

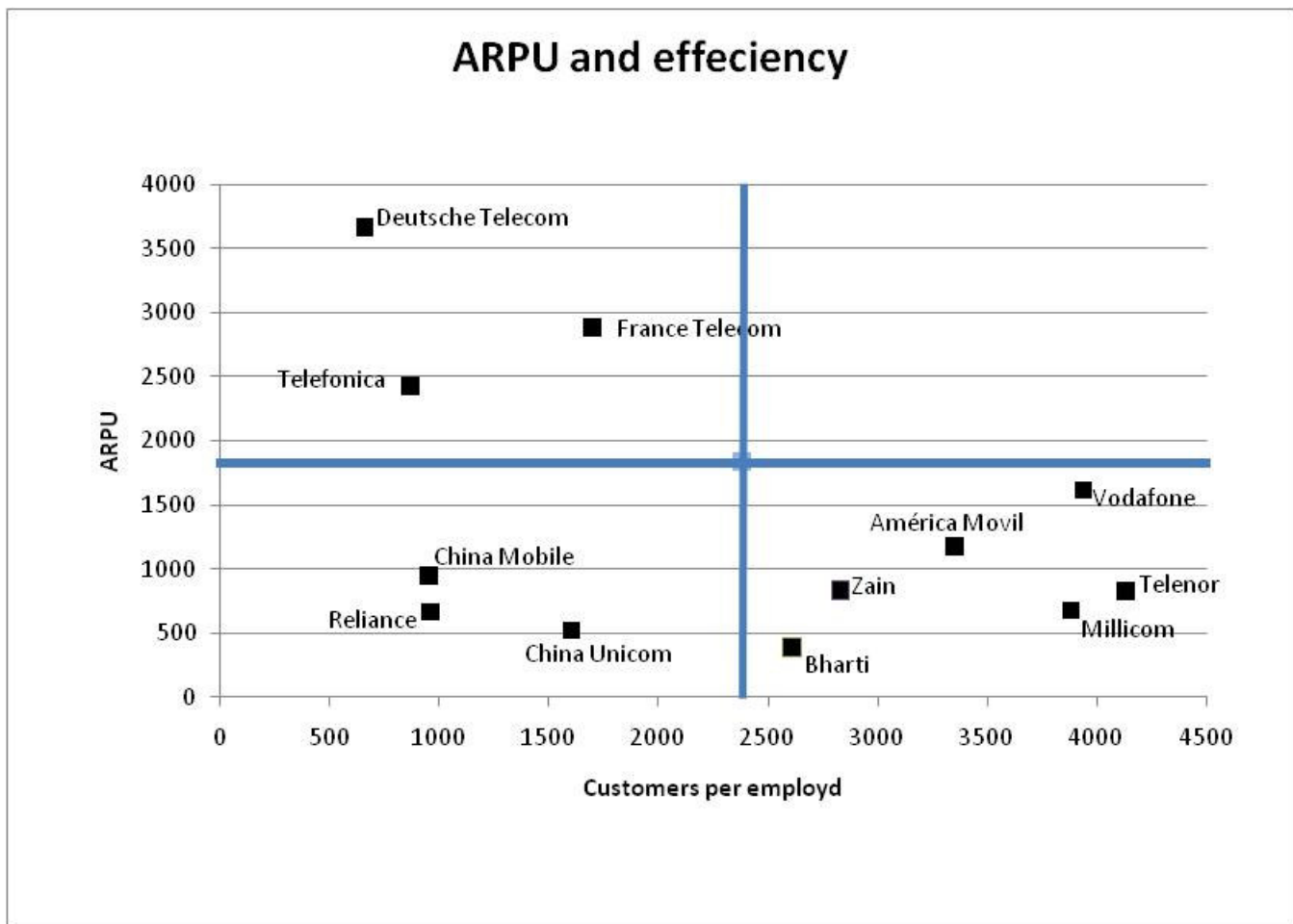
Benchmarking operators – a continuation

In the R&I A nr 14 15 operators operating over the globe where benchmarked. The study lacked the Chinese operators, but included Indian operators. Thanks to one of the readers of this letter, Mr. Mo Xinwei it is now possible to also add the Chinese operators. The pattern we already found is still valid – in fact there are some interesting observations on the operators acting in the very big national markets.

The new comparison

To make it somewhat easier to see the analysis is presented with a sample of the operators presented before. Instead of having all operators in a diagram some main and typical operators are chosen.

As before the comparison is made out of very simple measures, ARPU and Customers per employee. The discussion on these metrics was made in the earlier benchmark and the main reason to choose these benchmarks is that they are easy to achieve.



The figures covering the Chinese operators is supplied by Mr Mo Xinwei , who is at present researching the globalization of Chinese Telecom industry. An interesting remark is that the general view in China is that China Mobile is more efficient than China Unicom – but the benchmarks say the opposite.

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The diagram above shows the relation between ARPU and Customers per employee. Still there are the former incumbents of Europe benefiting from high ARPUs and having lower efficiency, and the operators focusing on low ARPU markets but with a high efficiency.



Interconnection & Regulatory Analysis – headline

Still no operator in “the point of bliss”

There are still no operator that succeed in having both comparably high ARPU and high efficiency (measured the way it is done here).

Big markets

Another interesting thing is that adding the Chinese operators Reliance gets company in the south east quadrant by both of these operators.

It seems that the operators on the world’s biggest national markets have a different pattern than seen before.

All the operators (Reliance, China Mobile and China Unicom, show very high EBITDA volumes, although they operate on markets where it is not

possible to have a high ARPU. The impressive profits are – it seems - more a volume effect than an effect of efficiency.

This is of course purely speculation and need further analysis.

Comparison in emerging markets

It is also interesting to study the different ARPU levels. Bharti and China Unicom operates on a very low level – a third of what América Movil has (see table!). China Mobile on the other hand has a ARPU level almost twice the one of China Unicom and more than twice the level of Bharti.

It seems that China Mobile is repeating the pattern of the incumbents in Europe but on a much lower level.

Still it is amazing that the challenger Reliance have almost two times higher ARPU than Bharti.

One should also observe that the indexed ARPU levels are the low ones. Deutsche Telecom has an ARPU three times the one of América Movil.

| Operator | Indexed ARPU (América Movile = 100) |
|---------------|-------------------------------------|
| América Movil | 100 |
| China Mobile | 80 |
| MTN | 79 |
| Zain | 71 |
| Telenor | 70 |
| Millicom | 58 |
| Reliance | 57 |
| China Unicom | 44 |
| Bharti | 33 |

Limited international experience

The Indian and Chinese operators will during the coming years probably try to establish themselves abroad. Everyone is turning their eyes on Africa, so that might be the future battlefield, where the Chinese and Indian operators meets the other global players.

The understanding of low ARPU markets is something the Indian and Chinese operators have from their home turf, but the question is if they are capable of running their operations efficient enough.

Operators in this study

América Movil, Mexican operator, active mainly in South America but also in USA, *Bharti* is one of the biggest Indian mobile and fixed operators, *Deutsche Telecom*, the German incumbent active in Europe and USA, *France Telecom* the French incumbent, active in Europe and in French speaking parts of Africa, *Millicom* is a part of the Kinnevik-empire and active only in emerging markets in South East Asia, Africa and South America and always as a challenger, *Reliance* is mainly an Indian champion, *Telefonica* the Spanish incumbent with great investments in South America, both mobile and fixed, the Norwegian incumbent *Telenor* has a small home-market and subsidiaries mainly in Asia but also Russia and Europe, *Vodafone*, the British mobile operator, nr 2 in the world with activities both in Europe, USA and in emerging markets, *Zain* (former *MTC*) is active in Middle East and Africa. *China Mobile* and *China Unicom* are the two operators in China.

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