The Price Sensitivity of Mobile Use among Low Income Households in Six Countries of Asia

POLICY BRIEF

Given the considerable policy attention surrounding the use of mobile phones in extending services in a number of areas such as banking, agriculture, government and health, besides telecommunications, understanding the factors that facilitate the uptake and use of mobile phones has obvious policy relevance. From an economic perspective, an important potential barrier to uptake and use is price. This study examines whether mobile use is sensitive to a small fall in price for different types of low-income mobile owners in six Asian countries - Bangladesh, India, Pakistan, the Philippines, Sri Lanka, and Thailand.

The empirical analysis is based on LIRNE*asia*'s 'Teleuse@BOP3' survey data and addresses two areas – (1) determinants of mobile ownership and (2) the price sensitivity of mobile use among the mobile-owning sub-sample.

KEY FINDINGS AND POLICY RECOMMONDATIONS

1. Demographic criteria (gender, age and education) and income are important in determining mobile ownership. However, they are not significantly associated with the price sensitivity of mobile use.

➢ Strategies for extending services using a mobile-based platform would need to consider those segments of the population that are likely to be excluded: women, those with less education, older age groups and those at the lower end of the income distribution.

2. The ownership of multiple SIM cards makes mobile use more price-sensitive, and the unwillingness to switch service providers makes mobile use less so.

➢ The low profit margins in low-income markets combined with the ability of users to switch between providers quickly and at low cost imply that price-competition could threaten the long term survival of firms. Non-price strategies would therefore be important for firm survival and sustainable service delivery. Price competition in low-income markets and Mobile Number Portability (MNP), which can be expected to enhance the propensity of users to engage in 'switching', are therefore areas that merit policy attention.

3. Mobile owners who report a more diversified use of mobile services - although only a small share of the total mobile-owning sample – are more price-sensitive. Examples of these services include mobile-based banking, government, health, general information search, participating in voting and competitions, and agriculture or fishing.

➢ This suggests a latent demand for value-added services, and developing these services could be a more sustainable basis for client acquisition by service providers (compared to price competition – see previous point). Policy that favours the development of these services would therefore be beneficial.

4. Those who perceive greater emergency-related benefits of the mobile phone are found to be significantly less likely to own a mobile phone. Among the sample of mobile owners, those who perceive greater emergency benefits of the mobile phone are associated with greater price sensitivity, suggesting that a fall in price would allow them to go beyond limited emergency uses. Therefore, a perception of greater emergency benefits appears to be a potentially important indicator of latent demand both in terms of mobile ownership and levels of use.

➢ The emergency uses of a mobile need to be better understood (through research). Services that might be valuable in an emergency can be explored such as 'reserve top ups', which operate similar to a 'bank overdraft'. Enabling

air-time transfers between users might also be useful to assist in times of emergency.

- The shared use of mobiles phones for emergency use (by non-users) can also be explored as a social safety-net by governments, particularly for vulnerable populations and regions (such as those prone to conflict or natural disasters).

5. Users who are more 'telecom connected' are found to be both more likely to own a mobile phone and more price sensitive, given mobile ownership.

- This suggests that strategies to promote mobile use among non-users might be more effective if done in groups (comprising families and friends, for example). Methods to "aggregate" usage volumes where individual use is particularly low, through schemes such as shared air-time can also be explored for these groups. These schemes might consider providing handsets free of charge to members within the group, through payment on an instalment basis (with a fixed amount deducted from every top up), or through a second-hand market.

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