

Developing world accounts for four in every five mobile connections

Emerging markets to focus on site-sharing, consolidation and data services to support high growth

The world's developing economies now account for almost 80 percent of the world's total mobile connections, according to new Wireless Intelligence data. Based on Q3 2010 figures, developing markets accounted for 3.98 billion of the world's 5.15 billion total connections – almost four out of every five mobile connections are now made in the developing world. These markets are also growing significantly quicker than the developed world, where mobile penetration is above 100 percent and connections growth is slowing. The developing economies grew their mobile subscriber base by over 19 percent year-on-year in Q3, over four times the rate in the developed economies.

	Developed ¹	Developing ²
Connections	1.17 billion	3.98 billion
Growth, Quarterly (%)	1.59	3.9
Growth, Annual (%)	4.39	19.1
Population	1.04 billion	5.78 billion
Penetration (%)	112.7	68.78

Mobile Connections by Developed & Developing Economies Q3 2010

Source: *Wireless Intelligence, World Bank*

¹ GNI per capita high-income (\$12,196 or more)

² GNI per capita low-income (\$995 or less) or middle-income (\$996-\$12,195)

The research is based on World Bank definitions, which divide countries according to gross national income (GNI) per capita into low-income (US\$995 or less), middle-income (US\$996-US\$12,195) and high-income (US\$12,196 or more). Markets that fall within the low- and middle-income brackets are classed by Wireless Intelligence as developing markets.

Using this definition, both China and India are classed as developing economies and together account for almost 30 percent (1.5 billion) of the world's total mobile connections. The top ten largest developing economies (based on mobile connections) have a combined 2.6 billion connections – over half of the global total. By contrast, the top ten developed economies total less than a billion connections with the USA accounting for about a third of this total. The developing economies accounted for seven of the top ten largest mobile markets (by connections) in Q3, the others being the USA (#3), Japan (#8) and Germany (#9). Developing markets also accounted for 35 of the top 50 largest markets by connections in the quarter, according to our data.

Mobile operators with a strong presence in the developing world are therefore benefiting from high levels of subscriber growth. However, they often face challenges in serving low-income customers and generate significantly less revenue than their counterparts in more mature

markets. One high-profile example is India's Bharti Airtel, which earlier this year acquired 15 of Zain's African mobile networks to become the world's fourth-largest operator group in terms of mobile connections. But the group's low turnover relative to its size - partly due to the economics of the low-cost Indian market - placed it at only #12 in our recent mobile operator group ranking study (level with Telecom Italia).

In its home market, Bharti has been a pioneer in developing an ultra-efficient business model that allows it to operate on tiny margins, largely via the outsourcing of the majority of its non-customer facing functions. It is now trying to replicate this model in Africa – where Zain struggled – by outsourcing IT systems, tower management and even customer service functions.

The outsourcing of tower management is a particularly significant trend in emerging regions as it will encourage site sharing between operators, which will enable operators to cost-effectively meet coverage requirements and roll-out services to rural customers. This approach is already commonplace in India and tower management firms such as Bharti-Infratel, Helios and Eaton Telecom are now picking up business in Africa as regional operators move to streamline their operations. In Ghana, for example, Millicom Ghana (Tigo) has transferred 750 towers to Helios, while rival Vodafone Ghana has struck a similarly-sized deal with Eaton.

Meanwhile, operators such as Bharti are now looking at rolling-out 3G-based services across their emerging markets in a bid to ramp-up revenue from non-voice data services. Successful data services in the developing world are likely to take a very different form than in mature markets, focused in areas such as mobile micropayments – such as Vodafone/Safaricom's pioneering MPESA service in Kenya and elsewhere – and mobile healthcare applications. However, the success of such services will depend on a favourable regulatory environment.

Matt Ablott, Analyst, Wireless Intelligence:

Our new data provides a clear indication that the developing world will account for the vast majority of future mobile subscriber growth – and could eventually account for an even greater share of total connections considering the low mobile penetration rate in many of these markets. However, subscriber growth is only part of the story, and many emerging market operators will need to learn lessons from their counterparts in mature markets with regards to building revenue share as well as market share. Maintaining a profitable business model in markets that are highly price sensitive and mainly prepaid – and therefore more susceptible to churn – can be tricky, though India's Bharti has shown how it can be achieved on the thinnest of margins. Indeed, operators planning imminent 3G launches in markets such as India will need to repeat the same trick to ensure that new data services are correctly marketed and priced (and relevant). Other potential pitfalls for emerging market operators can include dysfunctional regulatory regimes (Eg: Thailand), tax issues affecting equipment imports, and political instabilities. For operators to benefit from the potential for subscriber growth in these markets they will need to combine economies of scale with local knowledge and expertise to build business models that are able to profitably deliver mobile services to even the poorest members of society. Further consolidation in emerging mobile markets is likely to occur as operators chase greater efficiencies and scale, which should also ease pricing pressures in over-crowded mobile markets such as India.

Rank	Market	Connections (millions)	Overall Rank
1	China	812.5	1
2	India	692.8	2
3	Russia	219.6	4

4	Indonesia	197	5
5	Brazil	191.1	6
6	Vietnam	123.9	7
7	Pakistan	100.9	10
8	Philippines	89.3	12
9	Mexico	86.2	13
10	Nigeria	85.1	14
		2,598.4	

Top Ten Developing Economies by Mobile Connections Q3 2010

Source: Wireless Intelligence

Rank	Market	Connections (millions)	Overall Rank
1	USA	296.1	3
2	Japan	115.4	8
3	Germany	108.5	9
4	Italy	90	11
5	UK	74.6	15
6	France	59.9	20
7	Spain	54.8	23
8	Saudi Arabia	51.1	25
9	South Korea	50.1	26
10	Poland	44.8	28
		945.3	

Top Ten Developed Economies by Mobile Connections Q3 2010

Source: Wireless Intelligence

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