

Mobile Telephony in Poland Competition and Prices



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Poland – factsheet



- **Area:**
 - 312,683 km²
- **Population:**
 - 38.125 mil.
- **GDP per capita (2006):**
 - 8,958 US\$
 - 14,879 US\$/PPP
- **Average salary (12/2007):**
 - 2,900 PLN (~805 €)
- **Currency (12/2007):**
 - Polish Zloty (PLN)
 - ~ 0.277 € or ~ 0.404 US\$

Mobile telephony in Poland

- **NMT-450 (analogue)**
 - 1992 - start
 - 1995 - over 75,000 users (penetration 0,2%)
historical maximum
 - extremely high prices*
 - activation fee: 500 US\$
 - monthly rental: 25 US\$
 - calls: 0.34/0.54 US\$/minute
 - 2007 - still ca. 1,000 mobile users

Note: Average monthly salary – 300 US\$



Mobile telephony in Poland

- **GSM**

- **1996 - start**

- **1 million of users within 1 year**

- **high prices**

- **basic call charge close to 2 PLN**

- **then even more (due inflation) - 1 US\$/min.**

Mobile tariffs in Poland, Dec. 1996

Network	Plus GSM			Era GSM			Centertel (NMT)
Tariff plan	Contact	Business	Prestige	White	Azure	Navy blue	
Activation	500.00	500.00	500.00	525.00	525.00	525.00	620.00
Monthly rental	35.00	75.00	145.00	39.90	89.90	129.90	68.73
mobile to fixed							
Peak calls	1.80	1.20	0.85	1.69	1.09	0.89	1.48
Off-peak calls	0.75	0.55	0.50	0.89	0.59	0.49	0.27
mobile to mobile							
Peak calls	1.80	1.20	0.85	1.54	0.94	0.74	0.93
Off-peak calls	0.75	0.55	0.50	0.74	0.44	0.34	0.27

Source: Operators' pricelists



Mobile telephony in Poland

- **GSM**

- **2002** - number of mobile users exceeded number of fixed lines

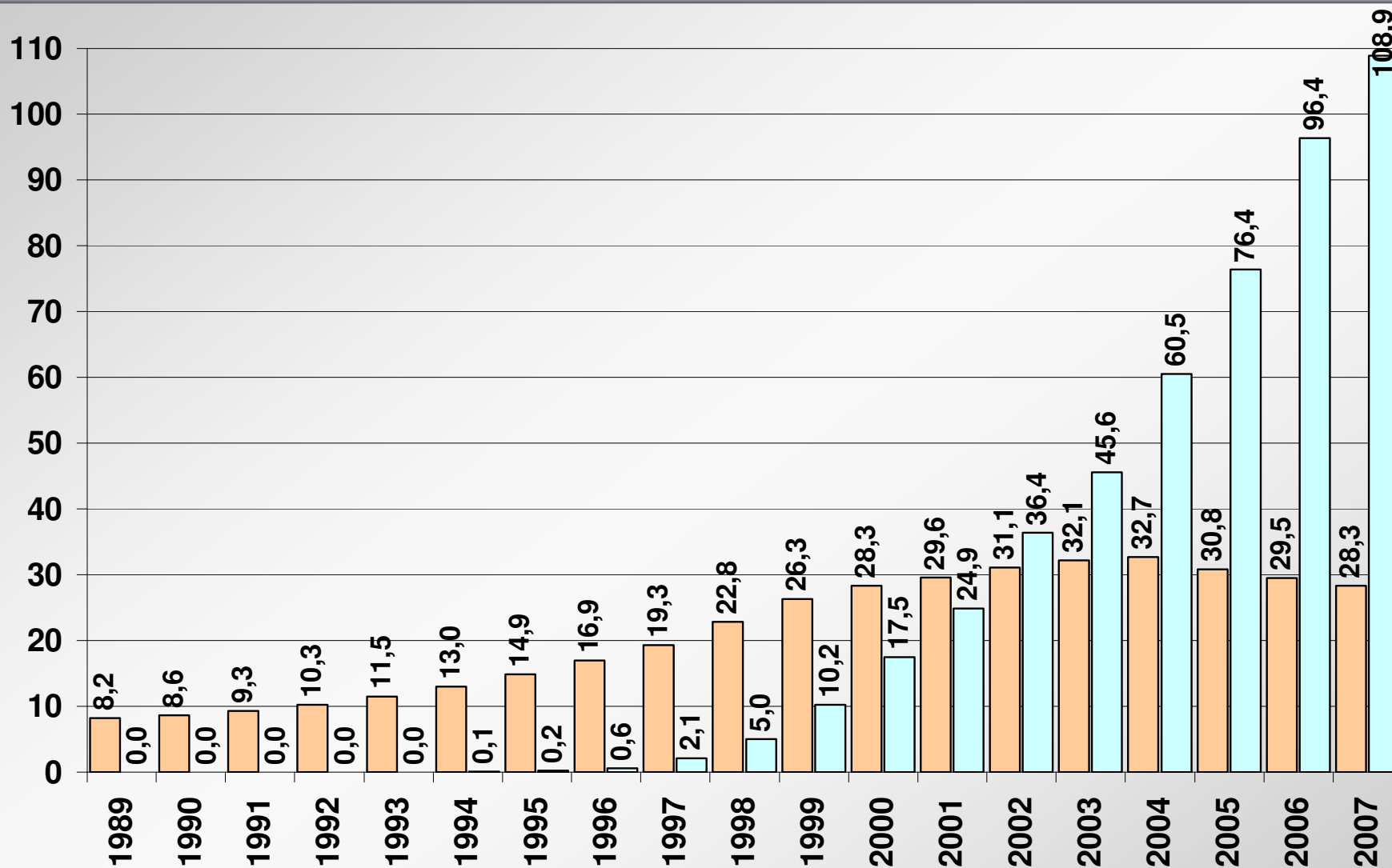
- **2004** - over 20 mil. mobile users

- penetration > 50%

- **mid 2007**

- penetration > 100%

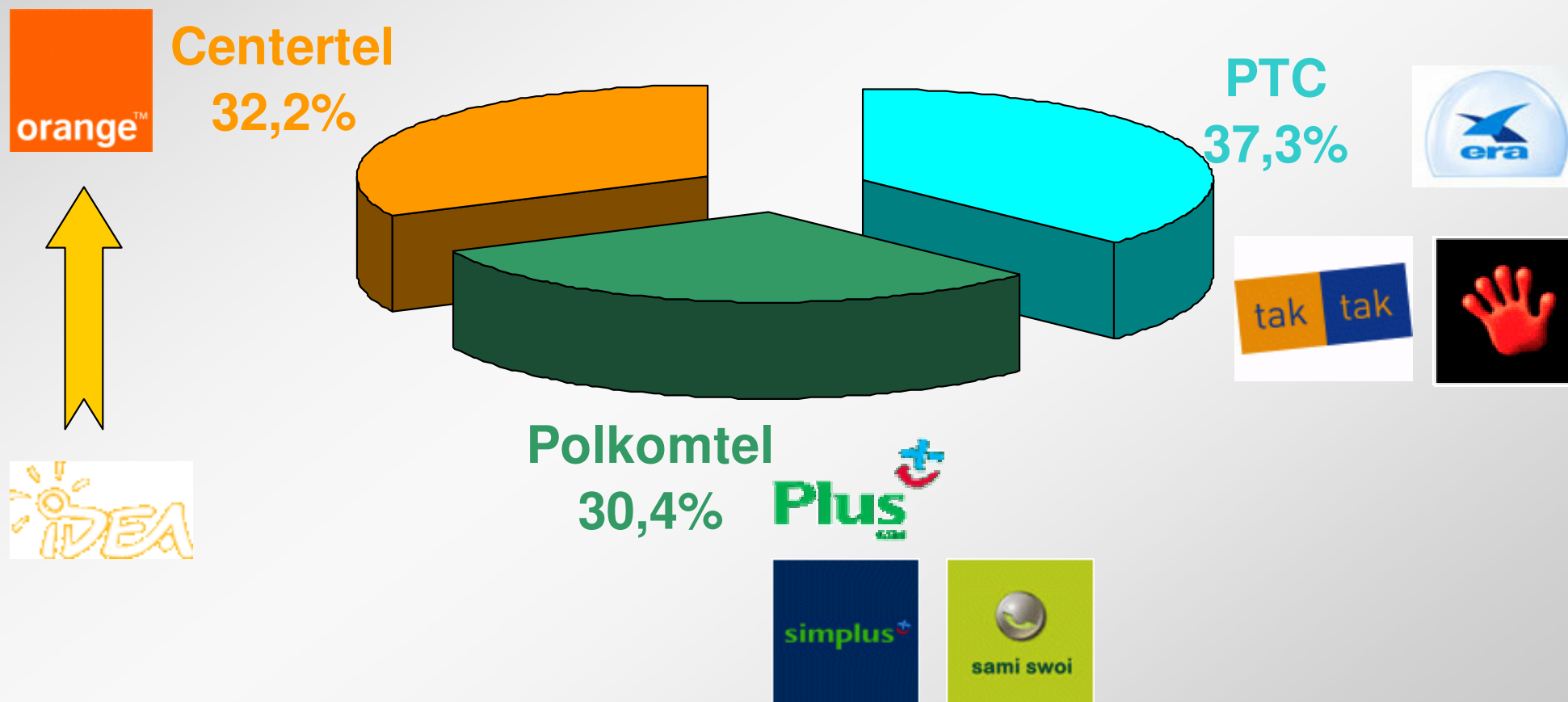
Fixed and mobile penetration in Poland



Source: GUS - Polish Statistical Office



Mobile market shares in Poland (total)



Source: operators' reports, 2004



Mobile market shares in Poland (details)

Operator	Brand	
	Pre-paid - 59%	Post-paid - 41%
Polkomtel - 30,4%	Simplus - 23,9% Sami Swoi - 3,0%	Plus - 35,6%
PTC - 37,3%	Tak-Tak - 28,0% Heyah - 13,2%	Era - 31,8%
PTK Centertel - 32,2%	Pop - 31,9%	Idea - 32,6%

Source: operators' reports, 2004



Mobile telephony in Poland

- **GSM**

- **3 “equal” operators**

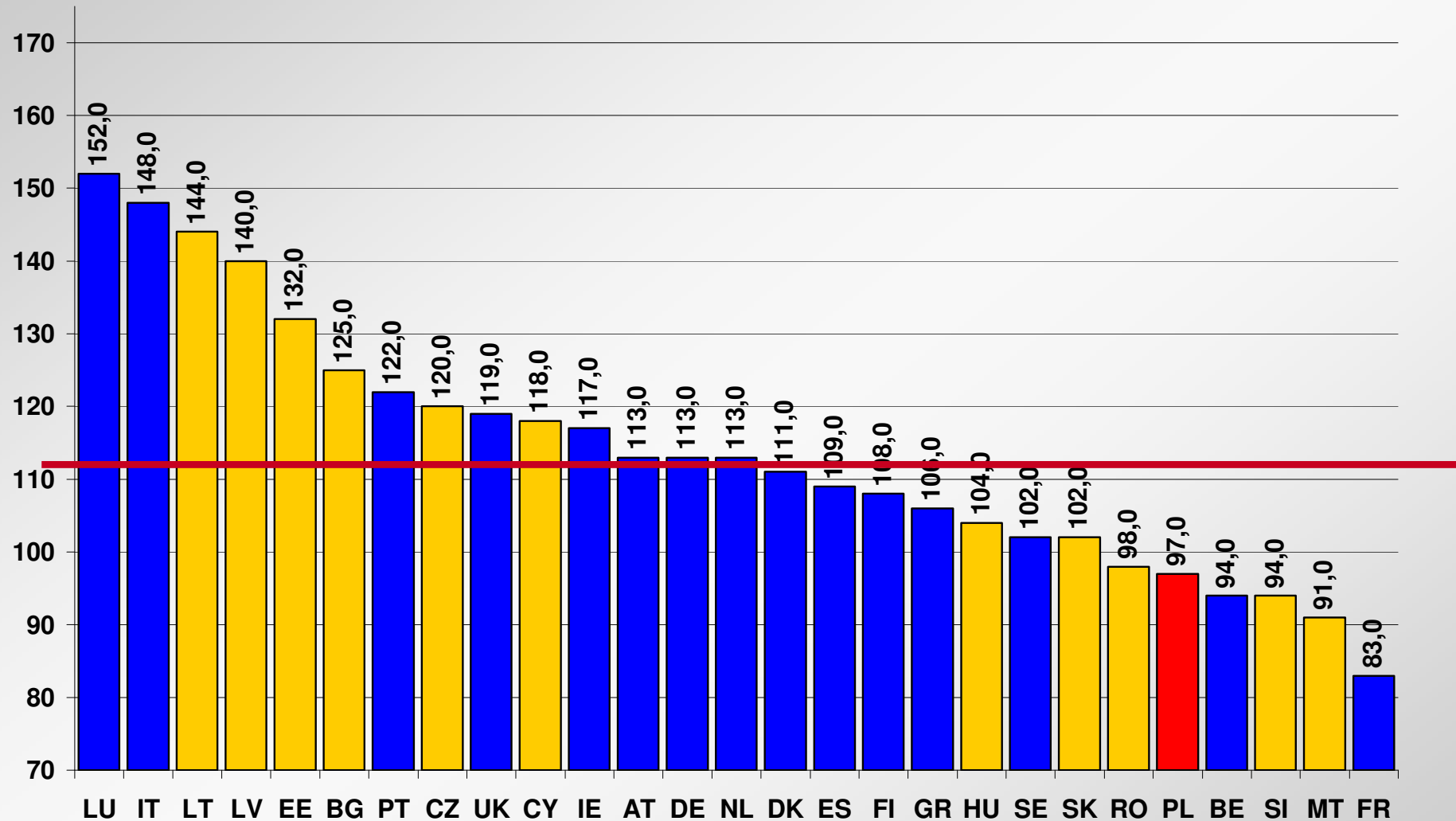
- **GSM 900, GSM 1800 and UMTS licenses**
 - **similar market shares**
 - **similar performance indicators (revenue, ARPU, MoU, etc.)**
 - **similar offers**
 - **similar prices**

Mobile telephony in Poland

- **GSM**

- **2007 - fifth lowest penetration in EU**
- **three years earlier - lowest penetration in EU !**

Mobile penetration in EU



Source: EC, 13th Report, Oct. 2007



Mobile telephony in Poland

- **GSM**

- **one of the lowest penetration in EU !**
- **why?**
- **high prices**

Prices

- **OECD / Teligen baskets (PPP)**
 - close to the 60th position out of 60 tariffs studied
 - 3-4 times higher than the “cheapest” operators
 - moderate improvement since 2004

Prices

- **Baskets in EU Reports**
 - slightly above average for EU-25
 - 3 times more expensive than in the “cheapest” countries
 - not taking into account PPP

ARPU 2004

Operator	ARPU (PLN)		
	Mix	Pre-paid	Post-paid
Polkomtel	75.4	24.8	133.8
PTC	68.6	27.1	129.0
PTK Centertel	72.2	32.8	118.1

Source: operators' reports, 1 US\$ = 3,65 PLN, 1 € = 4,53 PLN



Other indicators

- **MoU declining year to year**
 - only some 60 minutes per user in 2004
- **Price affordability (cost of usage / GDP):**
 - **highest* in Poland -**
 - **lowest* in Czech Republic**
 - penetration 2 times higher than in Poland

* among Central European Countries



Market concentration

- **Herfindahl-Hirshmann Index (HHI)**
 - **3334 in Poland in 2004**
 - **5th highest value among 18 countries**
 - **Simulation:**
 - **new entrant with 10% market share**
 - **HHI = 2810 (16% less)**
 - **may caused some 13% price reduction**

Other effects of oligopoly

• The operators policies towards clients:

- the terms of the agreements are disadvantageous to the clients;
- the duration of limited-period agreements is extended when the purchase of the telephone set is subsidized;
- the operators are keeping a joint list of clients who are (allegedly) bad debtors;
- agreements are canceled in cases of even sporadic and small delays in paying the bills, also if the delays are due to the bill's being sent by the operator or delivered belatedly, or lost by the mail, or to a tardy transfer of the payment by the mail or a bank;
- fees are charged for the so-called "monitoring of accounting," i.e. notifying of overdue payments;
- alleged debts are taken over by debt-recovery corporations, which makes it virtually impossible, or at least extremely difficult, to settle such cases amicably;
- marketing information about promotional campaigns is usually incomplete, and details, limitations and disadvantageous provisions are stipulated in the inconspicuous "small print."

Other effects of oligopoly

- **Resistance against MVNOs**
 - first agreement signed at the beginning of June 2006
- **Delayed implementation of mobile number portability (MNP)**
 - beginning of 2006
 - for pre-paid even latter

Conclusions 2004

- Cellular telephony services in Poland are provided by **three** equiponderant operators.
- Each operator has a similar market share, in terms of both the numbers of users and the revenue.
- Other parameters of each one's efficiency (ARPU, MoU etc.) are comparable.
- The various operators' offers differ only slightly.

Conclusions 2004

- The prices of the telecommunications services provided by the Polish mobile operators are among the **highest** in the OECD, and in particular in the EU countries, especially in PPP terms.
- The situation improved a little in 2004, because of both the reduction of prices in Poland and a significant development in the exchange rates.

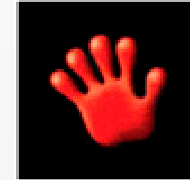
Conclusions 2004

- Cellular telephony is now considered to be a mass service.
- Mobile telephony is not regulated as strictly as the universal service of fixed telephony.
- The Polish cellular market has developed into an **oligopoly** and the operators are deriving unjust benefits from this fact.

Conclusions 2004

- **Only an increased competition or the imposition of a number of duties on the operators by means of a more demanding regulation may improve the condition of the consumers.**

Price war - 2004



- **New brands instead of competitors**
 - new pre-paid prices 50% down – **spring 2004**
 - pre-paid cheaper than post-paid
- **Post-paid follows pre-paid**
 - new post-paid prices 50% down – **autumn 2004**

Price war - 2004

- **Reasons**

- possible new infrastructure operators
- possible regulatory changes
 - market analysis and obligations
 - national roaming
 - MVNOs enabled to operate
- possible ownership changes
 - (not happend yet)
- rebranding - global brands, eg.



Price war - 2004

- **Results**

- **Basic call rate**

- **before – above 1.00 PLN**
- **after – 0.60-0.70 PLN**

- **Per second pricing as commonly used tariffing method**

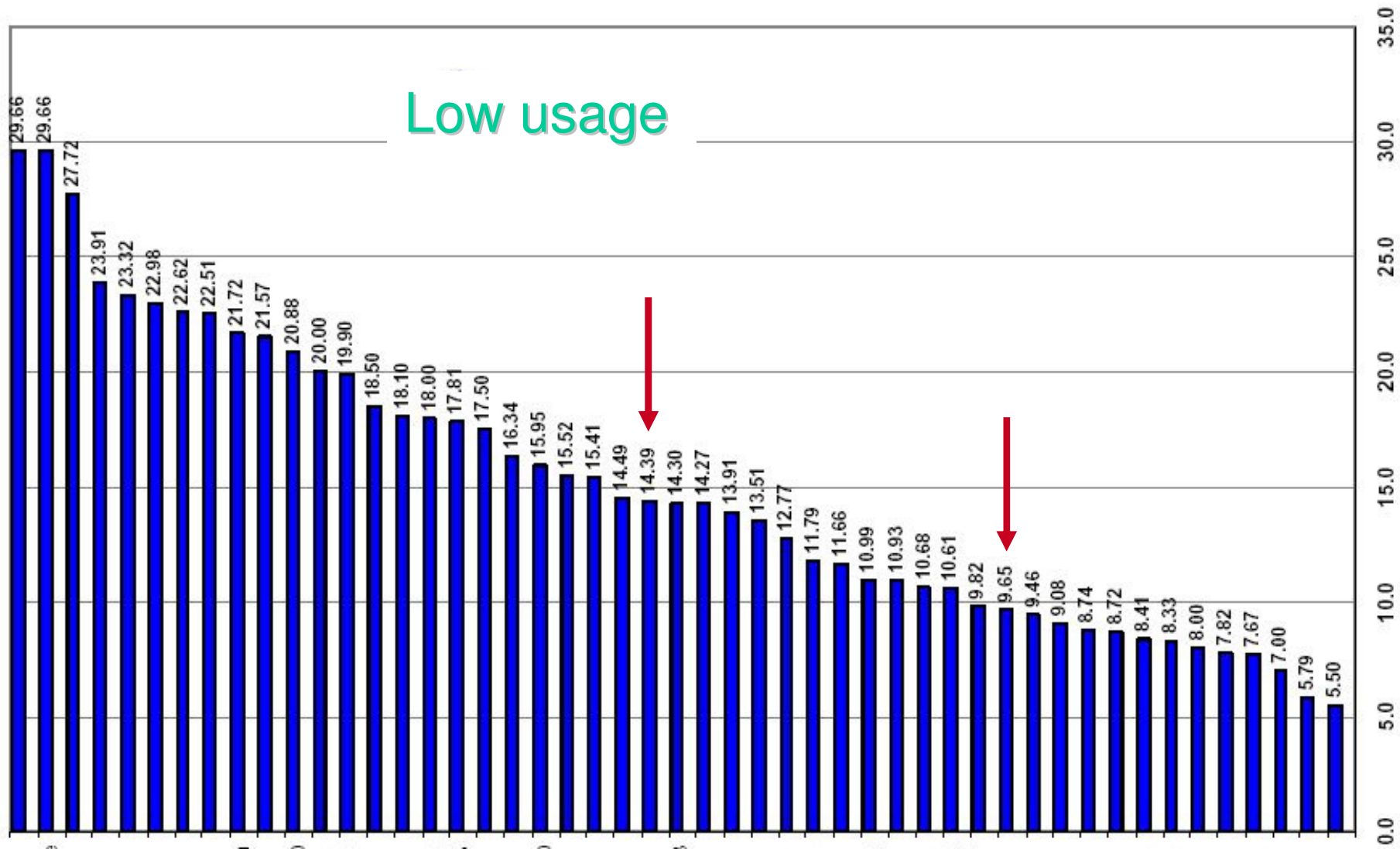
- **at no additional cost**
- **no set-up-charge no minimum charge**

- **Minimum usage fee instead monthly rental**

- **fully changeable to usage fees**
- **may be used in next (3-6 or more) billing periods**

- **Variety of optional paid packages leading to lower call rates**

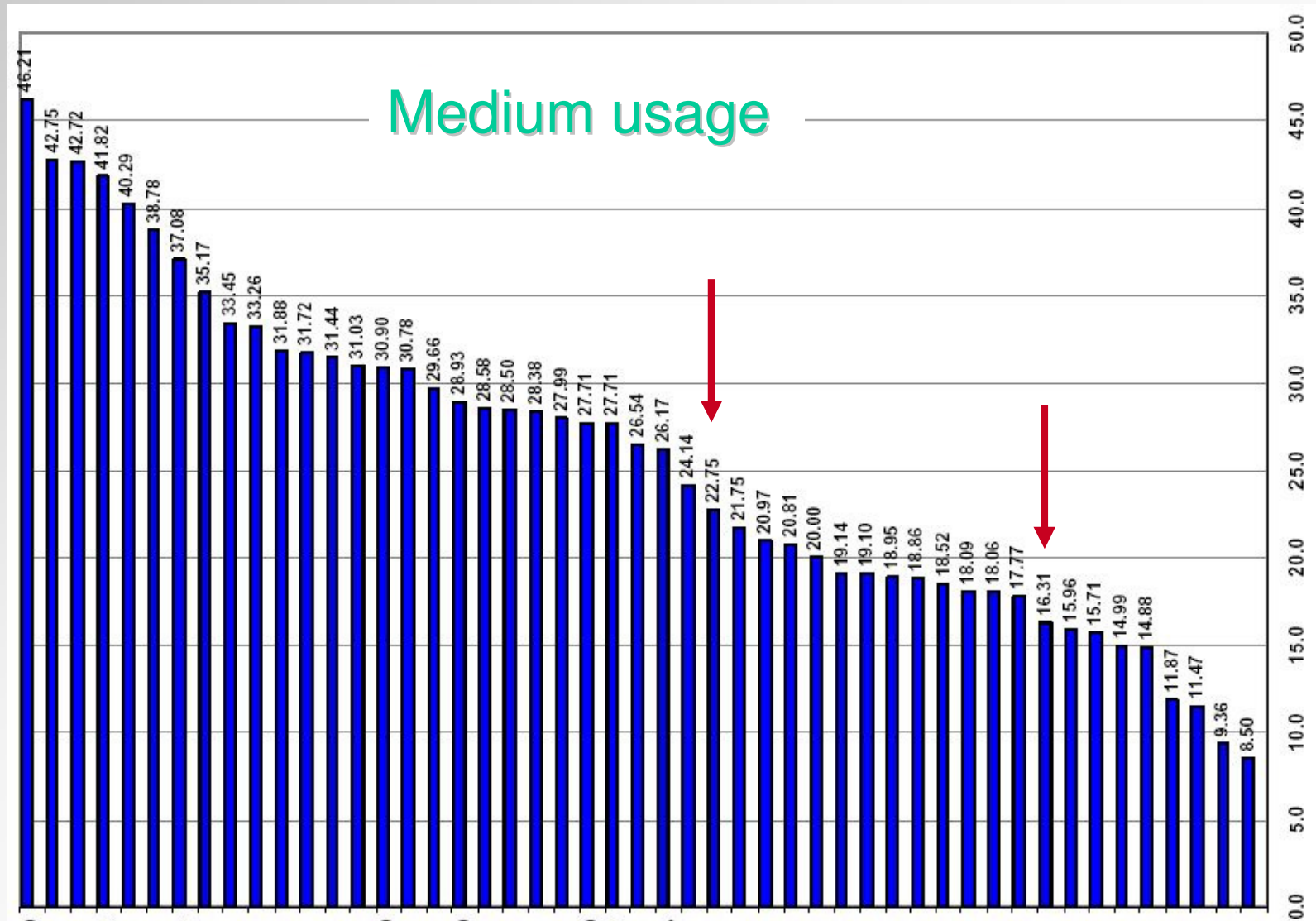
New 2006 OECD Mobile Basket



Source: EC, 12th Report, Oct. 2006



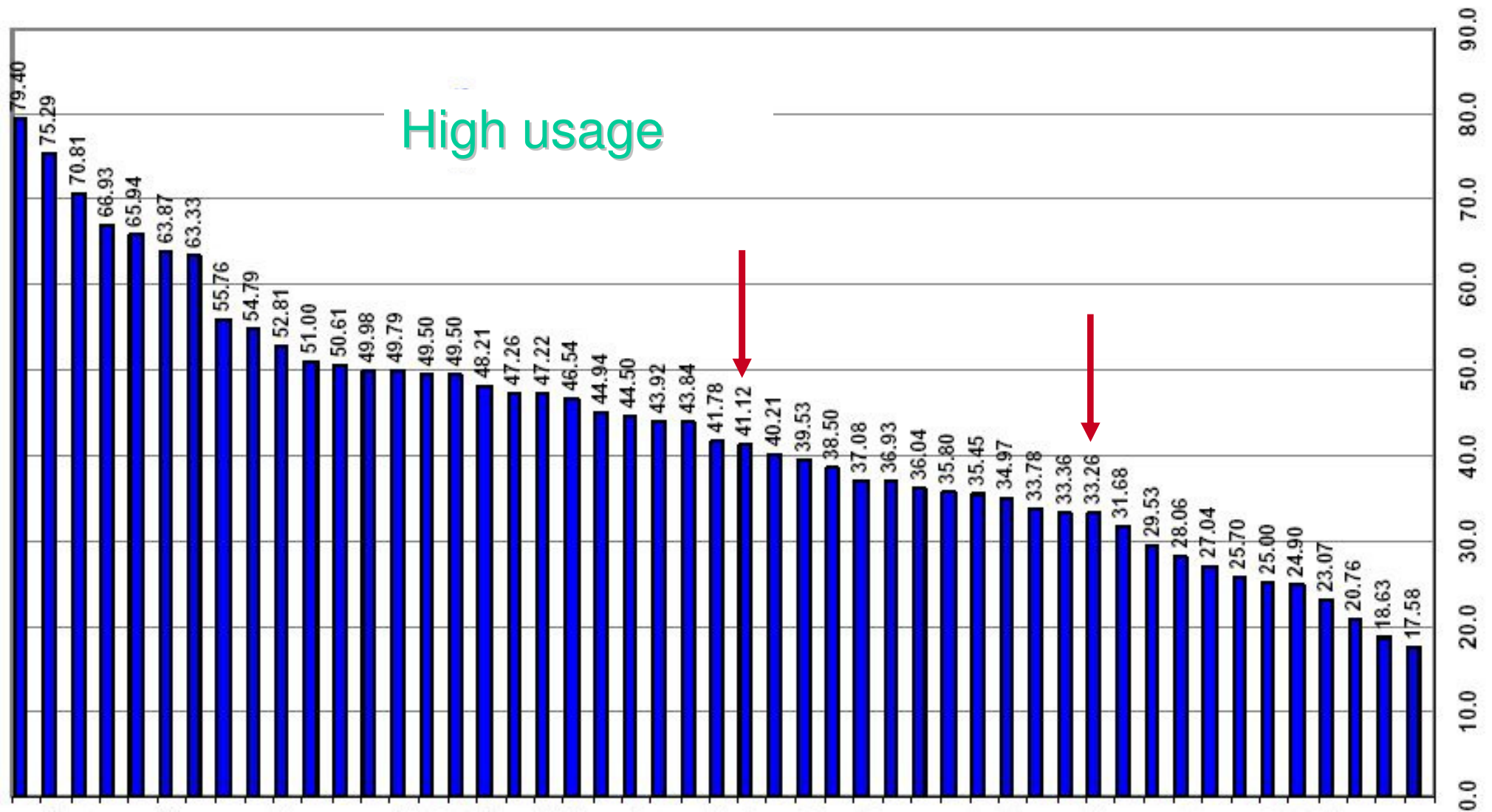
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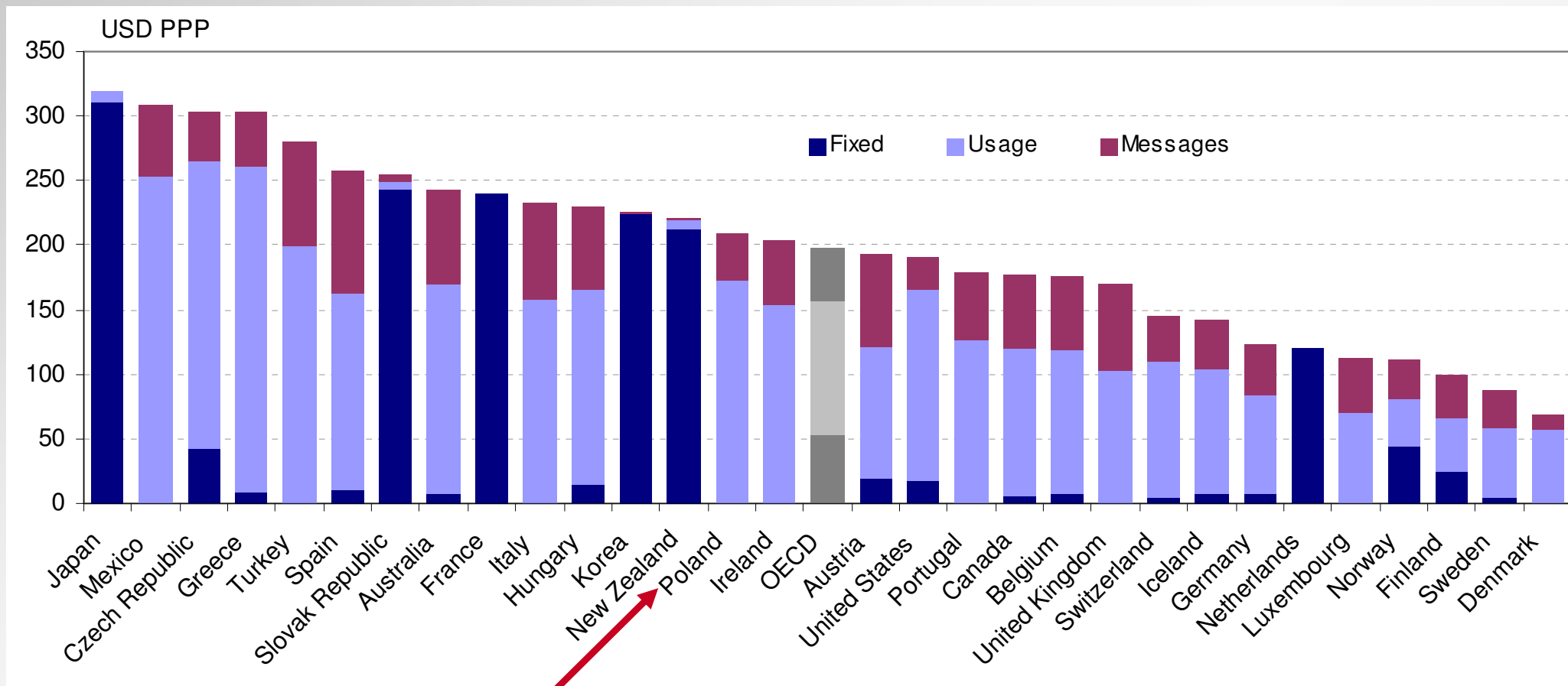
New 2006 OECD Mobile Basket



Source: EC, 12th Report, Oct. 2006



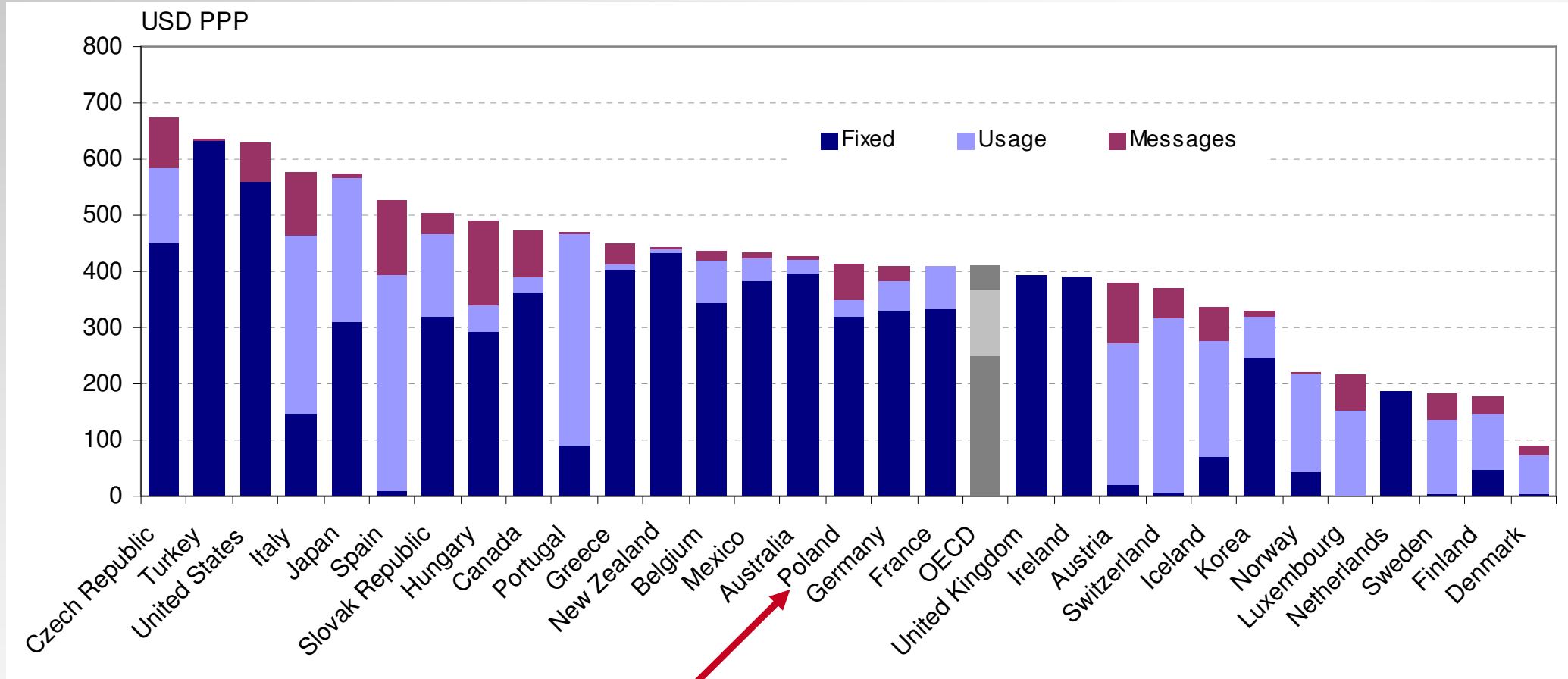
OECD Mobile Low User Basket



Source: OECD, Communications Outlook 2007, August 2006



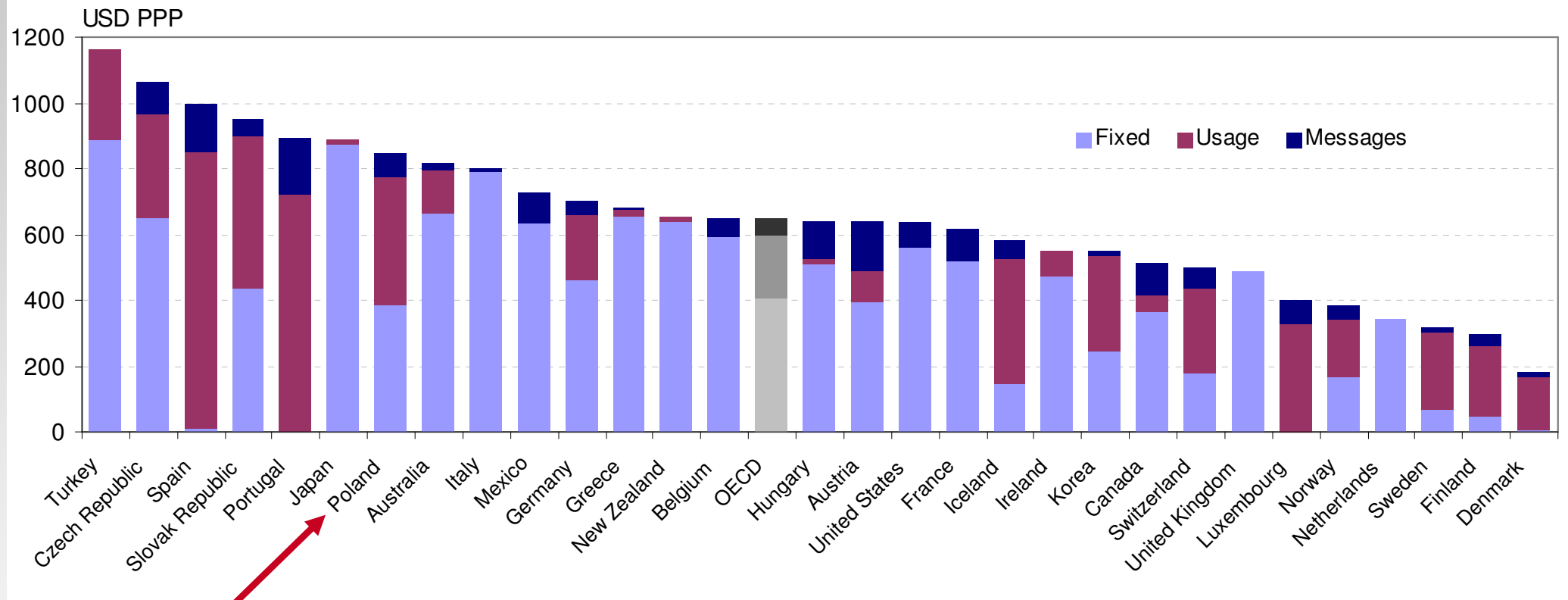
OECD Mobile Medium User Basket



Source: OECD, Communications Outlook 2007, August 2006



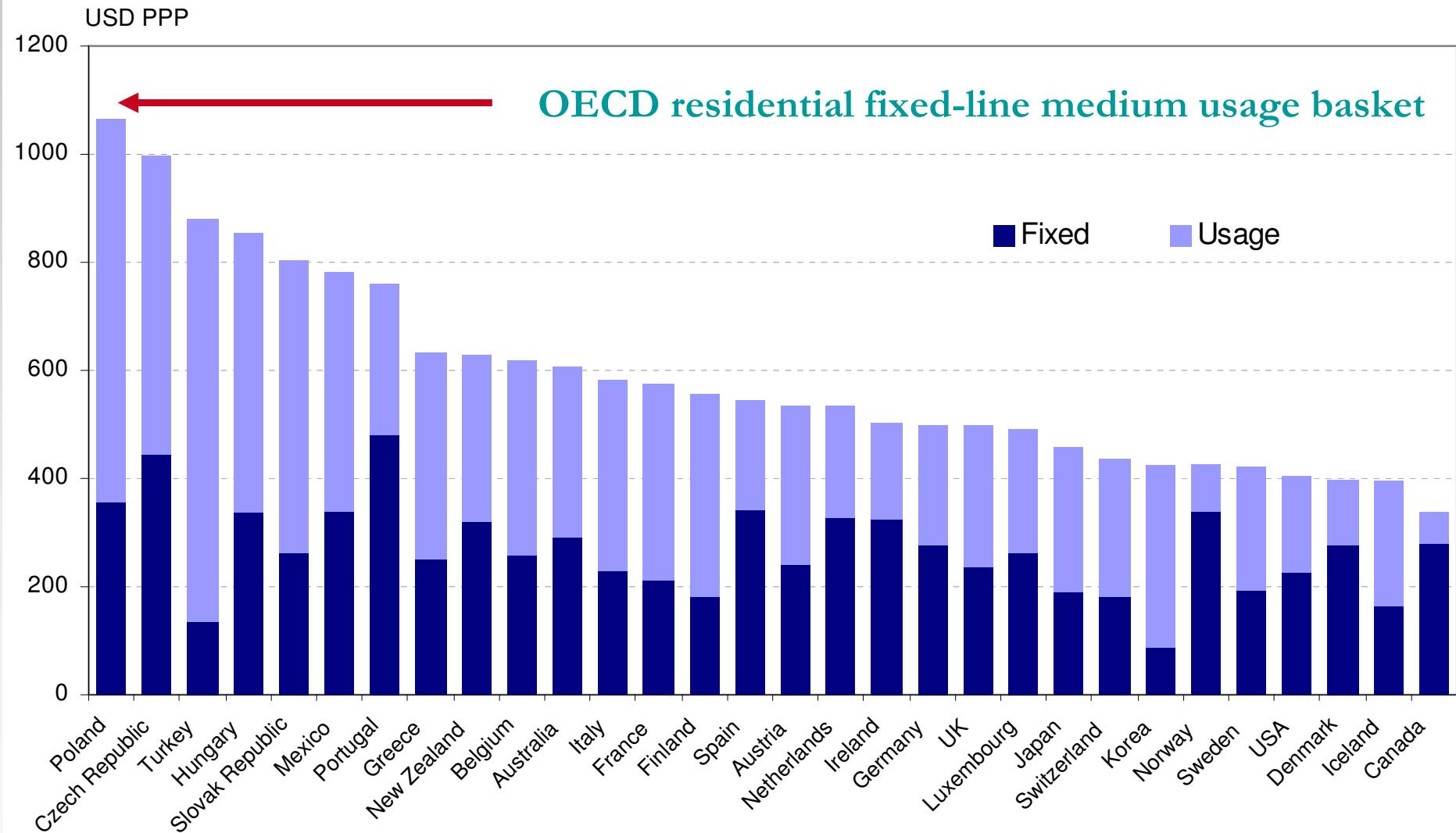
OECD Mobile High User Basket



Source: OECD, Communications Outlook 2007, August 2006



Another story



Source: OECD, Communications Outlook 2007, August 2006



Price war II - 2007

- **Battlefield:**

- **12/2006** – **mBank Mobile** – **1st MVNO in Poland**
- **first virtual bank in Poland – 1,25 mil. accounts**
- **pre-paid only**
- **only 45,000 users in June 2007**
- **160,000 users planned by the end of 2007**



Price war II - 2007

- **Battlefield:**
 - **3/2007** – **Play** operated by P4 (Netia, Novator, Tollerton) – **4th MNO in Poland**
 - own infrastructure plus national roaming
 - pre-paid and post-paid
 - 100,000 users in 7 weeks
 - 500,000 users planned by the end of 2007



Price war II - 2007

- **Battlefield:**

- **6/2007 – myAVON – 2nd MVNO in Poland**
- **first AVON mobile offer in the World**
- **pre-paid only**
- **Based on direct marketing – 230,000 sales „consultants” in Poland – free starter kits**
- **43,000 SIM cards in use in 1 month**
- **200,00-500,000 users planned by the end of 2007**



Price war II - 2007

- **Battlefield:**

- **8/2007** – **WPmobi** – **3rd MVNO in Poland**
- **pre-paid only** – **3 tariffs**



- **Owned by one of the leading Polish Internet portals**
- **125,000 users planned by the mid of 2008,**
250,000 – until 2010.



Price war II - 2007

- **Battlefield:**

- **12/2007 – MNI mobile – 4th MVNO in Poland**
- **MNI – one of the fixed infrastructure telephony and premium rate services operator**
- **2 brands:**
 - **Simfonia** (target – 60,000 existing fixed telephony subscribers)
 - 20,000/60,000 SIM cards planned within one and three years respectively
 - **EZO mobile** (for EZO TV watchers – iTV with esoteric content, owned by Telestar a MNI subsidiary)
 - 20,000/50,000 SIM cards planned within one and three years respectively



Price war II - 2007

- **Battlefield:**



- **2/2008 – Mobilking – 5th MVNO in Poland**
- run by Mobile Entertainment Company A.S., a part of a Czech Penta Holding (owner i.a. of sport bookmakers network in Poland)
- SIMs and top-ups available in Żabka convenience stores (countrywide network, all open daily 6-23), some newsagents and electronic shops
- „Some things are for real guys only” *(In MOBILKING we create our offer and services especially for men. We offer low rates and simple and clear terms and conditions. For our customers we provide special male gadgets and male entertainment: sport news, advices, games, photos, films with sexy women, also „adults only” ones)*



Price war II - 2007

- **Battlefield:**

- **End of 2007** results

- over **41.5 mln SIM cards**

- **Penetration – 108,9%** – where is saturation?

- **Winners**

- **P4/Play** – **850,000** users, **2%** market share within 9 months (one million SIM cards reached in January 2008)

- **Losers**

- **MVNO's** – **51,500** users only

Mobile market shares in Poland (details)

Operator	Brand	
	Pre-paid - 59%	Post-paid - 41%
Polkomtel - 32.4%	Simplus / Sami Swoi 31.2%	Plus 34.1%
PTC - 31.3%	Tak-Tak / Heyah 31.0%	Era 31.8%
PTK Centertel - 34.1%	Pop / Orange GO 35.1%	Orange 32.7%
P4 – 2.0%	Playkarta 2.5%	Play 1.4%
MVNO (all) – 0.1%	0.2%	0.0%

Source: Telepolis.pl based on GUS and operators' reports, end of 2007



Price war II - 2007

- **Battlefield:**
 - long MVNO's waiting list:
 - dozens potential new entrants, including:
 - TV Polsat
 - NOM/Exatel
 - Dialog Telecom
 - Tele2
 - GTS Energis
 - Telekomunikacja Kolejowa
 - Carefour

Price war II - 2007

- **Regulator**
 - since 2006
 - New
 - Professional
 - Effective
 - Pro-competitive
 - Pro-consumer

Anna Streżyńska
President of UKE
(Polish NRA)



Price war II - 2007

- **Regulation**

- **Mobile Termination Rates**

- **2005 – 0,65 / 0,48 / 0,40 PLN/min.**
 - **2006 – 0,44 / 0,40 PLN/min.**
 - **2007 – 0,40 PLN/min.**
 - **2008 – 0,34 PLN/min.**
 - **2009 – 0,28 PLN/min.**
 - **2010 – 0,22 PLN/min.**

- **Recently annouced plans of accelerating this timetable**

Note: VAT excluded



Price war II - 2007

- **Regulation**
 - **Maximum F2M retail charges for TP**
 - **regulation issued on 2 July 2007**
 - **0,85 / 0,59 / 0,61 PLN/min. to Play**
 - **0,54 / 0,52 PLN/min. to others**

Note: VAT excluded, prices for peak, off-peak and weekends/holidays respectively



Price war II - 2007

- **Results**

- **Basic call rate**

- **below – 0,50 PLN, eg.**

- **Play – 0,49 PLN/min.**

- **mBank Mobile – 0,45 PLN/min.**

- **Mobilking – 0, 50 PLN/min.**

- **Per second pricing**

- **Minimum usage fee instead monthly rental**

- **Variety of optional paid packages leading to lower call rates**

Note: VAT included



Price war II - 2007

- **Results**

- **New solutions:**

- **Play** – 1 free outgoing minute for 2 incoming ones
 - **mBank Mobile** – e.g. 1 free minute per each 100 PLN spend using bank card
 - **myAVON** – cosmetics and fragrances for money spend for mobile services

Conclusions

- **Things are going in right direction...**

Conclusions

- **But...**
 - too slowly...
 - below users' expectations...
 - as likely elsewhere...



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