

Teleuse@BOP

Pakistan in Asian context

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Margalla Hotel – Islamabad,
Pakistan, June 14, 2007



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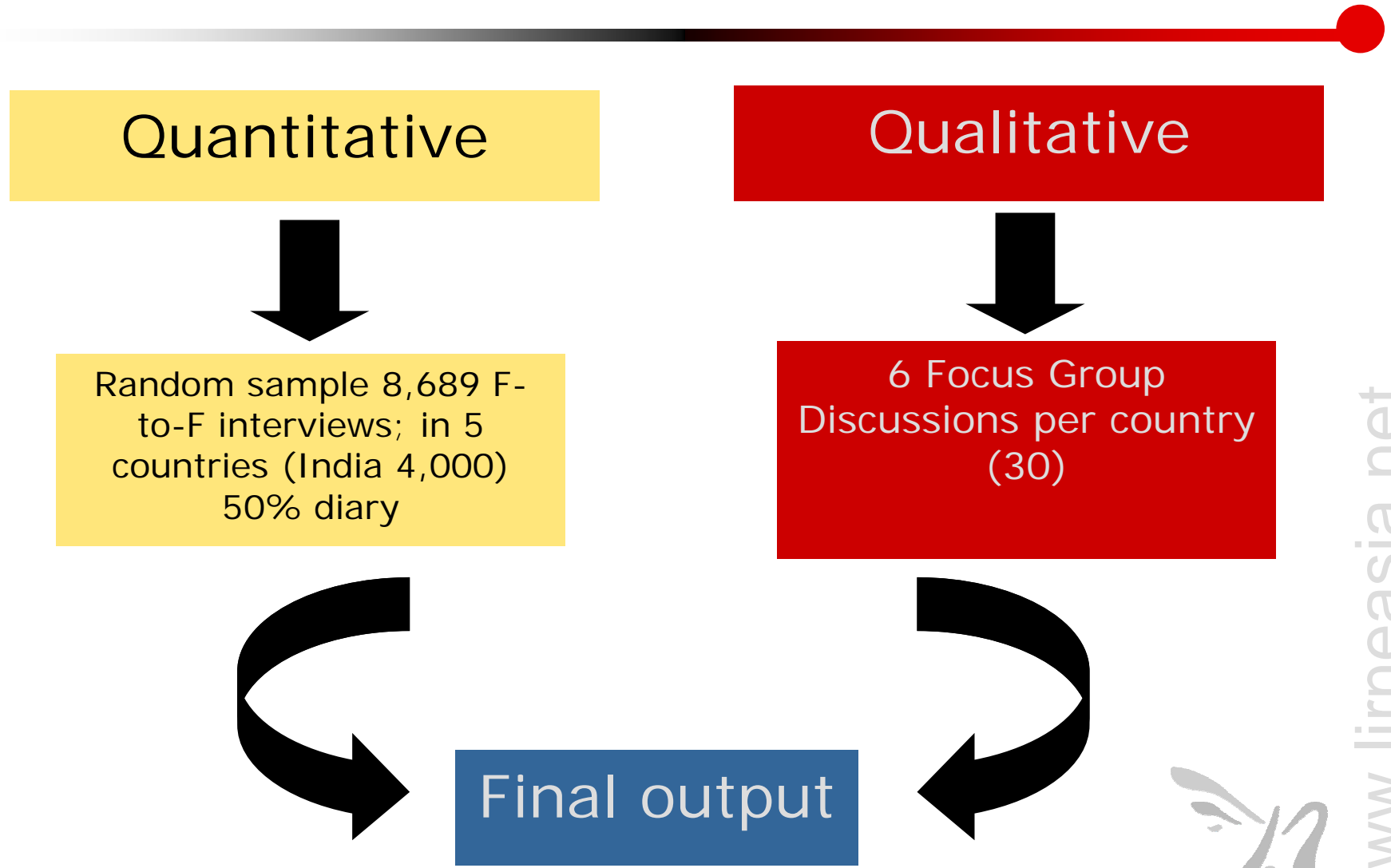
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Plan of presentation

- A look at telecom access and use at the *bottom of the pyramid* in Developing Asia
- Perceived benefits from direct access
- Where is the *next billion*
- Food for thought



Methodology



Pakistan Sample

	Urban	Rural	Total
Punjab	430	456	886
Sindh	300	168	468
NWFP	100	168	268
Baluchistan	70	120	190
Total	900	912	1812

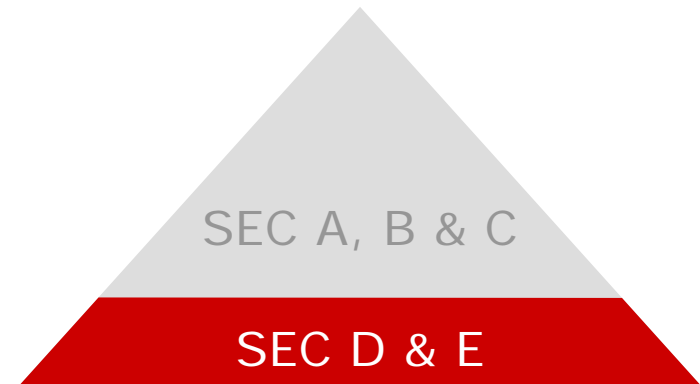
Error margin is 2.66% at 95% confidence level

Gender split of 50:50



Bottom of the Pyramid defined

- Many definitions of poverty, but this study uses **SEC D and E**; between ages 18-60
 - SEC does not take into account income, but it is closely related to income levels



	Pakistan	India	Sri Lanka	Philippines	Thailand
Population (million)	165	1,095	20	89	64
Target population of study (million)	77*	260	4**	41	15

*excluding FANA/FATA – Tribal Areas; **excluding N&E Provinces

Bottom of the Pyramid
everyone has access, but not
ownership



Overall access is very high

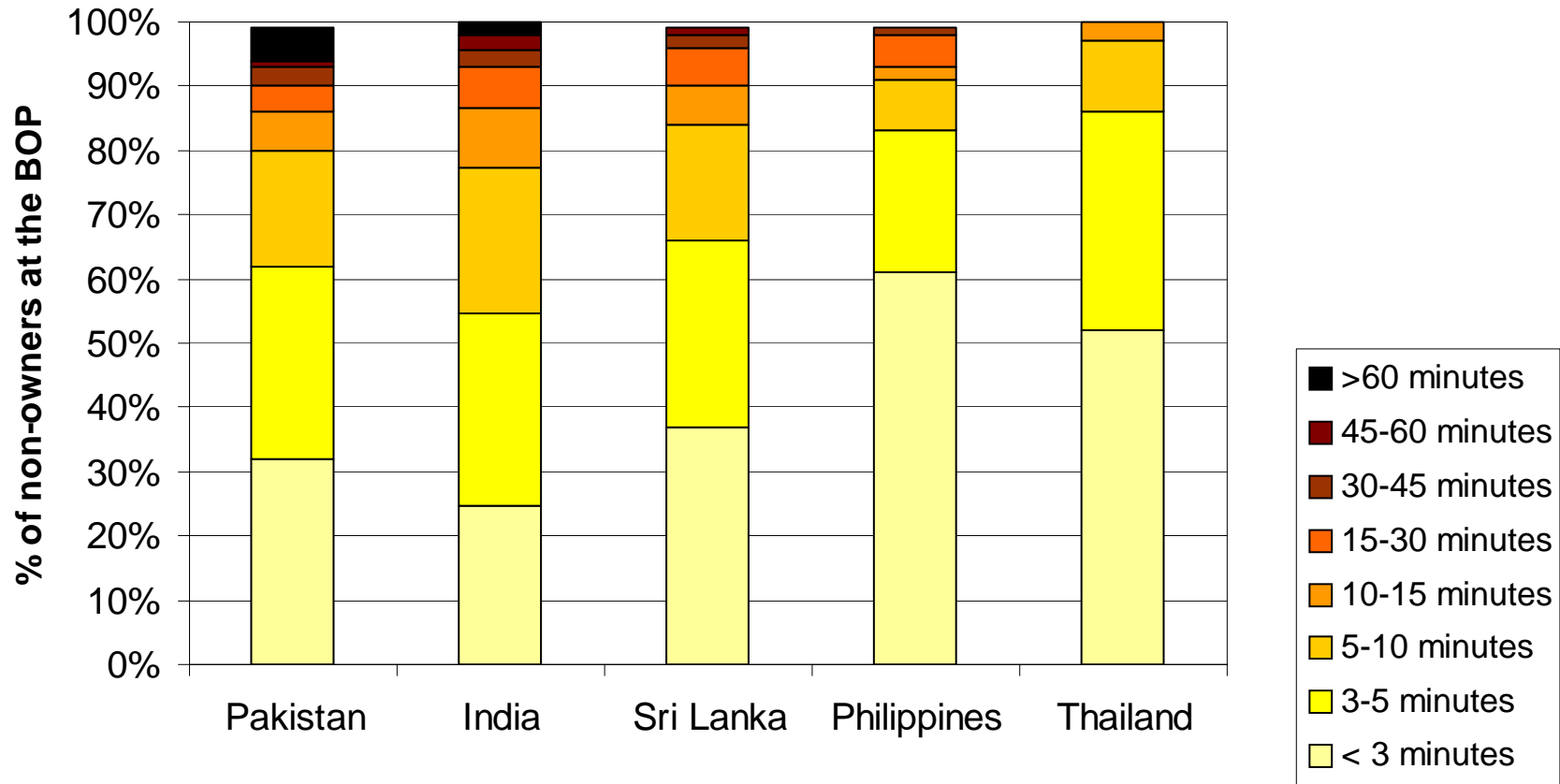
- Used phone in the last 3 months

	South Asia			South East Asia	
	Pakistan	India	Sri Lanka	Phils.	Thailand
Used phone in last 3 months	98%	94%	92%	93%	95%



Overall access is very high*

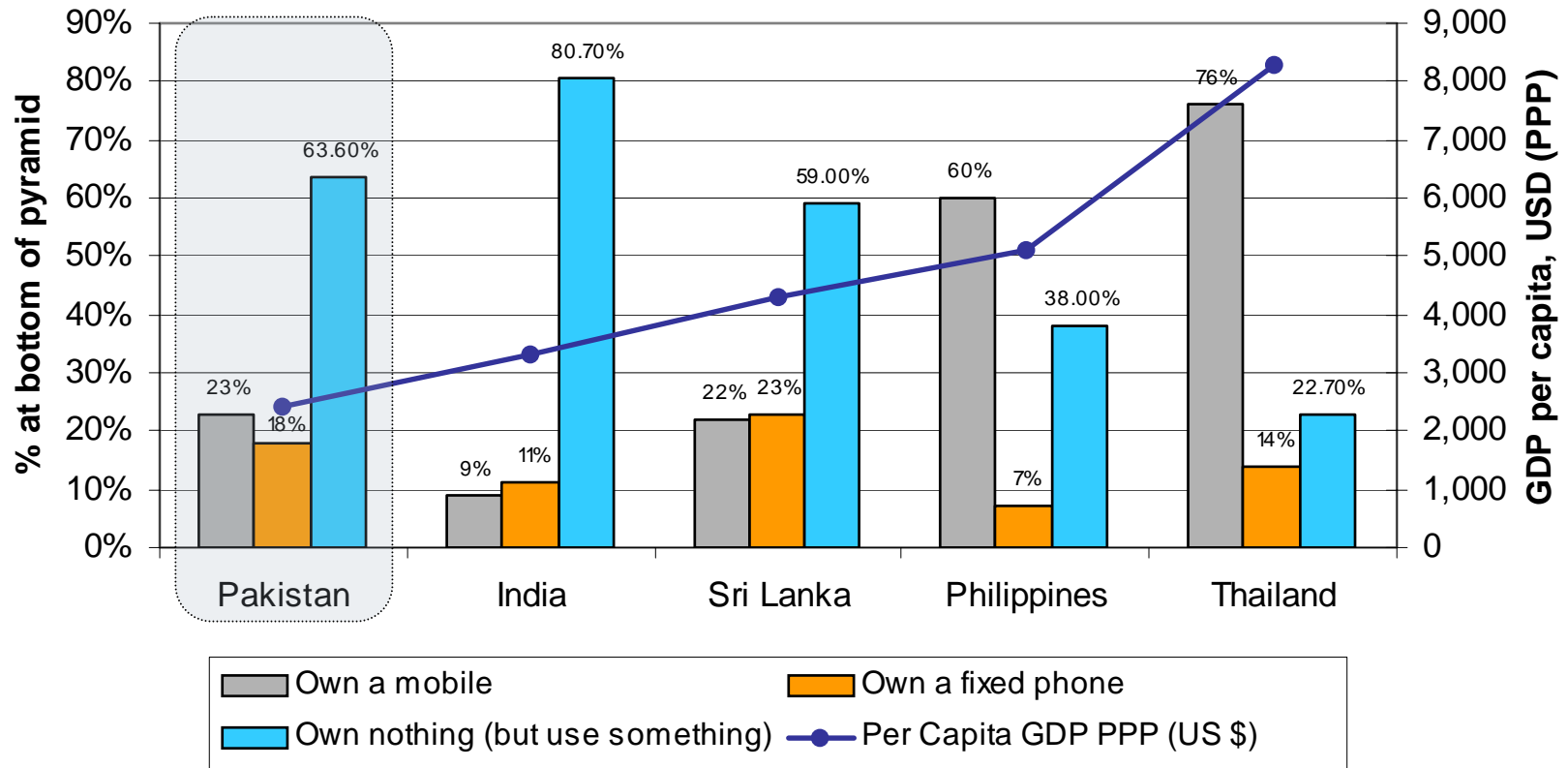
Time it takes to reach nearest phone



Most at BOP can get to a phone in less than 1 hour

But ownership is low / 36% of Pakistan BOP

Ownership and GDP per capita (USD, PPP)

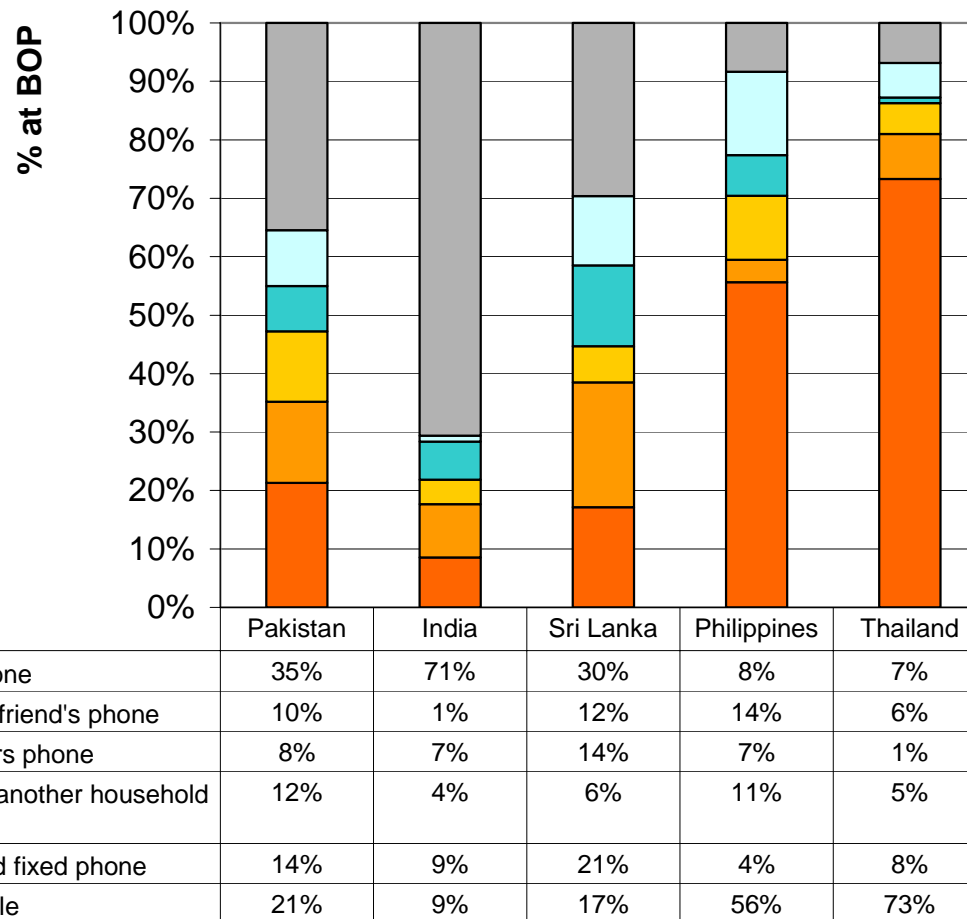


	Pakistan	India	Sri Lanka	Philippines	Thailand
Total number of phones per 100 population	29.38	13.96	29.10	45.30*	57.80**

Source: National regulatory agencies (mid 2006); * 2005, **2004 [F 4.6 M 8.2; U 32 R 2]

So, mainly use public phones*

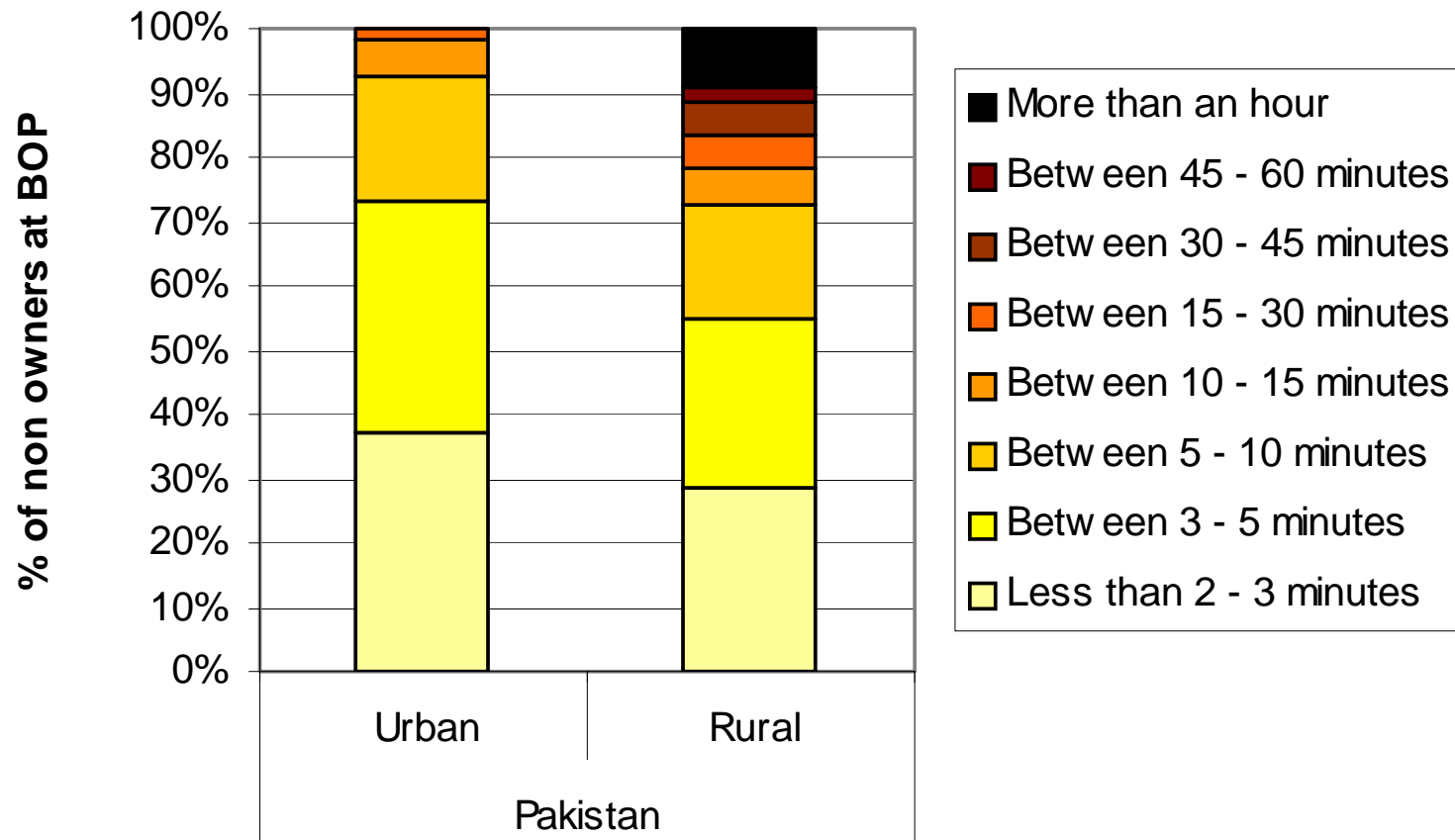
Most frequently used mode



In Pakistan at BOP over 35% use public phones



Phones are closer in Urban Pakistan*



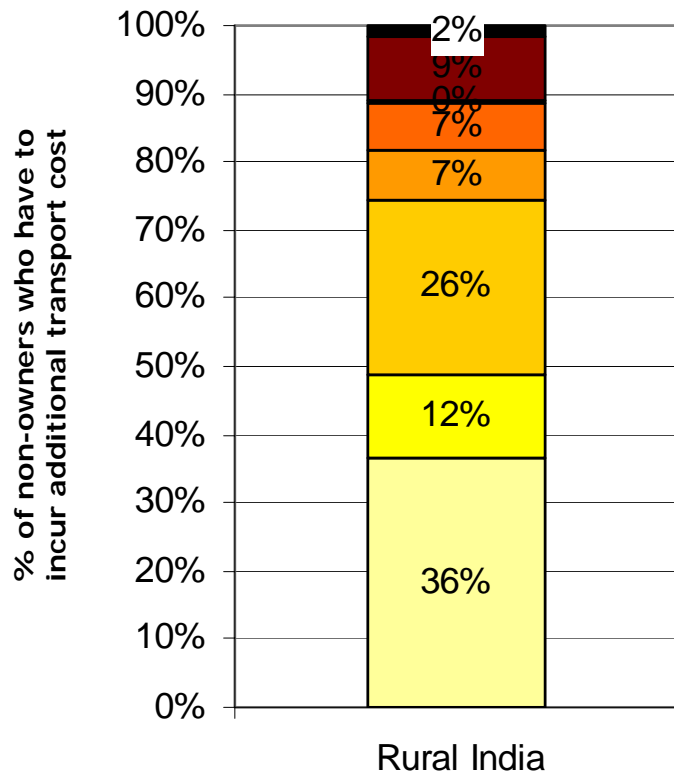
17.3% of rural non-owners incur an additional cost for transportation in order to reach to the nearest phone;



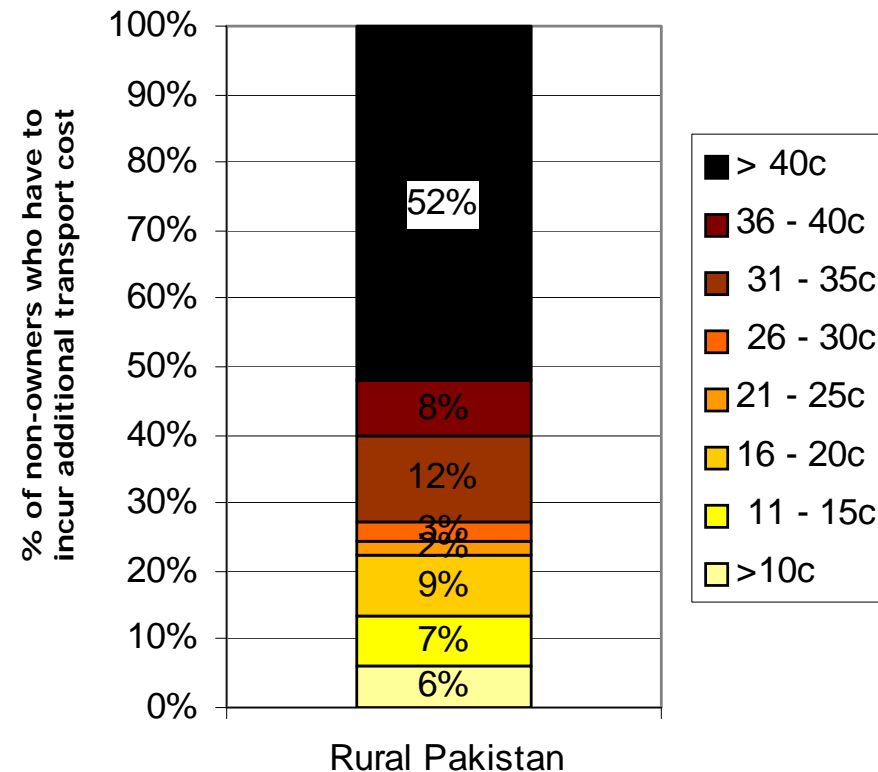
Additional transport cost incurred

Rural India better than rural Pakistan

Transport cost incurred to make a call among non-owners in rural India (US cents)



Transport cost incurred to make a call among non-owners in rural Pakistan (US cents)



Bottom of the Pyramid
some do own phones

36% in Pakistan



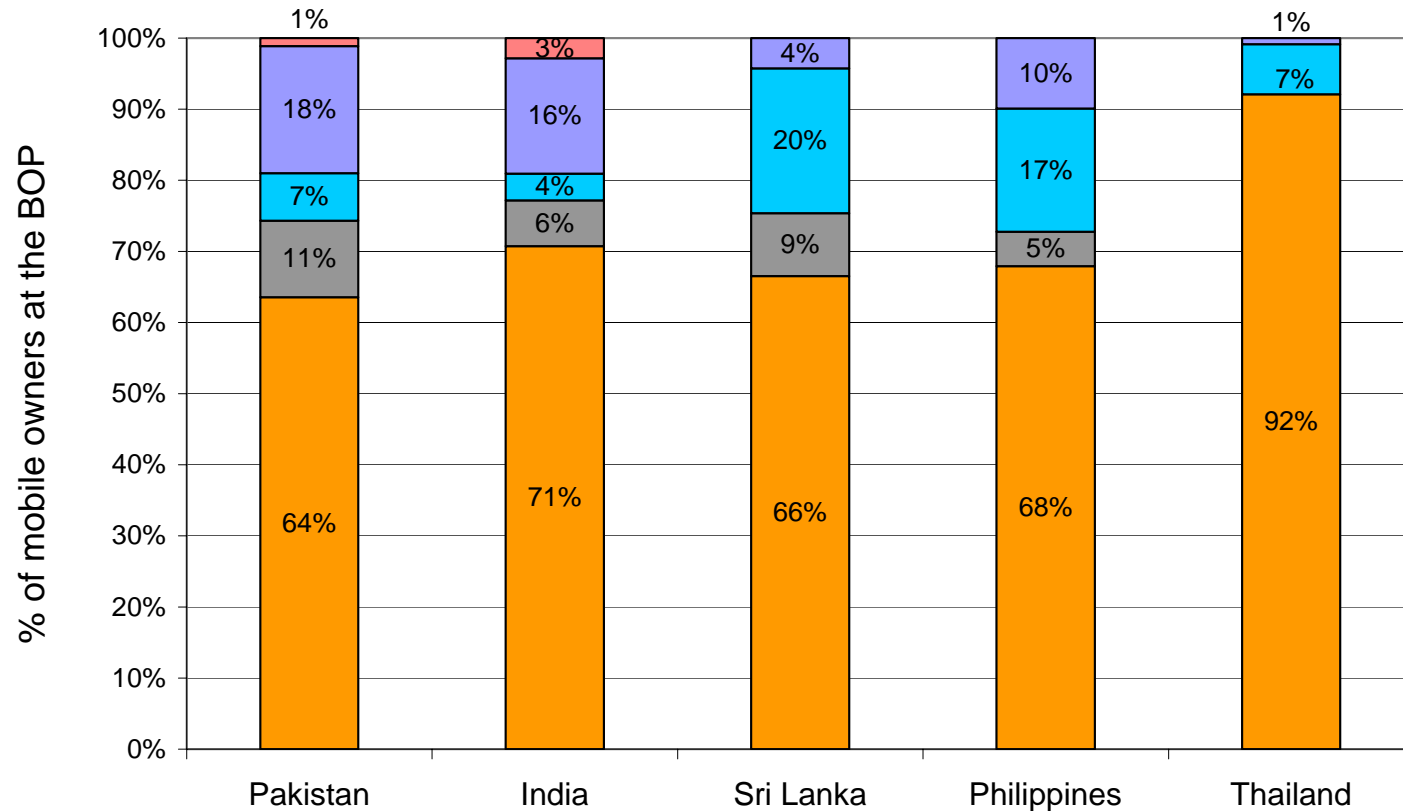
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Why own a (mobile) phone?*

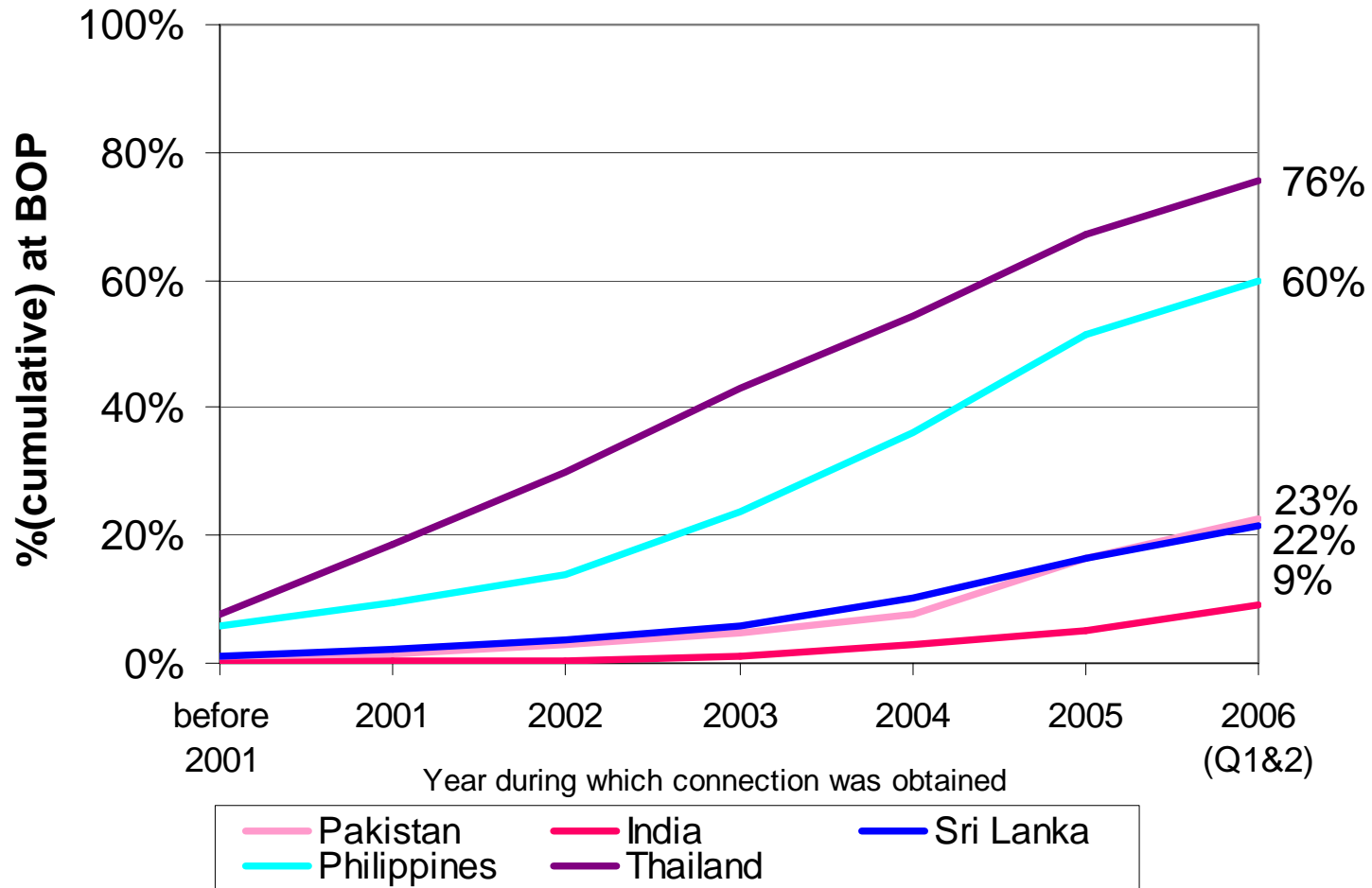
Primary reason for choosing to own a mobile (SEC D & E)



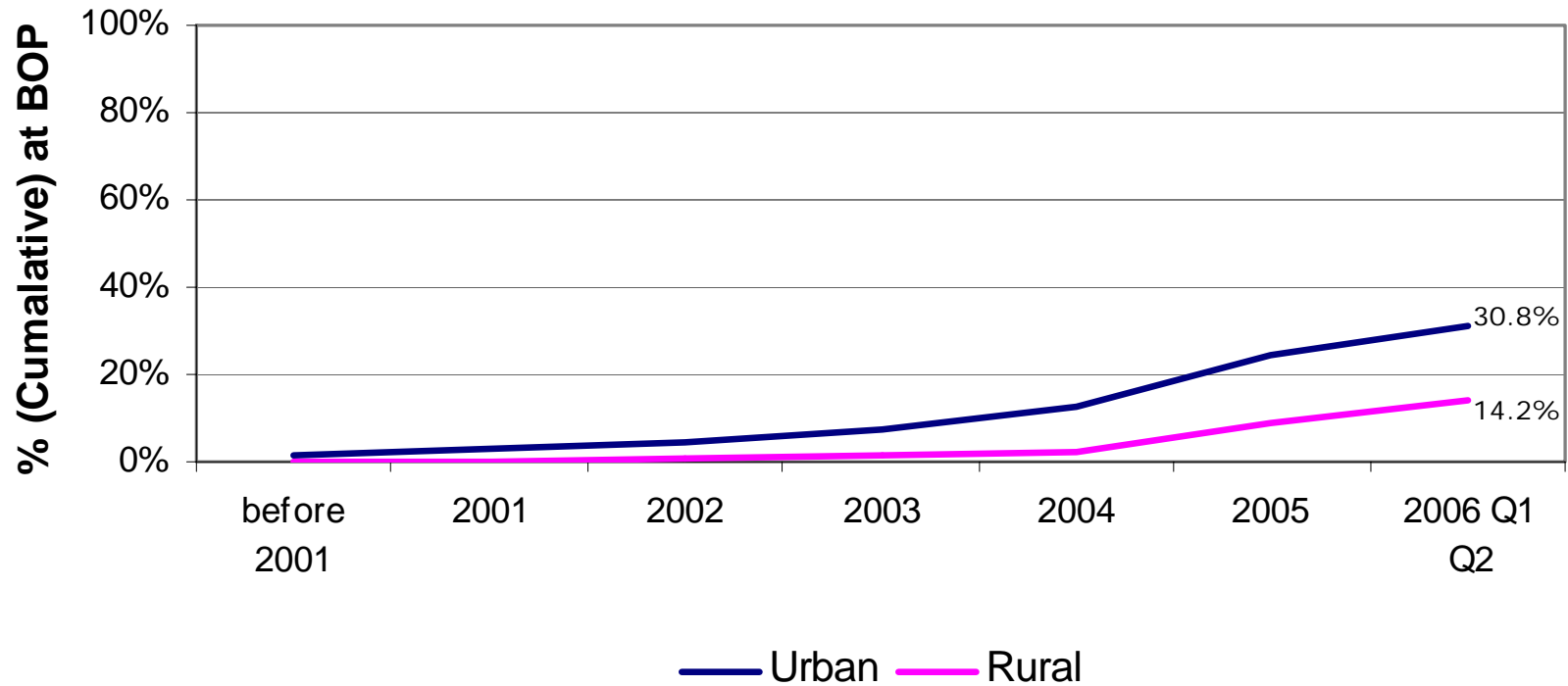
■ Convenience: accessible at any time
 ■ So I don't depend on others
 ■ For privacy
 ■ It is cheaper
 ■ Other

Convenience is key; privacy is more of a concern for higher income countries

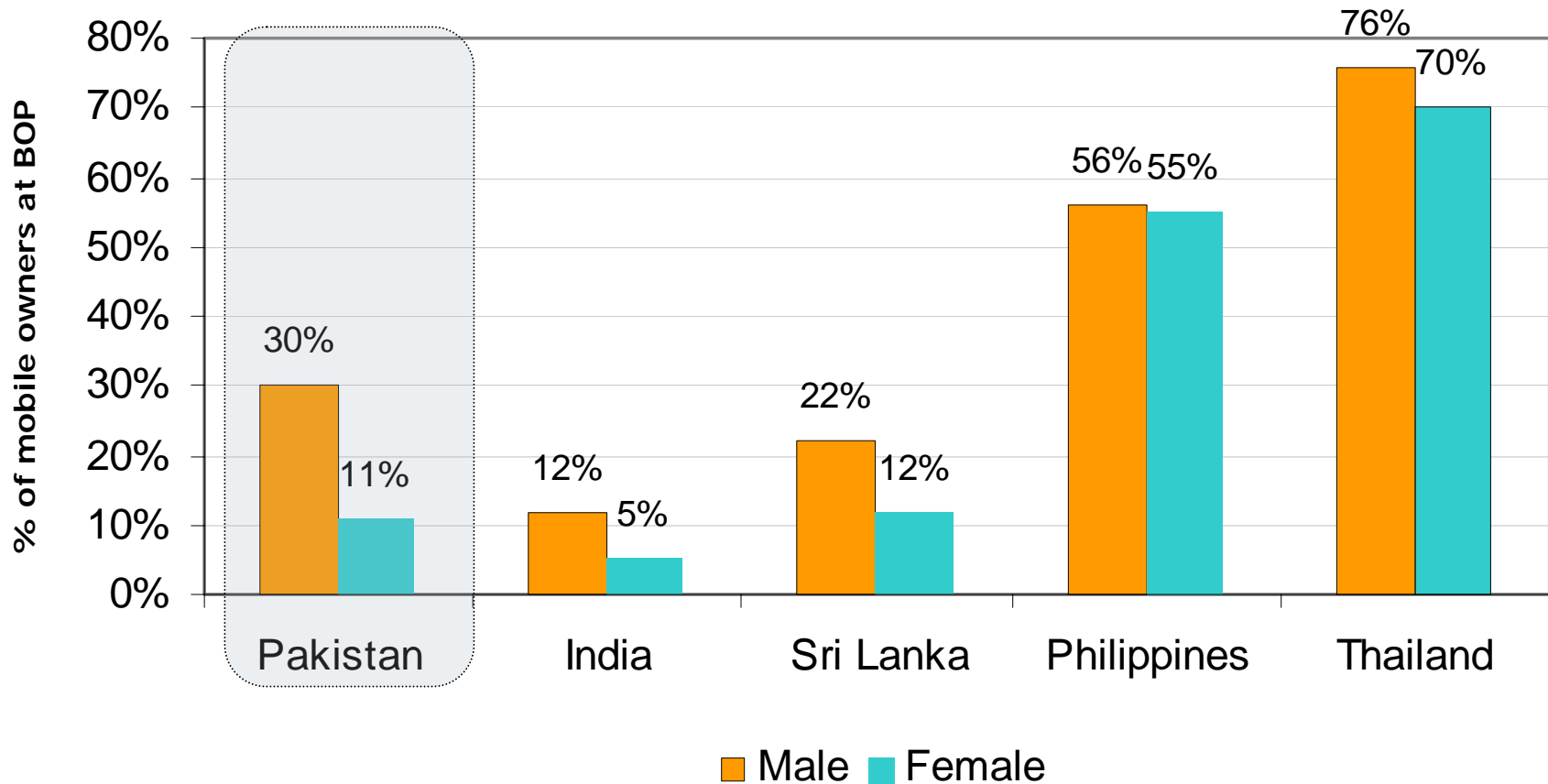
Pakistan: most are recent owners



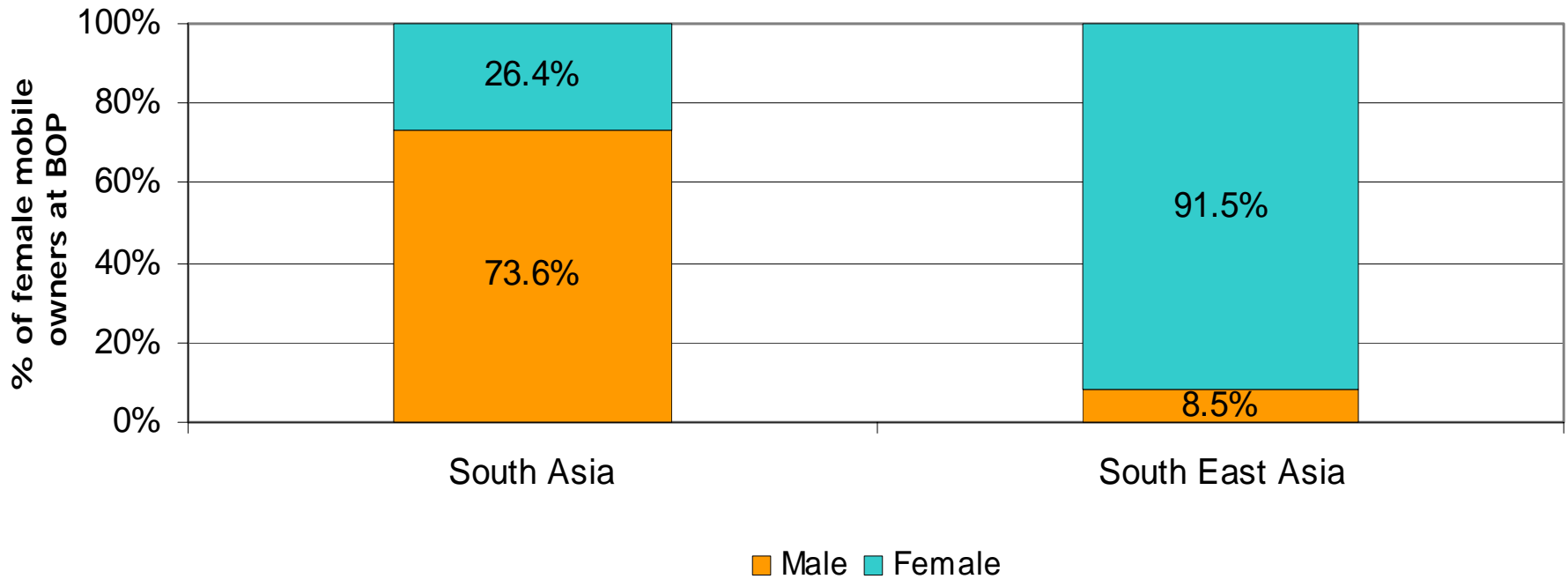
Both in Urban and Rural



Mobiles used more often by males at BOP in South Asia

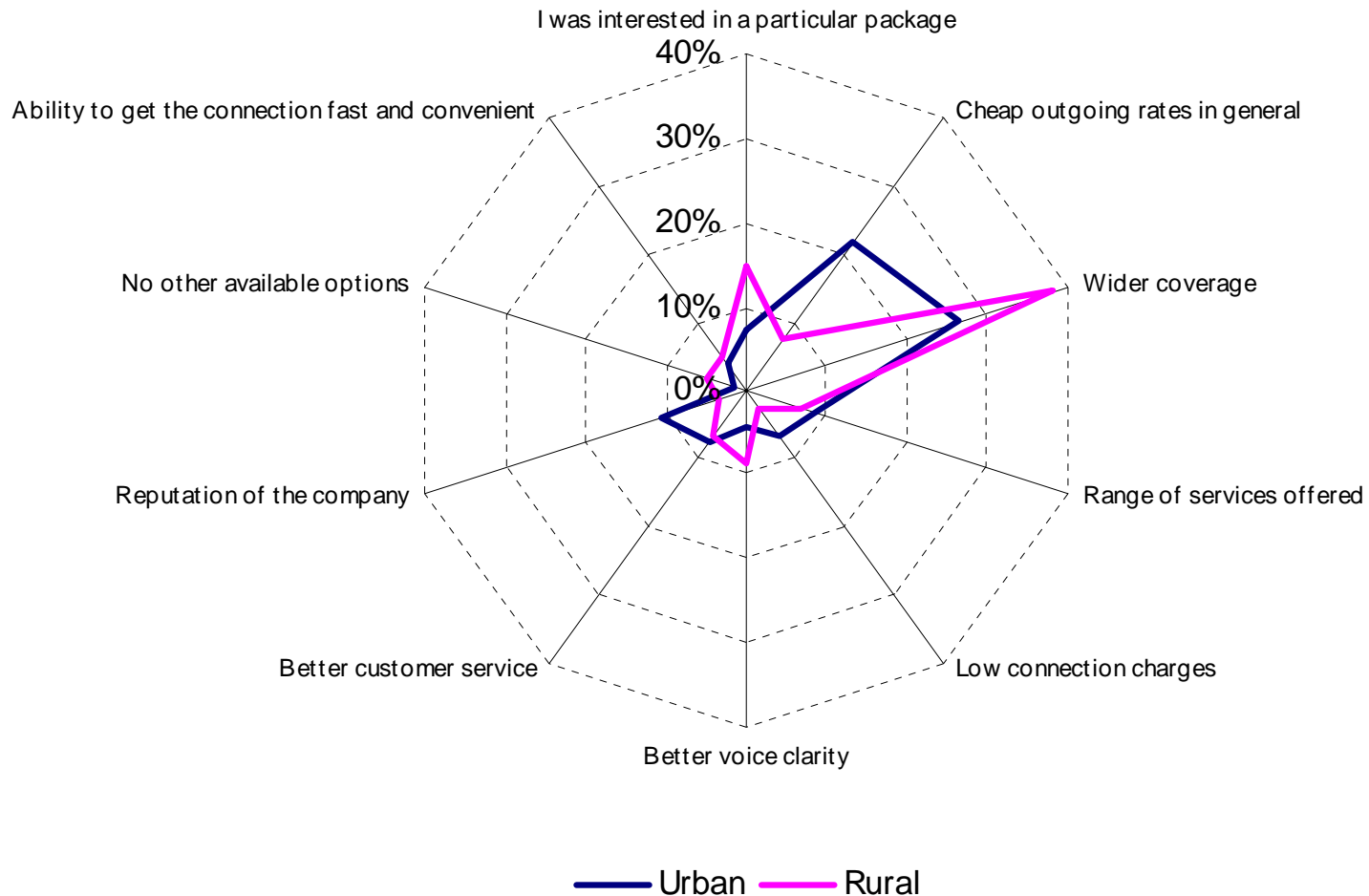


Female mobile owners at BOP who pays for their mobile?



Coverage more important in rural Pakistan; tariff is less important

Reasons for selecting primary mobile service provider, Pakistan (Sec D,E)



Bottom of Pyramid
value-conscious. strategic.



BOP is prepaid, *mobile**

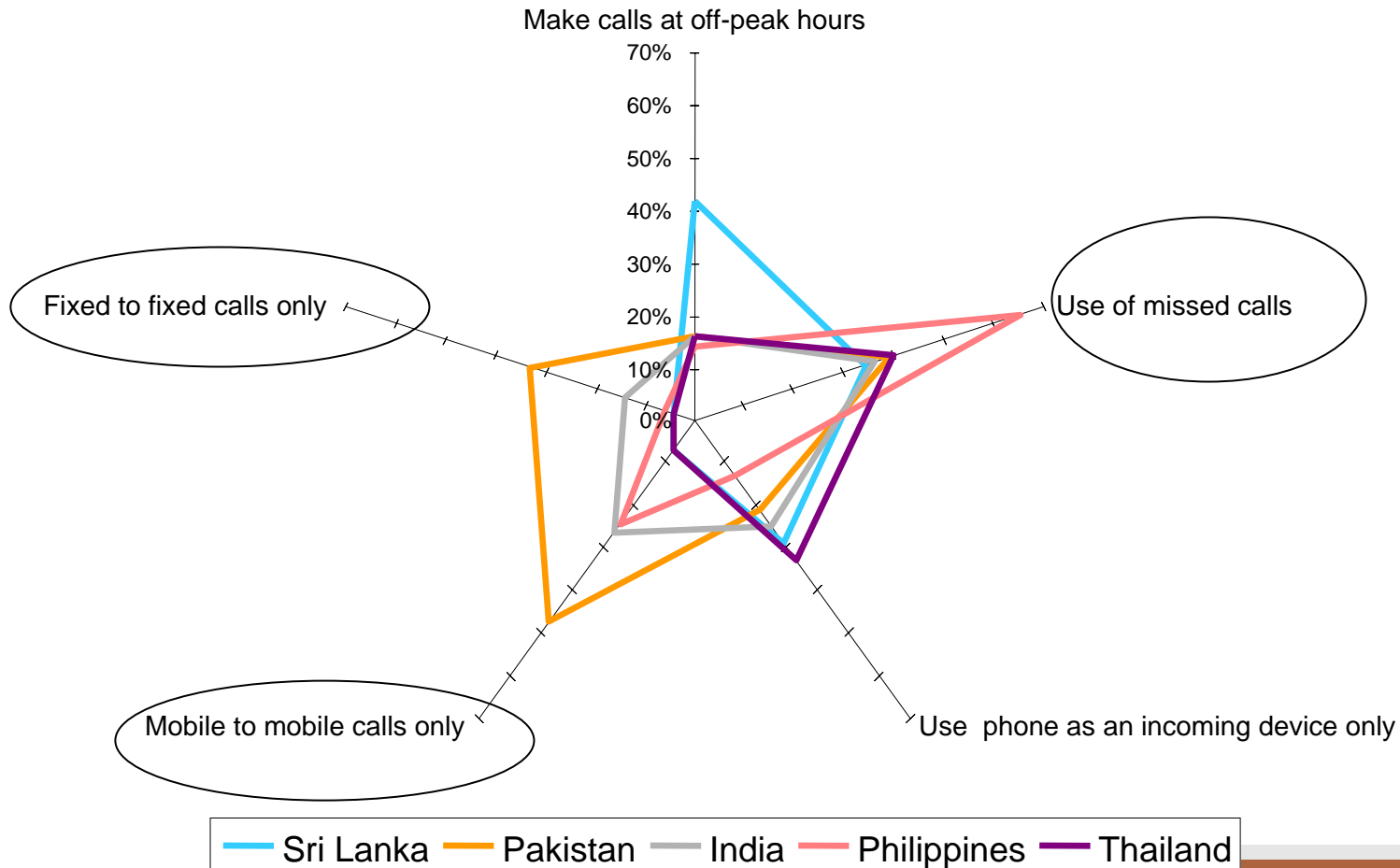
	Pakistan	India	Sri Lanka	Philippines	Thailand
Pre Paid	99%	95%	92%	99%	96%

To control expenditure; no monthly rental charge



Missed call alert: a universal strategy*

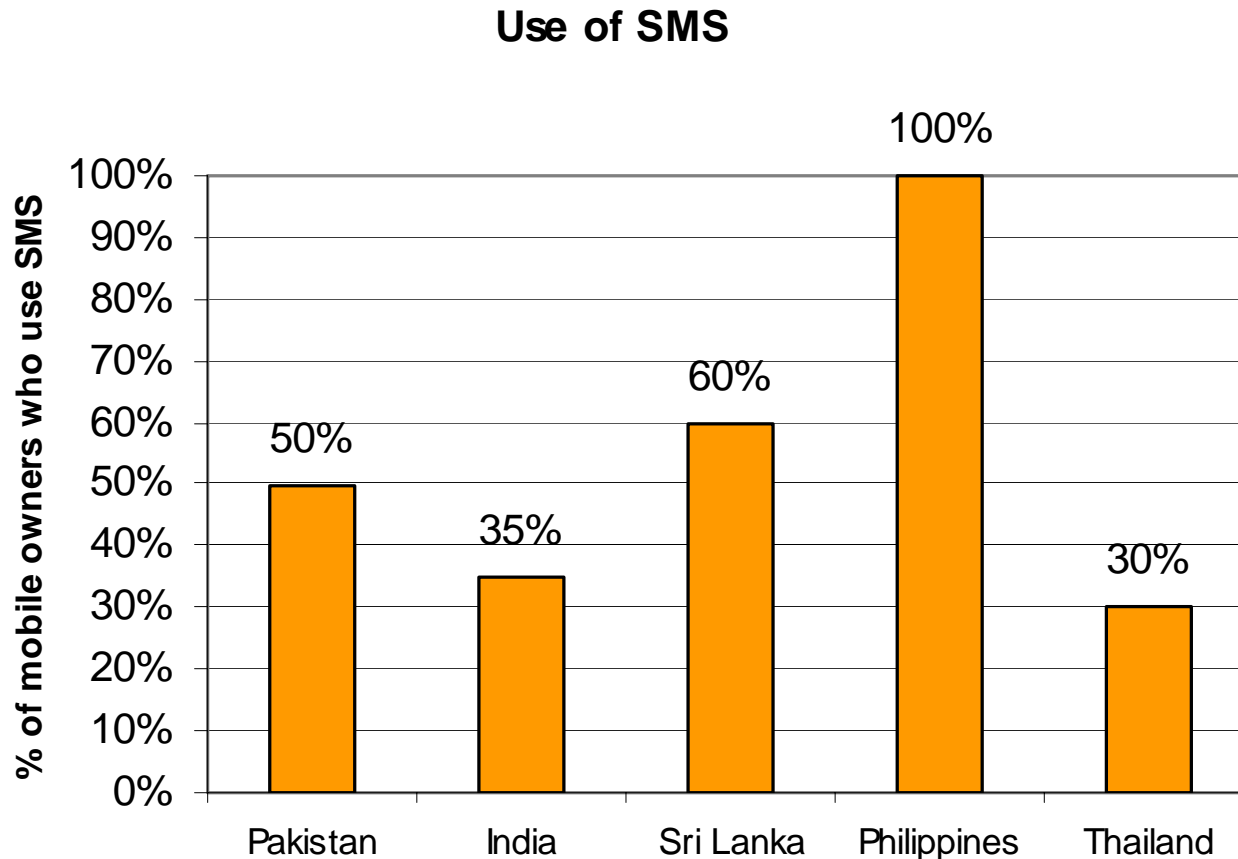
Use of 'strategies' to minimise call costs (by owners)



Pakistanis are selective of the type of the phone

Philippines: SMS capital of the world*

1



Lack of local-language capabilities on handsets?
Meaningful information?

Bottom of Pyramid
telephone brings benefits



Economic benefits from direct access

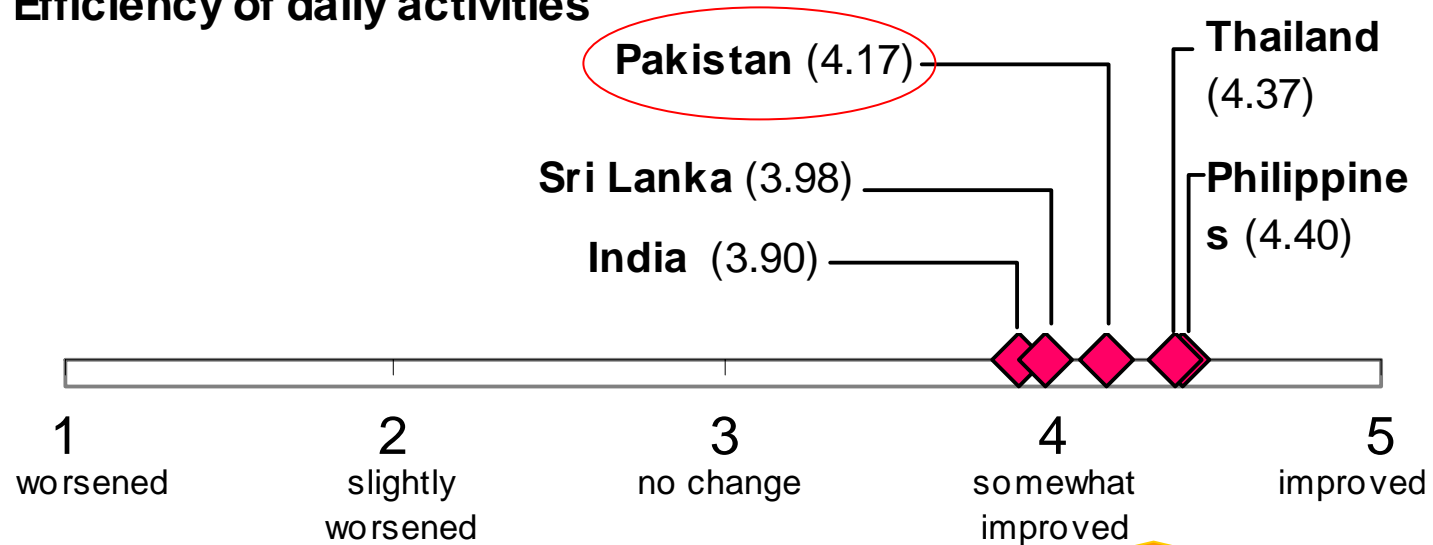
- Income generation through the sale of telecom services; *Grameen model...*
- Indirect
 - Use of a phone by an auto-rickshaw driver
 - Obtaining agricultural price info by farmer
 - Cost savings made by making a call as opposed to taking a bus ride into town



Efficiency of daily activities*

□ BOP sees the benefit

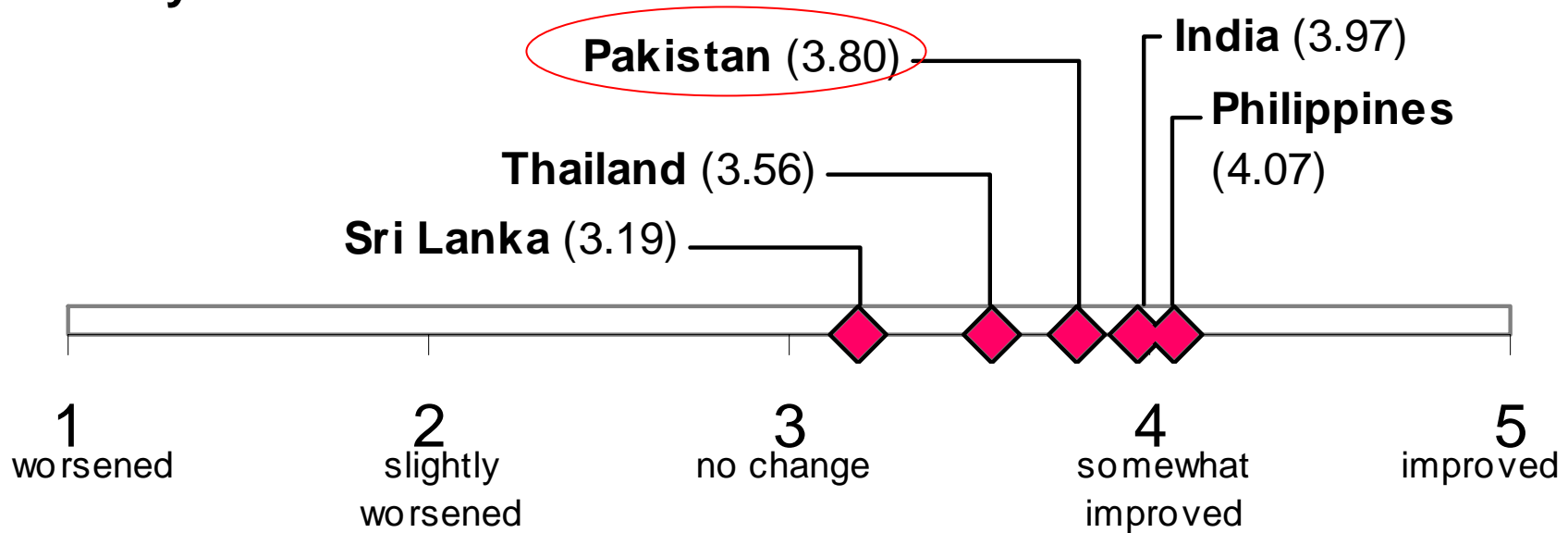
Efficiency of daily activities



Males 4.15 and females 4.19 in Pakistan

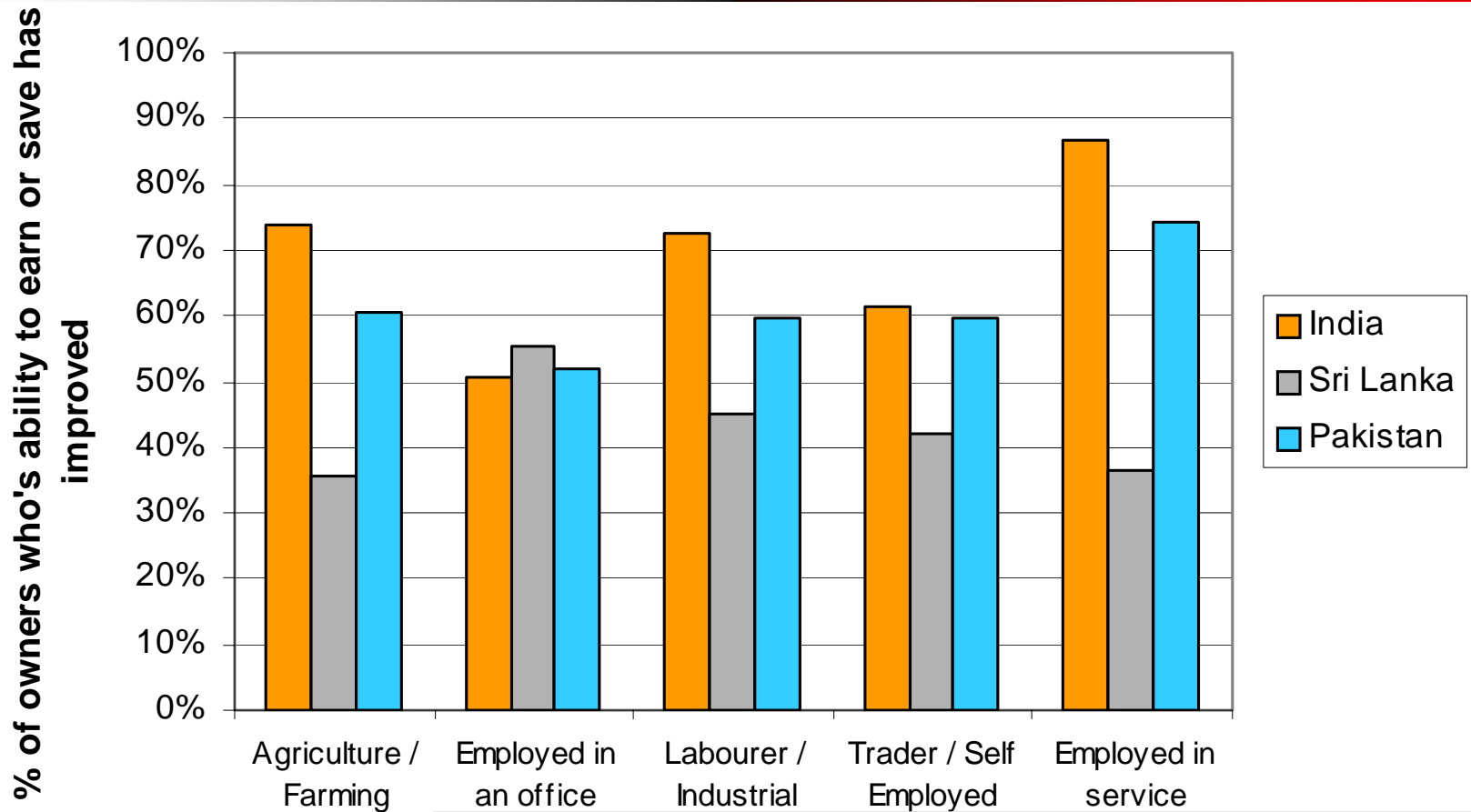
Efficiency → income benefit?*

Ability to earn or save



Males 3.85 and females 3.75 in Pakistan

Seen both in services and agriculture*

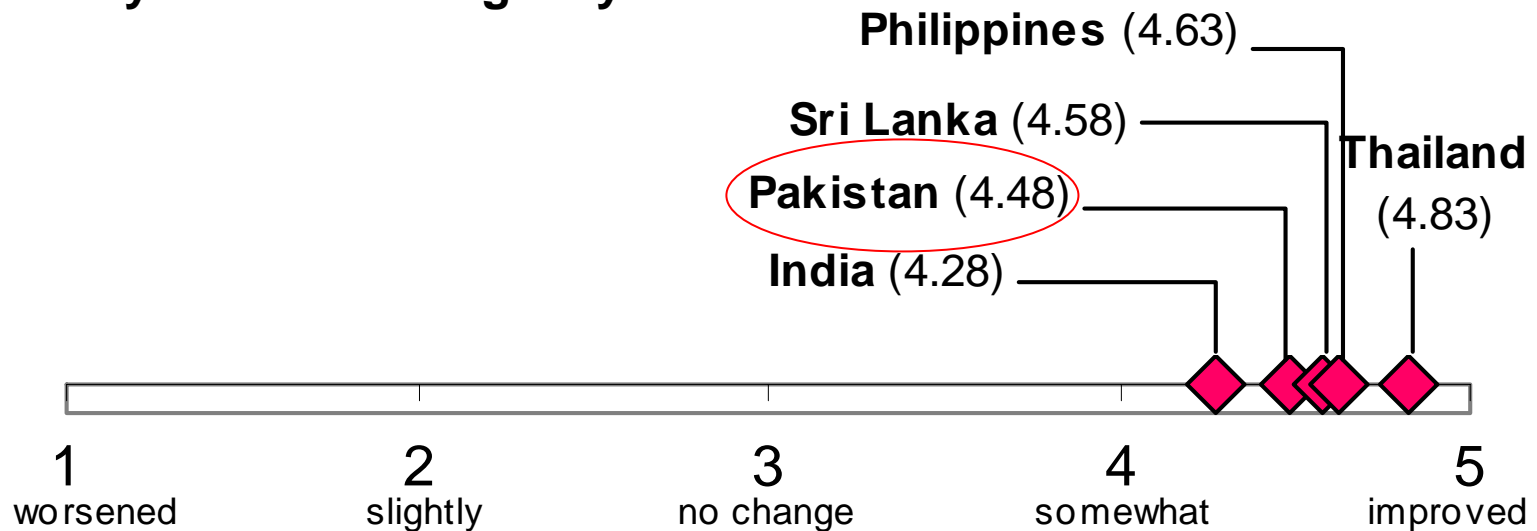


Saving travel time and costs, checking price information, sale of minutes?

But, sense of security is main benefit

- Ability to act in an emergency is key

Ability to act in emergency



Bottom of the Pyramid
most don't own phones...

64%

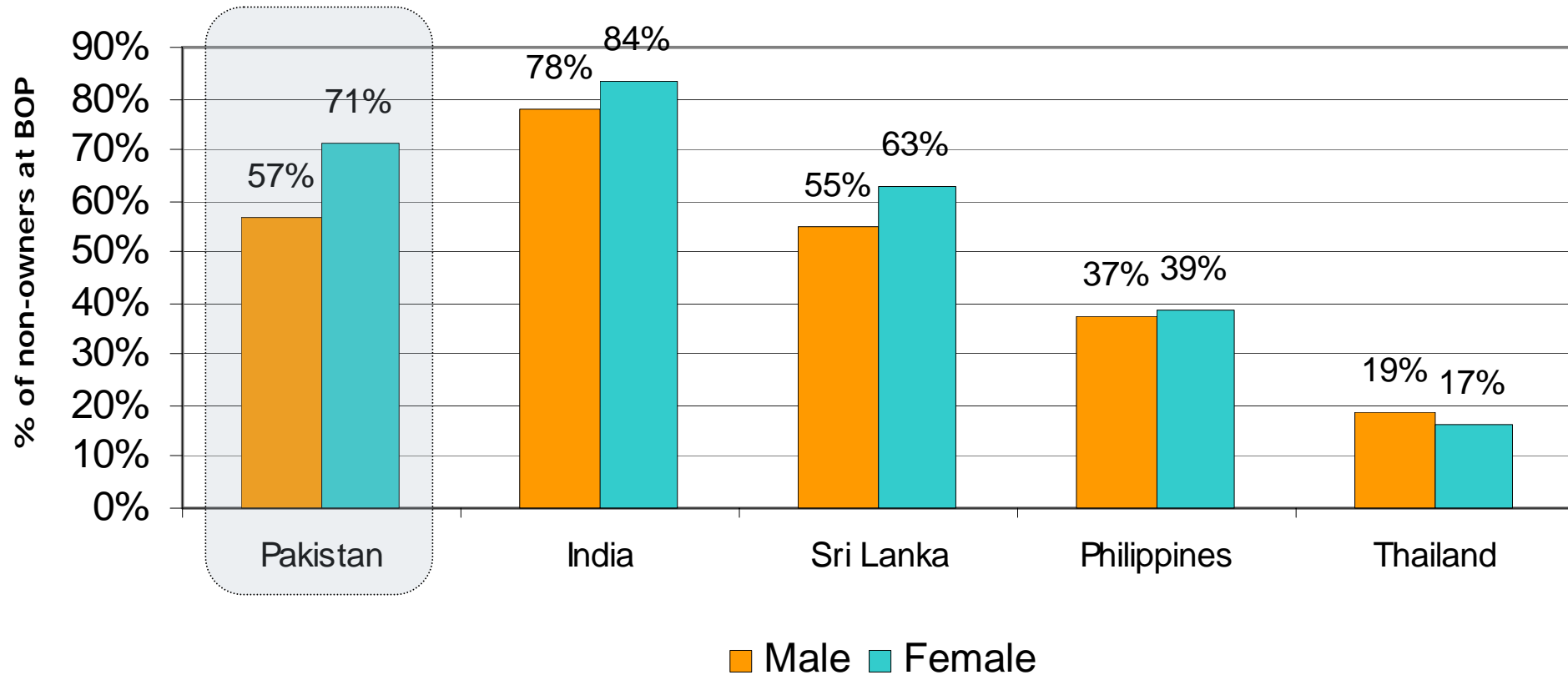
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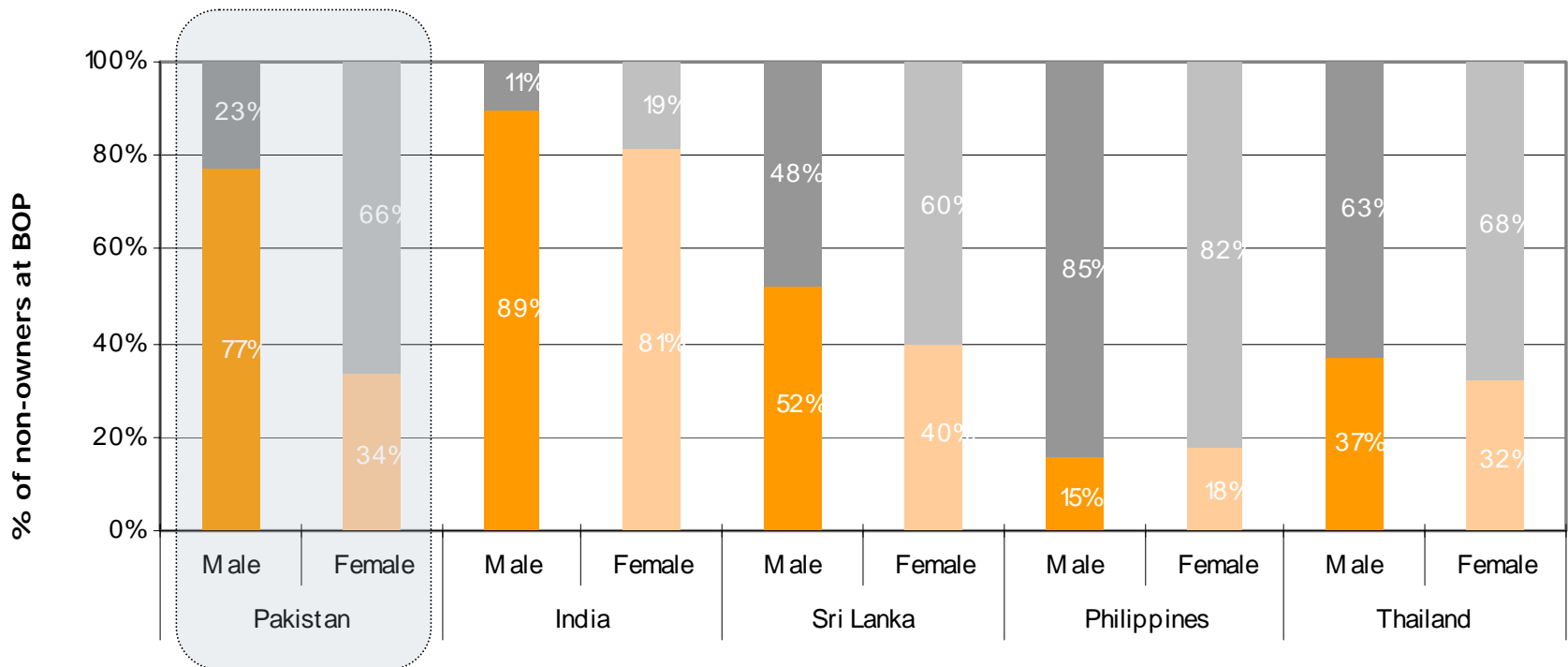
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Pakistan: highest gender difference

Non-owners at BOP



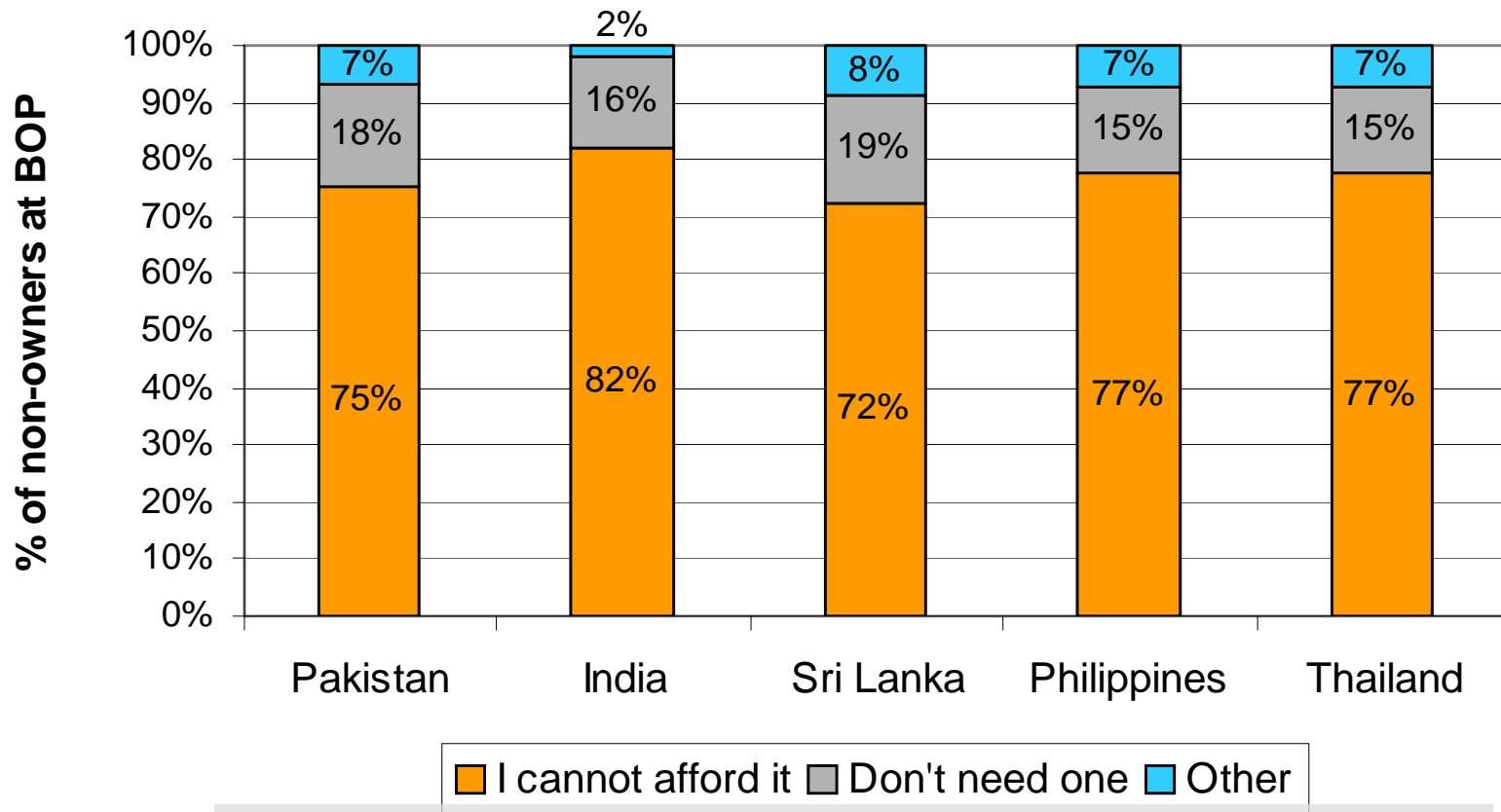
Gender difference of non-owners*



In Pakistan more men use public phones & more women use others (neighbors, friends) phones

Why not own a phone?*

Reasons for not owning a phone



Affordability is the key barrier to phone ownership

Next Billion

Emerging markets are 'where
the action is'



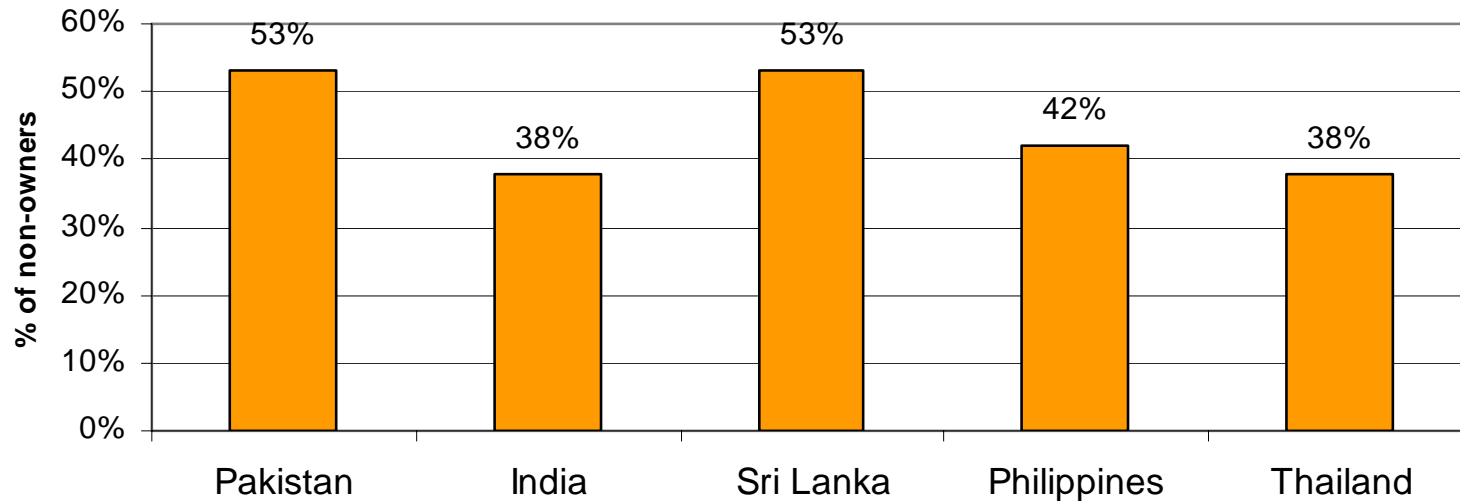
Current

- 2.5 billion phones as at September 2006
 - 500 million in last 12 months
- General expectation
 - 3 billion by 2008 (500 m in 1 to 1 ½ years?)
 - 50% Asia Pacific (including China)



The next billion?*

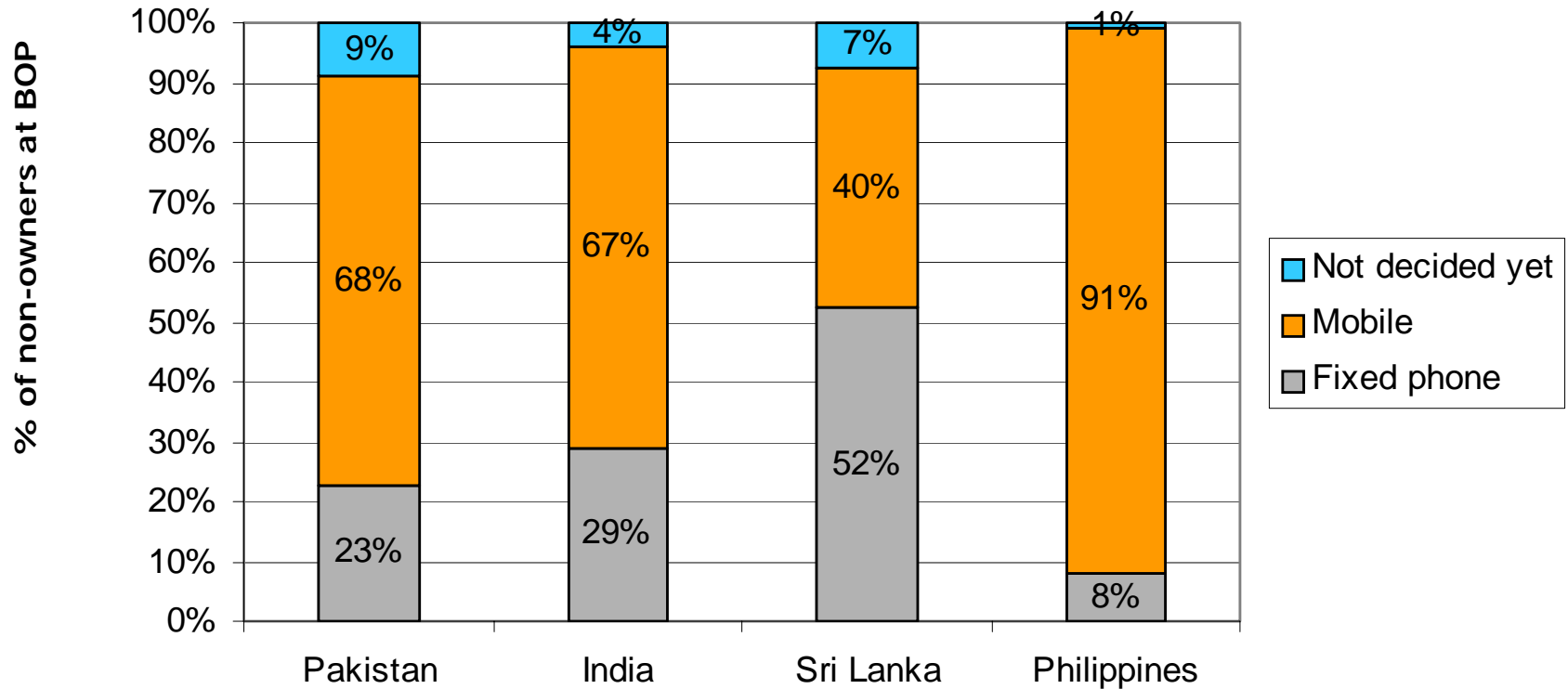
Non-owners who plan to buy a phone in the next two years



	South Asia			South-east Asia	
	Pakistan	India	Sri Lanka	Philippines	Thailand
Vertical growth, millions (HH obtaining additional connections)	4	21	0.3	3	0.1
Horizontal growth, millions (non-owners joining market)	26	80	1	7	1
Possible new connections at BOP, millions, next 2 years	30	101	1	10	1

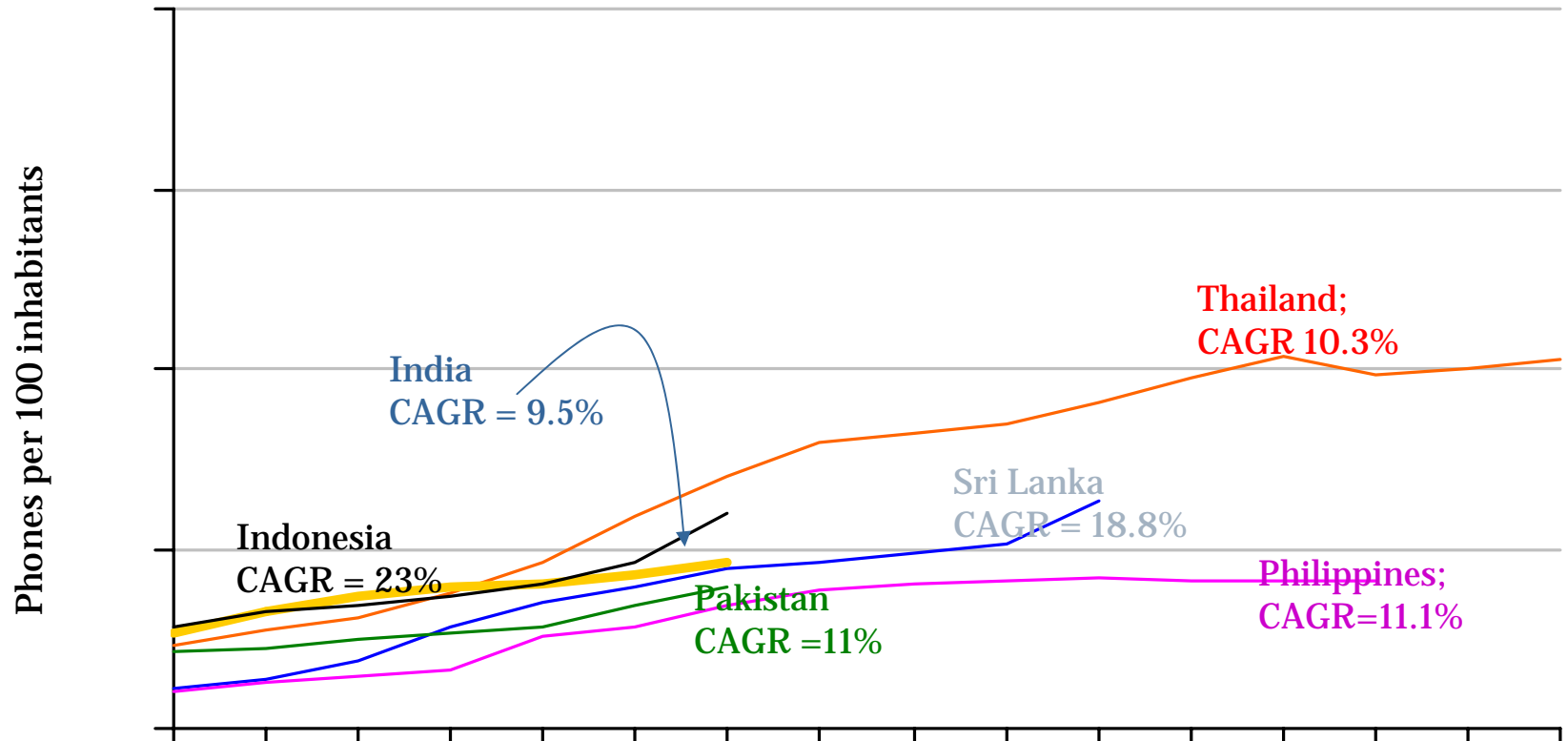
Growth mainly mobile*

Type of phone prospective owners would buy

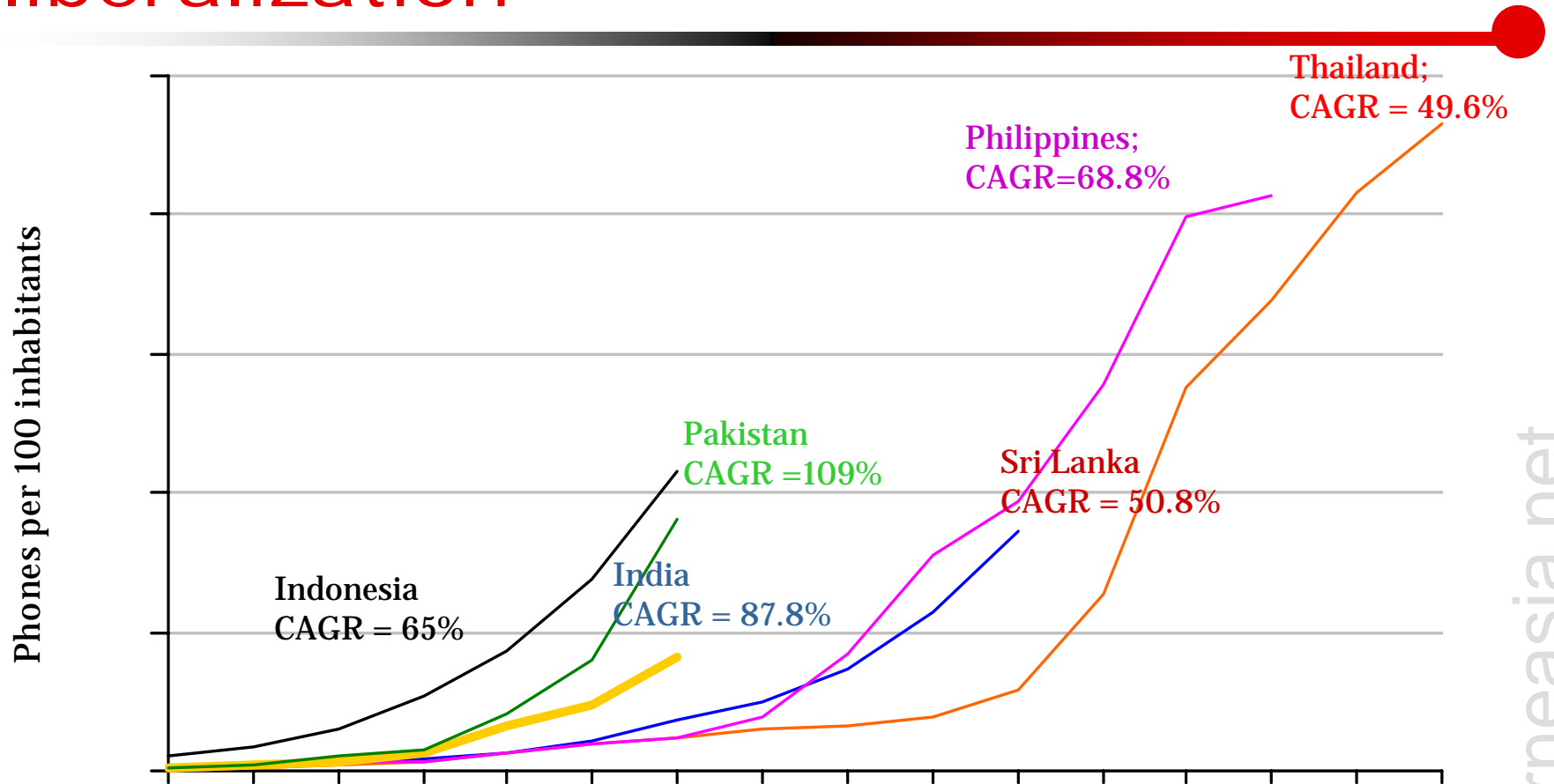


Better value proposition in Pakistan (also Phils and India)?

Fixed phones growth since liberalization



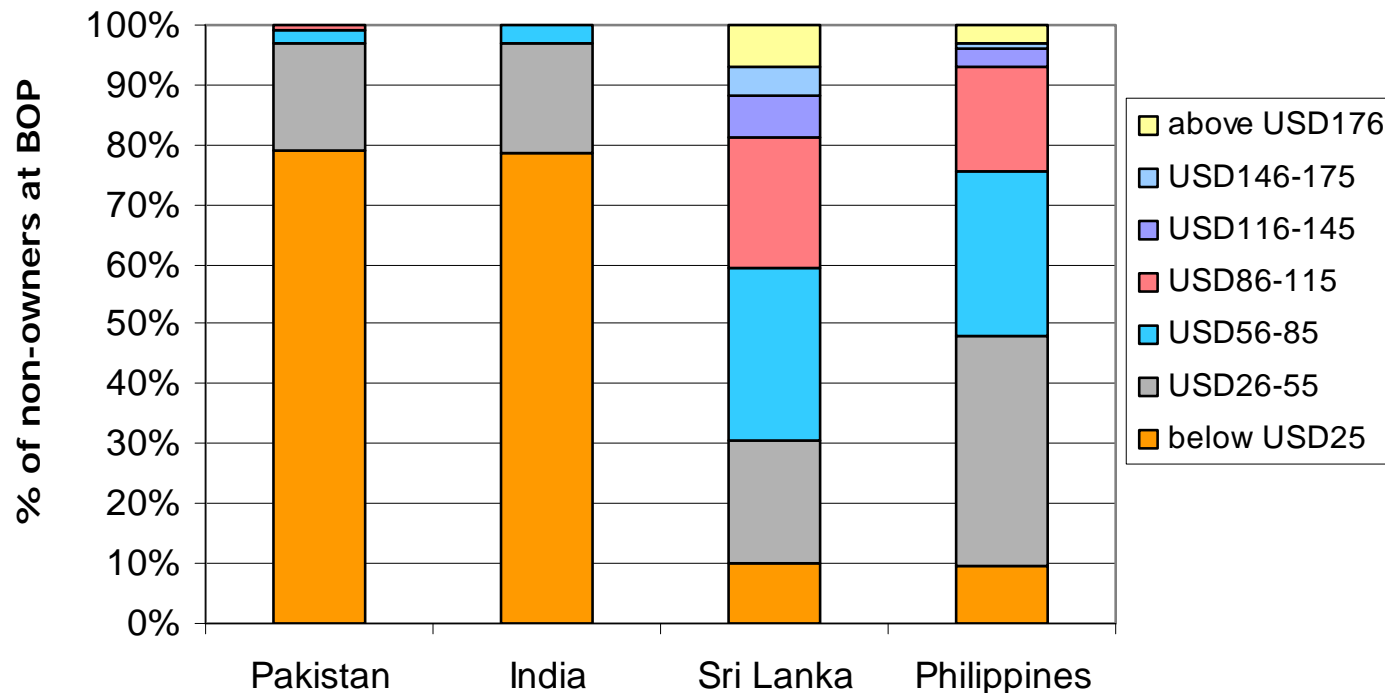
Mobile phone growth since liberalization



Initial cost of getting a phone

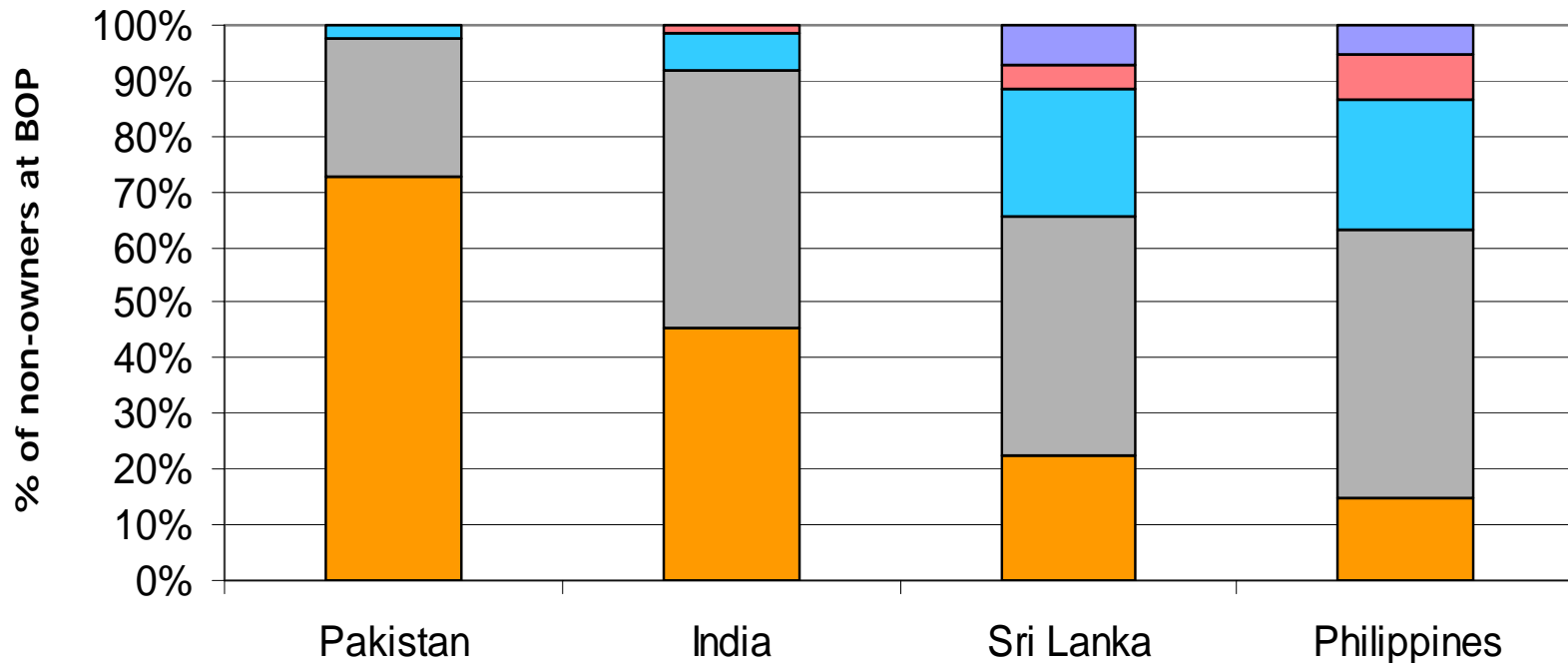
□ 80% expect to pay USD 25 for handset

Expected cost of a new phone by non-owners



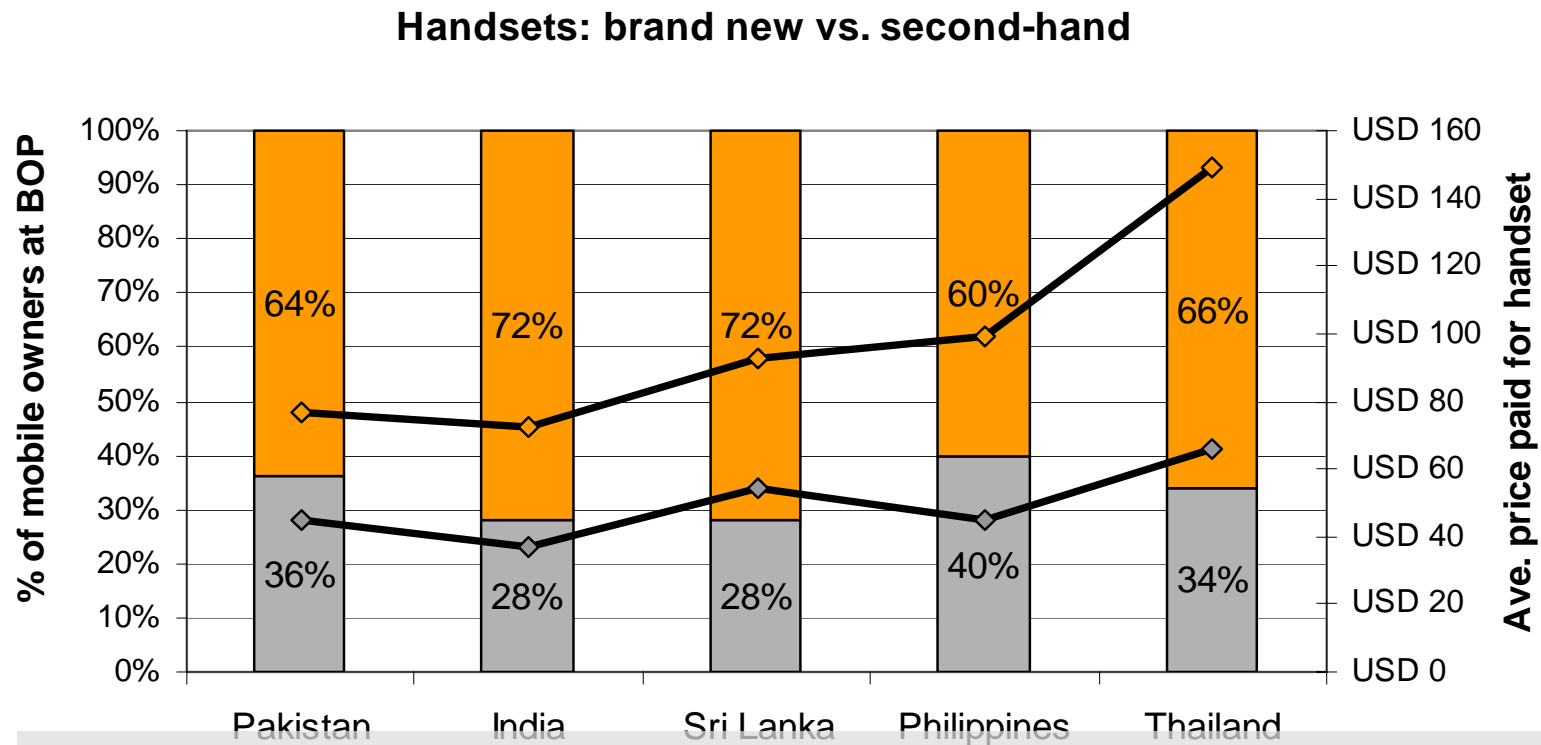
Need + affordability → Demand*

Initial cost that prospective owner can afford



More than 70% willing to put down USD 10. Initial cost do not match affordability; the mismatch between need and affordability has to be addressed. Re-look at installment plan?

Second-hand phones?*



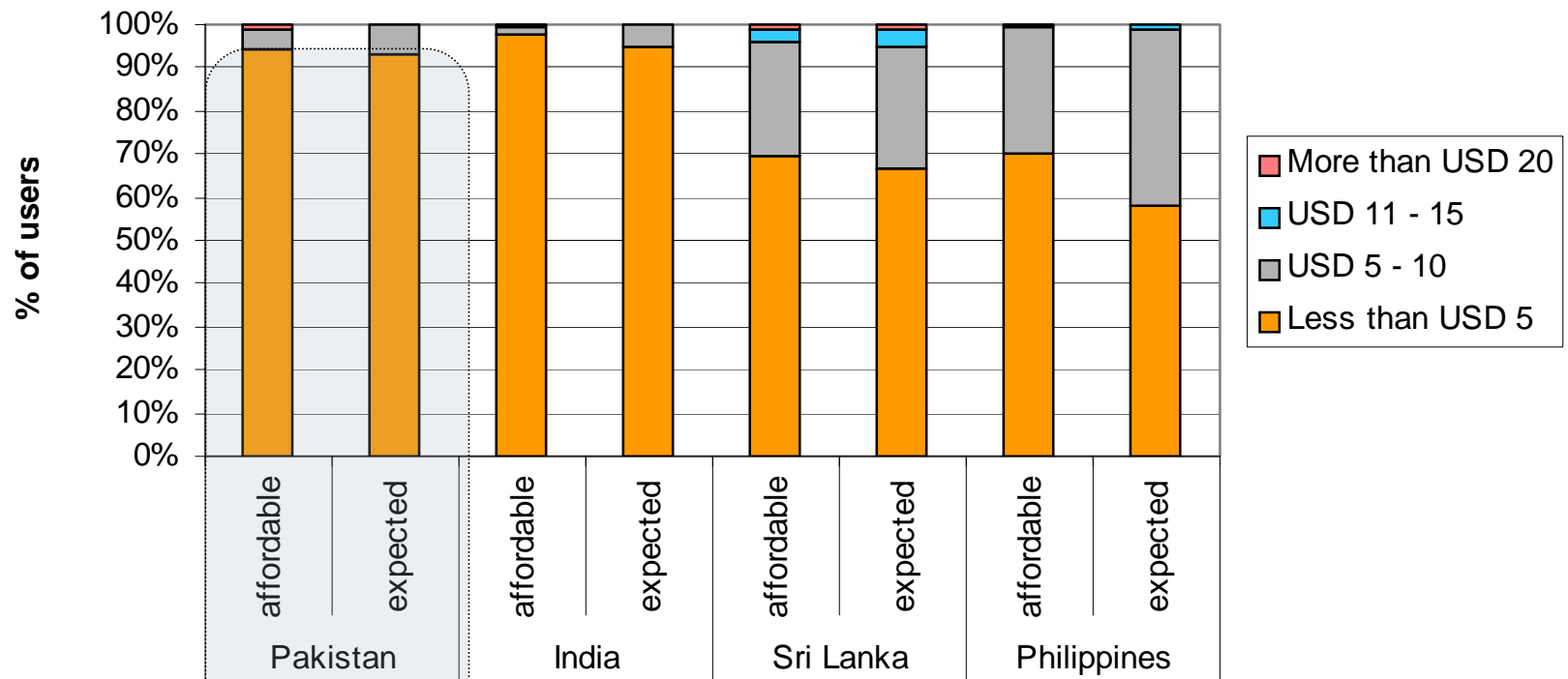
Many spend more than monthly income to initially purchase brand-new handset; heavy Filipino mobile use aided by use of second-hand phones?

Low-cost handsets (e.g. *Ultra-low-cost handset*) will have good potential

Usage costs*

- Most expect monthly charges to be below USD5

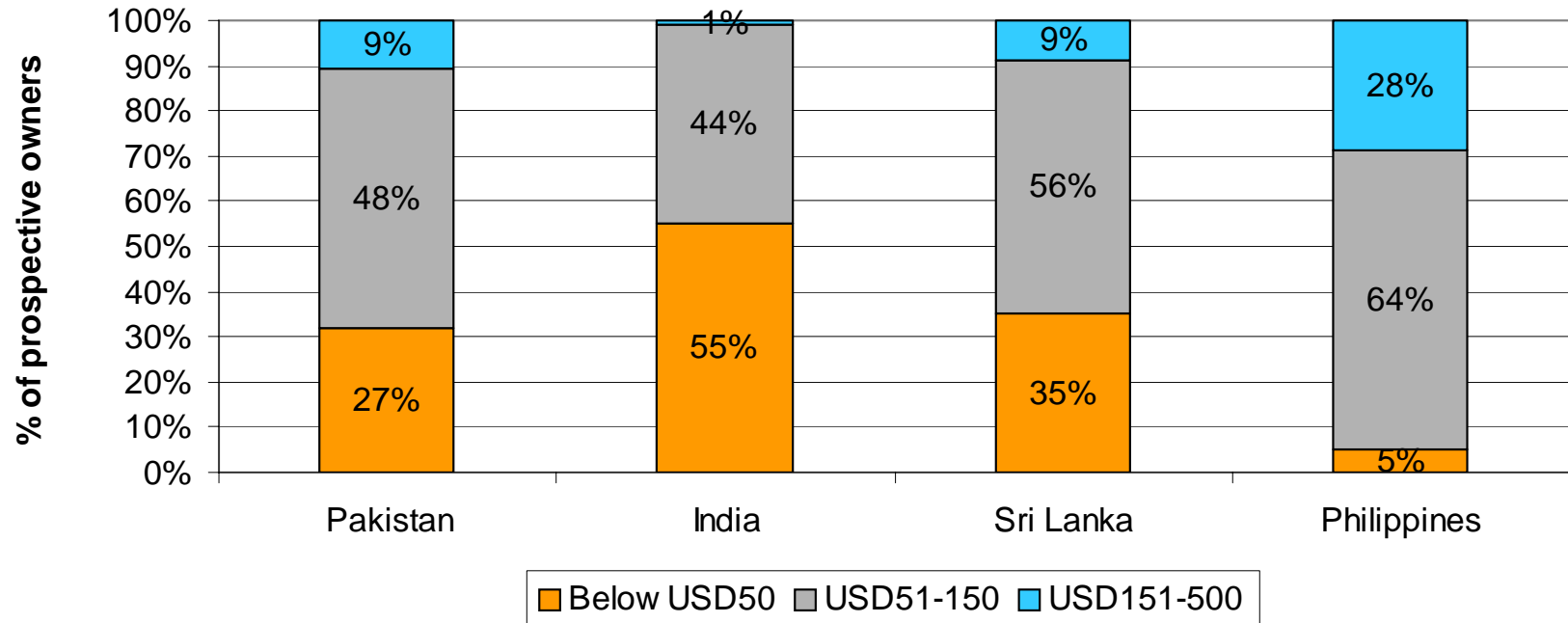
Monthly charges: expected vs. affordable



Expectations and affordability are aligned

Is a phone possible on USD2 a day?*

Income distribution of prospective owners



The addressable market does not stop at USD100 per month; it goes down further.



Usage patterns

owners + non-owners

1000%

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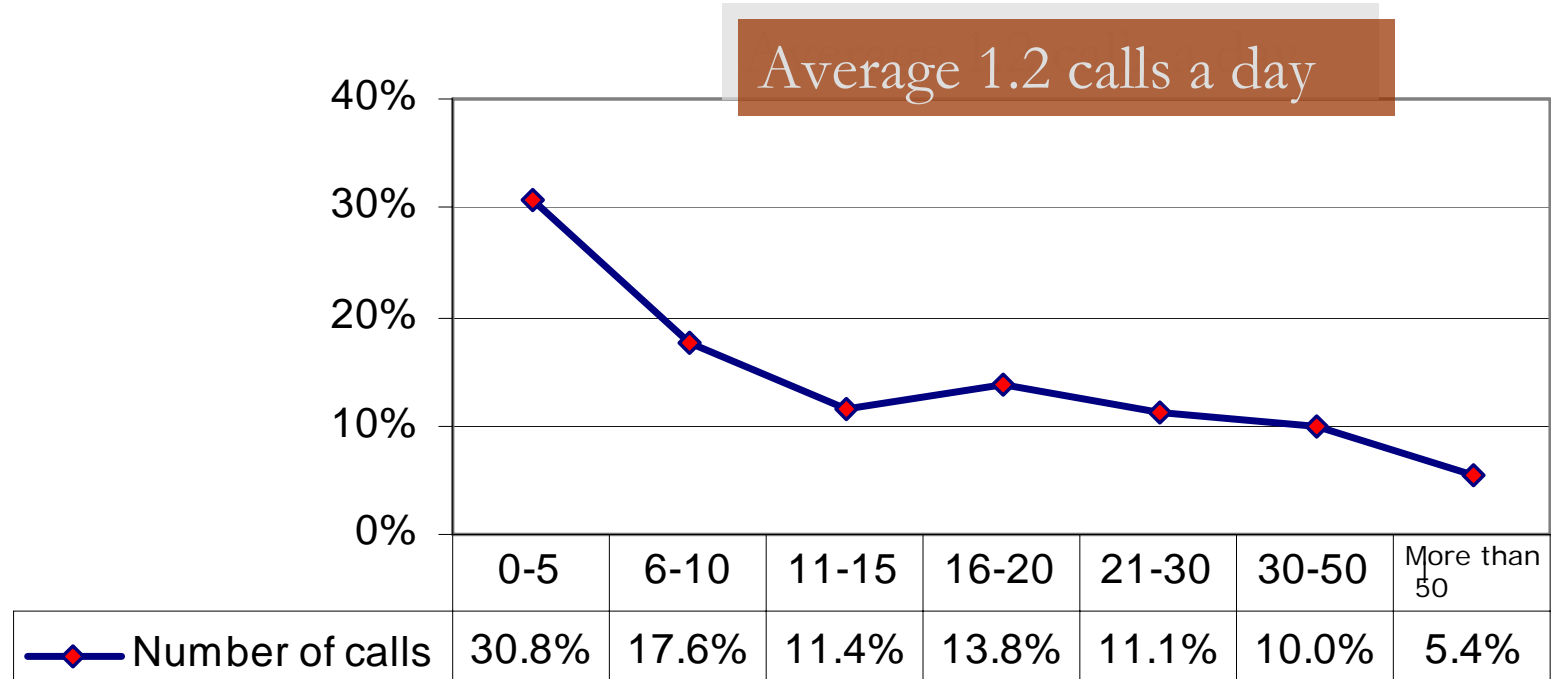
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BOP usage is low; *Pakistan**

Number of calls (in and out) per 2 week period

% of diary respondents

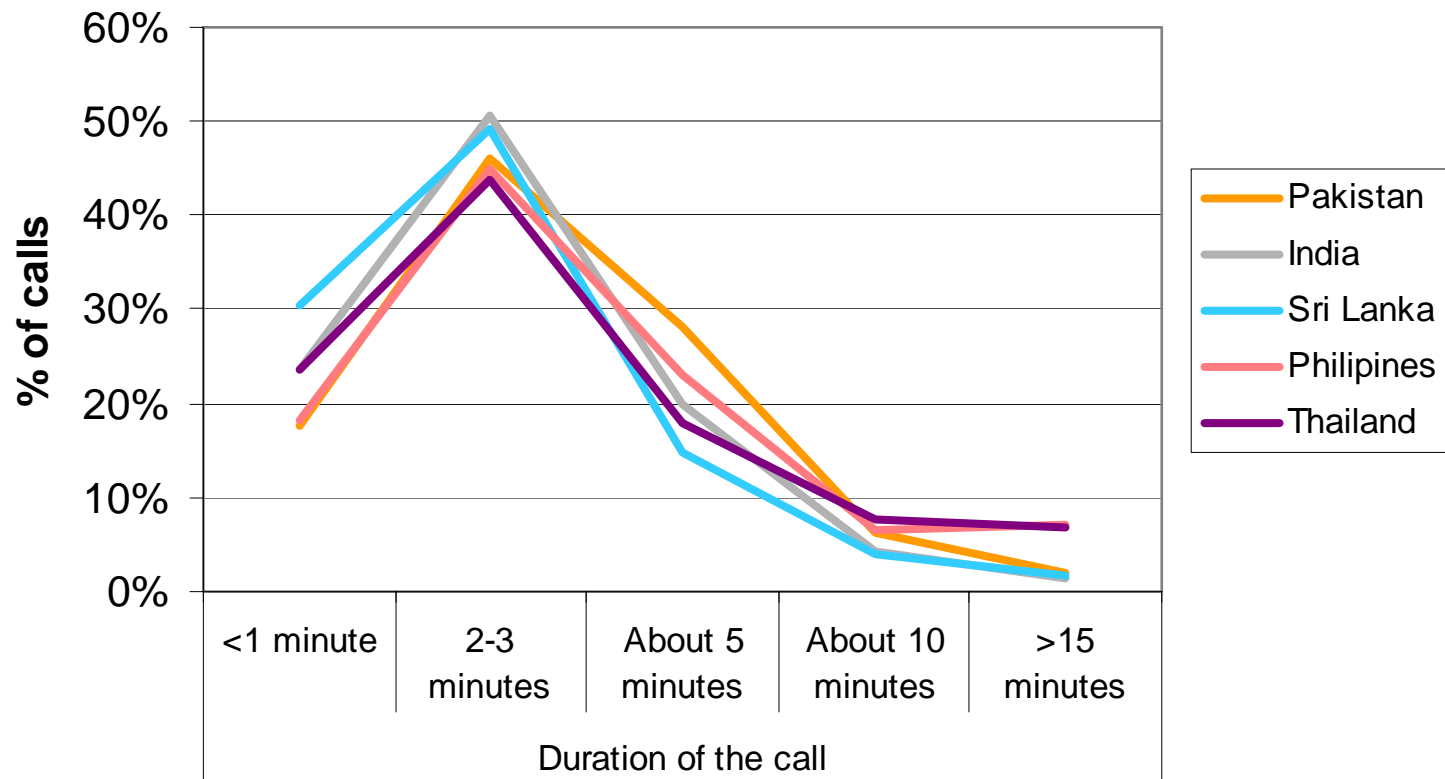


Source: Diary



No hanging on the phone...*

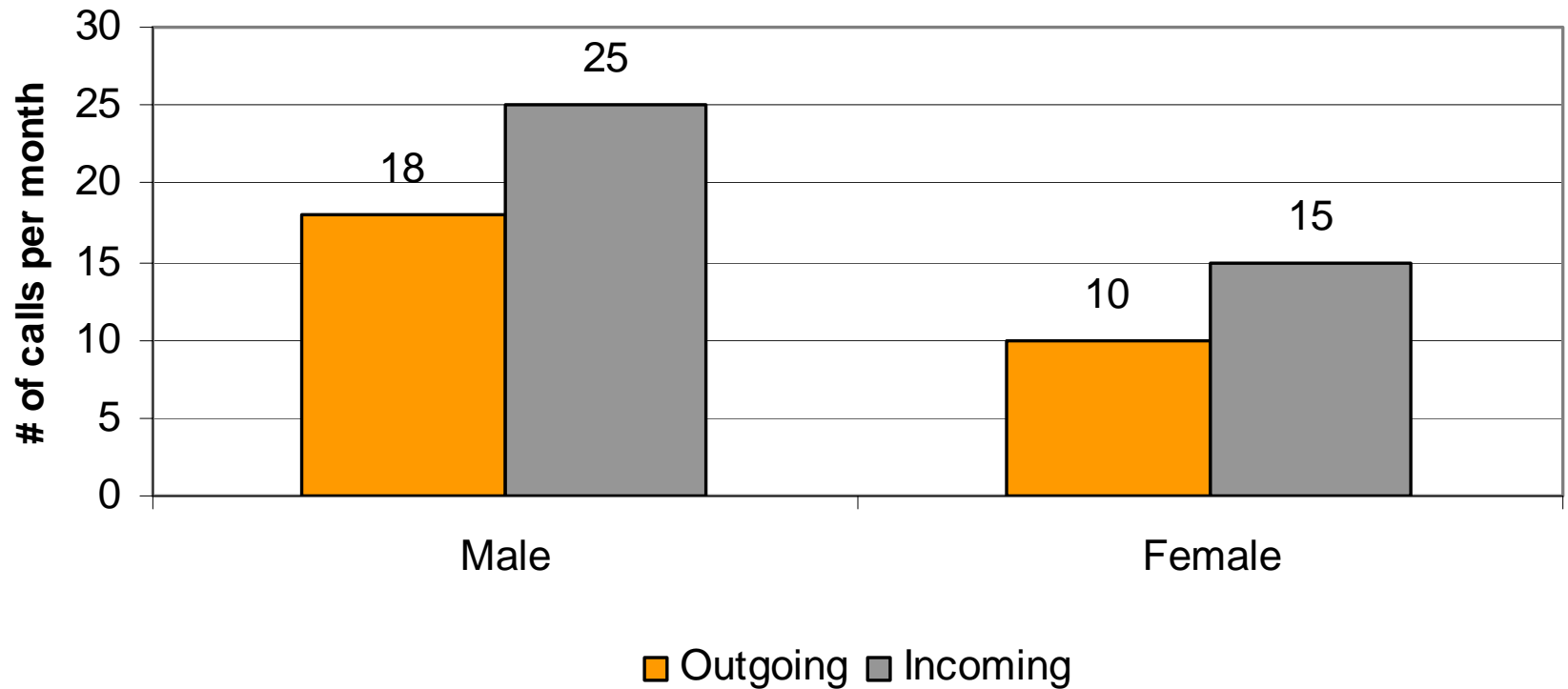
Average call durations of diary respondents



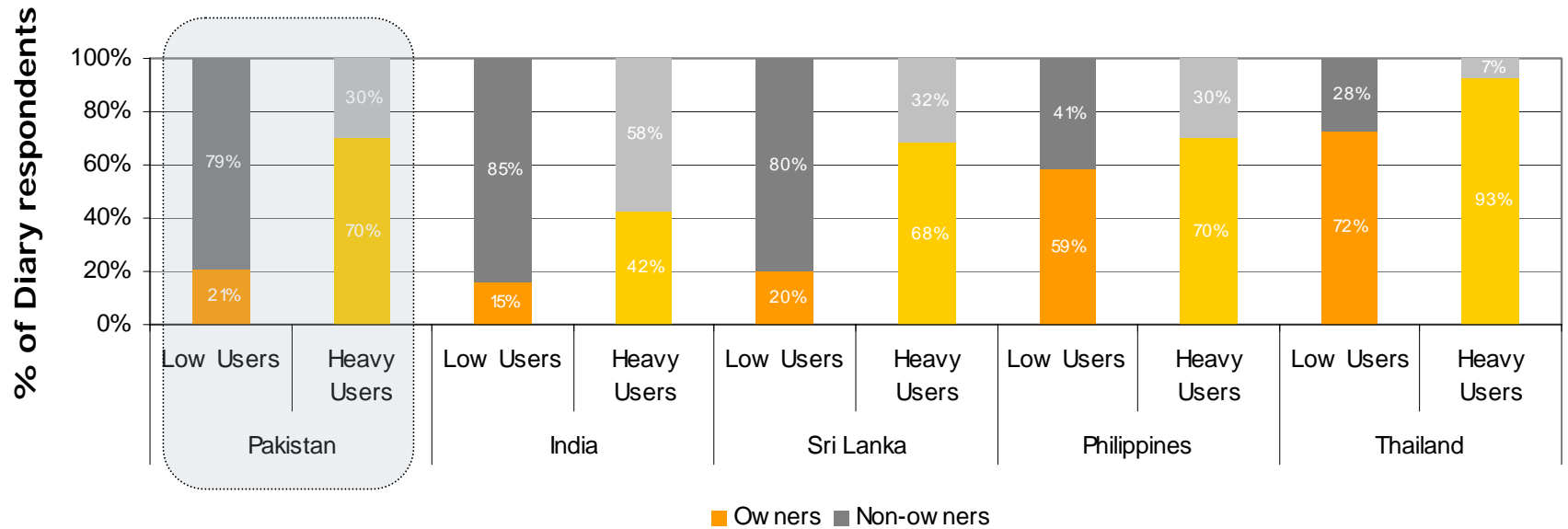
Source: Diary

Industry MOUs are far higher. This data is for all; owners and non owners.

Gender differences in Usage in Pakistan



Low users are non-owners in South Asia



Internet? What Internet?

Use the Internet

Pakistan	India	Sri Lanka	Philippines	Thailand
1.91%	0.29%	1.51%	8.77%	10.41%

Not heard of Internet

Pakistan	India	Sri Lanka	Philippines	Thailand
36%	72%	29%	14%	36%



BOP in summary

- Almost everyone has access to a phone, but very low ownership
- Benefits of ownership (direct access) are known
 - Perceived as improving efficiency *and* income in Pakistan
- Gender difference in Pakistan
- Next Billion: affordability is a key barrier
 - 150m at the BOP in IN, PK, LK, PH, TH in next 2 years
 - The addressable market does goes below USD100 a month
 - Individual use is still very low; Internet far far away



To think about...

- Telecom operators
 - Leverage benefits of direct access
 - Security, friends & family
 - Particularly in India: cost saving + income enhancing
 - Increase awareness on efficiency → economic gain
 - Convergence; collaborate on meaningful content
 - SMS based services vs. Bollywood movies
 - Innovations to enable cheaper calls
 - e.g. any-amount prepaid balance top-ups



To think about...

- Handset manufacturers
 - Affordable handsets with local language SMS capability
 - Ultra low-cost phones with “warranty”?
 - Installments?



“...if we stop thinking of the poor as a burden and start recognizing them as value conscious consumers, a whole new world of opportunity will open up”

C.K. Prahalad. The Fortune at the BOP.



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Thank you.

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