

The *next billion* customers

Ayesha Zainudeen
zainudeen@lirne.net

LIRNEasia Media Workshop: Singapore 28 February 2007
fieldwork by funded by IDRC



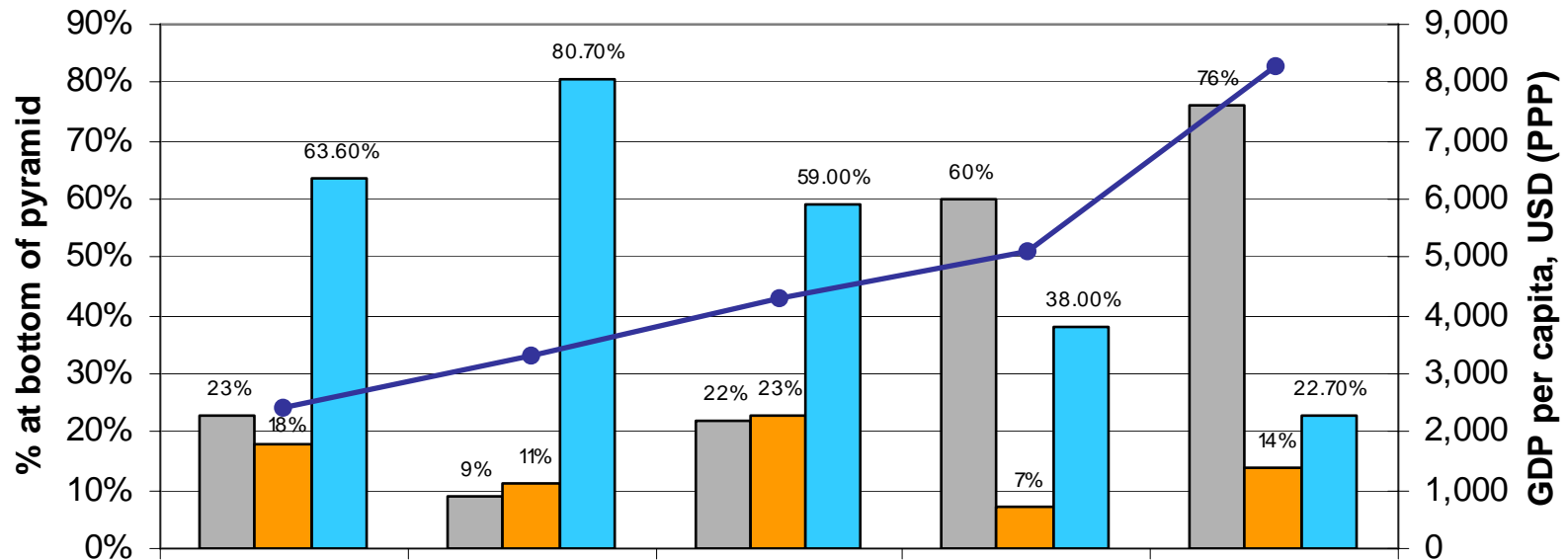
Agenda

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



Recap...low levels of ownership

Ownership and GDP per capita (USD, PPP)



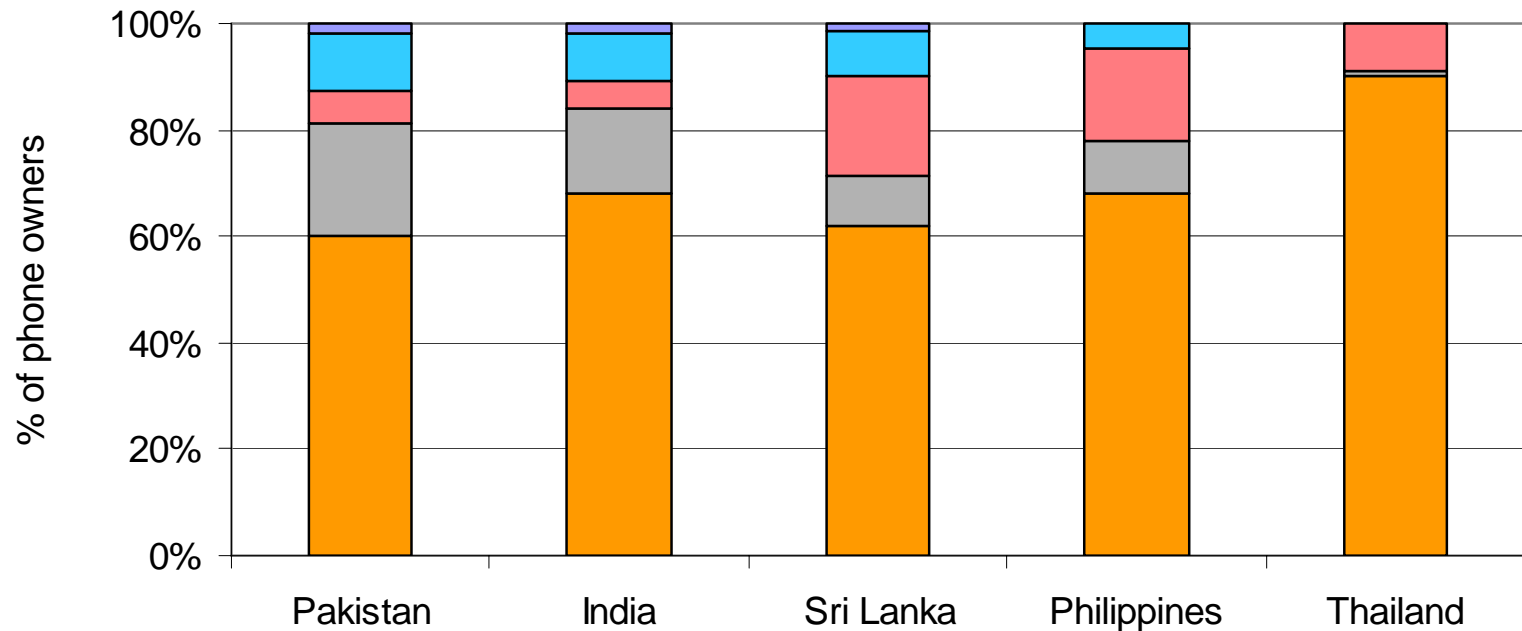
	Pakistan	India	Sri Lanka	Philippines	Thailand
Total number of phones per 100 pop.	29.4	13.4	36.6	45.4	56.7

Notes: India on an April – March reporting period ; Pakistan on a July – June reporting period; Other countries follow Jan – Dec (calendar year) reporting periods. Sources: India-COAI, TRAI; Thailand-Company Reports; Pakistan-PTA; Philippines-NTC; Sri Lanka- TRC; 2000 onwards from company reports; World Bank (2006); CIA Fact Book (2005)



Those who own a phone, chose to do so for **convenience** rather than cost

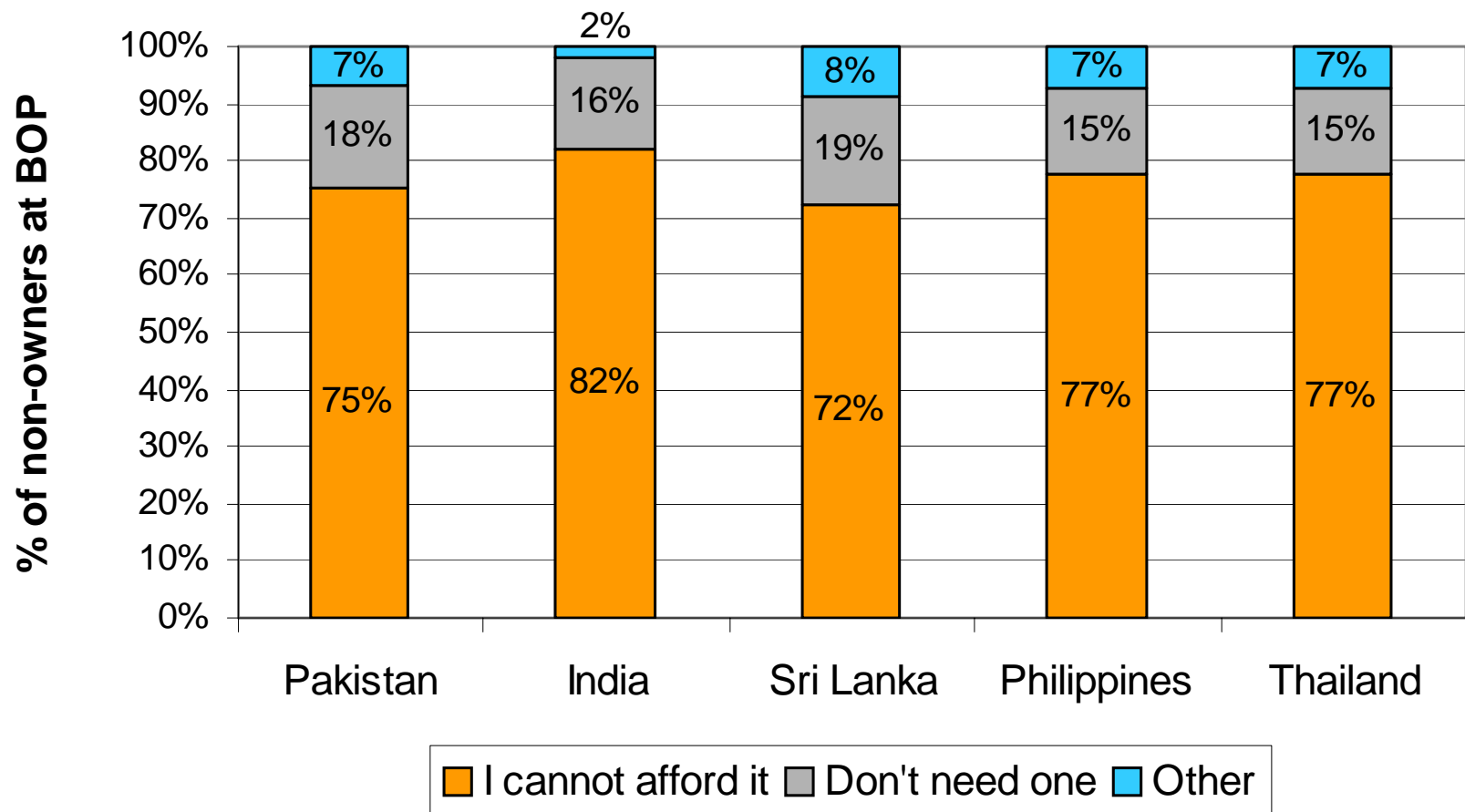
Primary reason for choosing to own a phone



- The convenience (accessibility at any time)
- It is cheaper
- For privacy
- So I don't have to rely on other people
- Other

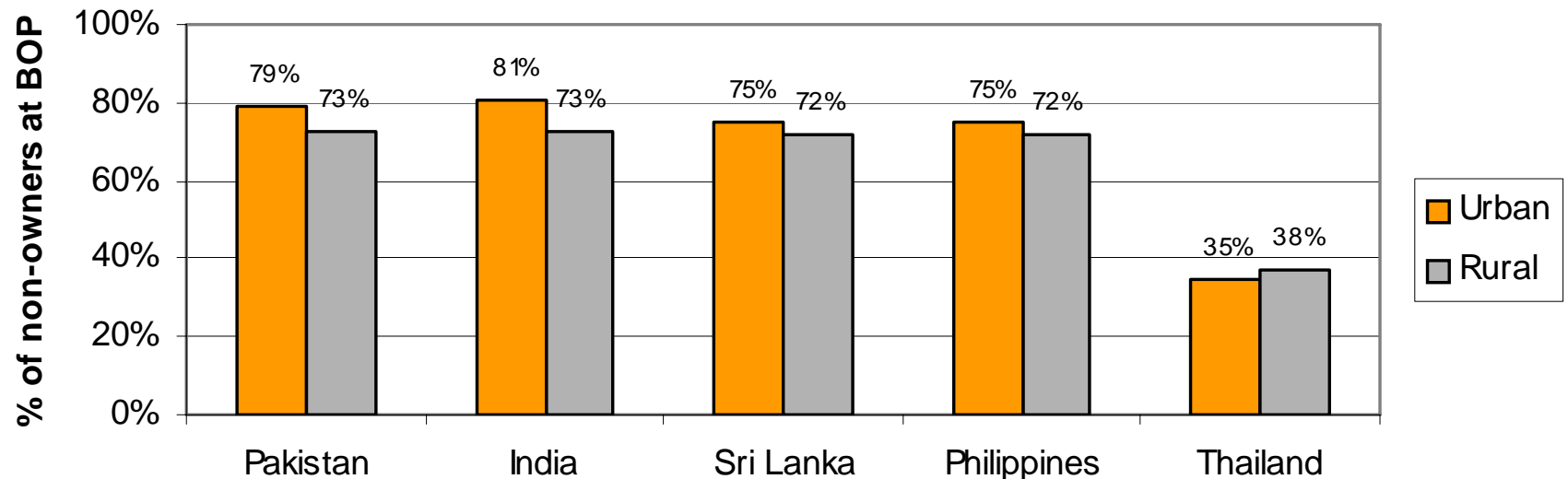
But those who do not, are held back by **affordability**

Reasons for not owning a phone



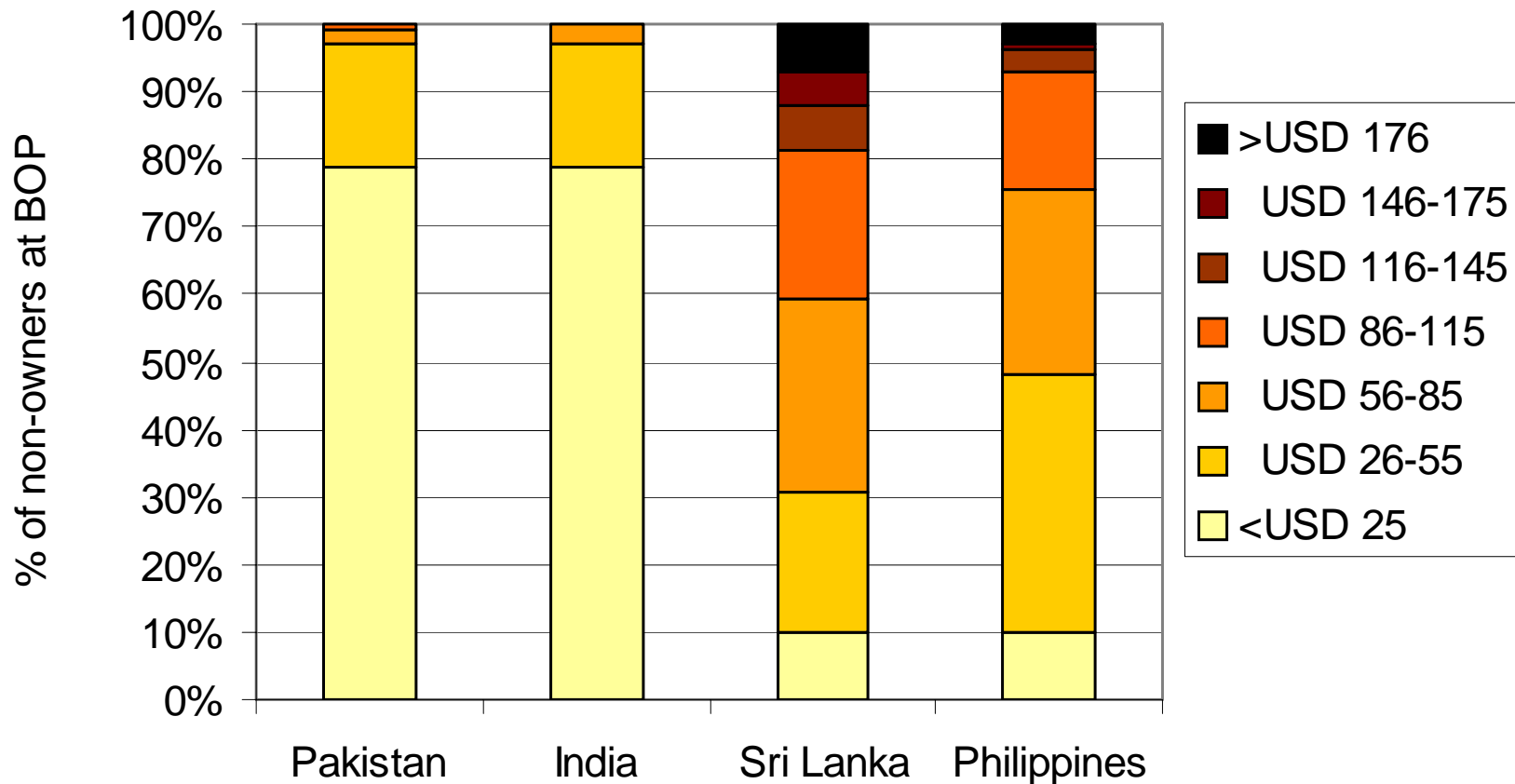
Affordability as big a problem for urban as rural

Cannot afford to own a phone

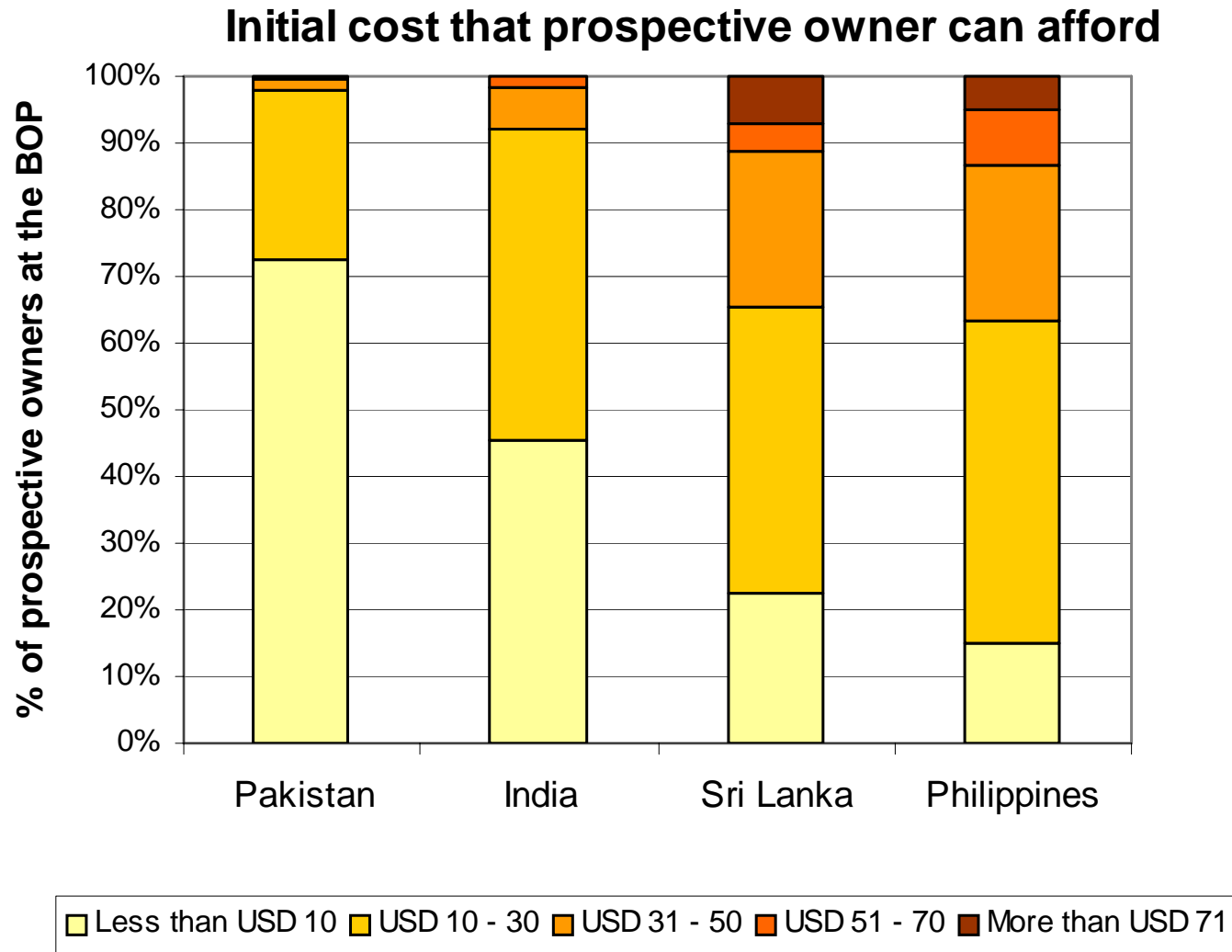


The expected cost of getting connected is high...

Expected cost of a new phone by non-owners

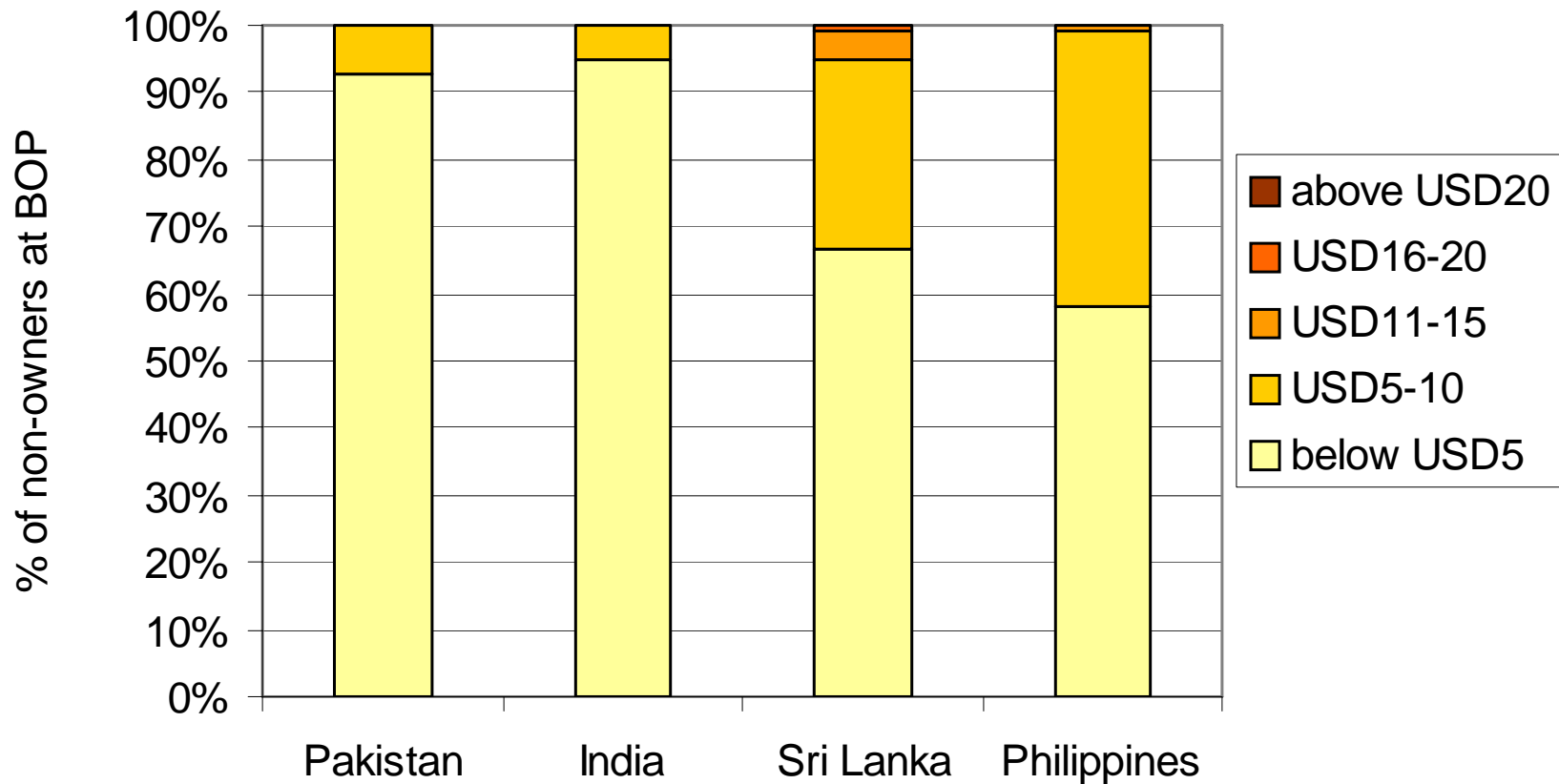


...compared to the cost that can be afforded

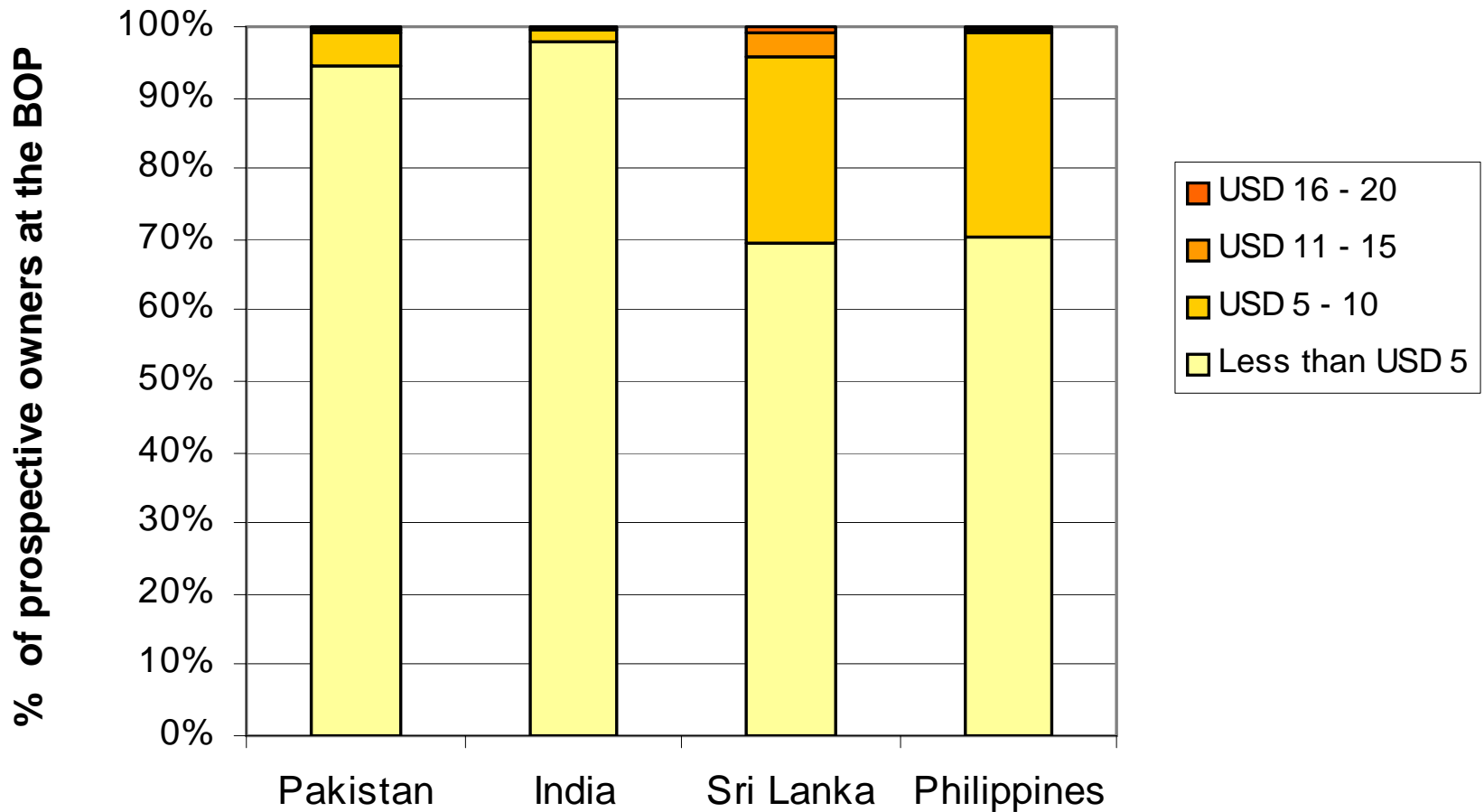


Expectations & affordability are more in-line re monthly charges

Expected monthly charges by non-owners

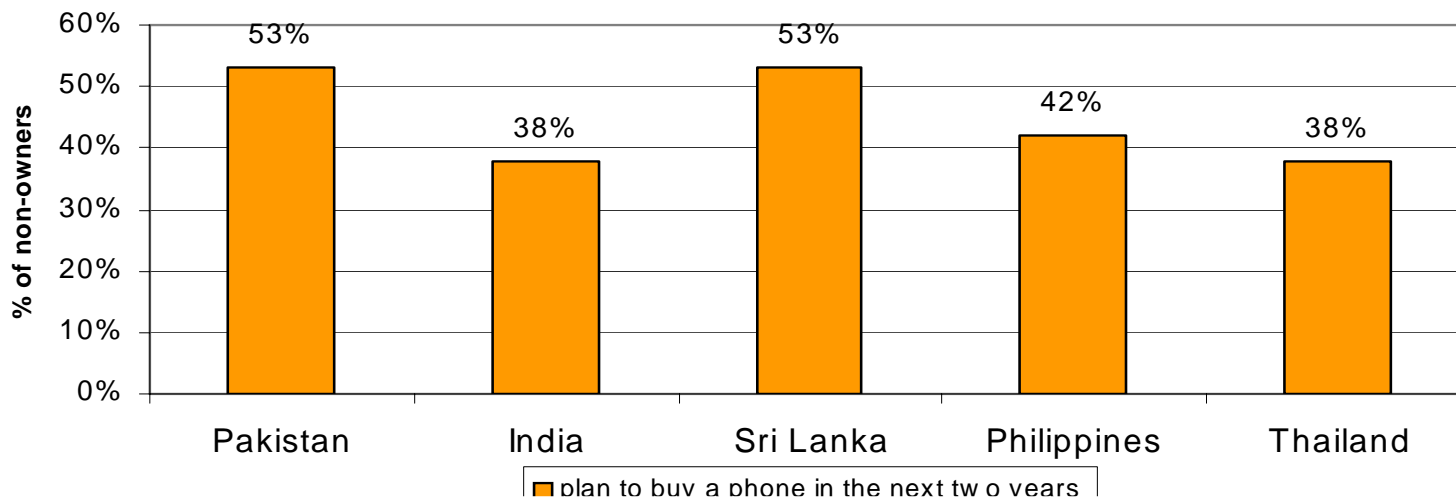


Monthly charges that prospective owners can afford



The *next billion*?

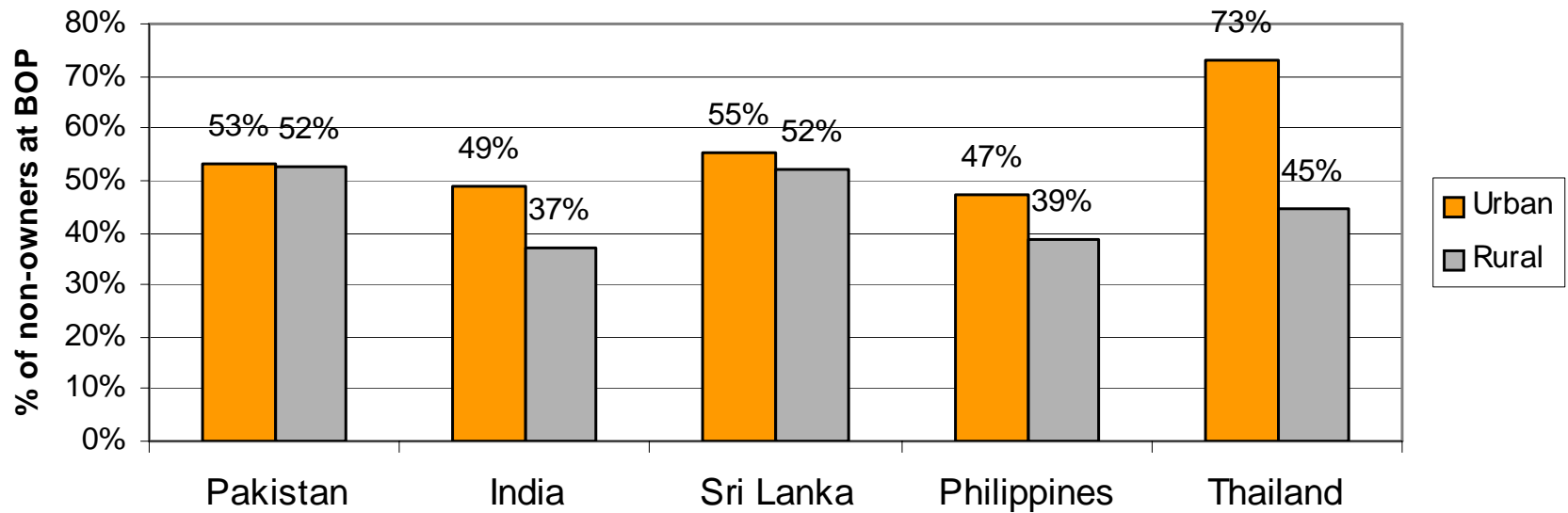
Non-owners who plan to buy a phone in the next two years



	South Asia			South-east Asia	
	Pakistan	India	Sri Lanka	Philippines	Thailand
Vertical growth, millions (HH obtaining additional connections)	4	21	0.3	3	0.1
Horizontal growth, millions (non-owners joining market)	26	80	1	7	1
Possible new connections at BOP, millions, next 2 years	30	101	1	10	1

Higher % of new connections in urban IN, PH and TH

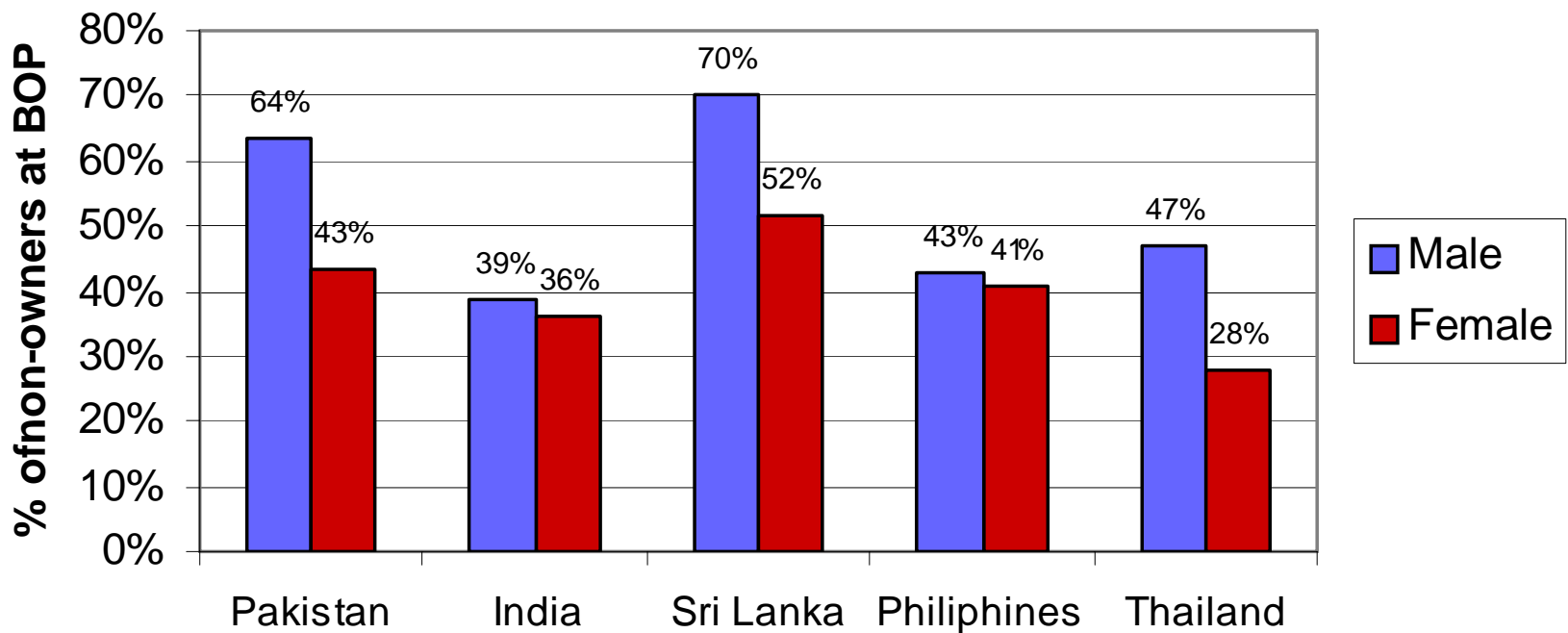
Those who plan to buy a phone in the next two years: Urban vs. rural



Telecom-transport trade-off?

Males more certain about purchase in coming two years... esp. in PK, LK & TH

Those who plan to buy a new phone during next two years



Prospective owners are heavier users

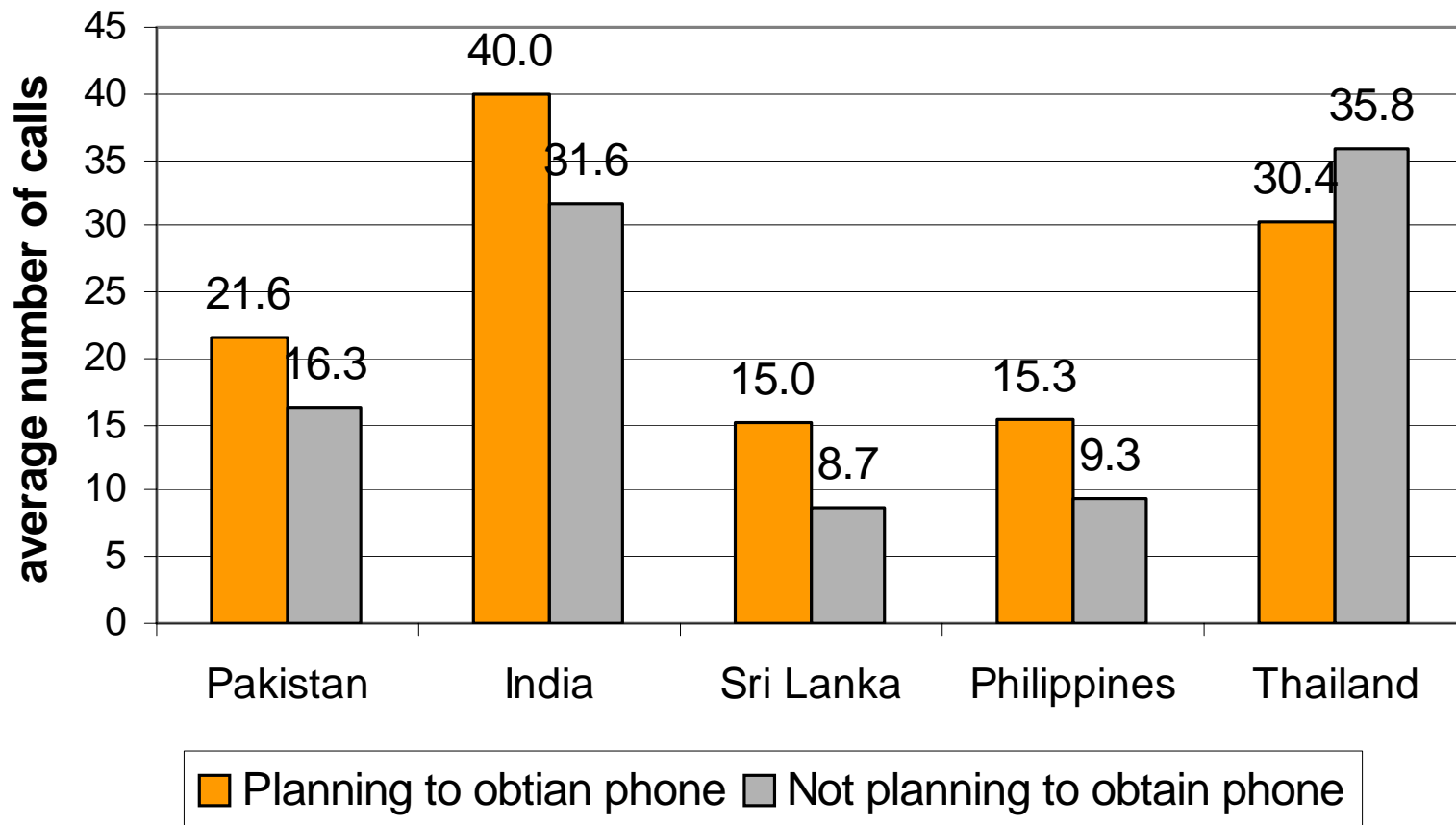
	Average number of calls (out + in) for the month	
	Planning to obtain phone	<u>Not</u> planning to obtain phone
Pakistan	21.6	16.3
India	40.0	31.6
Sri Lanka	15.0	8.7
Philippines	15.3	9.3
Thailand	30.4	35.8

Except in Thailand

Source: *Diary*

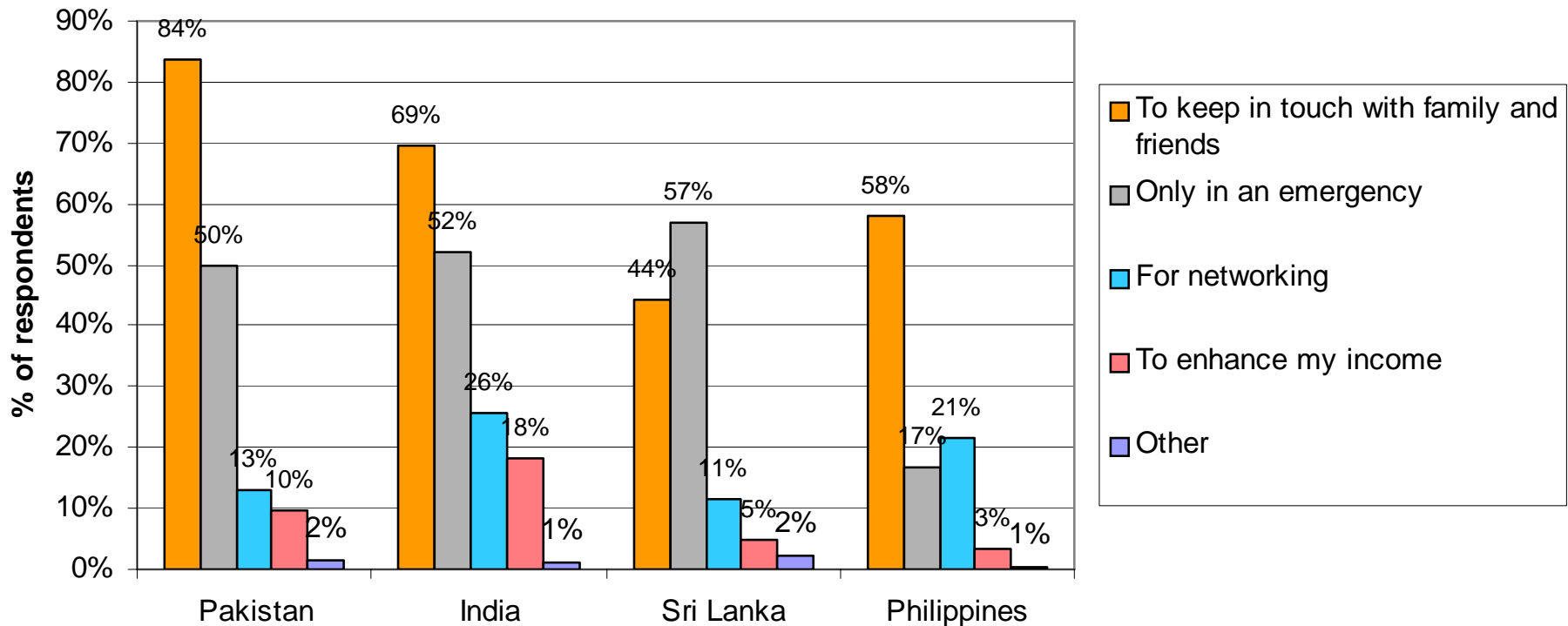
Prospective owners are heavier users

Average number of calls for the month: prospective owners vs. non-owners



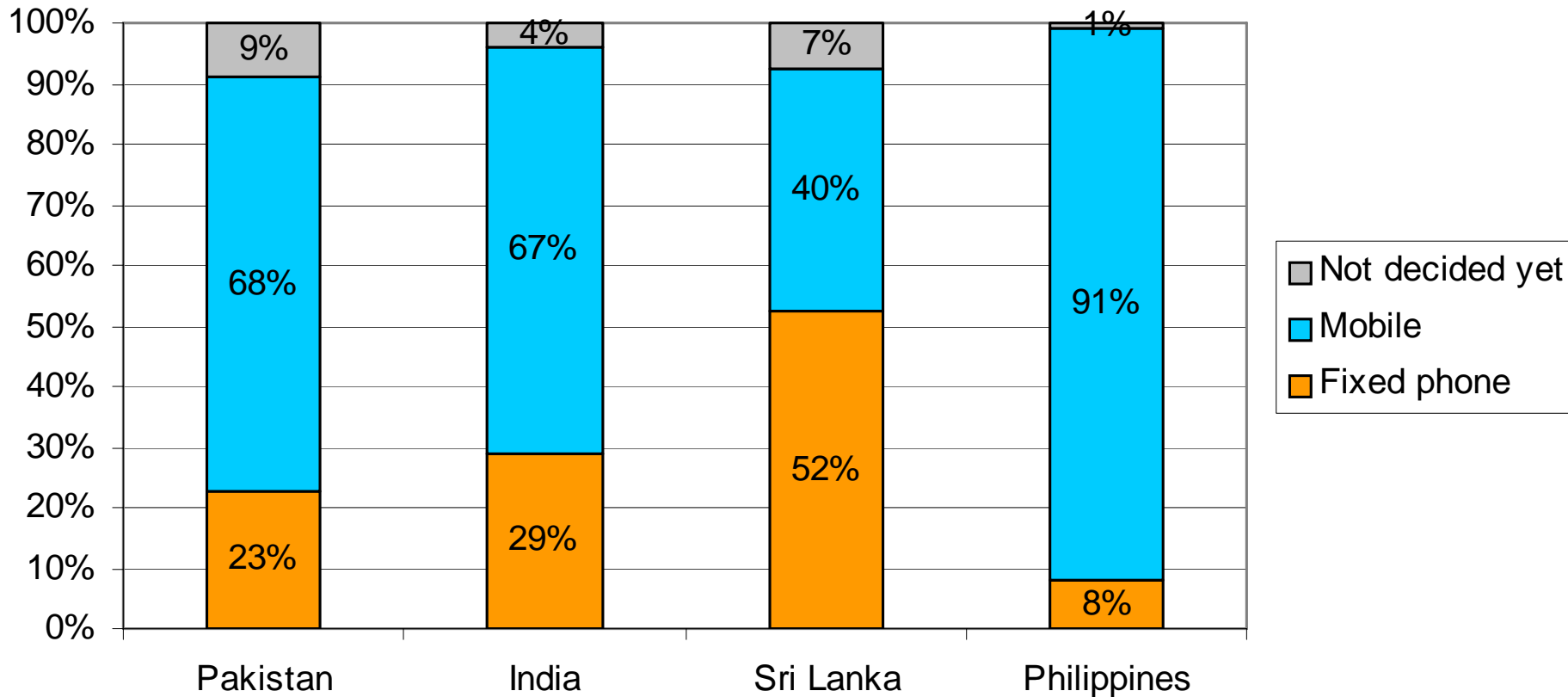
Most would use phone for keeping in touch & emergency communication

What respondent would use the phone for if given one at an affordable rate



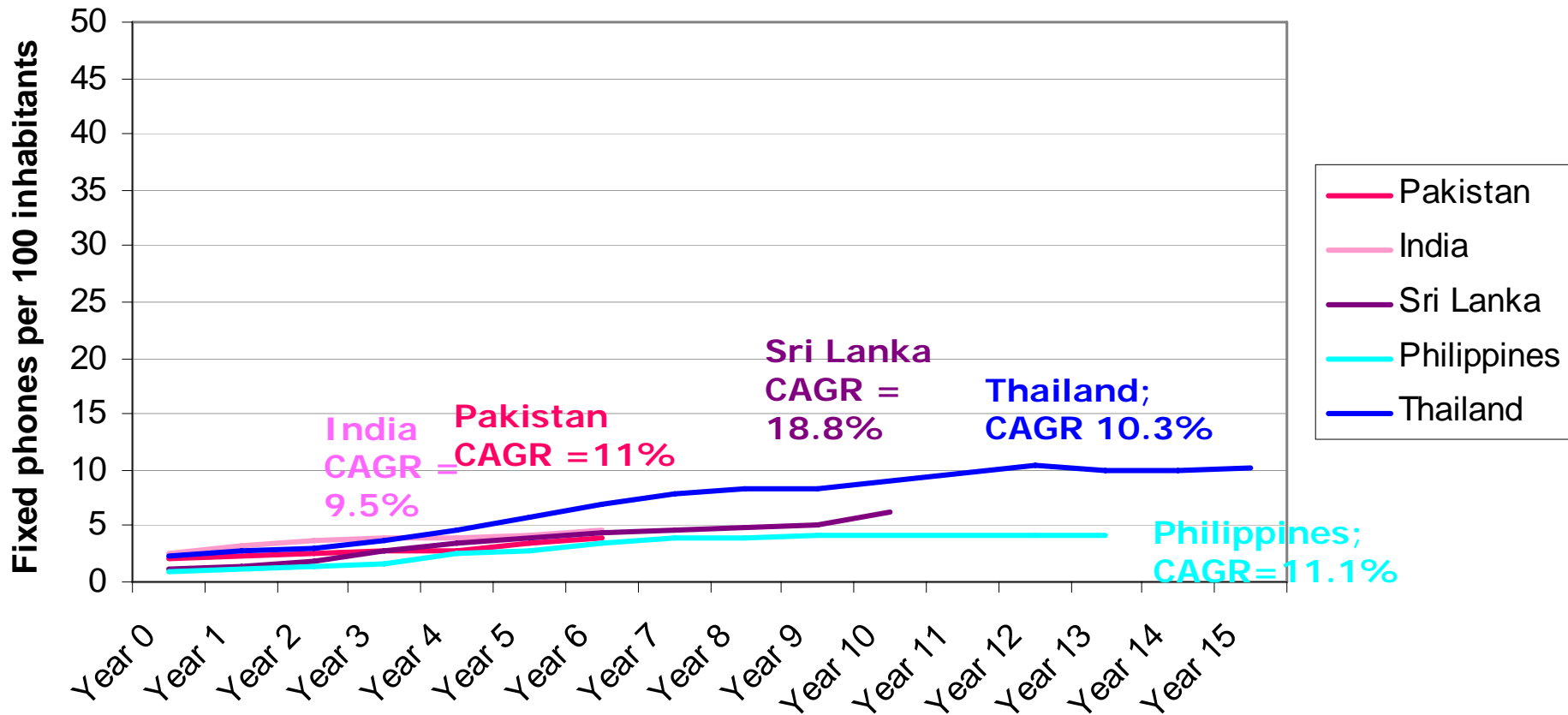
Growth mainly mobile

Type of phone prospective owners would buy



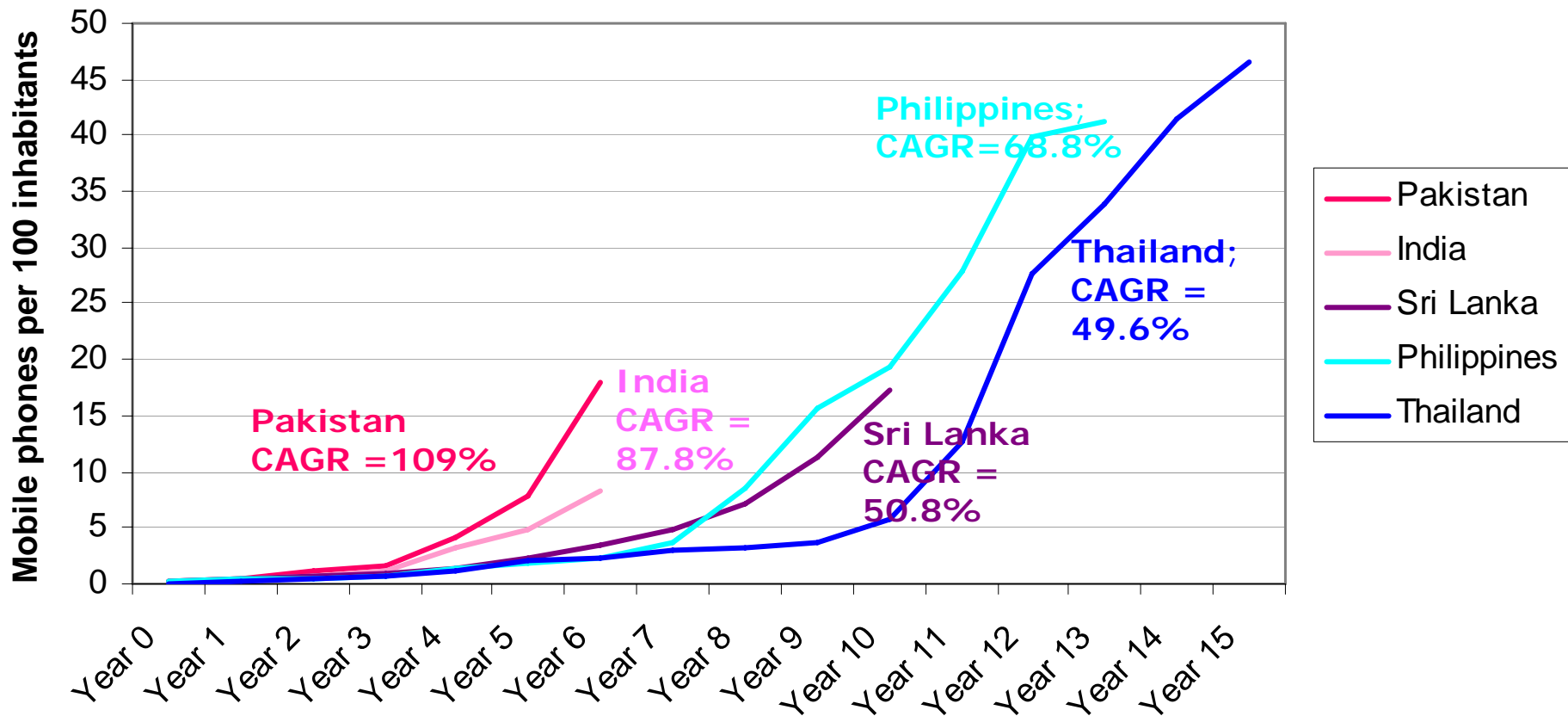
Fixed phone growth since liberalization

Fixed sector growth - post liberalisation (Year 0 onwards)



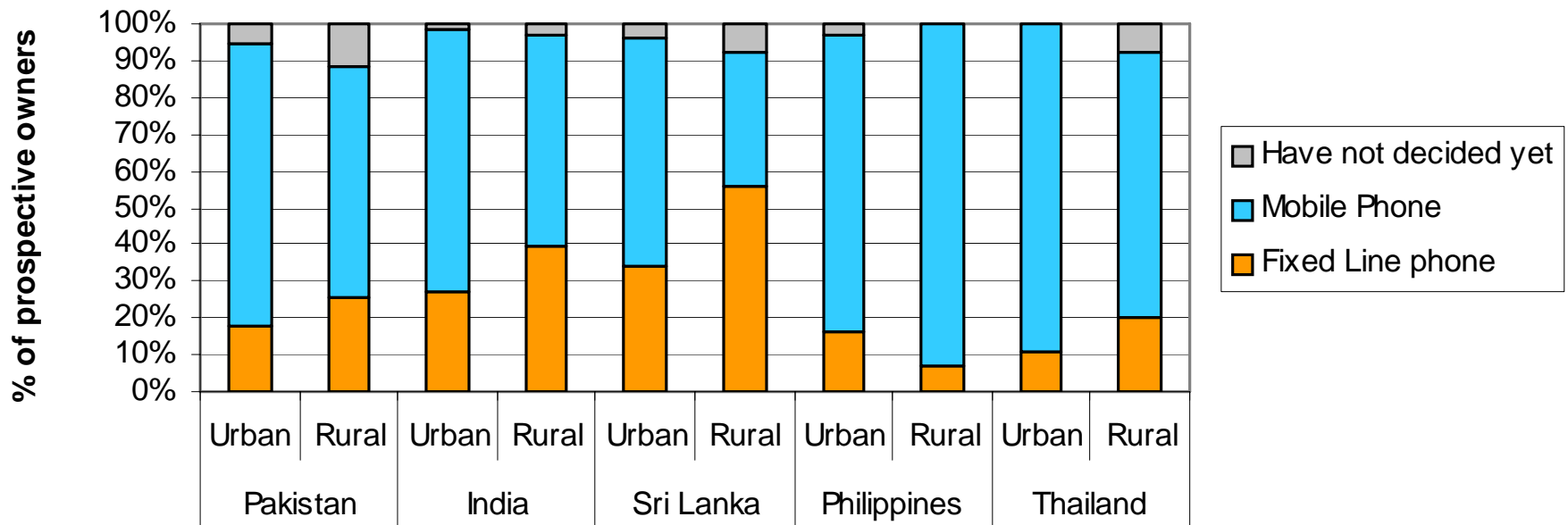
Mobile phone growth since liberalization

Mobile sector growth - post liberalisation (Year 0 onwards)



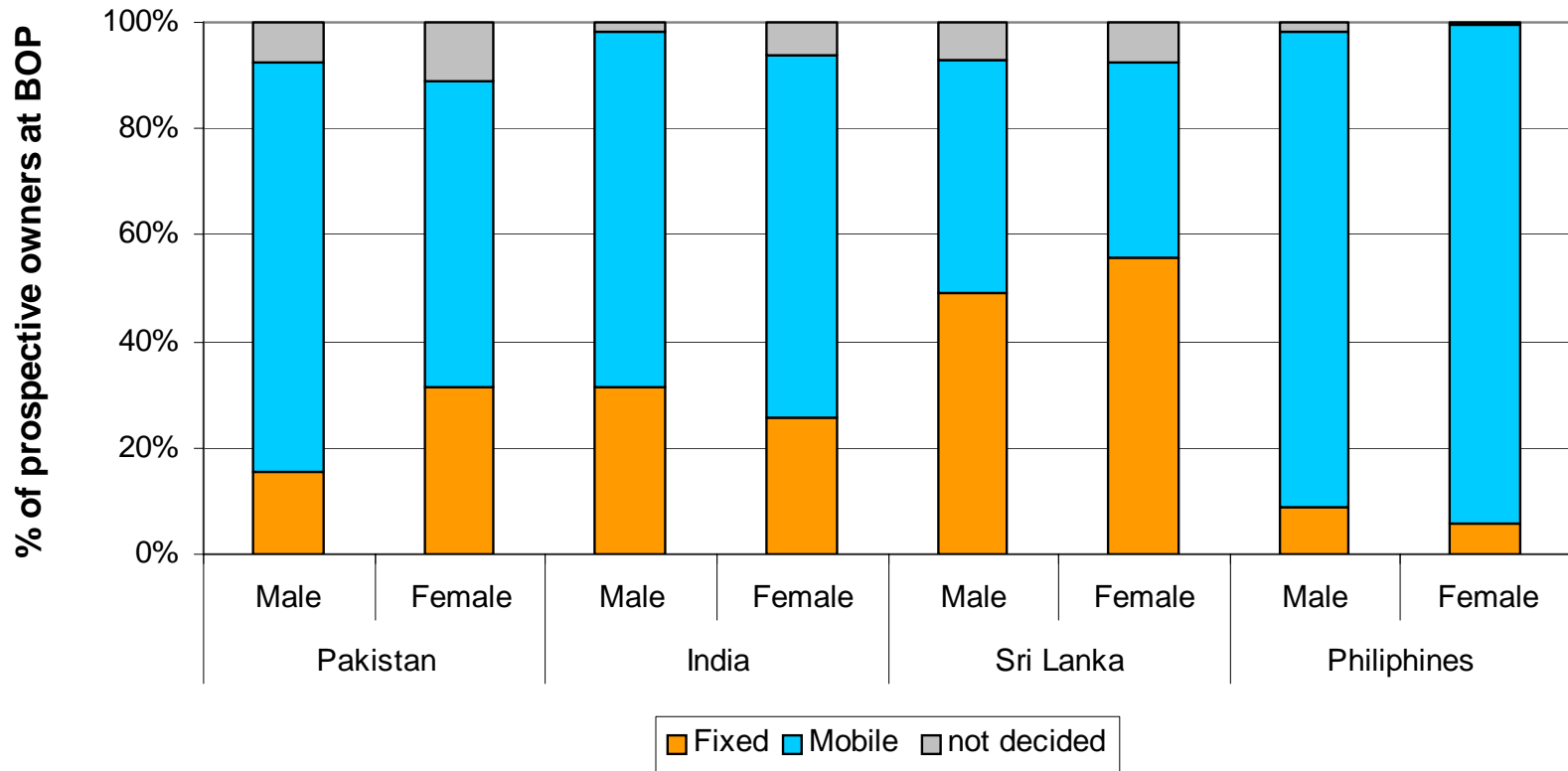
Higher preference for fixed phones in rural areas, *except* Philippines

Kind of phone prospective owner would buy: urban vs. rural



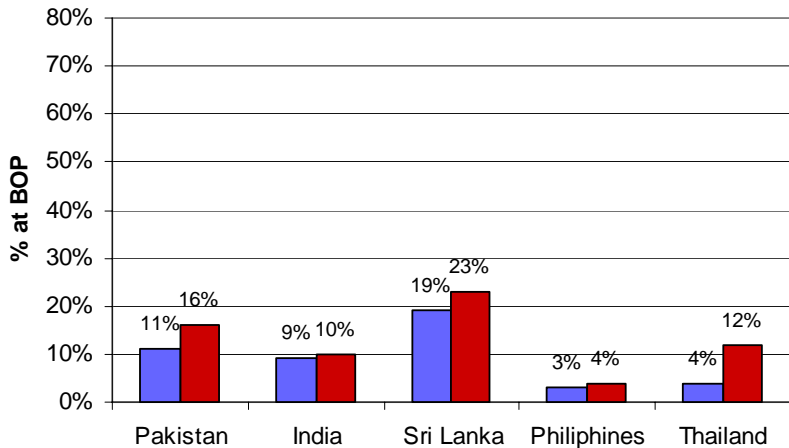
Preference for fixed phones among females in PK and LK

Type of phone prospective owner would buy

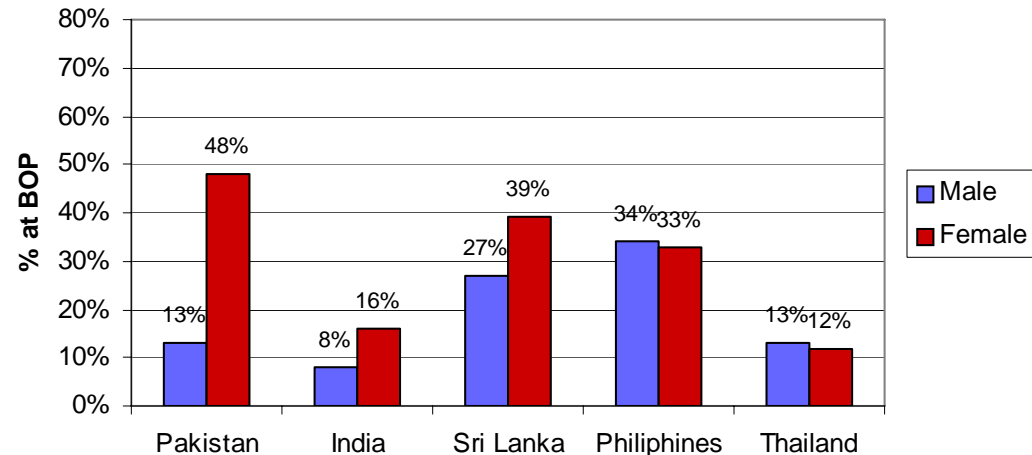


Recap... Females more reliant on household fixed phones & other peoples' phones

Most frequently used phone: Household fixed phone

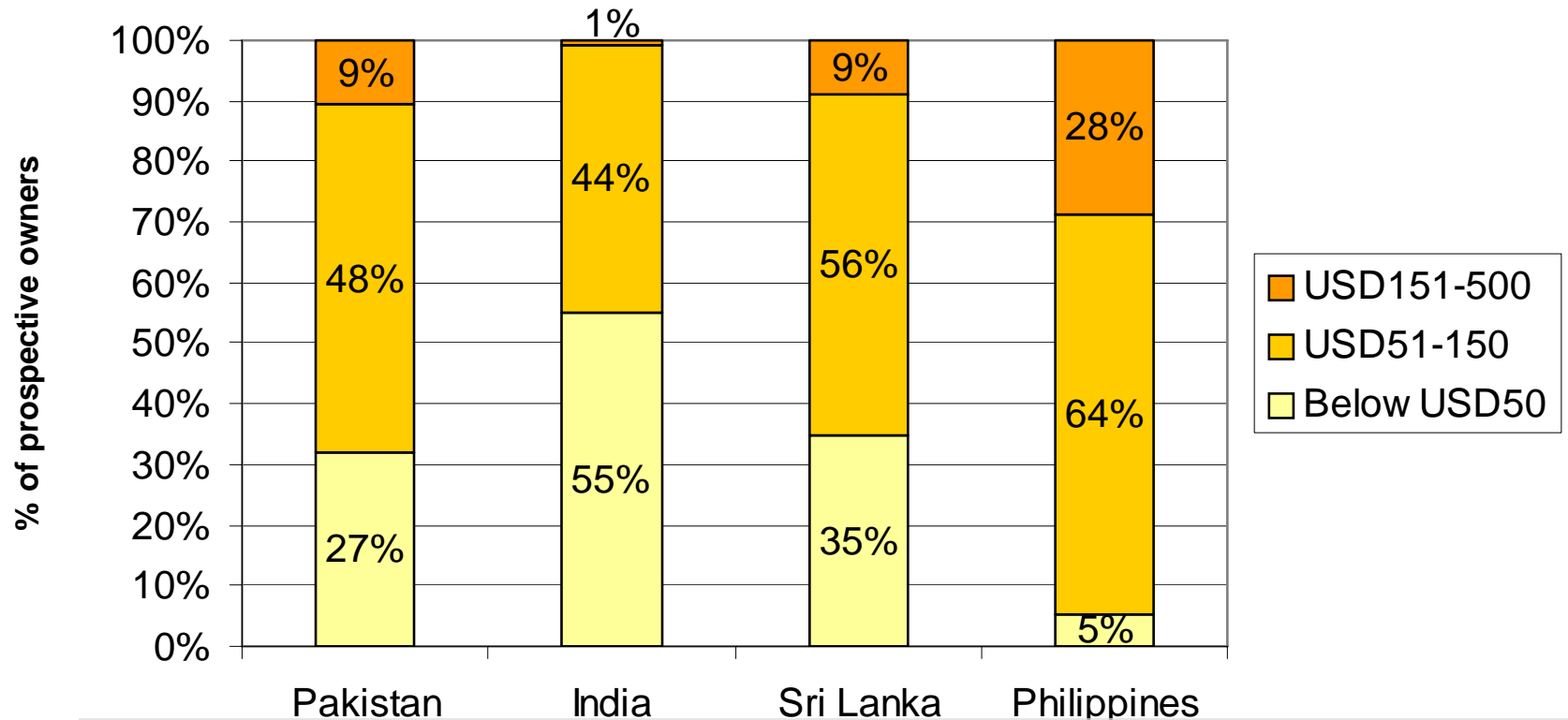


Most frequently used phone: Someone else's phone (neighbor, friend, family, work)



A phone is possible on incomes of USD2 per day

Income distribution of prospective owners

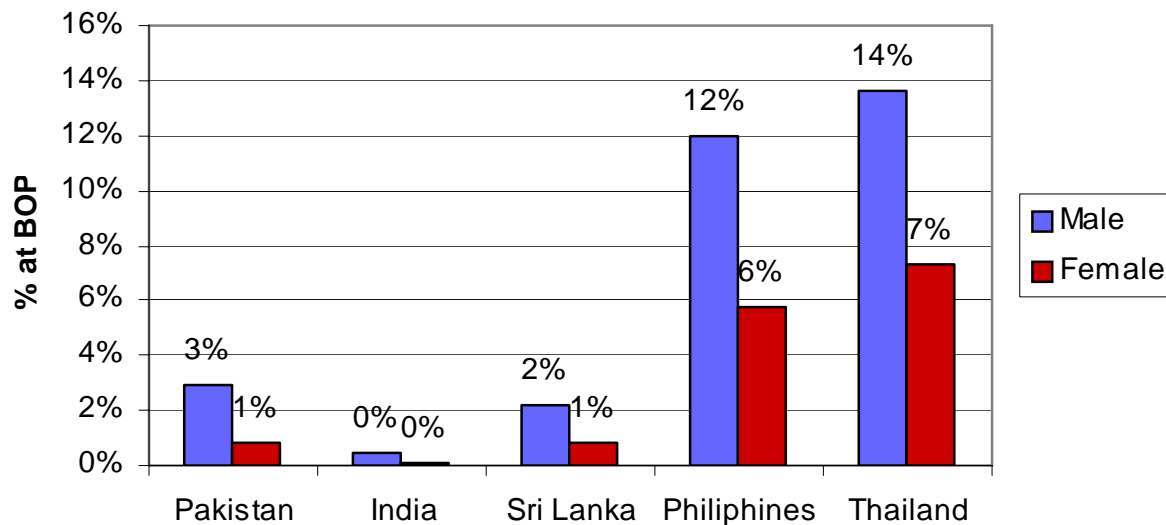


The addressable market does not stop at USD100 per month; it goes down further.

Internet...

	Pakistan	India	Sri Lanka	Philippines	Thailand
Use the Internet	2%	0%	1%	9%	10%

Internet use

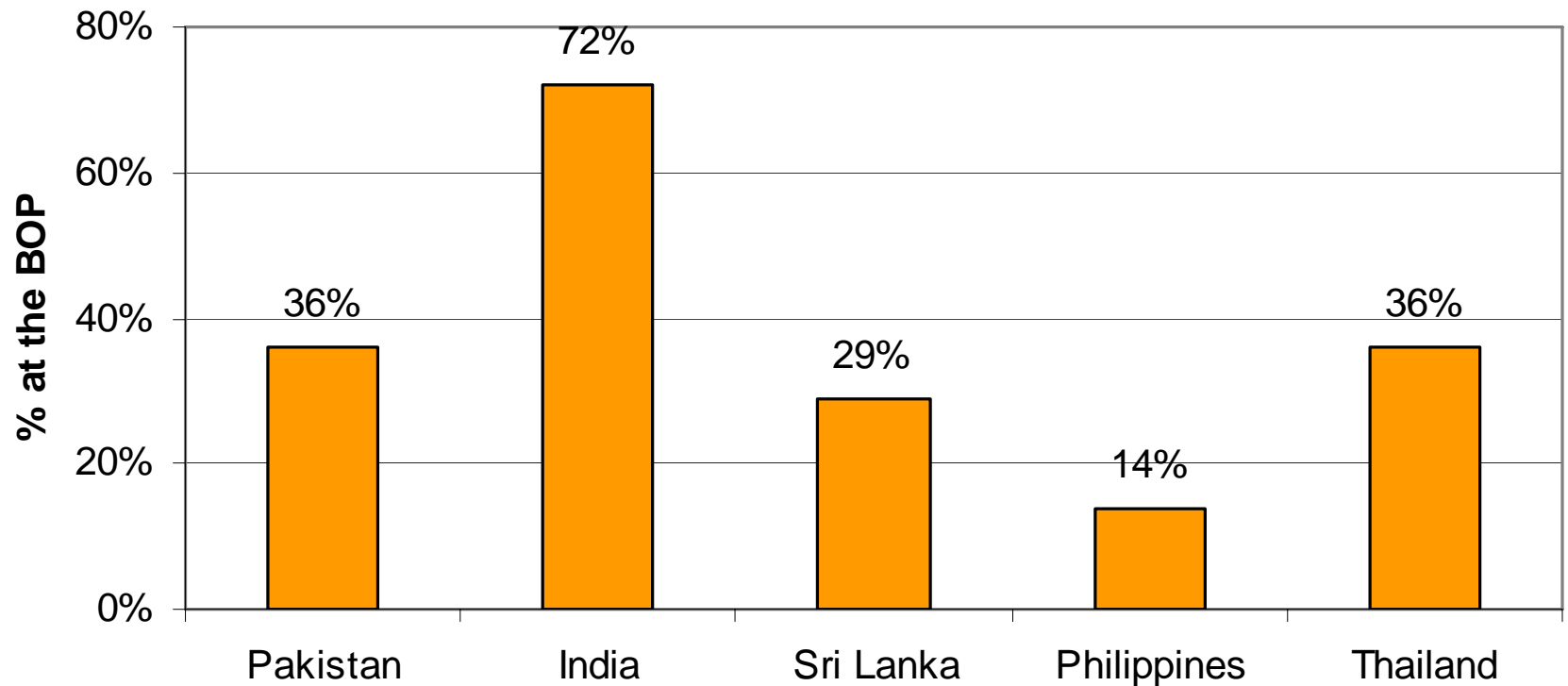


Large gender divide, even in South East Asia



...what internet??

Have not heard about the Internet before



BOP in summary

- Almost everyone can afford to use a phone, but not to own one
- Benefits of ownership (direct access) are known
 - Perceived as improving efficiency *and* income in India
 - Phones are highly valued for emergency communication and keeping in touch
- High price expectations drive a cost-cutting culture
 - BUT, this is not a bad thing: it seems to be driving **affordable access** at the bottom of the pyramid
- Next Billion: affordability is a key barrier
 - 140m at the BOP in IN, PK, LK, PH, TH in next 2 years
 - The addressable market does goes below USD100 a month
 - Individual use is still very low; Internet far far away



To think about...

□ Telecom operators

■ Leverage benefits of direct access

□ Security, friends & family

□ Particularly in India: cost saving + income enhancing

■ Increase awareness on efficiency → economic gain

□ Collaborate on meaningful content

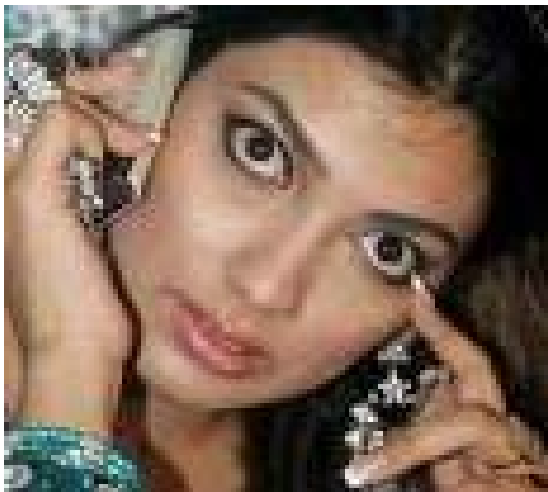
■ SMS based services vs. Bollywood movies



To think about...

- Handset manufacturers
 - Affordable handsets with local language SMS capability
 - Ultra low-cost phones with “warranty”?
 - Installments?





Thank you