
3 UK has halted and then reversed the decline in its voice ARPU, with an 18% rise in the six months to June 2006

3 UK is one of very few mobile operators in the world to grow its voice ARPU during 2006, to levels that are higher than in the USA, Japan and the rest of Europe. In the twelve months to 30 June 2006, its voice ARPU stood at GBP31.35 (USD56.46) per month. On 23 August 2006, 3 UK had 3.75 million customers, 40% of whom had prepaid tariffs.

In Europe, 3 UK has pioneered the introduction of large bundles of any-time, any-network voice minutes with its postpaid tariffs. It has progressively increased the value of these bundles (with more voice minutes and the inclusion of non-voice services) and has used a number of incentives to encourage their adoption and subsequent usage of voice and other services. For example, the standard Video & Talk & Text 700 tariff offers 400 minutes of voice calls, together with a varied selection of non-voice services, for GBP35 (USD63) per month. During 2006, 3 UK has halved the price of the tariff to GBP17.50 (USD31.52) for up to 12 months, and doubled the voice allocation to 800 minutes for up to six months, for new customers.

For prepaid users, 3 UK offers two options. Users can pay GBP25 (USD45) for a bundle of 500 voice minutes, plus GBP1.50 (USD2.70) credit for other services that must be used within 30 days of activation. This offers similar value for money to most postpaid tariffs. Alternatively, users can purchase cash top-ups, having no expiry date, which can be used to pay for any combination of 3 UK's services. Voice calls cost GBP0.10 (USD0.18) per minute to 3 UK mobiles, GBP0.30 (USD0.54) per minute to other UK mobiles and GBP0.15 (USD0.27) per minute to UK landlines. In January 2006, 3 UK introduced a scheme in which it pays prepaid users an incentive to receive voice calls on their mobiles. The WePay service pays users GBP0.05 (USD0.09) per minute for calls they receive. The scheme is designed to encourage users to make their 3 UK mobile their primary form of voice communication, potentially leading to subsequent ARPU increases.

NTT DoCoMo has identified reinforcement of after-sales support as a key factor in retaining customers. It has introduced the DoCoMo Premier Club, which provides subscribers with loyalty points that can be redeemed for new handsets, travel and meal coupons. Members also benefit from preferential services, such as free replacement of battery packs after they have been in use for two years and free warranties on handsets. By the end of April 2006, 39 million customers (approximately three-quarters of all subscribers) had joined the scheme and DoCoMo reports that the churn rate among members is lower than that of the rest of its customer base. In July 2005, NTT DoCoMo launched the My DoCoMo Web site, offering a variety of customer-support services, such as checking and paying usage charges, checking DoCoMo Premier Club points and setting i-mode options.

Vodafone has reduced churn by encouraging customers to accept longer contract periods, using incentives that avoid damaging profit

Contracts that tie customers to a mobile operator for 18 months or more are becoming increasingly common as a means of reducing churn. For example, since the introduction of longer-term contracts, churn among Vodafone UK's postpaid customers has decreased steadily from 25.3% to 20.1% in the period March 2005 to June 2006, as shown in Figure 3.4.

Figure 3.4: Vodafone UK's pro rata annual churn for postpaid customers, quarters ending March 2005 to June 2006 [Source: Analysys Research, 2006]



4 Mobile operators must look beyond mobile services and home markets

While mobile operators can adopt a variety of approaches to bolster ARPU and decrease churn in individual markets, they must be realistic about the growth they can achieve by focusing on these measures and must therefore consider extending the scope of the services they deliver within their existing market(s) and/or expanding to other countries.

Integrated (fixed and mobile) operators and some major consumer brands (for example, BSKyB in the UK) now offer both fixed and mobile services, in many cases including bundled or converged options. To remain competitive, and to generate additional revenue above that from mobile services, a number of mobile operators are already adding fixed broadband services to their portfolios. The steps mobile operators can take to achieve this are discussed here and the actions taken by a successful provider of converged services are analysed.

Many large mobile operators have already developed operations in a number of countries in an attempt to drive revenue growth, achieve global economies of scale and become less dependent on their home markets, particularly if these are relatively small. A selection of international mobile operators is benchmarked against various criteria and the pros and cons of expansion into developed and developing markets are discussed.

Finally, as mobile markets become more complex, operators will need to consider factors that are not currently the most significant. We suggest what may be the benchmarks of the future.