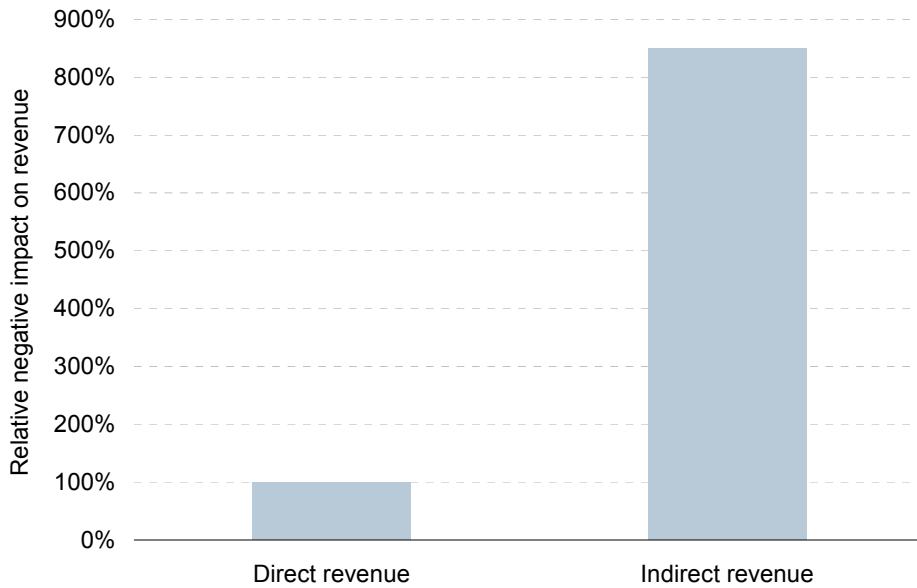


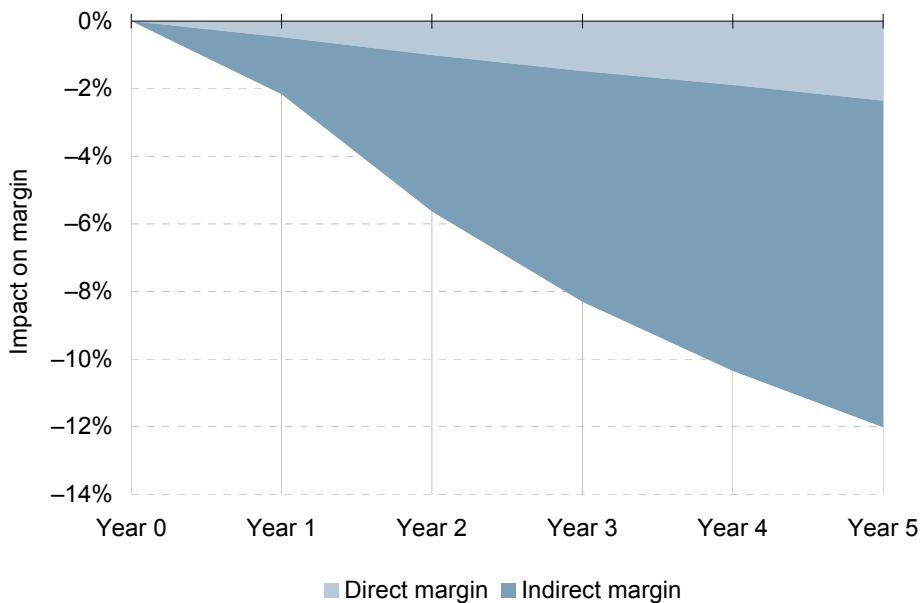
The indirect revenue impact of maintaining a competitive MCA strategy is significantly greater than the direct revenue impact. Figure 2.1 illustrates the relative scale of the impact on direct and indirect revenue when an MNO halts MCA development.

Figure 2.1: Comparison of the negative impact on direct and indirect revenue of halting MCA development [Source: Analysys Mason, 2010]



The negative impact on indirect margins of halting MCA development will also be far greater than that on direct margins, by a ratio of more than 4:1, cumulative over a five year period (see Figure 2.2).

Figure 2.2: Margin impact of halting MCA development, over five years [Source: Analysys Mason, 2010]

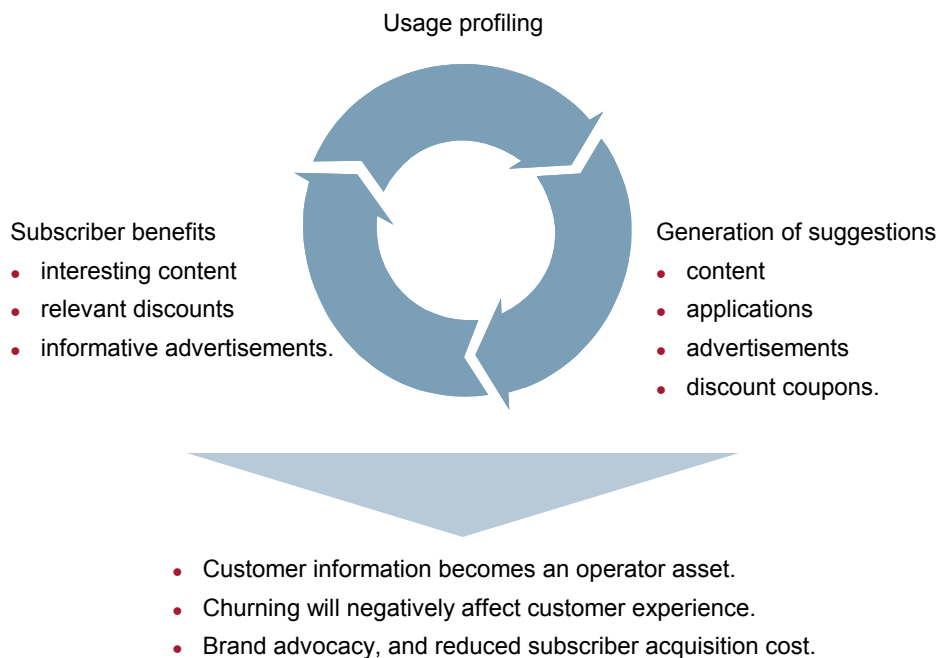


Advertising reducing churn

Advertising and consumer information can generate a virtuous circle (see Figure 5.1). Subscriber reactions to advertising can be used to inform subsequent advertising. Highly targeted advertising (particularly timely, location-aware vouchers) can be positively valuable to subscribers.

If subscribers churn to a competing operator, then the base of knowledge that their operator has accumulated will be effectively lost for the purpose of targeting advertisements.

Figure 5.1: A virtuous circle relating to advertising [Source: Analysys Mason, 2010]



Operators can base loyalty programmes on advertising consumption. Turkcell's TonlaKazan ('tone and win') uses ringback tones as a form of advertisement. Users select the adverts that people calling them will hear as ringback tones. Turkcell offer subscribers free voice minutes and data services based on the total time for which subscriber ringback tones were played. Its users are reluctant to churn because they would lose the awards that they have accumulated, and Turkcell has reported that the TonlaKazan service has increased loyalty. The service has also helped to attract subscribers away from other operators.