

# Improving telecoms affordability

Claire Milne

[cbm@antelope.org.uk](mailto:cbm@antelope.org.uk)



# Highlights

- Affordable phone service for almost everyone is coming within reach, almost everywhere – but **advocacy** and regulatory influence may be needed to get it delivered, even in open markets
- Most countries can now think about universal service as well as universal access. To set targets and to monitor progress, need to **define and measure affordability**
- At the right prices, people want their own phone – and want to use it. But at the lowest income levels, phone sharing is vital; **affordability of transition to ownership** is not yet well understood
- Technology allowing very small outlays is a critical element in making usage affordable; software allows **innovative packages** to be tailored to small groups
- Falling costs and (contrary to received wisdom) **high price elasticities** mean price reductions may well be rewarding for operators

## Meaning of ‘affordability’

- A term that is much used (in different ways), little questioned and rarely defined (in English)
- Economic undertones, but not part of economic parlance – rather, used by marketeers and politicians (and engineers)
- Clearly related to money available to pay for service, whether at individual/household, group (eg income decile) or national level
- **Need to clarify meaning in economic terms: turn to behavioural economics?**

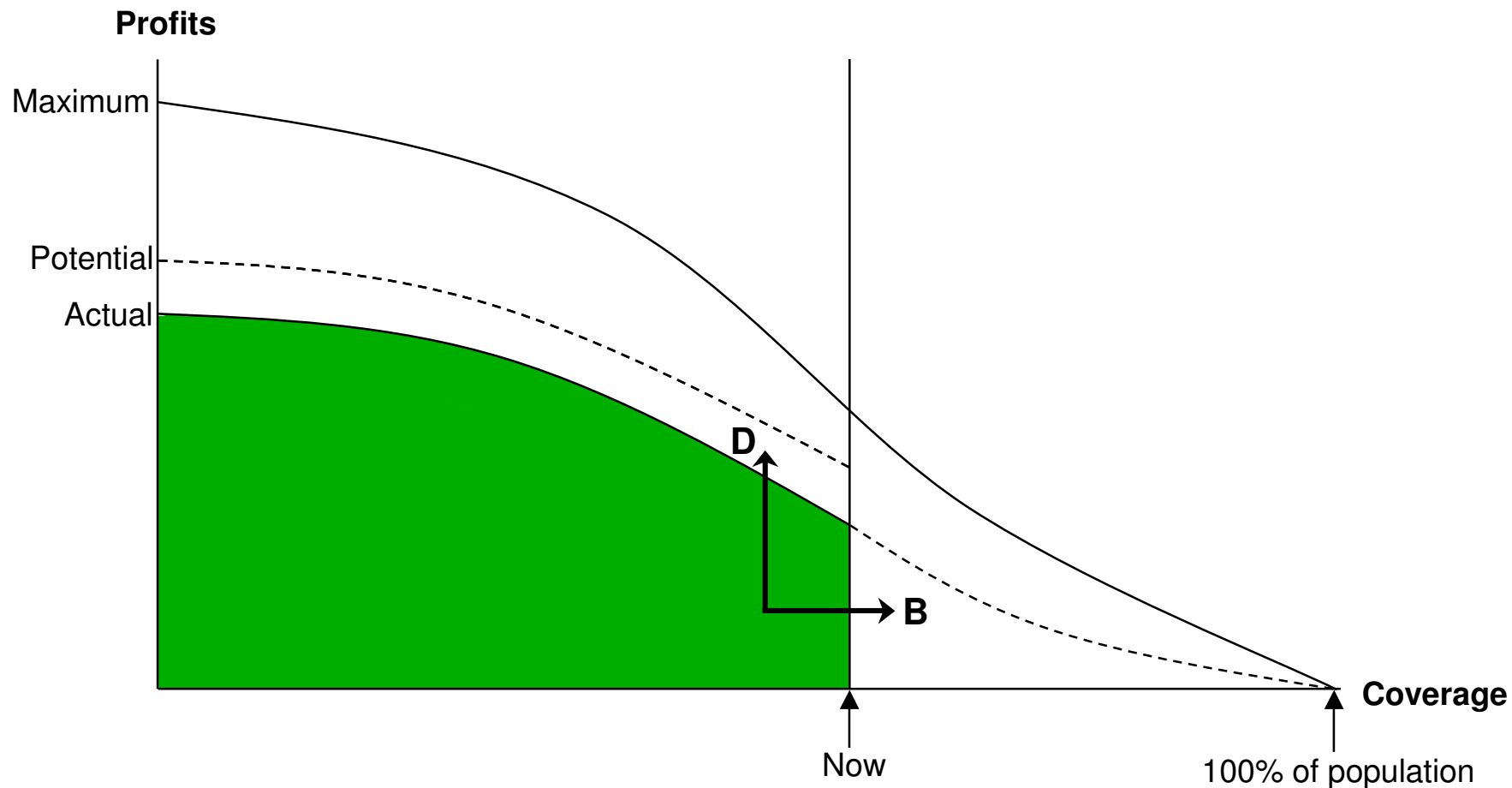
# Changes in the stages model

	<b>Stage 1: network establish ment</b>	<b>Stage 2: wide geograph ic reach</b>	<b>Stage 3: mass market take-up</b>	<b>Stage 4: network completi on</b>	<b>Stage 5: network enhance ment</b>
<b>1998 national income</b>	Low	Lower middle	Upper middle	High	High
<b>2005 national income</b>	Very low	Low	Lower middle	Upper middle	High

# Universality: depth and breadth

- In early stages of network rollout, greater breadth is both desired and profitable – even at high prices
- But as network grows, greater depth (penetration) at lower prices offers more profits than further expansion (towards universal access)
- Price differentiation and good marketing mean both depth and breadth can be achieved

# Depth vs breadth – alternatives or complements?



# People want their own phones

- Recent market research in many countries suggests that even very poor people want a phone at hand:
  - For emergencies
  - To receive calls
  - To make short calls and send text messages
- Informal sharing (eg with a neighbour) is much better than a public phone; own phones are better still

# Cash flow is key to affordability

- Small denomination top-ups (down to one call or message) are popular with customers and highly profitable for operators, in many countries
- Price per minute or per bit may be high, but necessary outlay is minimised
- The most affordable service is the most flexible and controllable (no large outlays or inescapable commitments)

# Percentage of spend: still many unknowns

- Assessing affordability by looking at percentage of income (or total spending) is gaining ground
- Overall, percentage spent on communications seems to be growing – for all countries and income groups
- Old rules of thumb (~2.5%) being replaced by ~5% or even ~10%
- But puzzles remain as to low deciles' real spending. Clue in widespread aspiration to be the owner of a shared phone?

## Some innovative services for affordability

- Micro-prepay and cash transfer (Philippines)
- New banking services (sub-Saharan Africa)
- Instant message after call giving cost (Celtel)
- Voice SMS (Malaysia, Vodafone Egypt)
- Message-based customer service
- ‘Single-serve’ calls (Nokia ‘dialled number’ # ‘number of money units’ capability)
- Real-time capacity-based tariffing (coming soon?)