

Policy Brief:

An analysis of switching behavior in the Thai cellular market

1. Introduction

Mobile penetration rate in Thailand was reported by the telecom regulator (National Telecommunications Commissions- NTC) that there was 102 percent mobile penetration rate at the end of 2009. This figure suggests that potential mobile subscribers have been captured by mobile operators.

Mobile communications market structure in Thailand, however, remains oligopolistic. All of mobile operator focus to use price strategy to compete among others. But the quality of service development is inequality. For example, the larger mobile operator has expanded its network to coverage almost 90 percent of population meanwhile the smaller mobile operator has developed its network coverage that cover only the urban area of every province.

Recently, the debatable regulation in Thailand is the implementation of mobile number portability (MNP). This regulation is expected to reduce consumers' switching costs and to increase the level of competition both in price and quality of services. Nevertheless, this regulation will be implemented in Thailand in the inequality of network coverage environment existed.

Hence, it is interesting to study the determinants of switching intention of mobile subscriber when the telecom regulator does not implement MNP in this market. In addition, it is worth to investigate that which mobile operator will gain more benefits from MNP regulation. Further, this study will propose the average MNP fee that mobile subscriber willing to pay.

2. Background

Competition in Thai mobile communications market was restricted by various anti-competitive behaviors of major operators. The examples of behavior are IMEI locking, handset subsidy, and SMS blocking. Currently, these anti-competitive behaviors were disappeared except termination-based price discrimination. As results in, the traffic of each major mobile operator is imbalanced. Termination-based price discrimination can be a potential factor that makes existing mobile subscribers are more likely to remain with the same mobile operator in particular larger mobile operator. The main purpose of introducing many kinds of anti-competitive strategy is to induce the consumers' switching costs or to make mobile customers feel difficulty to change mobile operators. However, most of operators' strategies are focused on price competition rather than quality of service competition.

3. Analysis

The results show that subscriber characteristics including age, government officer, self employed, internet use, central region, and southern region can significantly explain switching behavior of Thai mobile subscribers. It also indicates that different mobile operator consumers confront with different level of switching costs. The subscribers of the largest mobile operator receive highest switching costs.

The study shows that the largest mobile operators will gain more switching subscribers than smaller operators. The implementation of MNP will help to lower switching costs of smaller mobile operators rather than larger operators since the subscribers of smaller operator are more likely switch and they would move to the larger mobile operators since the larger operators provide better quality of network coverage.

The average MNP fee is 85 THB per time. This figure suggests that the willingness to pay for this service less than the MNP fee that NTC will implement. It will cost 300 THB per time. If NTC remain this decision, the MNP usage will be less utilize than it should be.

4. Recommendations

Telecom regulator should consider national mobile network roaming regulation to be implemented. This regulation will provide an opportunity to smaller mobile operators to rent the mobile network from larger mobile operators. The subscribers of smaller operators can access to mobile communications services anywhere even though in the place that has no network of smaller operators.

Thus, this regulation gives an equality of network coverage to smaller operators. They can be able to compete with larger mobile operators. The telecom regulator should consider the rate of roaming as well since the larger operator could exercise price squeeze on roaming price. However, it is better in the long run if the smaller operators can expand their network coverage by themselves or all of smaller operators can make a joint investment for expanding network coverage.

5. Conclusion

The expected impact of implementing MNP without national mobile roaming regulation will be worst for the smaller mobile operators. The customers of smaller mobile operators are more likely to switch when MNP is available. And also the larger mobile operators will gain more switching customers due to better services quality i.e. better network coverage. In the short run it would not be possible for the smaller operators to compete with larger operators due to inequality of quality of network coverage.