Impacts of Handset Bundling on Mobile Data Usage: Case Finland

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Outline

• Impacts of handset bundling on mobile data usage
• Case: Finland
• Conclusions
Impacts of handset bundling on mobile data usage:
Scope of framework
Impacts of Handset Bundling on Mobile Data Usage: Framework

- Handset Bundling Permission (Type: Pure/Mixed)
  - Handset Subsidy Size (Max %)
  - Handset Technology (Focus)
  - Handset Customization (Features)
  - Bundled Contract Period (Max Length)
  - Unbundled Contracts (Availability)

- Higher Penetration of Sophisticated Handsets
- Reduced Set of Offered Customized Handsets
- Less Competition on Bundled Service Tariffs
- Less Competition on Unbundled Service Tariffs
- Improved Usability of Internet Services
- Improved Usability of Bundled Operator Services
- Faster Build-out of Radio Coverage
- Relatively Higher Service Tariffs

- More Usage of Mobile Data Services
- Less Usage of Mobile Data Services

- Net Impact on Mobile Data Usage
### Case Finland
#### April 2006 – Before and after…

<table>
<thead>
<tr>
<th>April 2006</th>
<th>Before (~Jan 06)</th>
<th>After (~Jan 07)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handset bundling</td>
<td>Not allowed</td>
<td>Allowed - Targeted</td>
</tr>
<tr>
<td>Mobile handset base</td>
<td>~0,5% 3G</td>
<td>~10% 3G</td>
</tr>
<tr>
<td>Marketing of mobile data</td>
<td>No</td>
<td>Still No</td>
</tr>
<tr>
<td>Usage of mobile data</td>
<td>X MB</td>
<td>~(3-4)*X MB</td>
</tr>
<tr>
<td>Competition</td>
<td>Heavily on price</td>
<td>Services and 3G-packages</td>
</tr>
<tr>
<td>Customer churn</td>
<td>&gt; ~15%</td>
<td>&lt; ~15%</td>
</tr>
<tr>
<td>Switching cost</td>
<td>Low</td>
<td>Higher</td>
</tr>
</tbody>
</table>

Sources: COIN, Mobile Operators, Ficora, Numpac
Conclusions

- Targeted handset bundling can have a positive impact on the adoption of mobile data services
- However, usage impacts of handset bundling are sensitive to:
  - bundling rules defined by regulator
  - other market related parameters
- Potential negative usage impacts can be reduced by:
  - shortening the maximum contract period
  - requiring mixed bundling
  - maintaining free connectivity and free application downloads
- Despite the short term positive effect on 3G handset penetration in Finland between 2005 and 2006, no conclusions can be drawn considering the future
  - In the worst case handset bundling can even slow down handset renewal
References

- http://www.netlab.tkk.fi/tutkimus/coin/