

# Mobile number portability - how loyal are you to your network?

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Twenty one percent of cellphone users believe that they will change networks once mobile number portability (MNP) comes into play, a recent Synovate survey has revealed.

"The inability to retain your number in the past has resulted in relatively low switching behaviour, but this is set to change," states Jon Salters, Managing Director of Synovate Sub-Saharan Africa.

MNP, a new service giving you the ability to change your service provider or your network without changing your mobile phone number, was due to be introduced by network providers in July 2006.

Financial Mail, however, reported on 19th May that "SA's three cellular operators, MTN, Vodacom and Cell C, will not meet the July 1 deadline to implement mobile number portability, potentially exposing them to censure and fines".

It has been said that the arrival of MNP is setting the stage for a price and customer war between service providers and that this competition will benefit the consumer with better customer service, lower contract costs and call rates as service providers fight to retain their customers.

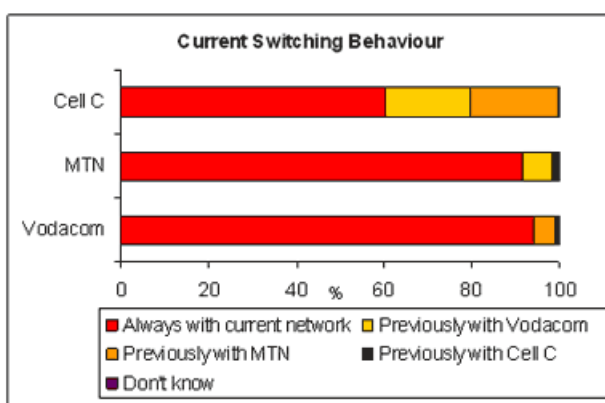
The introduction of MNP comes as ICASA is staging hearings to determine whether or not South Africa's three cellular operators are charging too much for their services, and as Virgin Mobile is launched in the local market.

## Still relatively unknown

Only 16% of respondents interviewed were aware of what number portability is, which might be good news for networks. "When this becomes public knowledge, it will be interesting to observe the marketing strategies that our existing network providers adopt," adds Salters.

## Current switching behaviour

The Synovate survey investigated the incidence of network-hopping in the past and found that a relatively low percentage of cell phone users have ever switched networks. This type of behaviour is also typical of the banking industry because of the perceived "hassle" of switching.



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An overall 81% of consumers have remained 'loyal' to their network - although 'loyalty' may have been the result of the

inconvenience of switching providers. Until MNP, changing your provider involved notifying all your contacts of a number change, as well as costs such as reprinting stationery and signage and loss of business from missed calls.

Looking at the movements that have occurred, Cell C's introduction as the third network provider has caused the greatest disruption to the telecommunications market thus far - approximately 40% of respondents who are currently with Cell C reported that they were previously with MTN or Vodacom. Movement between Vodacom and MTN has historically not been significant.

Reasons for movement between the networks were restricted to the belief that the other network had a 'better deal'. "Lower costs and improved service are promises that customers just cannot say no to," notes Salters.

## **The extent of the damage**

When the concept of number portability was explained to respondents, a total of 21% of the market said they would be likely to switch when this is introduced as a service. This may not seem particularly high - but it must be remembered that should all this movement be directed to one service provider, this could cause a notable disruption in the landscape of the telecommunications market.

Another significant factor to remember was that at the time of fieldwork, Virgin Mobile had not officially announced its intention to enter the South African market - an announcement that will no doubt have an influence on current cell phone users' intentions to switch networks. Virgin Mobile has made clear their intentions to raise the bar in terms of customer service and value. In an interview with Moneyweb, Sajeed Sacranie (CEO of Virgin Mobile in South Africa) stated that Virgin will change the whole dynamic and shake up the market by changing customer expectations and creating a culture of transparency.

"With a targeted market share of 7 - 10%, MNP will be a major advantage for Virgin," says Salters.

## **And who wins?**

It is difficult to identify an overall winner, or probable market leader once number portability is introduced. The three networks stand to gain and lose in different areas of their client base.

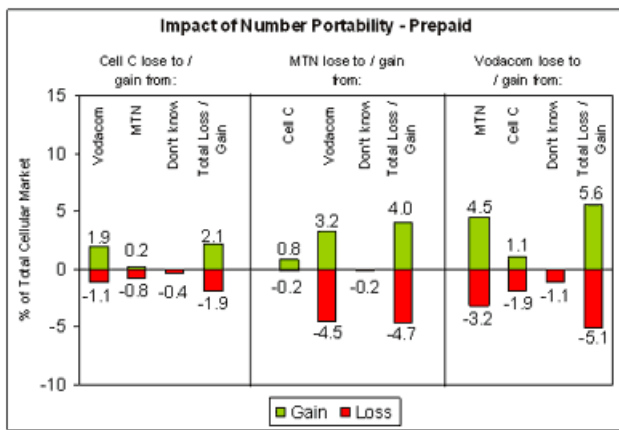
In the prepaid market Vodacom stands to gain more customers than they lose with the majority coming from MTN, however in the contract market this is reversed.

MTN's gains in the contract market exceed their losses by 2%, the majority of which come from Vodacom - a notable increase considering the size of the contract market.

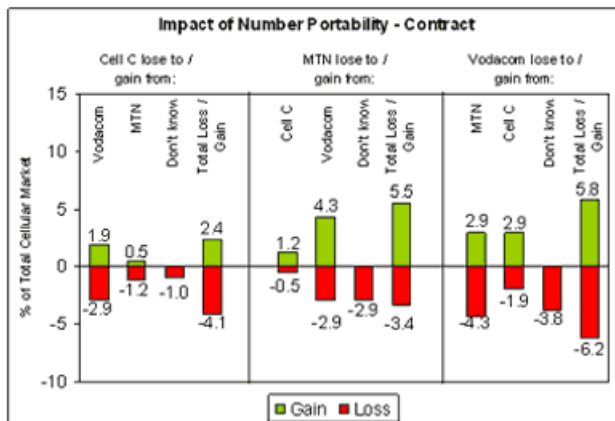
Cell C's fortunes seem less bright, with a large loss on the contract side dwarfing any gains on the overall market. Interestingly, Cell C's new customers will be mostly ex-Vodacom subscribers. MTN's customer base show little interest in moving to Cell C.

Of the respondents we interviewed, it seems that the middle aged market is most at risk (those between 35 and 49 years). Also, those earning more seem to be ready to jump ship quicker than their less wealthy counterparts. Females also seem to be more satisfied with their networks. Only one in six females foresees a change in networks - compared to 25% of male cell phone users.

"With the launch of the fourth choice of mobile operator and MNP, the South African mobile consumer is sure to benefit. This is in sharp contrast to the monopoly that still exists on fixed lines," concludes Salters.



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## About the Survey

The cell phone number portability study conducted by Synovate made use of a sample size of 892 respondents. Interviews were conducted from February to March and were conducted using the telephonic method.

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