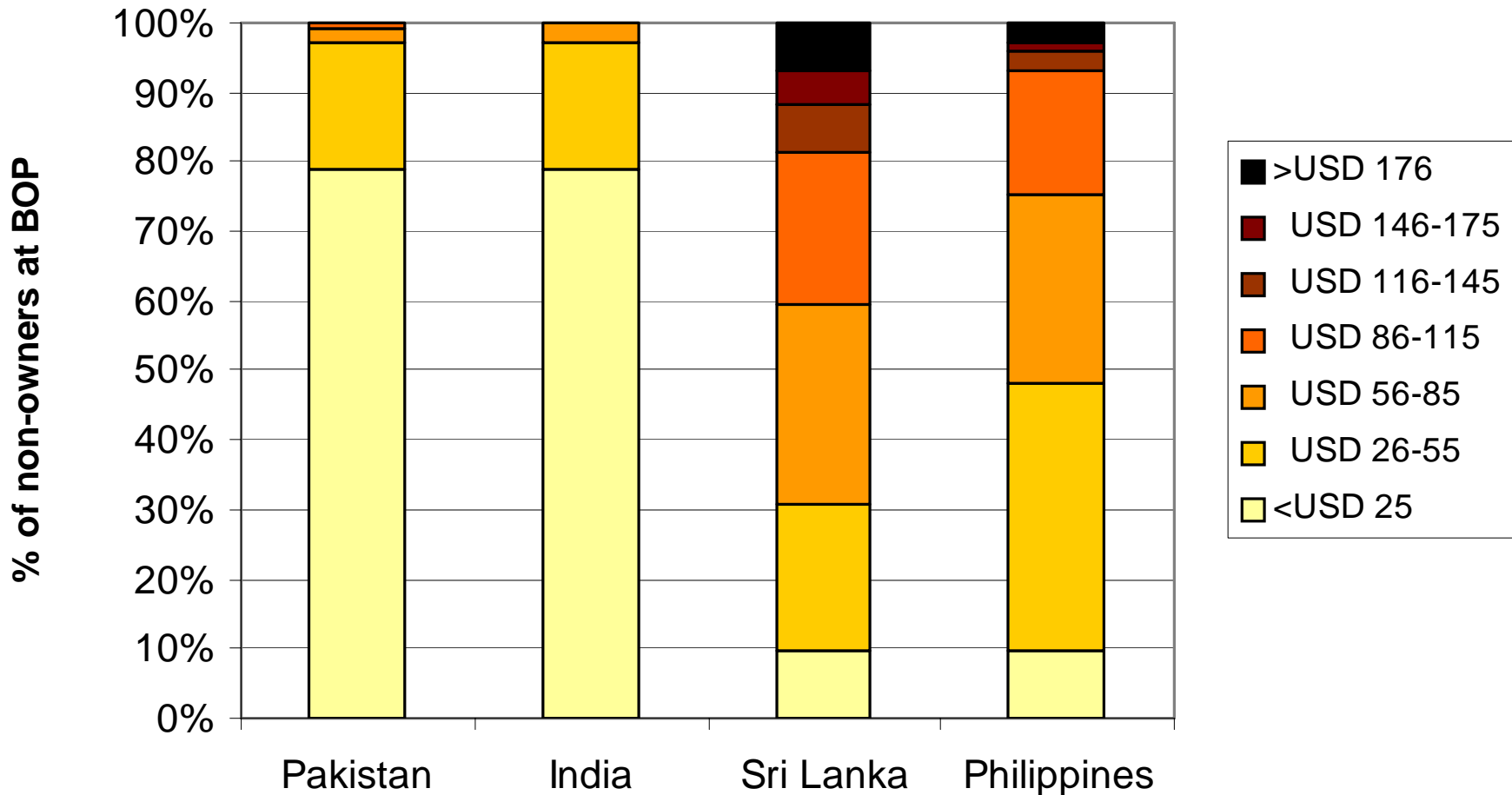
Philippines

*low base

	India	Sri Lanka	Philippines
Package	Bharti AirTel	Dialog KIT	Smart TnT
	USD	USD	USD
Calls/minute			
Outgoing on net	0.02	0.06	0.11
Outgoing off net/fixed	0.04	0.06	0.13
SMS/message			
	0.03	0.02	0.02
Ratio to SMS			
Outgoing on net	0.7	3.5	5.5
Outgoing off net/fixed	1.3	3.5	6.5

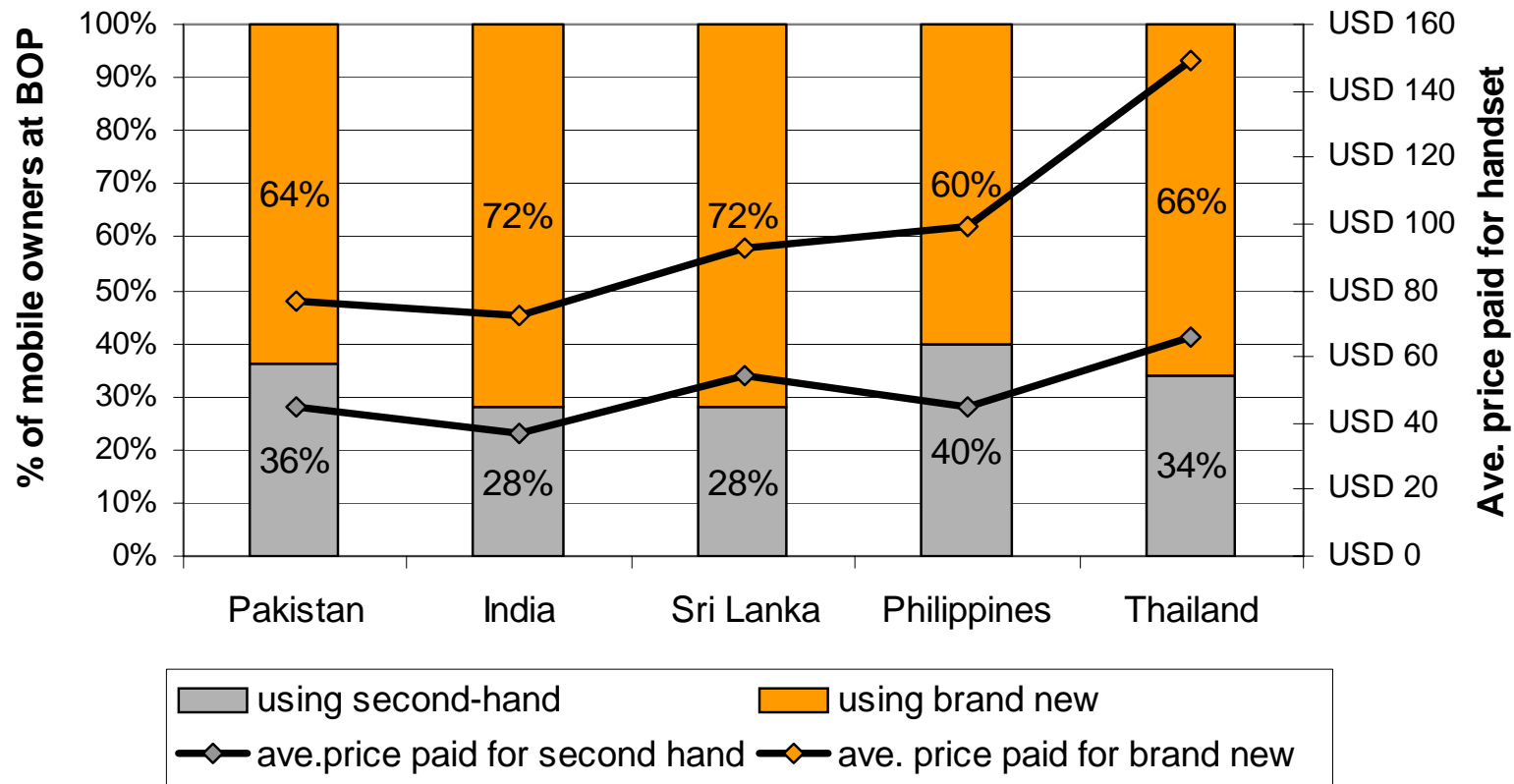
High expected initial cost of getting connected

Expected cost of a new phone by non-owners



'Cost cutting' via use of second hand mobile handsets at half the price!

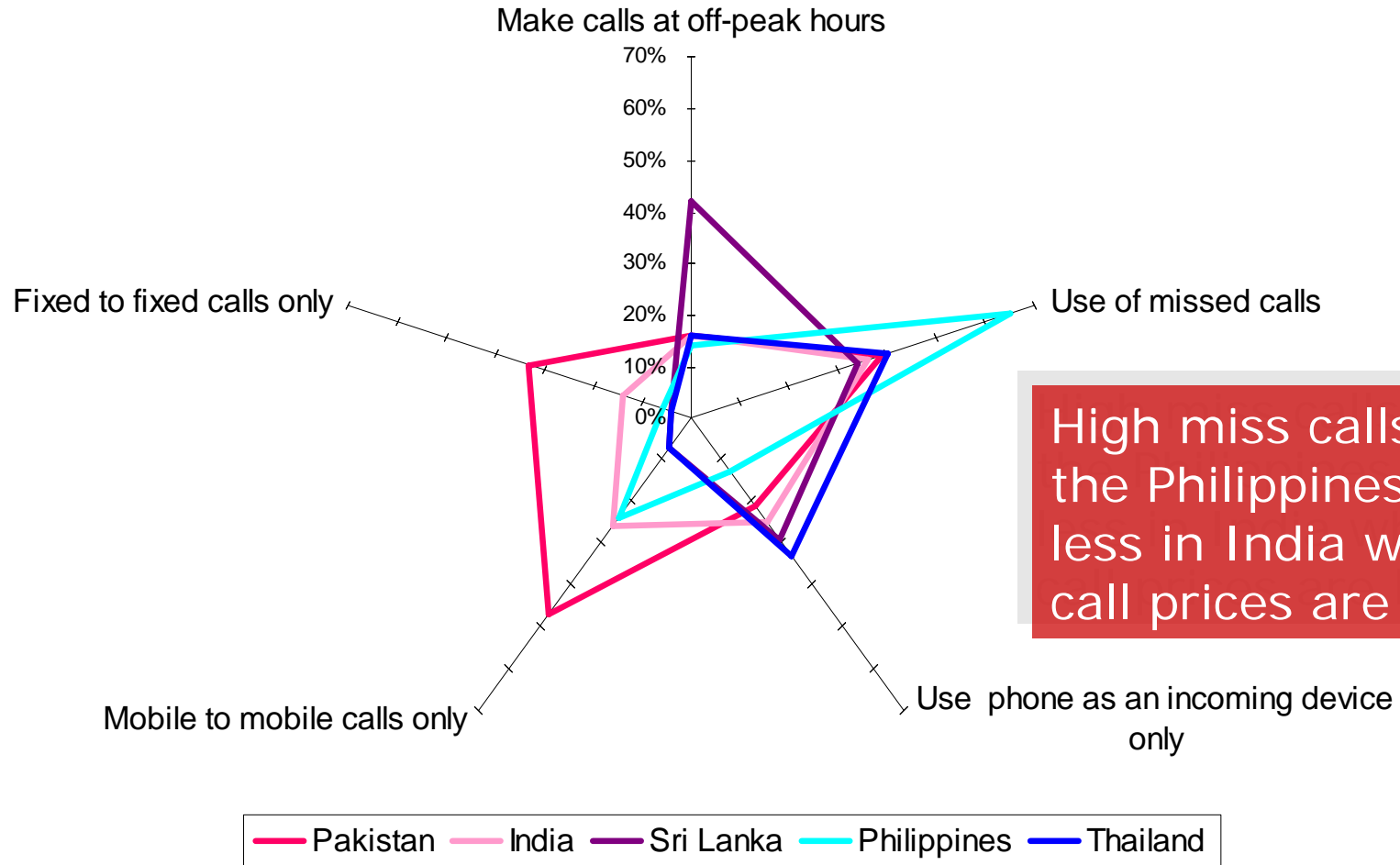
Handsets: brand new vs. second-hand



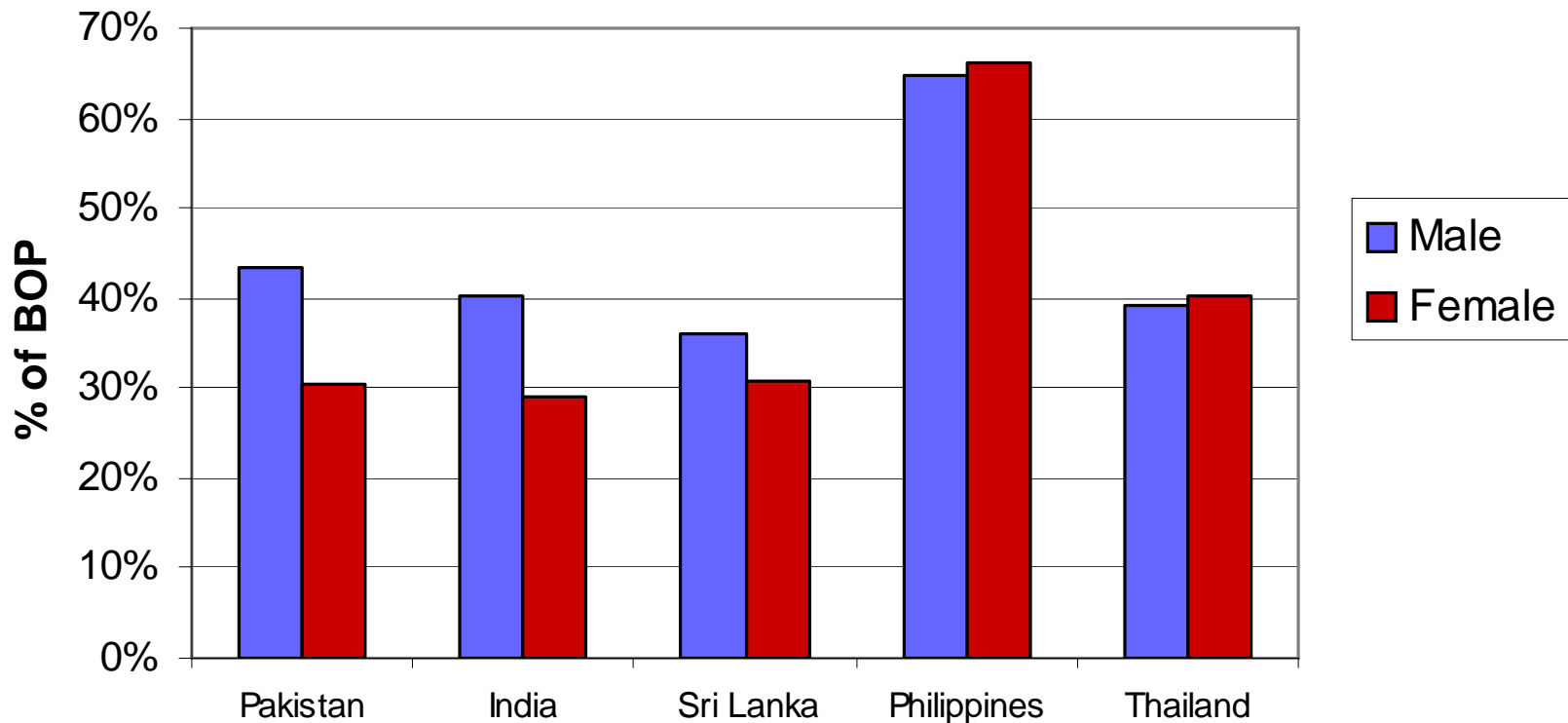
More Filipinos use second hand phones

'Cost cutting' via missed calls

Use of 'strategies' to minimise call costs



Use of 'missed calls' to minimise communication costs



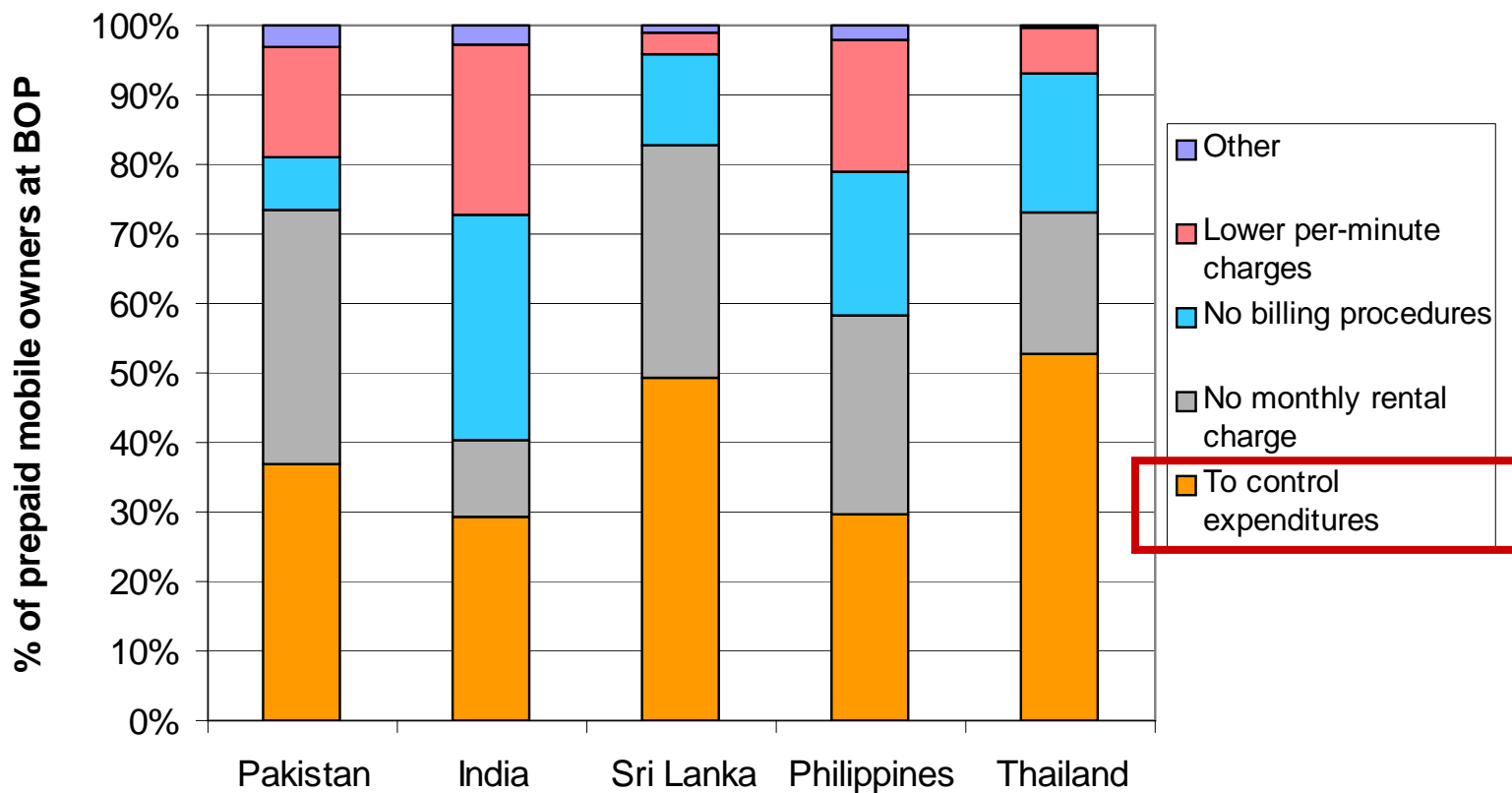
Missed calls more popular among male mobile owners in South Asia



'Cost cutting' via prepaid connections

	Pakistan	India	Sri Lanka	Philippines	Thailand
	% of mobile owners at BOP				
Prepaid mobile connections	99%	95%	92%	99%	96%

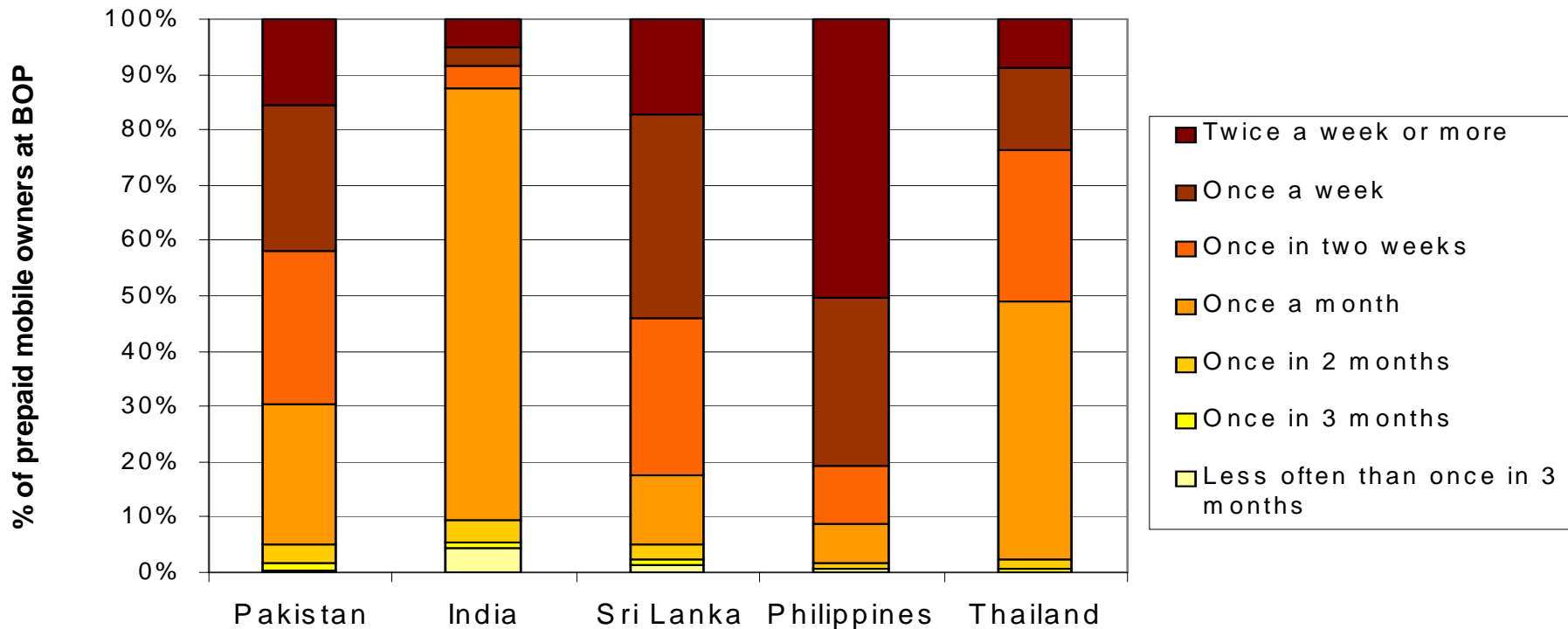
Reason for choosing prepaid (rather than post-paid)



Prepaid helps to control expenditure

□ Expenditure control evidenced by infrequent top-ups in PK, IN, LK & TH

How often prepaid mobile account is topped-up

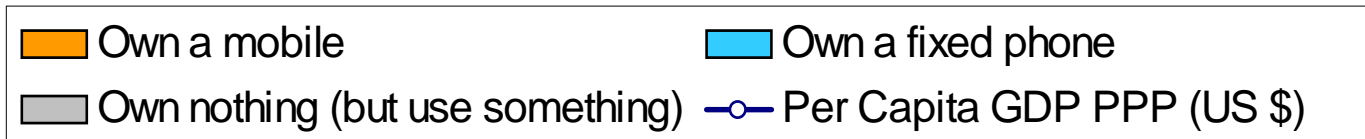
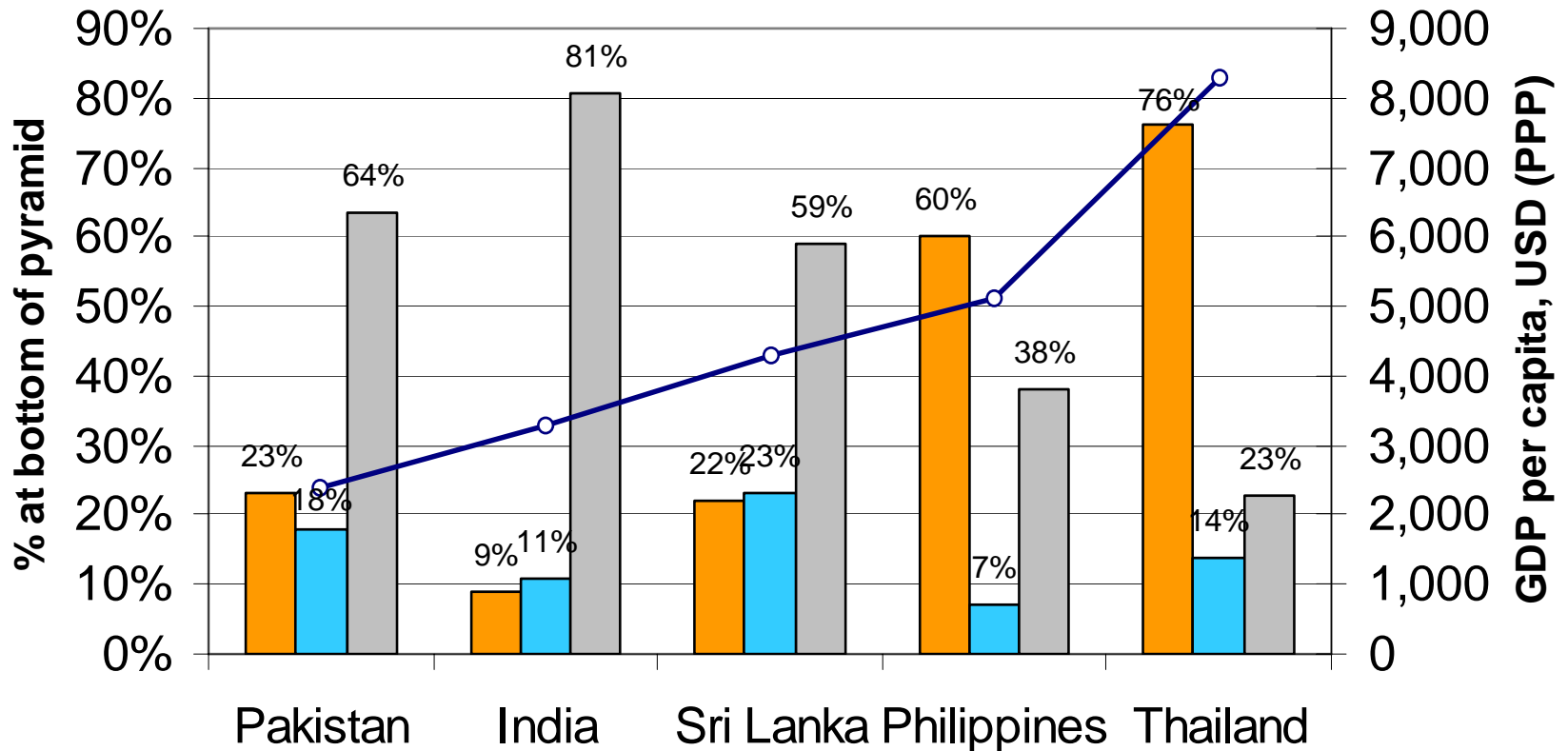


In sum...

- High price expectations lead to adaptive cost-cutting measures – which in turn creates a way of life in the Philippines and in the other countries...
 - SMS is now a way of life in the Philippines
- BUT, this is not a bad thing: as it is driving **affordable access** at the bottom of the pyramid



Ownership and GDP per capita (USD, PPP)



Thank you for your attention

