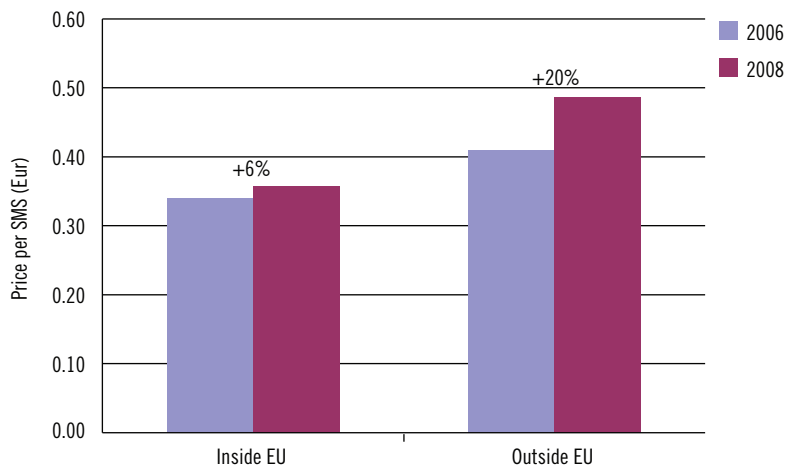


There was little standardization in SMS pricing for EU subscribers roaming outside the EU in 2006, even across the same global regions. By 2008, operators had implemented more zoned or flat rate pricing strategies for SMS with some opting to charge a single rate for all messages sent regardless of the country they were sent from, and others following the zoned strategy employed for voice.

Every home country, except the UK, increased their average SMS rates between 2006 and 2008. Even the cheapest country from both years – France – increased its average SMS rate by 43% to EUR0.33 per message. Although the UK’s average SMS price fell over the period, closer inspection shows that prices stayed at the same level in most cases, with rates reduced for just two visited countries – Japan and Russia. UK visitors to Africa actually paid an average of 3% more per SMS in 2008 than in 2006.

Overall, every visited country outside the EU was more expensive for EU subscribers sending an SMS in 2008 than in 2006. The average price change was +27% across all the routes studied. Germany displayed particularly notable increases in SMS rates, doubling prices for Africa and Asia Pacific Developed, and even quadrupling them for visitors to Russia.

Figure 3.11: Europe: summary retail price changes: EU subscribers roaming inside and outside the EU, 2006 and 2008: SMS



Source: Informa Telecoms & Media

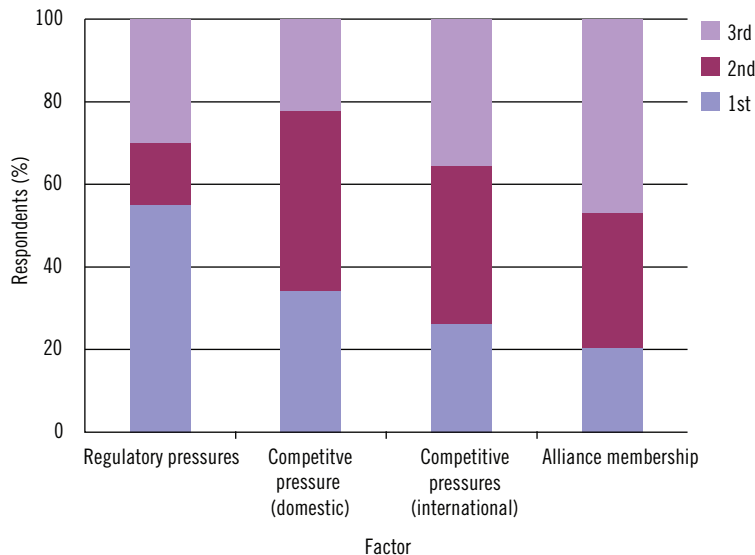
Non-messaging data

Average costs for data roaming within the EU declined 19% between 2006 and 2008 to EUR8.48. Germany had the lowest average data roaming rates in 2006 but, by 2008, the Rest of Western Europe had the lowest rates of the countries studied. Only Spain and Italy had data prices in double figures for roaming in the EU in 2008, with the rest of the countries in the study charging under EUR9.00 per MB.

The Americas was the only region to indicate that IOT levels had risen in 2007 but respondents from North America, Asia Pacific developing, Western Europe and Africa believed IOT levels would increase in 2008.

The factor seen as most affecting IOT levels was, unsurprisingly, regulation, mostly due to the effect of unprecedented EU intervention on wholesale roaming prices. The roaming regulation will decrease the IOTs for EU operators amongst themselves in yearly increments to end-2010; hence regulation is likely to be the biggest factor in IOTs level in Europe until at least that time. The EU regulation is also affecting operators outside the EU, as EU operators are renegotiating their partner agreements to take into account the lower revenues being brought in by EU subscribers roaming in the EU. This regulatory effect goes some way to explaining why five times as many respondents think IOTs will go up in 2008 than did in 2007.

Figure 4.26: Survey response: top three factors affecting IOT levels (4.6)



Note: mobile operator respondents only

Source: Informa Telecoms & Media's Global Mobile Roaming Survey 2008

IOT discounting

As the IOT regime has matured, so have the approaches to IOT discounting and there now exist some increasingly sophisticated bilateral voice-roaming relationships between operators.

Negotiating IOT discounts is important from both sides of the roaming relationship, both from an inbound an outbound perspective. The precondition for any IOT discount relationship is the ability to steer traffic effectively onto a designated network.

hubs, the benefits to large operator groups of employing non-OC solutions may jeopardise the roaming hub model. CAMEL-based solutions and roaming replication products offer the potential to extend existing agreements – and quickly test and implement new services – without the need to open up to new networks.

As well as the danger that large operator groups may opt for non-OC compliant solutions, there is the potential challenge posed by the intra- and inter-connection of groups to the exclusion of smaller or independent operators. As the market adapts to roaming hubbing on a large scale, there may be a period in which there are ‘islands of interconnectivity’ between large groups that exclude independent or smaller operators, those in less attractive regions or simply non-group hubs. The GSMA concedes that there may be the need for governance rules or enforcement to ensure that hubs connect to one another.

Hub providers

For hub providers, assuming that OC roaming hubbing navigates its way through commercial launch, there is an almost guaranteed market for those with a successful solution. If hubs are the future of roaming, as they are touted to be, then there are around 700 potential operator customers to attract and roaming traffic, which is ever-increasing into many billions of minutes, to handle.

As a roaming hub, there are many extra services that may be undertaken beyond those minimum services expected by the GSMA. As well as operations management and maintenance, agreement management, settlement and signalling, there is the potential for hubs to provide a series of roaming-related value-added services.

Figure 5.7: Potential value-added services for roaming hub providers

NRTRDE	SMS hubbing
Data clearing	Financial reporting
Fraud prevention	WiMAX
Testing	Electronic invoicing
SIM management	CDMA
Marketing	Content
RAEX	Steering

Source: MACH

Any extra value-added service, assuming it is performed well, provides both incremental revenue and a differentiator. There is, therefore, the potential for companies with experience in the roaming space to capture a greater audience for their existing services by becoming a hub provider, as well as revenues from the hubbing service itself.

The opportunity may, however, be greater for one small sub-section of the market than others. The roaming hub will have to have visibility of billing information to ensure correct flows between operators, so it makes sense for companies with established data clearing

Alliance plus their own corporate account services. Here, FreeMove is a background support service that holds no real identity of its own in Orange and TIM's MNC strategy; any move in their corporate strategies to take more control of their own MNC brand could quite quickly weaken the justification for the Alliance's existence.

Roaming alliance trends and future movements

Mobile roaming alliances are moving into a stabilizing phase, following initial proliferation from 2003-2005. The weaker alliances – Roaming Alianza, Starmap – have all but faded away and the membership structure of the larger alliances has begun to settle down.

The potential for a mega-alliance to rival the Vodafone Group remains in the form of a Bridge Mobile/FreeMove MoU, which lays out the potential for a collaboration between the Asian and European alliances. The details of such an alliance are unclear but an examination of the two alliances separately reveals that it is difficult to see where there are synergies. Bridge Mobile is a limited company with a corporate structure, 11 members and led by SingTel, whereas FreeMove has four members, no common administration and no leading body. Bridge Mobile's subscriber base is mainly prepaid, whereas FreeMove is aimed at enterprise customers. Bridge and FreeMove exist on opposite sides of the world and encompass significant cultural and commercial differences, as well as varying levels of technology and service implementation.

Key trends by alliance or operator group

Vodafone

Vodafone remains the largest and most widespread of the alliances. Its own networks and partner operations extend across a total of 66 countries and give the Group access to a potential 513 million subscribers. Vodafone's global expansion may at first appear unstoppable but at its core are just 18 wholly-owned networks; the remaining networks are partial equity investments – nine operators – and partner networks, licensed to use the Vodafone brand for some services. This set-up means that there is little risk to the Group as a whole in the joining or leaving of some of its partners over time.

Vodafone's roaming alliance strategy remains solid and is an integral part of the Group's worldwide brand. The Group's focus for 2008 is data roaming, with the introduction of stepped IOTs for data for 36 networks in its footprint. Retail approaches to data differ quite significantly across most of Vodafone's networks and the Group intends to narrow these gaps over time, while taking into account varying national and regional demands.