



# Mobile Market Development

## MNO KPI Benchmarks 2014 (FY2013)

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Description: Notes and Key Trends - Benchmarks 2014 (FY 2013) EBITDA: A year-on-year comparison of EBITDA margins across 67 MNOs showed a decrease of 0.1 percentage points, primarily as a result of regulatory intervention (MTR and roaming rate cuts as well as new telecom/utility taxes); tariffs cuts in response to competition and higher costs in customer retention and support for mobile data growth. Macroeconomic weaknesses, including currency depreciation, have continued to affect EBITDA margins although not as much as in recent years. In response, an increasing number of operators have switched to reporting EBITDA in an integrated form and this year's EBITDA benchmarks include a new graphic showing the link between EBITDA margin and revenue mix. The new analysis shows that pure mobile players (operators deriving less than 10% of revenues from non-mobile business) have EBITDA margins higher than those reported by partly integrated operators (those deriving between 10% and 40% of their revenue from non-mobile services) but lower than those reported by fully integrated operators (those deriving over 40% of their revenues from non-mobile services). CAPEX: The year-on-year comparison, across 59 MNOs, shows an increase of 0.8 percentage points mostly as a result of investments in network roll out (especially 3G and LTE). The acquisition or trading of mobile spectrum has been excluded in this year's CAPEX benchmarks as many MNOs tend to treat spectrum as a separate expenditure. In emerging markets CAPEX can be affected by depreciation of the local currency. ARPU: The year-on-year blended ARPU trend analysis (based on a set of 77 operators) shows a 9.2% decline in blended ARPU between FY 2012 and FY 2013. This value is higher than the value of decline (6.43%) found in the previous year's analysis highlighting the increasing pressures faced by MNOs especially as the result of regulatory intervention (MTR cuts are by far the most quoted reason for ARPU decline), tariffs cuts in response to competition, customer migration to integrated tariff plans and increases in sales of SIM-only and Web-only plans. In some instances ARPU values were affected by currency fluctuations and depreciation as well as the introduction of new calculation metrics (e.g. new metrics excluding M2M lines). Both prepay and postpay ARPU values were affected. A few operators reported ARPU growth attributed to LTE subscriber expansion, policies aimed at increasing voice and data consumption and improvements in the customer mix and active customer base. The proportion of ARPU accounted for by non-voice revenues continued to increase (39.9% across the 41 MNOs in the benchmarks). Non-voice excluding SMS on average accounted for well over 50% of non-voice revenues. Several leading operators have stopped reporting separate messaging revenue. Non-voice revenue is driven by increases in smartphone penetration. Several operators reported smartphone penetration levels higher than 60% (especially in W-Europe, North America and Asian markets with high per-capita GDP). CHURN: A year-on-year comparison of the blended churn rate, across 46 MNOs, showed slight

improvement for the second year in a row, from an average of 2.41% in 2012 to 2.30% in 2013 (0.11 percentage points down) as MNOs continued to focus on retention strategies aimed at improving customer experience and quality of customer services. Other initiatives aimed at churn reduction have included changes to customer acquisition policies (e.g. removal of marginal customers and stronger focus on HVCs), expansion of the owned distribution network (including in-store self-care facilities) and initiatives focusing on customer value (e.g. the Good Device Change program by SK Telecom in South Korea). Both prepay and postpay churn rate values improved. A few operators experienced a peak in churn due to mass disconnection of inactive customers. CoA: The number of operators reporting cost of acquisition (CoA) for new customer additions remains low, often as the result of practical difficulties in separating costs associated with marketing, sales and retention activities - especially in converged markets where multi-service subscriptions are the norm. A year-on-year comparison across the MNOs in the benchmarks shows the average cost per gross addition decreased from EUR 76.52 in FY 2012 to EUR 69.78 in FY 2013. The average CoA for a postpay customer is 9.8 times higher than the average CoA for a prepay customer.