

Operator strategy, pricing and Introduction to the MOB game



Jan Markendahl
November 28, 2011

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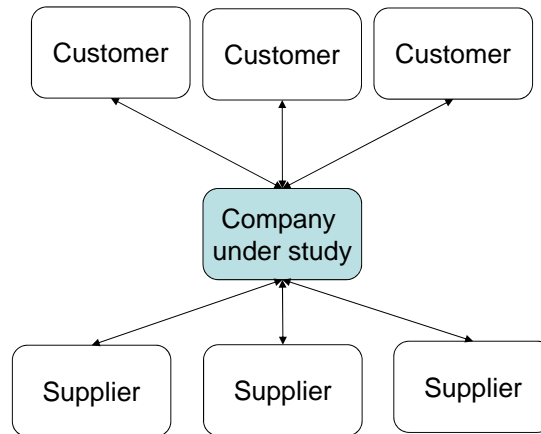
Today

- The first hour
 - Operator strategy
 - Introduction to the MOB game
 - Game preparation and summary reports
 - Notes about pricing and offers
- The second hour
 - Guest Lecture by Greger Blennerud, Ericsson



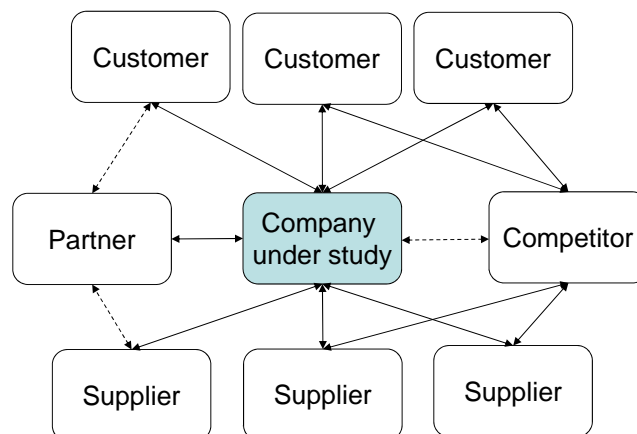
2

Cooperation: Market Actors and Relations



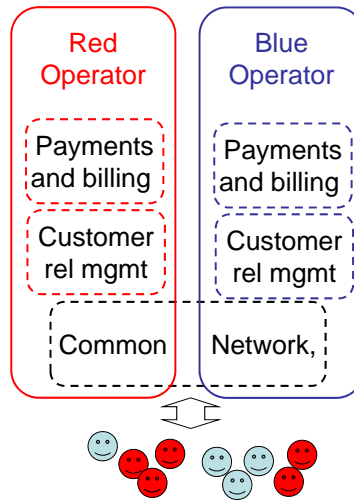
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Cooperation: Market Actors and Relations



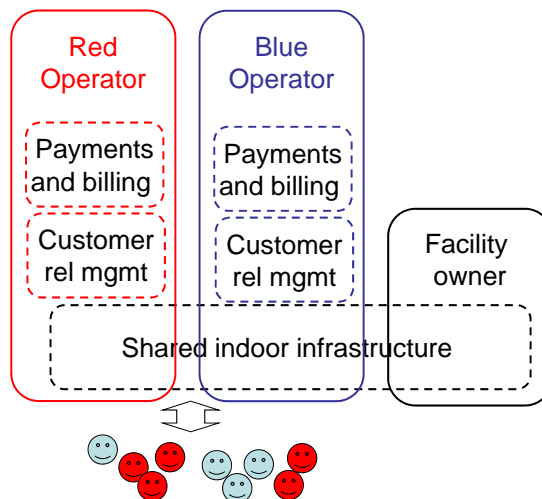
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Network sharing



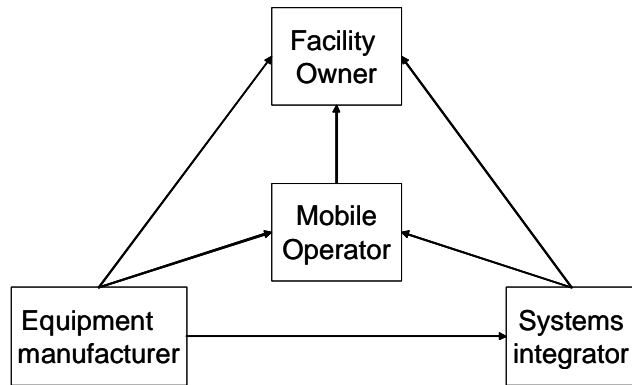
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Shared indoor infrastructure



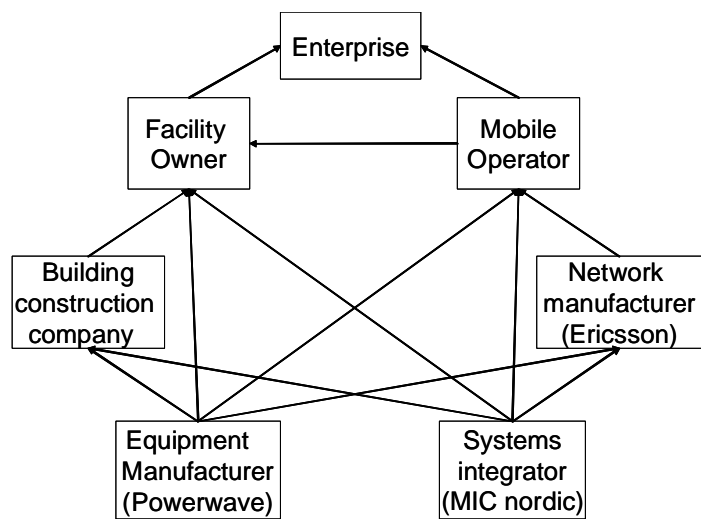
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Actors and relations indoor wireless access systems



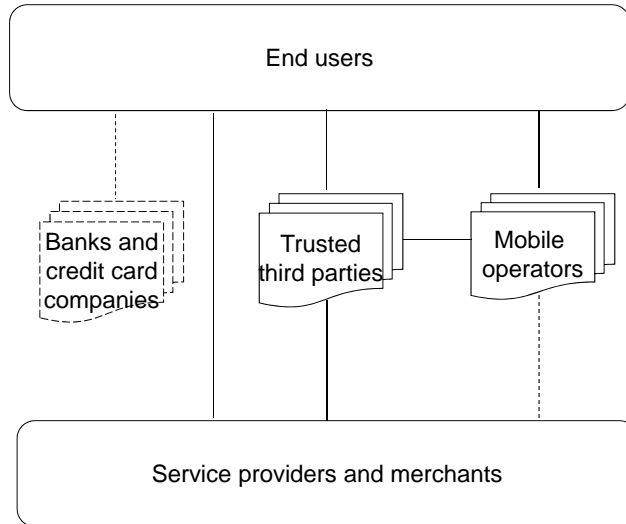
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Actors and relations indoor wireless access systems



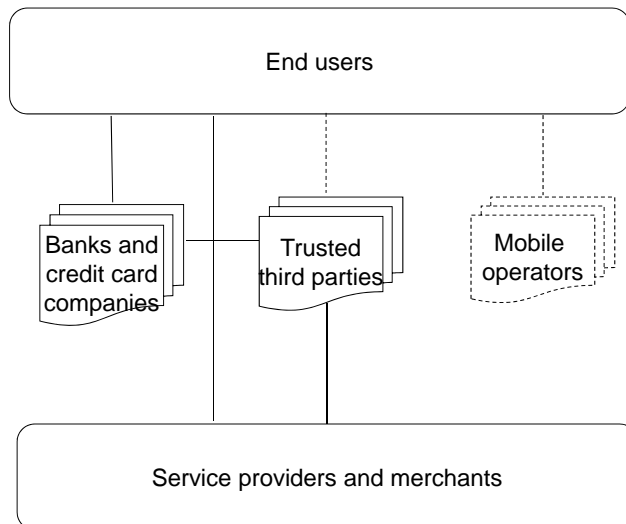
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Premium SMS



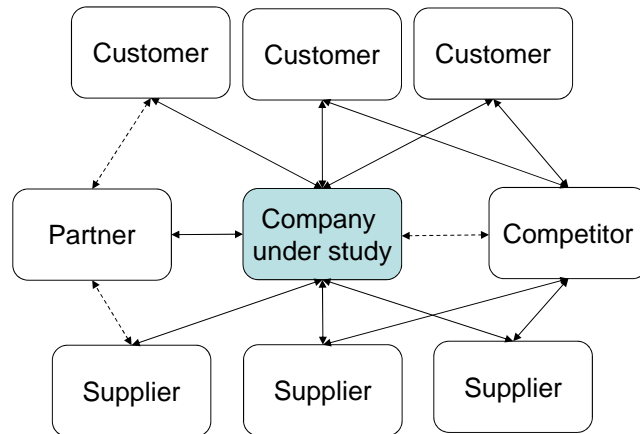
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Bank SMS



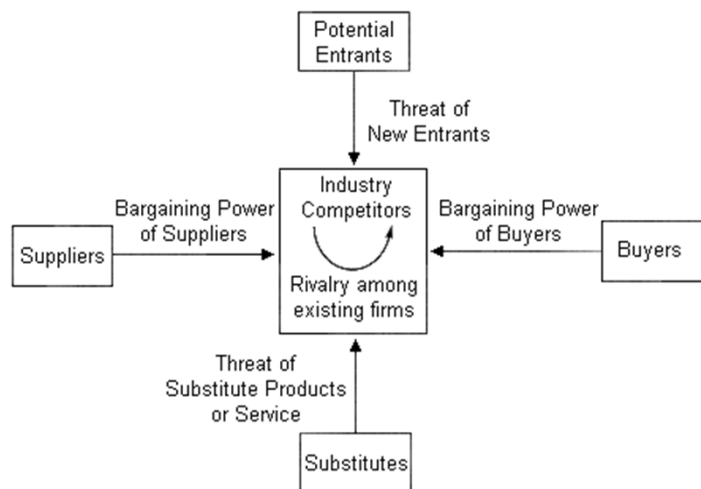
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Cooperation: Market Actors and Relations



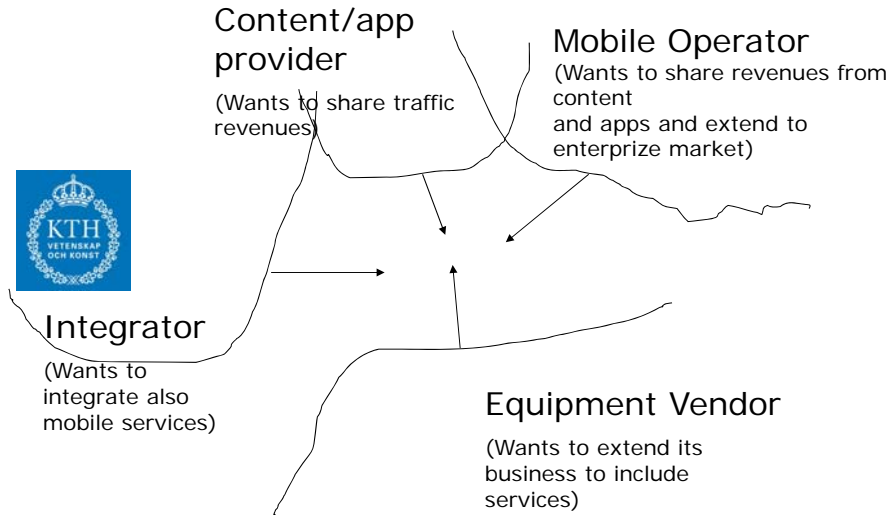
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Porters five market forces



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The mobile business battle



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Porters generic strategies



<i>Target Scope</i>	<i>Advantage</i>	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

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Porter and the MOB game

According to Porter, there are three fundamental ways through which a company can achieve sustainable competitive advantage.

Porter's three generic strategies are as follows:



- A *cost leadership strategy*
- A *differentiation strategy*
- A *focus strategy*

Choose ONE strategy for the MOB game

Prepare activities in order to implement the strategy

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Schedule for MOB game and preparations

- Preparation
 - Comparison of operator strategies
largest difference of HW2 strategies (-> Nov. 22, 15:00)
 - Preparation of strategy for the MOB game
chose a "Porter" type of strategy (-> Nov. 29, 16:00)
- During the game day, November 30
 - 08:15-15:00 The "game"
 - 15:00-16:00 Preparation of summary report
 - 16:00-17:00 Presentation of summary reports



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Schedule for MOB game and preparations

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Team summary report
–Initial strategy
–What happened?
–How did you manage?
–Lessons learned?
–Who did win?

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MOB game – main page

MOB		Main	
Main	Name of Team: <input type="text" value="Team"/>	<input type="button" value="Get new results"/>	Save decisions -button pressed!
Consumers	Team Number: <input type="text" value="1"/>	<input type="button" value="Send decisions"/>	
Corporations	Season: <input type="text" value="1"/>		
Mobile Content	Remember to print the Market Data in the beginning of each season!		
Sales & Marketing			
R&D			
Network CapEx			
Network OpEx			
Mobile Devices			
HR			
Finance & CFS			
IS & BS			
Market Data			

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MOB game – the market

- Western European country before 2005
- Still some new voice users to attract
- Only low data rate services are available
- The big mobile data growth to come
- Business intelligence data is available in the end of the player instructions



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Several rounds (seasons)



Player decisions

The decisions are made for incoming financial year. Time for decisions ~15 min – 1h 15 min

Simulation of next round parameters

MOB simulates the parameters for next financial year based on the players' decisions. Time for simulation ~10 15 min

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To input



- Services
 - Consumer segment
 - prices for voice, data and messages
 - Enterprise segment (corporations)
 - prices etc
 - Sales & marketing and customer care
 - Content services (Mobile content*)
- Sales and marketing
 - For consumers only
- Handsets*
 - Subsidies and prices

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To input (continued)



- Networks
 - "R&D" invest in knowledge in order to deploy
 - "CAPEX" (build capacity to match demand)
 - "OPEX" (maintain networks, ensure quality)
- Human Resources*
 - Salaries
 - Competence development
- Finance
 - Increase or decrease debt

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Schedule for MOB game activities

- During the game day
 - 08:15 Start of the game
 - 09:45 Deadline for input season 1
 - 11:00 Deadline for input season 2
 - 12:00 Deadline for input season 3
 - 13:15 Deadline for input season 4
 - 14:00 Deadline for input season 5
 - 14:45 Deadline for input season 6
 - 15:00 End of Game (lunch)
 - 15-16 Preparation of summary report slides
 - 16-17 Team presentation of summary reports



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Market data

The screenshot shows the 'MOB Main' interface. On the left is a vertical navigation menu with the following items: Main, Consumers, Corporations, Mobile Content, Sales & Marketing, R&D, Network CapEx, Network OpEx, Mobile Devices, HR, Finance & CFS, IS & BS, and Market Data. A large red arrow points to the 'Market Data' item. The main content area contains a form with the following fields: 'Name of Team:' with the value 'Team', 'Team Number:' with the value '1', and 'Season:' with the value '1'. To the right of these fields are two buttons: 'Get new results' and 'Send decisions'. Below the form is a text box that says 'Remember to print the Market Data in the beginning of each season!'. To the right of the form, there is a text label 'Save decisions -button pressed!'.

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Page 1/4		Season: 1			
Income statement (k€)					
	Team1_	Team2_	Team3_	Team4_	
Revenues					
Consumer postpaid voice	198 554	247 792	236 276	249 731	
Consumer prepaid voice	20 656	21 631	21 204	20 325	
Consumer data	1 291	1 291	5 693	1 167	
Consumer messaging	39 336	38 379	34 606	39 811	
Mobile content	355	549	474	549	
Corporate voice	118 242	114 863	115 441	115 413	
Corporate data	12 960	12 830	11 757	12 541	
Total	391 384	437 333	425 451	439 536	
Expenses					
Marketing	78 288	78 288	80 288	88 288	
Mobile content	8 000	8 000	6 500	8 000	
Corporate customer acquisition and relations	25 100	24 200	22 630	22 500	
R&D	90 000	105 000	60 000	50 500	
Maintenance	21 255	19 255	19 355	19 255	
Handset business	0	0	0	0	
Personnel	62 166	59 862	59 308	58 845	
Total	323 947	338 338	290 626	291 341	
EBITDA	67 437	98 996	134 825	148 195	
Depreciation from fixed assets	55 529	50 000	50 486	56 353	
EBIT	11 908	48 996	84 339	91 842	
Financial expenses	24 000	24 000	24 000	24 000	
Taxes (26%)	0	6 499	15 688	17 639	
Profit	-12 092	18 497	44 651	50 203	

Page 2/4		Season: 1			
Balance sheet (k€)					
	Team1_	Team2_	Team3_	Team4_	
Assets					
Fixed assets	638 588	575 000	580 592	648 059	
Cash and cash equivalents	73 731	193 497	213 941	150 733	
Total	712 320	768 497	794 533	798 791	
Liabilities & equity					
Equity					
Share capital	250 000	250 000	250 000	250 000	
Previous years profits	-100 000	-100 000	-100 000	-100 000	
Profits for this year	-12 092	18 497	44 651	50 203	
Total equity	137 908	168 497	194 651	200 204	
Liabilities					
Short term dept	0	0	0	0	
Long term dept	575 000	600 000	600 000	600 000	
Total liabilities	575 000	600 000	600 000	600 000	
Total	712 320	768 497	794 533	798 791	

Subscriber amounts & market shares

	Team1_	Team2_	Team3_	Team4_
Consumers:				
Postpaid voice (subscribers)	693 818	661 667	653 707	636 808
Postpaid voice (%)	26%	25%	25%	24%
Prepaid voice (subscribers)	71 317	74 720	72 146	75 818
Prepaid voice (%)	24%	25%	25%	26%
Cellular data (subscribers)	9 622	9 839	79 068	9 470
WLAN data (subscribers)	0	0	0	0
SMS (active users)	711 026	687 366	606 621	712 626
MMS (active users)	68 620	70 047	70 188	67 144
Corporations:				
SME voice (%)	25%	25%	25%	25%
NAT voice (%)	25%	25%	25%	25%
INT voice (%)	26%	26%	24%	24%
PA voice (%)	25%	26%	25%	25%
SME data (subscribers)	15 686	15 654	15 840	15 460
NAT data (subscribers)	15 761	15 614	15 709	15 556
INT data (subscribers)	13 180	12 792	12 094	12 048
PA data (subscribers)	7 965	7 960	7 713	7 683

MOB game – Input for consumers – voice services

MOB

Consumer Offerings: Subscriptions

- Main
- Consumers**
- Corporations
- Mobile Content
- Sales & Marketing
- R&D
- Network CapEx
- Network OpEx
- Mobile Devices
- HR
- Finance & CFS
- IS & BS
- Market Data

Voice Data Messaging

	Season 1	Season 0		Season 1	Season 0
Postpaid subscription			Prepaid subscription		
Nr. of postpaid subs		680 400	Nr. of prepaid subs		75 600
Opening charge (€)	3,90	3,90	Opening charge (€)	5,00	5,00
Monthly charge (€/month)	3,90	3,90			
Calls (€/min)			Calls (€/min)		
07:00-17:00	0,19	0,19	07:00-17:00	0,22	0,22
Other	0,16	0,16	Other	0,19	0,19
Average min/subs/month: 07:00-17:00		74,80	Average min/subs/month: 07:00-17:00		54,99
Average min/subs/month: other		61,20	Average min/subs/month: other		48,76
Total average min/subs/month		136,00	Total average min/subs/month		103,75
Estimated nr. of postpaid subs	710 000		Estimated nr. of prepaid subs	40 000	
Estimated average min/subs/month: 07:00-17:00	75,00		Estimated average min/subs/month: 07:00-17:00	55,00	
Estimated average min/subs/month: other	62,00		Estimated average min/subs/month: other	50,00	
Revenues (k€)		228 229	Revenues (k€)		19 474
Estimated revenues (k€)	239 272		Estimated revenues (k€)	10 368	

MOB game – Input for consumers - messaging

MOB

Consumer Offerings: Messaging

Main

Consumers

Corporations

Mobile Content

Sales & Marketing

R&D

Network CapEx

Network OpEx

Mobile Devices

HR

Finance & CFS

IS & BS

Market Data

Voice
Data
Messaging

SMS

	Season 1	Season 0
SMS (€/message)	0,17	0,17
Nr. of SMS users		675 000
Nr. of SMS's/user/month		28
Estimated nr. of SMS users	710 000	
Estimated nr. of SMS's/user/month	28	
SMS revenues (k€)		38 556
Estimated SMS revenues (k€)	40 556	

MMS

	Season 1	Season 0
MMS (€/message)	0,55	0,55
Nr. of MMS users		30 000
Nr. of MMS's/user/month		2
Estimated nr. of MMS users	45 000	
Estimated nr. of MMS's/user/month	3	
MMS revenues (k€)		396
Estimated MMS revenues (k€)	891	

Total revenues

	Season 1	Season 0
Total revenues (k€)		38 952
Total estimated revenues (k€)	41 446	

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MOB game – Input for consumers – data services

MOB

Consumer Offerings: Data

Main

Consumers

Corporations

Mobile Content

Sales & Marketing

R&D

Network CapEx

Network OpEx

Mobile Devices

HR

Finance & CFS

IS & BS

Market Data

Voice
Data
Messaging

Data services

	Cellular data		NOT ENABLED	
	Season 1	Season 0		
Monthly payment (€/month)	3,00	3,00		
Price of 1 MB (€/MB)		2,50		
Block size (MB)				
Nr. of data users		30 000		
Average MB/user/month		1,50		
Estimated nr. of data users	30 000			
Estimated average MB/user/month	1,50			
Revenues (k€)		2 430		
Estimated revenues (k€)	1 080		0	

Cellular pricing type

	Season 1	Season 0
Flat	Flat rate	Flat rate
Usage	Usage based	Usage based
Block	Block price	Block price

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Pricing, offers and subscriptions



Jan Markendahl
November 28, 2011

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Payments and charging



- Payments
 - Pre-paid
 - Post-paid
- Charging
 - Per volume
 - Flat rate
 - Flat rate with upper limit

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Example - International roaming User costs, price per minute (2006)

Outgoing calls

lowest price of visited network highest price of visited network

Grekland				Cypern			
Telia	9,69	12,19	5,50	Telia	12,19	12,19	5,50
Tele2/Comviq	5,61	12,18	4,50	Tele2/Comviq	3,79	4,29	4,50
Telenor	8,95	10,29	5,25	Telenor	8,95	8,95	5,25
Tre	9,50	9,50	5,00	Tre	9,50	9,50	5,00

Home operator Incoming calls

Källa: Operatörernas tekniska, 2006-01

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International roaming

- One "regulated market"
 - Origination and termination of international calls
- Status
 - All operators have roaming agreements, globally more than 25 000 bi-lateral agreements
 - International calls have been very expensive,
 - 0,3€ - 2€ per minute for international calls
 - compare 0,05 – 0,2 € for national calls
 - EU have stated maximum prices for mobile calls
 - 0,5€ outgoing calls and 0,2€ for incoming calls
- It is still VERY expensive for mobile data!!



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Costs for mobile data abroad

Sms:a, mms:a och surfa

För muspekaren över roamingzonen för att se vilka länder och operatörer som ingår i zonen eller se [version för utskrift](#). Priserna gäller från 1 apr 2008 och anges i SEK/meddelande för sms och mms samt SEK/MB för surfa. Priserna är inklusive moms.

SEK/MB

Zoner	Skicka sms	Ta emot sms	Skicka mms	Ta emot mms	Surfa**
Zon 1	2,50	0	5	3,50	25
Zon 2a - UOp	3	0	8	6,50	40
Zon 2a	3	0	8	6,50	85
Zon 2b	3	0	9	7,50	120
Zon 3	4	0	10,50	9	145
Zon 4	4	0	9	7,50	120
Zon 5	4	0	10,50	9	145
Övriga länder	*	0	10,50	9,50	145

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1 minute question

- How many MB can you use in each country before the cost for the data usage exceeds the average price for the airline ticket?
 - Germany 4€ per MB
 - Japan 14€ per MB



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Components in Mobile broad band offers

For the "dongle" business

- Price
- Length of contract
- Fee for dongle or not
- Data rate
- Amount of data
- Conditions when data limit is exceeded



Smartphones?

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Subsidies and "lock in" periods

- Handset subsidies are a large part of the operator costs for customer acquisition
- There are differences between countries
 - In Finland it has not been used (until recently)
 - In Denmark the lock in period is max 6 month
 - In Sweden the lock in period is max 24 month



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Price for wireless Internet access and mobile broad band access



- Telia Homerun -2006
 - Hot spot WLAN service
 - 150 € per month
- 3 Mobile broad band 2006
 - UMTS 3G card for laptop
 - 40 € per month
- Telia ConnectPro 2007
 - WLAN, GPRS, UMTS
 - 30 – 55 € per month
- Mobile Broad band 2011
 - Super 3G, Turbo 3G, 4G,
 - 5 – 50 € per month

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Prices Internet access



- Fixed broadband to homes
Flat rate 10 – 30 € per month; up to 100 Mbps
- Wireless broad band – business hot spots
10 € per hour or 30 € per 24 hours
- Wireless broad band – “consumer” hot spots
For free of included in other service
- Wireless broad band – cellular
Flat rate 10 – 30€ per month; 0,5 – 16 Mbps
Flat rate 50€ (30€); up to 80 Mbps

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Pay monthly plan	Mobile Broadband Pay Monthly plans	Laptop Packages	Mobile Broadband Pay As You Go plans	Wireless Router	Your total monthly cost
Broadband Lite 1GB <small>Plan detail</small>	1 GB of data allowance every month <small>24 month contract</small>		Free modem on this plan		£10 a month Pick
Broadband Lite 1GB <small>Plan detail</small>	1 GB of data allowance every month <small>18 month contract</small>		Free modem on this plan		£10 a month Pick
Broadband Lite 1GB <small>Plan detail</small>	1 GB of data allowance every month Modem costs from £48.53 <small>12 month contract</small>				£10 a month Pick
Broadband 5GB <small>Plan detail</small>	5 GB of data allowance every month <small>24 month contract</small>		Online exclusive Free iPod shuffle		£15 a month Pick
Broadband 5GB <small>Plan detail</small>	5 GB of data allowance every month <small>18 month contract</small>		Online exclusive Free iPod shuffle		£15 a month Pick
Broadband Plus 3GB <small>Plan detail</small>	3 GB of data allowance every month <small>12 month contract</small>		Free modem on this plan		£15 a month Pick
Broadband Max 7GB <small>Plan detail</small>	7 GB of data allowance every month <small>12 month contract</small>		Free modem on this plan		£25 a month Pick
Broadband 15GB <small>Plan detail</small>	15 GB of data allowance every month <small>24 month contract</small>		Online exclusive Free iPod shuffle		£30 a month Pick
Broadband 15GB <small>Plan detail</small>	15 GB of data allowance every month <small>18 month contract</small>		Online exclusive Free iPod shuffle		£30 a month Pick

Mobile Broadband on Pay As You Go

Share your Broadband

Just plug your USB Modem into our shiny Wireless Router and anyone in your house can get instant internet access. No handiness and no more fighting to get online.

It's easy (and we thought we'd mention) cheap web access for up to four people. And if you want to be on the move, just pull out your USB Modem and get your broadband to go.

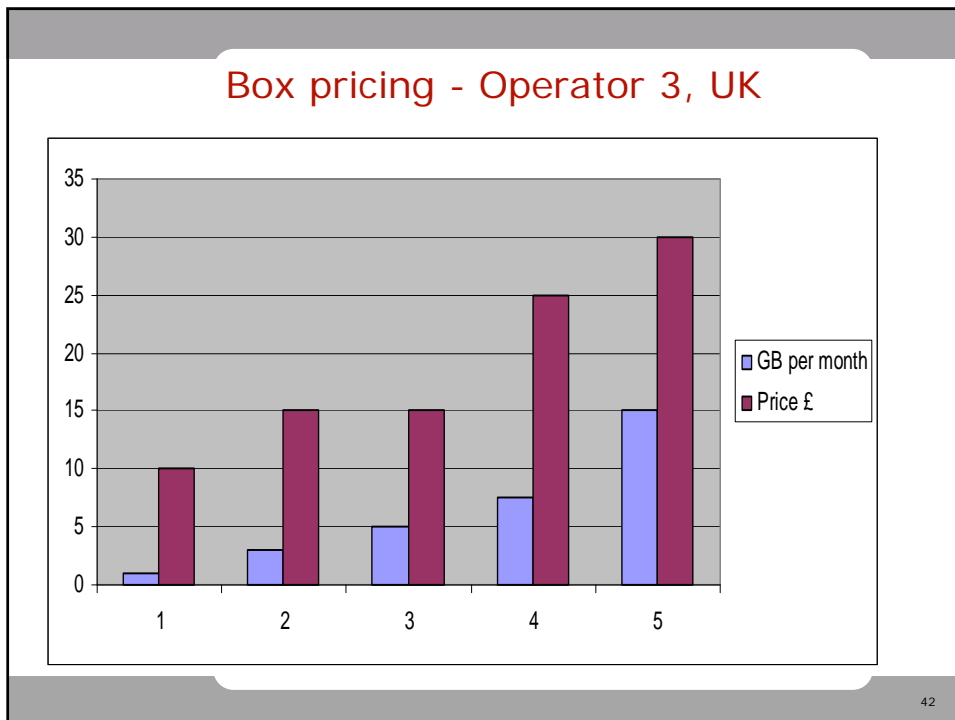
Wireless Router

Get 25% off.

Already a 3 contract customer? Let us know when you Checkout (in Your Basket - see below) and we'll make sure you get 25% off Mobile Broadband each month. Lucky you.

Already a 3 customer?
Take the most of these offers...

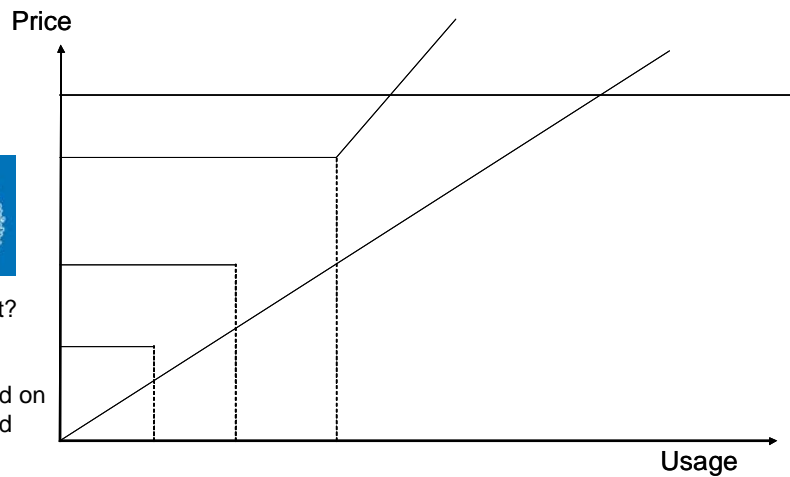
Just have your 3 mobile number and account number handy and you'll get the discount. Easy.
Terms & Conditions apply



Different pricing strategies



- What is what?
- Flat rate
 - Box pricing
 - Box with add on
 - usage based



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MOB game – Input for consumers – data services

MOB

Main

Consumers

Corporations

Mobile Content

Sales & Marketing

R&D

Network CapEx

Network OpEx

Mobile Devices

HR

Finance & CFS

IS & BS

Market Data

Consumer Offerings: Data

Voice
Data
Messaging

Data services

	Cellular data		NOT ENABLED
	Season 1	Season 0	
Monthly payment (€/month)	3,00	3,00	
Price of 1 MB (€/MB)		2,50	
Block size (MB)			
Nr. of data users		30 000	
Average MB/user/month		1,50	
Estimated nr. of data users	30 000		
Estimated average MB/user/month	1,50		
Revenues (k€)		2 430	
Estimated revenues (k€)	1 080		0

Cellular pricing type		NOT ENABLED
Season 1	Season 0	
Flat	Usage	Block
Flat rate	Usage based	Block price
Usage based	Block price	

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Paper by Alf Westelius, ITS Conference Budapest, 2011

- Title:
 - From industry norms on full costing to ecologies
 - on pricing principles in telecom
- About principles
 - Full costing
 - Marginal costing
 - Value based
 - Based on competition
- About ecologies
 - Iphone
 - Skype
 - Google

