

# THE CONSEQUENCES OF MOBILE NUMBER PORTABILITY IN KENYA AND ITS USAGE FACTORS

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## **Abstract**

*After so much waiting, heightened tariff wars and lack of information on the part of consumers about the service, Mobile Number Portability was finally implemented in Kenya on 1<sup>st</sup> April 2011 making Kenya one of the 63 countries in the world to implement the service.*

*This paper examines the consequences that the introduction of Mobile Number Portability (MNP) in Kenya will have on the Kenyan mobile telephony industry and the consumers, as well as the factors that affect its usage. An in depth review of literature on Mobile Number Portability implementation in other countries was carried out.*

*It was evident from many researches conducted in this area, that there is a correlation between service efficiency, porting speed, the intensity of competition in the market, marketing campaigns, market maturity, mobile phone subsidies, contractual obligations, customer base construct and customer usage level with intensity of competition in the market being the most influential.*

*It was also established that despite customer losing some value added services by the previous service provider, credit balance and all contacts saved in their SIM cards, MNP increases competition in the mobile industry in addition to benefiting the mobile consumers due to reduction of switching costs with four types of benefits being identified: Type 1A (benefits available to Users who switch even without MNP- avoided costs of number change), Type 1B (benefits available to users who only switch with MNP-benefits provided by the new operator), Type 2 (benefits available to all users-benefits due to stimulated competition) and Type 3 (benefits available to callers of switched numbers- avoided costs of finding changed numbers.*

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### 3. INTRODUCTION

Traditionally, consumers of mobile telecommunications services were required to give up their number when switching from one provider to another and must adopt a new one. With Mobile Number portability (MNP) customers are able to switch between mobile operators while keeping the same phone number regardless of how many times they switch. That is, a customer can change service providers without having to change his phone number (Levin, 2006).

MNP has been implemented in over 60 countries since it was first being implemented in Singapore in 1997. The table below shows MNP implantation by year and country.

**Table 1: List of countries that have implemented MPR**

Year	Country
1997	Singapore
1998	
1999	UK, Hong King, Netherlands
2000	Spain, Switzerland
2001	Australia, Sweden, Denmark, Norway
2002	Belgium, Italy, Portugal, Germany
2003	USA, Ireland, France, Finland, Luxembourg, Greece, Iceland
2004	Austria, South Korea, Hungary, Cyprus, Lithuania, Slovakia
2005	France, Taiwan, Estonia, Malta, Slovenia
2006	Czech Republic, Croatia, Poland, Japan, Oman, Saudi Arabia, South Africa
2007	Latvia, Canada, Pakistan, Israel, Nigeria, New Zealand
2008	Egypt, Brazil, Mexico, Malaysia, Bulgaria, Macedonia, Romania, Turkey
2009	Dominican Republic, Ecuador
2010	Peru, Thailand, Albania, Jordan, Kuwait
2011	India, Georgia, Kenya

Sources: Shakouri and Tehrani (2007), Buehler and Haucap (2004), Own research

This service was introduced in the Kenyan market on 1<sup>st</sup> April 2011 to increase competition among Kenya's four mobile-phone companies who have been keen to lure customers to their networks despite insufficient information in the public domain concerning the service. Some have even offered to pay porting fees for consumers who choose to join their service. The effects

on this service on the Kenyan mobile market is expected to be minimal since many mobile users have two to three pre-paid lines, and for them MNP would not bring much relief.

The introduction of MNP is based on the fact that it is expected to bring about considerable benefits to consumers of mobile services (Ovum, 2000). This is because it provides instant advantages to the customer who is now able to choose a preferable service provider without having to consider additional costs (such as reprinting business cards). Additionally, the customer can benefit from competitive price reductions.

Number portability is a key facilitator of consumer choice and effective competition in a competitive telecommunications environment (EU, 2002, p. 57). Surveys show MNP has an important role in facilitating consumers' selection process of the best provided services in the market and also promoting competition between active market operators. MNP is also an effective tool for removing existing obstacles faced by customers who wish to switch mobile service providers, thus intensifying the already fierce competition in the communication markets like the Kenya for example which has been gripped by a price and market share war.

As Valetti (1999) raises quality issues in competition between mobile operators it follows that; In the Kenyan telephony market which is not particularly known for its customer service, number portability will provide opportunities for operators to distinguish themselves by the quality of their service offerings rather than purely by price. Any strategy based on price alone is likely to create a price war as it has always been.

## **2. MNP USAGE FACTORS**

Many studies conducted on this issue prove that in countries where the MNP service is quick and efficient, a large number of customers will use it (Levin, 2006). Service efficiency varies considerably between countries. However, other factors, having to do with market conditions, also affect service usage:

### **2.1 Customer base**

MNP usage has been found to be higher among Post paid than among prepaid customers (Levin, 2006). The following are the reasons for that: On average, Postpaid will hold on to their mobile phone for a longer time, and therefore will be more attached to it. This is mainly postpaid customers are business customers, they are there more inclined to utilize MNP services, due to number switching costs.

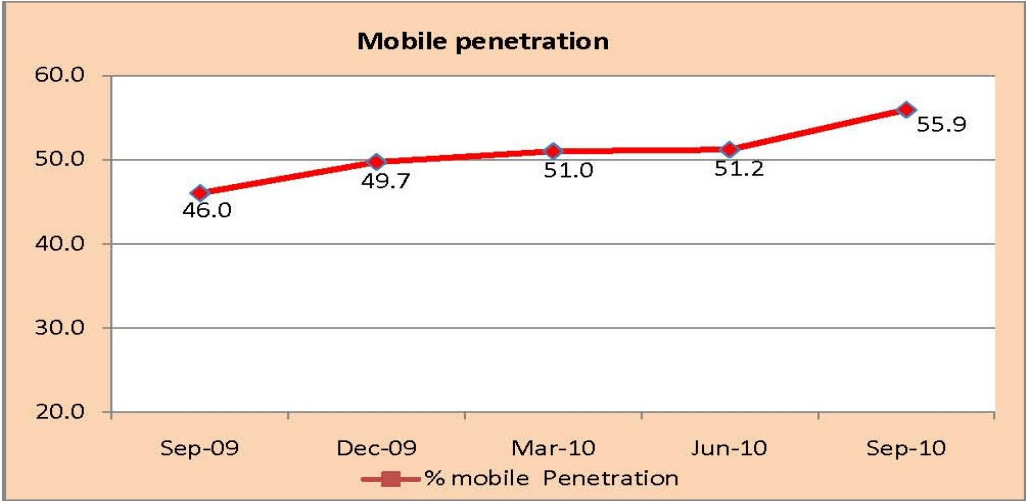
**2.2 The intensity of competition in the local communications market**

The intensity of competition in the market has been identified as the most influential factor when it comes to MNP usage. This is evident in countries such as Finland and Hong Kong, where the competition is fierce and so is MNP usage. As operators try to attract more customers, prices for mobile services will decrease as competition intensifies (Buehler and Haucap, 2004).

**2.3 Market maturity**

In markets where penetration levels are particularly high, mobile service providers will try to win over customers using MNP, as they have no other option of recruiting new customers. In Kenya the penetration level stands at 55.9 % (CCK, 2011) and is predicted to reach 70% by the end of 2011. This provides an alternative competitive front to MNP.

**Figure1: Mobile penetration in Kenya**



Source: CCK (2010)

## **2.4 Marketing campaigns**

Marketing campaigns will be effective mainly in markets where the customers own their own service contracts. Porting has been found to be higher where marketing campaigns are fierce. Currently all operators in Kenya are putting aggressive marketing campaigns to lure people into their networks. Others are going as far as providing free porting and others are reducing their charges on internet access and calling rates.

## **2.5 Speed of porting**

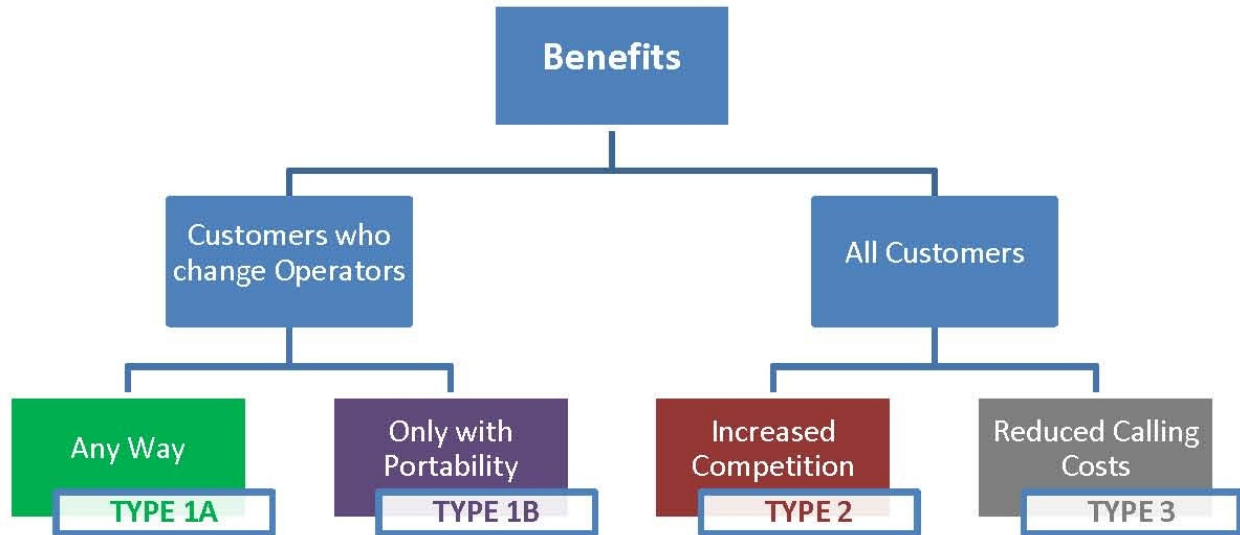
The speed of porting, which is dependent on the technical porting systems and the willingness of networks to speed up the porting process, has been known to vary from country to country. In Kenya, the time to port stands at 2 days compared to 2 hours only in USA, 20 minutes in the Republic of Ireland, 3 minutes in Australia and seconds in New Zealand. For consumers 2 days time-to-port is too long. Shakouri and Tehrani (2009) argue that if the time to port is too long, consumers will put-off using the service. Customers would prefer a shorter porting.

## **3.0 THE EXPECTED EFFECTS OF MOBILE NUMBER PORTABILITY IN THE KENYAN TELEPHONE INDUSTRY**

MNP is an essential factor in the promotion of competition in the telecommunications industry (Reinke, 1998). From past experiences, MNP has been known to intensify competition in mobile telecommunications. The effects of MNP have varied from country to country, and range from weak to strong. The state of the mobile industry in Kenya following the introduction of MNP and the available empirical evidence on the portability of numbers appears to support this conclusion (Viard, 2004).

Despite customer losing some value added services by the previous service provider, credit balance and all contacts saved in their SIM cards, MNP benefits the mobile consumers due to reduction of switching costs. Smither (2010) identifies four types of benefits that are available to customers as shown in the figure below.

**Figure 2: Benefits of Mobile number portability**



Source: Smithers (2010)

### **3.1 Type 1A: Benefits to Those Who Change Operators**

There are customers who would change operators even if it portability is available portability but who would use portability if it were available. These customers therefore are relieved of costs concerned with changing number which include telling correspondents about the change of number, the cost of providing for some form of call assistance where incoming calls to the old number receive a message that the number has changed, the risk of lost calls that could mean lost business, e.g., lost new orders, the costs of having cards and stationery that display the number reprinted; and the costs of having signs that display the number repainted or replaced.

However, with e-mail people can easily and cheaply inform all correspondents of a change in number, they no longer need to send letters to do this, many numbers can be found from web sites and these can be changed easily; there is less use of pre-printed stationery as many companies print letters and invoices with letterheads from colour printers and the templates can be changed easily; and In mobile, operators can send SMS messages to all the numbers on the SIM card to tell them of the change of number. Therefore the above benefits are also reducing

### **3.2 Type 1B: Benefits to Those Who Change Operators only with MNP**

These are the benefits that a subscriber will receive, from changing operator, in terms of lower prices, better quality, more options, they are realized only if there is number portability, otherwise the subscriber will not change operator.

### **3.3 Type 2: Benefits to All Subscribers**

These are the benefits that arise due to Increased Competition as a result of number portability. Increased Competition arises because operators think they will lose subscribers from portability will tend to improve their services or lower their prices. Since there may be various competitive factors in play, the estimation of these benefits can be tricky and have been often contentious.

### **3.4 Type 3: Benefits to Callers to People Who Have Ported Numbers**

Generally this is the smallest type of benefit. These benefits are avoiding the following costs: Having to update address books; and, Making “wasted” calls to old numbers that have changed, and spending time finding the new number.

## **4. CONCLUSION**

MNP strategies based on non-disclosure of information about the service to the customers and defensive or negative tactics as witness at the onset of the service in the Kenyan telephony market are likely to fail. Naidoo (2006) Asserts that operators should simply regard number portability as a new addition to their service portfolios since in most developed markets, where number portability has been introduced; Hong Kong, for example the increase was only temporary because subscribers will usually change an operator if they are unhappy with an operator’s customer care, service portfolio, or tariff rates and in Kenya a customer have more than one mobile lines. Building a strong brand and forging close relationships with existing customers will determine the level of Porting.



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