

Some MNOs in EMAP can provide lessons to other operators about how to achieve ARPU growth

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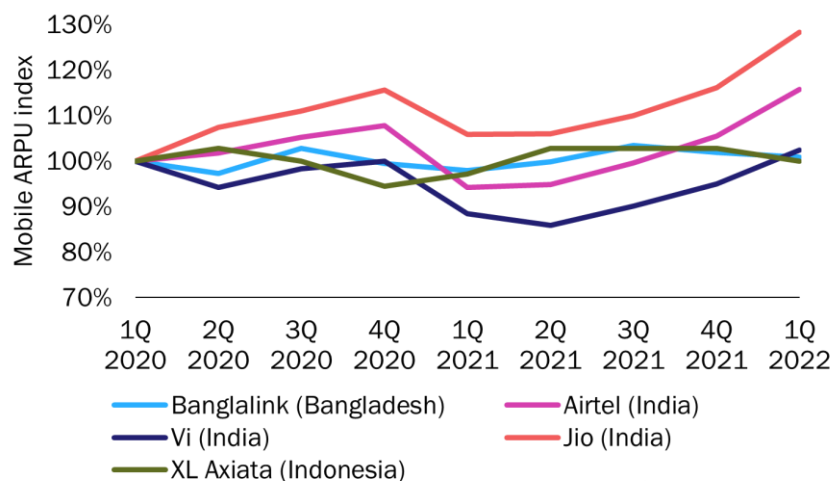
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Many mobile network operators (MNOs) in emerging Asia-Pacific (EMAP) are facing a decline in ARPU, but some operators in the region achieved mobile ARPU growth in 2021 and 2022. This growth has been driven by several factors including an increase in the number of mobile data users, increased data usage (thanks to the launch of digital services or the expansion of digital service portfolios) and finally, tariff increases. This article investigates in more detail the commercial strategies that some MNOs have implemented to achieve mobile ARPU growth and explores how other MNOs can replicate this success.

Some mobile operators in EMAP reported ARPU growth between 2021 and 2022

Some operators in EMAP (including Airtel, Banglalink, Jio, Smart, Vi and XL Axiata) achieved ARPU growth in 2021 and 2022. Some operators also achieved year-on-year growth in 1Q 2022 following a decline in 1Q 2021.

Figure 1: Mobile ARPU index (1Q 2020 as a reference period), selected MNOs, emerging Asia-Pacific, 1Q 2020-1Q 2022¹



Source: Analysys Mason

¹ Smart's ARPU growth is not shown because it reports ARPU on an annual basis. Indian operators' mobile ARPU declined in 1Q 2021 because mobile termination rates were abolished in January 2021.

MNOs' ARPU growth strategies focused on increasing the number of mobile data users and expanding digital services penetration

In Bangladesh, Banglalink's mobile ARPU increased slightly by 1.2% on average per quarter between 1Q 2020 and 1Q 2022, thanks to an increasing number of mobile data users. The number of its 4G data users grew by 40% year-on-year in 1Q 2022. The operator's strategy strongly relies on the promotion of digital services (including both free and paid services). The aim is to increase the number of services/products that customers purchase as well as their average data usage. The main example is 'Toffee', a free video streaming platform launched in 2019. The platform allows users to access TV channels, movies, telefilms and music videos. Toffee is accessible to all Bangladeshis for free, and Banglalink offers promotional data packages with zero rated data usage on Toffee. The MNO reported that Toffee users generate ~2.5 higher ARPU than the average of its subscriber base. The platform also operates a referral system, where both existing and referred users receive a one-off free data bonus. By the end of 1Q 2022, Toffee had over 6 million users, which represents year-on-year growth of 87%.

In Cambodia, Smart's strategy also focuses on digital services. Its mobile ARPU increased by 8% and 13% year-on-year in 2020 and 2021, respectively. The operator aims to monetise the demand for data through various digital service propositions. It offers bonus points and discounts on its gaming and music streaming platforms, and it launched new features for mobile banking services. As a result, the operator reported growth in both its mobile data subscriber base and in mobile data usage. It also achieved a higher contribution of data to revenue in 2021. Data usage reached 20GB per month per user in 2021 (a 12% increase from 2020). Smartphone penetration also grew to 88% in 2021 (it was 84% in 2020).

In Indonesia, XL Axiata has a similar digital service strategy. It has expanded its digital service portfolio to further monetise the demand for data. XL Axiata has launched several new tariffs since 2020 with larger data allowances. It more recently introduced data packages with content and gaming services. In February 2022, it launched the Xtra Combo Flex package, which offers a data allowance of up to 110GB with 24 hours validity. The Xtra Combo Flex packages also offer customers a choice of additional bonus options. Customers could extend the package to 30 days if they opt for bonus options that offer a total data allowance of up to 12GB. Other bonus options include unlimited data access to listed applications (such as social media, music and video services) or a subscription to video content (Vidio Premier Platinum).

Operators in India have increased their tariffs to help ensure their financial sustainability

In India, operators have achieved ARPU growth through tariff increases, as well as increasing the number of mobile data users. Price competition in India increased after Jio entered the market in 2Q 2017. Airtel estimates that its ARPU needs to be at least USD2.7 (ultimately to be at above USD4.1) to achieve a reasonable return on capital, maintain financial sustainability in the long run and to invest in network roll-out and spectrum. Its ARPU was lower than USD2.0 in 2019. The operator has carried out tariff hikes three times since 2019. Its most recent tariff increase was in November 2021, when the price for all its prepaid plans increased by up to 25% for both new and existing customers. Airtel's ARPU reached USD2.4, a 23% year-on-year increase, and it achieved 25% year-on-year mobile service revenue growth in 1Q 2022. According to local sources, the operator plans to carry out a further tariff increase in 2Q 2022/3Q 2022 in order to increase ARPU to USD2.7 by the end of 2022.

Similarly to Airtel, Vi and Jio also increased their tariffs in late-2021 and these operators reported year-on-year ARPU growth of 16% and 21%, respectively, in 1Q 2022. Vi's ARPU growth strategy also relies on the promotion of 4G take-up. It encourages customers to upgrade handsets from 2G to 4G through incentives including a small monthly cashback payment over 2 years.

Operators worldwide can learn from their peers to achieve ARPU growth

Although market-specific conditions may have played a role in helping the MNOs discussed in this article to achieve ARPU growth, operators from other countries and regions can take inspiration by implementing similar commercial strategies to increase mobile ARPU. Operators should also be aware that some strategies may lead to negative impacts. For instance, Vi and Jio's tariff increases led to the loss of mobile subscribers. Vi reported a 3.4% quarterly blended churn in both 4Q 2021 and 1Q 2022, and Jio's subscriber base declined by 3.8% year-on-year in 1Q 2022.