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Telecommunications Usage Patterns and Satisfaction in Lebanon

3 December, 2008

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Outline

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As a first step in assuming its duties as per Law 431, the TRA has defined its mission statement and objectives.

Objective & Scope

Mission Statement

To establish a regulatory environment that enables a competitive telecommunications market to deliver state-of-the-art services at affordable prices to the broadest spectrum of the Lebanese population.

إيجاد بيئة مُنظِمة من شأنها أن تساعد سوق الاتصالات في تقديم آخر ما توصلت إليه التكنولوجيا في مجال خدمات الاتصالات بأسعار تنافسية، ومعقولة، وعلى أوسع نطاق ممكن للمواطن اللبناني وللشركات اللبنانية.

- TRA requires information , on a nationwide level, about consumer usage and satisfaction in order to determine strategies to improve the sector and put in place the appropriate regulations.
- Survey covers the three main areas of telecommunications services:
    - Landline
    - Mobile
    - Internet and Data
- Survey covers residential and corporate consumers
- Survey analyzes also the supply side through interviews conduct with most of the service providers.

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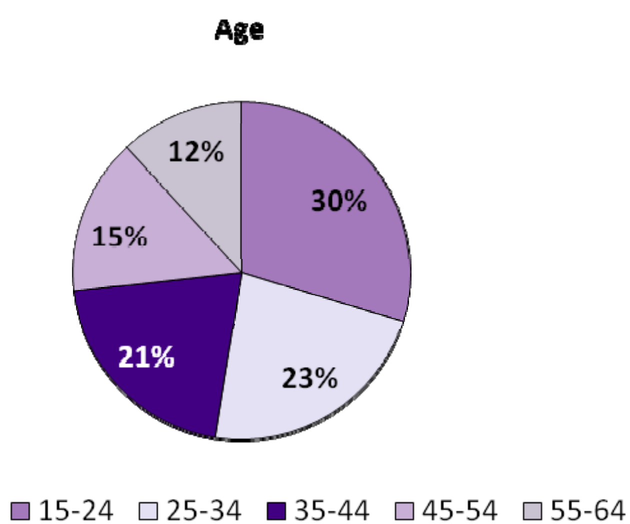
Key Results

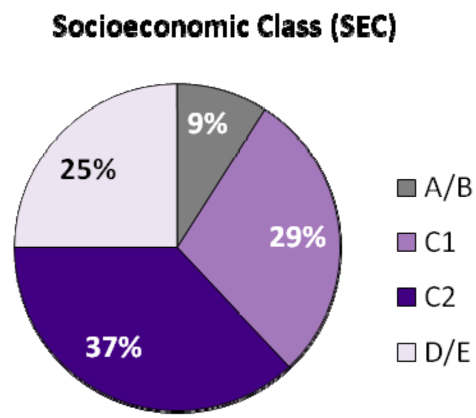
	Residential	Corporate
Population Figures		
Total population	~3,750,000	N/A
Population growth	1.36%	N/A
Average household size	4.7	N/A
Number of households	~800,000	N/A
Survey Results		
Penetration Landline (HH)	50%	100%
Penetration Mobile	53% (*)	77%
Postpaid	12%	81%
Prepaid	88%	19%
Penetration of PCs	52%	N/A
Penetration of Internet	16%	88%

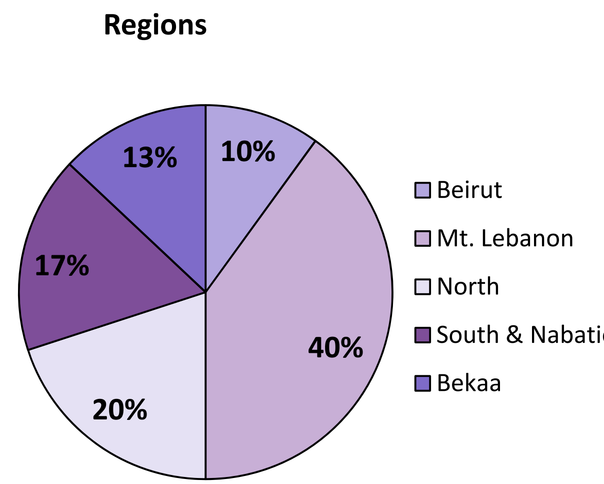
(*) The penetration calculated is based on the targeted population considered by AC Nielsen (ages between 15 and 64)

The residential survey aimed at covering most of the potential consumers for telecommunications services in all regions and from different socioeconomic classes.

Residential / General Approach







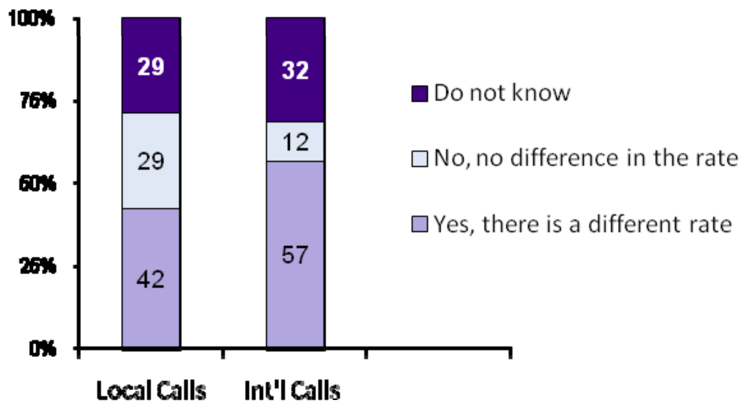
- Total sample size: **1262** interviews, nationwide
- Face to face interviews, door-to-door approach
- Dates of Fieldwork: February 1– March 10, 2008

A growth of 10% in landlines is expected in the next six months and should be driven by a reduction in prices.

Residential / Landline

Type of Call	% of calls made
Domestic calls (to other land lines)	75
Domestic calls (to mobiles)	20
International calls	5

Knowledge of Different Day / Night Rate per Minute



Over 40% of landline owners believe that there is a different rate for local calls made in off-peak periods.

- 50% of interviewed people own at least one direct land line.
- The trend among newer generation is to replace landlines with mobiles. In fact the rate of non-ownership of landline is among the under 45 year-old.
- Highest bills are in Beirut and South& Nabatieh.
- The most widely used value added services are the ones that are free of charge. Among paid services, the greatest demand is for call barring.
- Rate of cancellation on the international is high, mainly due to the high international rates.
- Although 71% of land line owners are satisfied with their provider only 27% indicate loyalty and willingness to remain in the case of a new land line operator.

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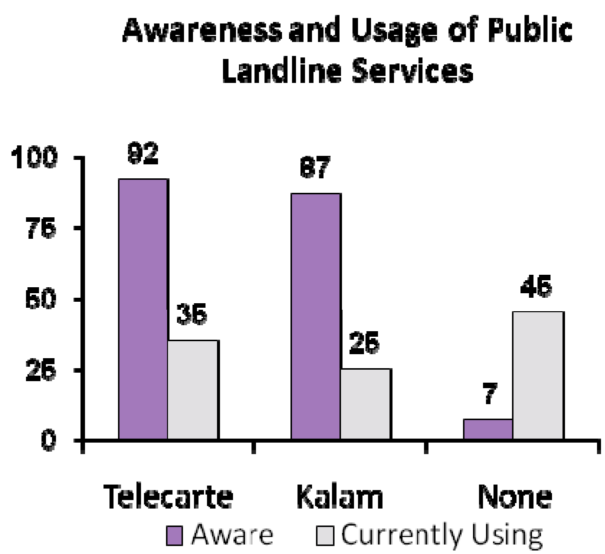
Users are highly satisfied with the use of prepaid fixed calling cards in terms of prices, reliability, voice quality and customer service.

Residential / Landline



For potential users, the main drivers are:

"To have in case I am out of home and there is no mobile network"

"It is cheaper than using a mobile phone"

"To make international calls / it is cheaper to make international calls"

- Awareness of both fixed prepaid calling cards is high. The most recent uptakes of calling cards has taken place in South and Nabatieh.
- Their combined penetration is 55% but there are more users of Telecarte than Kalam.
- Telecarte is more widely used than Kalam and is mostly adopted by the youth (15-24) in Beirut.
- 40% of Kalam users and 30% of Telecarte users are new users in the sense that they started using these services in the past one year.

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About 9% of respondants intend to apply for a new mobile line in the next six months. 85% of this expected demand is for prepaid lines.

Residential / Mobile

Overall Usage	% type of usage		
	All	Prepaid	Postpaid
Calls	72	70	**87**
SMS	27	**29**	11
Data	1	1	1

- Call usage:
  - Usage is split 70:30 for calls and SMS resp.
  - Most of calls are made to other mobiles.
  - More calls are for personal usage rather than business.
  - High rate of business usage in North and Bekaa, where the number of calls to landline is higher too.
- SMS usage:
  - SMS users send 28 message per week.
  - SMS usage is higher among females and prepaid users.
  - SMS usage is lowest in the North

- Ownership is higher in urban areas, among people who belong to the highest socioeconomic class (A/B) and under 45 year-olds.
- Among the non-users (47% of the target group), the majority believes they do not need a mobile line. This is mainly evident among the oldest people (55 to 64 year-olds). Another key reason for non-ownership is high call rates.
- The main appeal of prepaid offers is that it allows to better manage self expenditure. The main disadvantage is the short validity period of the card.

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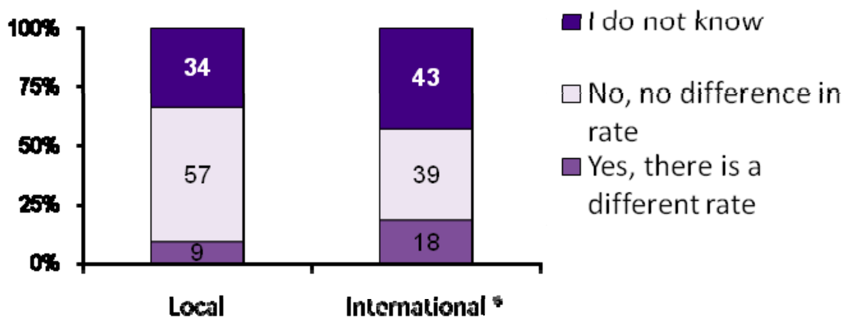
The main selection criteria when selecting a mobile service provider are the quality of network coverage and the customer service.

Residential / Mobile

Service	% Awareness	% Currently Have
MMS	60	9
Roaming	51	2
WAP	49	6
GPRS	41	2
None	30	84

Understanding of Different Day / Night Rate/Minute



Most important areas to improve	% respondents
Reduced call costs	89
Better network coverage	43
Reduced cost of SMS / MMS messages	18
Better connection quality	14
Reduced rates at different times of day	14

- **Value Added Services:**
  - Among MMS, roaming, WAP and GPRS, the most widely known is MMS. It is also the most widely used (with a low usage of only 9%).
  - 30% of mobile users have not heard of these value added services.

- **Rate awareness:**
  - On international calls, only 18% of users know that there is a lower rate at night. This rate is higher in Beirut than other regions.
  - 57% of mobile users know that there is no difference in local rates.

- **Overall satisfaction:**
  - About 60% of mobile users are likely to recommend their provider and almost 20% are likely to switch.
  - Loyalty is significantly lower in Beirut.

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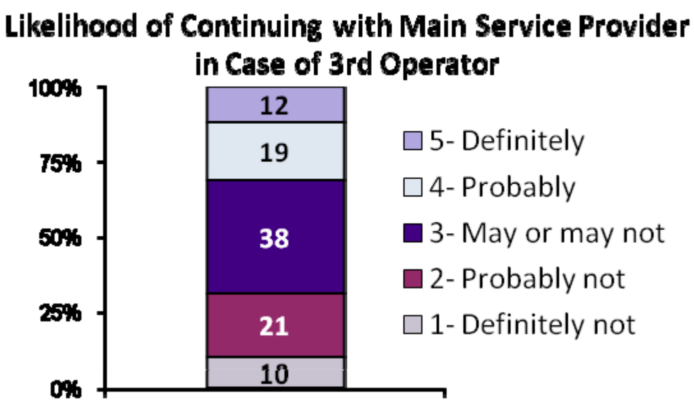
Most of consumers will wait for the new entrant's offers before making a decision of switching to another mobile provider.

Residential / Mobile

- Lebanese are divided on what they would do in case of a new operator entering the market. There is an almost equal split between those who would continue with their main service provider and those who would not.

- Beirut residents demonstrate the least loyalty to their current operator; only 17% are likely to continue, a much lower proportion than in any other region.

- Whatever their intentions are, they almost unanimously agree in their expectation that a third operator will bring market prices down.



Expected Effects of 3rd Operator	% respondents
Reduced prices	95
Better customer service	64
Better geographic coverage of service	57
More advanced land line services	51
Availability of prepaid lines	41

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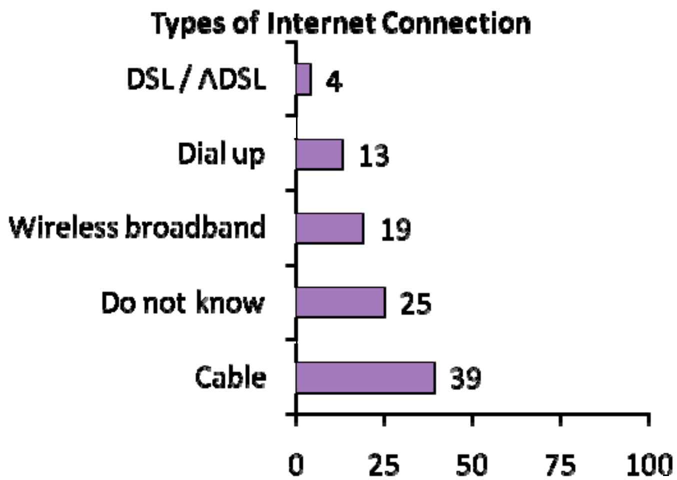
There is a great growth potential in the Internet market; less than half of households have a computer at home and only 31% of them have an Internet connection.

Residential / Internet



Reasons For No Internet Connection In-home	% respondents
Expensive: Subscription, monthly costs are expensive	39
I don't need internet / I do not think it is necessary for me	37
Expensive: Installation is expensive	34
It is distracting	25
Internet is not available in this area	10

- Current take-up of internet is highest among upper socioeconomic classes (A/B), in Beirut and among people aged 15-24 and 25-34.
- New subscriptions are expected to be among the current targeted social classes and region as well as in Mount Lebanon and socioeconomic group C1. In total, 14% intend to obtain a new connection within the next 6 months. Half of these new connections will be either cable or DSL (with slightly more cable subscriptions).
- For those households that do not have internet, expense is a barrier.

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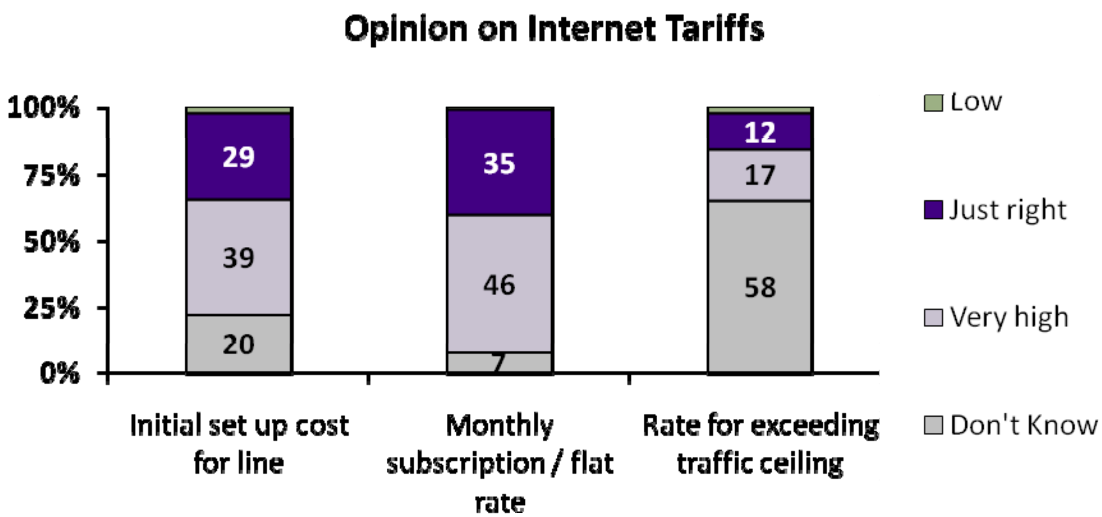
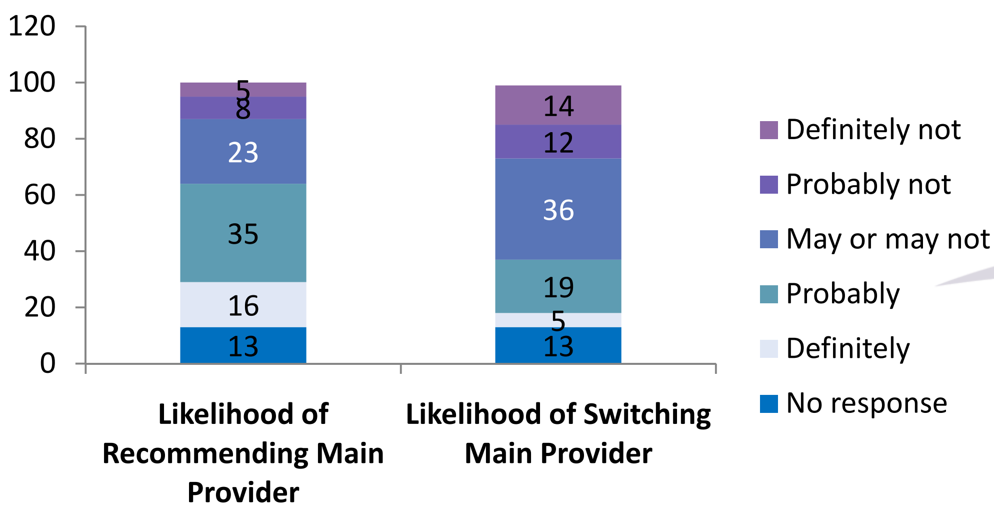
The main drivers in the selection of an Internet Service Provider are the quality of connection, quality of the network and the speed of technical repairs.

Residential / Internet





SATISFACTION:

- Cable is the most preferred type of internet connection.
- The broadband connections (DSL and wireless) elicit the highest satisfaction scores (especially when it comes to quality of service, customer service and reliability), while dial up, the oldest technology, elicits the lowest.

USAGE:

- Users spend approximately 3hrs on home internet per session. During the working week, they access it an average of nearly six times and most commonly between the hours of 4 pm and midnight; peak time however, is from 8pm to 10pm. On weekends, users access it approximately three times and most commonly between 6pm and midnight.

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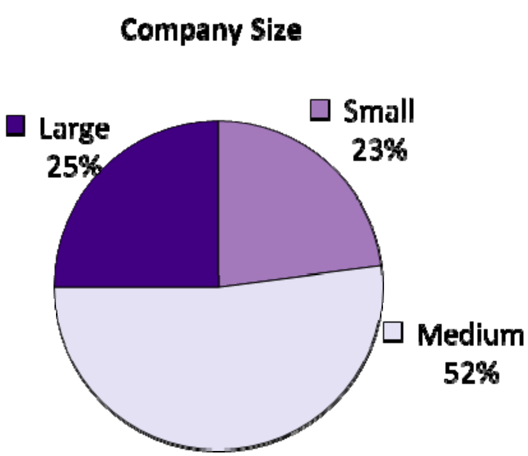
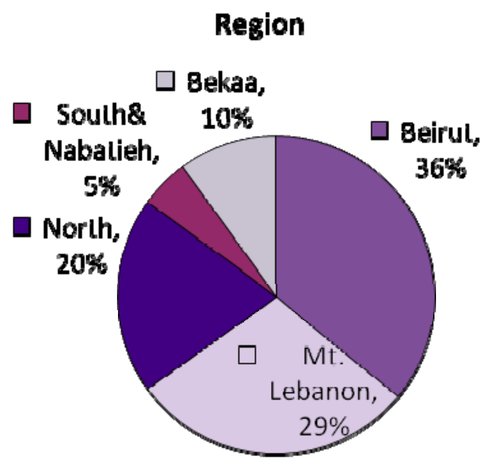
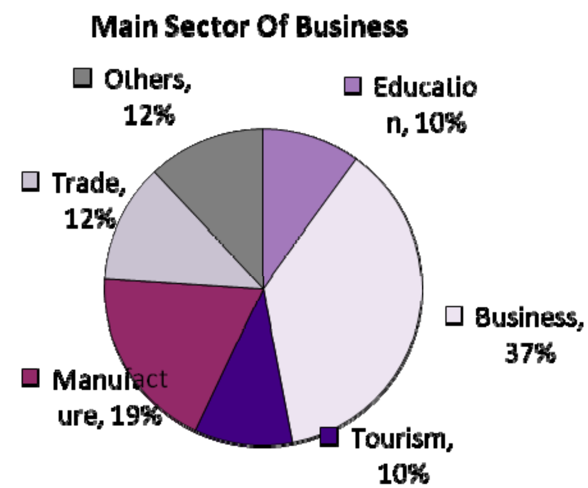
The corporate survey aimed at covering all type and sizes of businesses across all regions.







- Total sample size: **347**interviews, nationwide
- Face to face interviews, by appointment
- Dates of Fieldwork: February 11– April 22, 2008 & August 28 – Sepember 11, 2008

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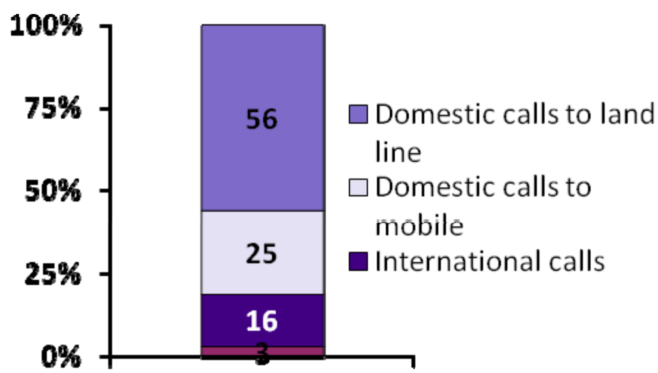
17% of the companies interviewed intend to subscribe for three to four new landlines in the next six months.

Corporate/ Landline

Top Services	Monthly Charge	% Companies	
		Aware	Currently Using
CLIP	Free	100	55
Ogero 1515	Free	99	96
Int'l direct calling	Free	97	80
Call barring	5,000 LL	92	27
Line Hunting (PBX)	1,500 LL /month /number	69	25

Types of Usage as Proportion of Expenditure



- All companies have landlines and three-quarters use a switchboard with an average of 8 lines and 58 extensions. Companies also have an average of 3 direct lines outside of their switchboard.
- Awareness of VAS in the corporate segment is much higher than for the residential segment.
- Average monthly expenditure is highest in Beirut and Mount Lebanon while it is significantly lower in Bekaa and South.
- A majority of companies, except in Beirut, demonstrates that their telecom needs are met by the service provider:
  - Good maintenance and support
  - Forward looking and innovative
  - Full range of services offered
- In Beirut, companies show more dissatisfaction with the range of telecom services.

The number of mobile lines is expected to grow by nearly 11% within the next six months. The majority of companies intend to obtain postpaid lines.

Corporate/ Mobile

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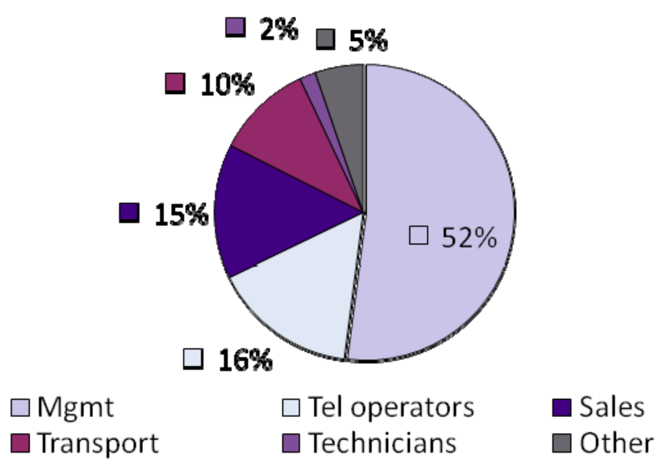
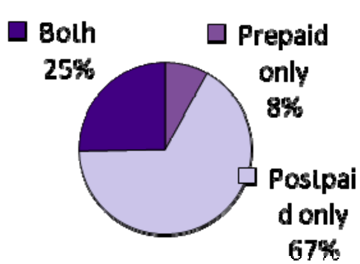
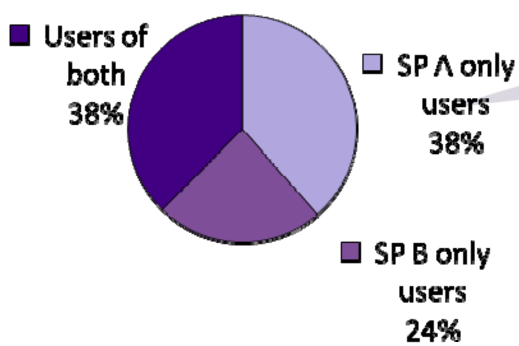
Profile of Employees Using Mobiles



Subscription Type/s Used



Split of Corporate Package lines by Service Provider



- 70% of companies have at least one mobile phone used by their employees.
- There are on average 6 lines per company. In Beirut this average is higher. In Large companies, the average number of lines is 11, whereas in small companies it is 2.
- The main reasons for companies not to own mobile lines are the high calling rates and the high cost of buying a line.
- About one third of the companies are using a corporate package.
- Two thirds of mobile expenditures goes toward domestic calls to other mobile and 18% goes toward domestic calls to landlines.

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The rates of churn and intention to churn are very low, both under 10%, and result directly from the lack of number portability and the uncompetitive offers between providers.

Corporate / Mobile

Areas for Improvement	% All Companies
Reduced call costs	84
Better network coverage	65
Reduced rates at different times of day	22
Better connection quality	18
Better package offered to our company	14

Service	% Awareness	% Currently Have
Roaming	**98**	**40**
WAP	**92**	**13**
GPRS	**91**	**12**
VPN / CUG	**67**	**13**
None	-	**51**

- *About 65% of companies are unaware of GPRS and WAP rates.*
- *Almost half of companies consider Roaming rates to be very high, and 37% are unaware of these rates.*

SATISFACTION:

- Companies dissatisfied with their provider would like to see improvement on the factors they consider to be their main drivers in selection: call costs and network coverage.

VALUE ADDED SERVICES:

- Companies in Beirut and the North may have more advanced needs than those in other regions since 'VAS', 'roaming', and 'tailor made business solutions' are important to significantly more of them than companies in other regions.
- Nearly half of mobile-using companies however, believe that the roaming tariffs are too high.
- The concepts of Blackberry, GPRS roaming and location based services are of equal appeal to companies. The majority would pay up to 15,000 LL per month for each.

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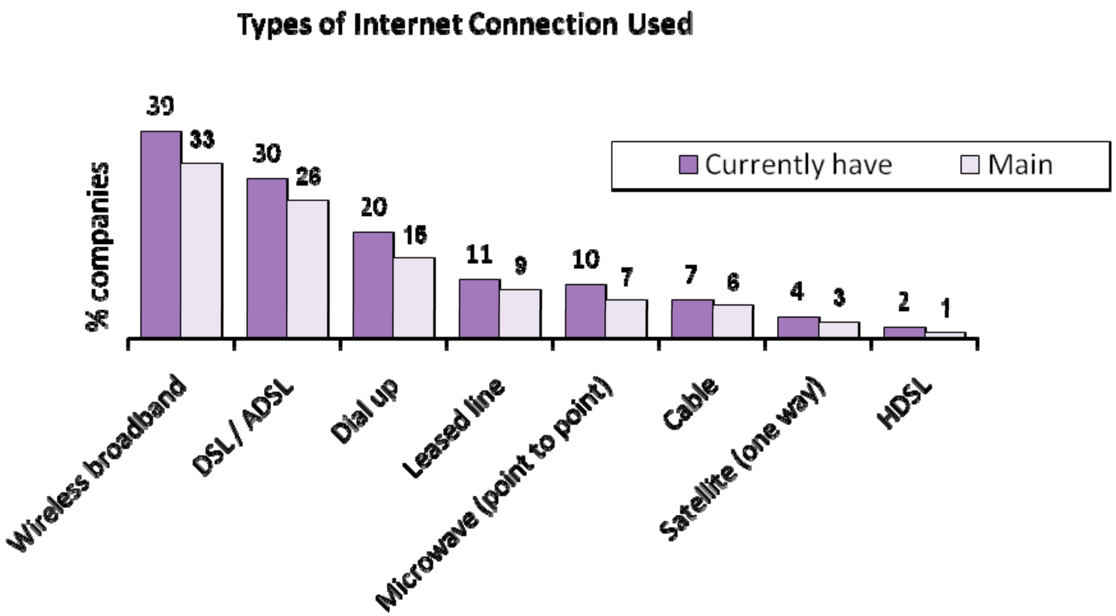
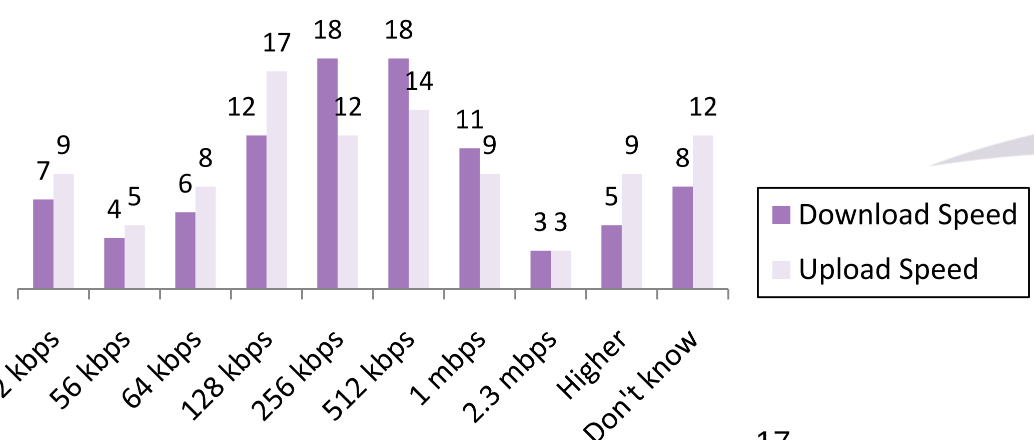
Forty three percent of the current non-users are planning to subscribe to an Internet connection in the next six months; most of the new connections are expected to be ADSL connections.





USAGE:

- 88% of companies have at least one internet connection.
- Wireless broadband and DSL are mostly used (39% and 30% respectively). The relatively high penetration of DSL indicates demand for and take-up of faster internet connection types.
- Although dial up is the oldest connection type, it ranks third and is still used as a main connection by significant proportions of companies in Mount Lebanon and the North.
- Most of the companies uses more than one type of internet connection for back up.

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Companies tend to change Service Providers in order to get a more reliable connection and a better technical service.

Corporate / Internet

Type of internet connection	% Companies	
	Would Cancel	Would apply for
Wireless broadband	**28**	10
Dial Up	**27**	-
Microwave	13	-
DSL / ADSL	11	**64**
Leased line	8	3
Satellite	6	1

Areas that would improve satisfaction with main service provider	% Companies
Subscription prices	66
Better quality connections	65
Faster repair time	42
More technical support	28
Better response to our requests	16
Fast connection / Higher speed	8
Fast Download	8

SATISFACTION:

- 50% of companies are satisfied with the speed of internet connection. Among those dissatisfied with it, the highest proportion comes from the North.
- The likelihood of replacing a current connection type is greatest among small companies.
- Approximately 30% of companies have a volume / traffic limitation and a higher proportion of these are small companies. More than 45% of them are dissatisfied with the limitation.
- Quality and cost issues are of particular importance to companies in Beirut and the North.
- The majority of companies are satisfied with their service providers and the rate is even higher in Beirut.

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Policy makers should benefit from the strengths of and opportunities in the telecommunications market in the reform and liberalization process.

	Strengths	Weaknesses	Opportunities
Fixed Voice	❑ Relatively good copper infrastructure ❑ Regionally competitive price per minute	▪ ***De jure* MoT monopoly** ▪ No incentive to upgrade the infrastructure and introduce new technologies ▪ Low penetration rate ▪ Stagnant growth	▪ Increased demand of fixed line resulting from ADSL take up ▪ Important growth potential ▪ High pent-up demand ▪ Liberalization of the international gateway ▪ New regulatory framework ▪ Consumer behavior: early adopter
Mobile	❑ Pent up demand for mobile services ❑ High mobile revenues	▪ **High charges** ▪ Lag behind in terms of new technologies ▪ Low market penetration ▪ Limited choice in mobile packages ▪ Shortage of adequate investments	
Data	▪ Relatively competitive ▪ Lucrative segment ▪ New wireless technologies deployed ▪ Pent-up demand for data and internet services	▪ **Shortage in International bandwidth** ▪ Access hindered by incumbent operator ▪ High int'l bw prices, discriminatory allocation of bandwidth ▪ Uncertainty over regulatory framework	