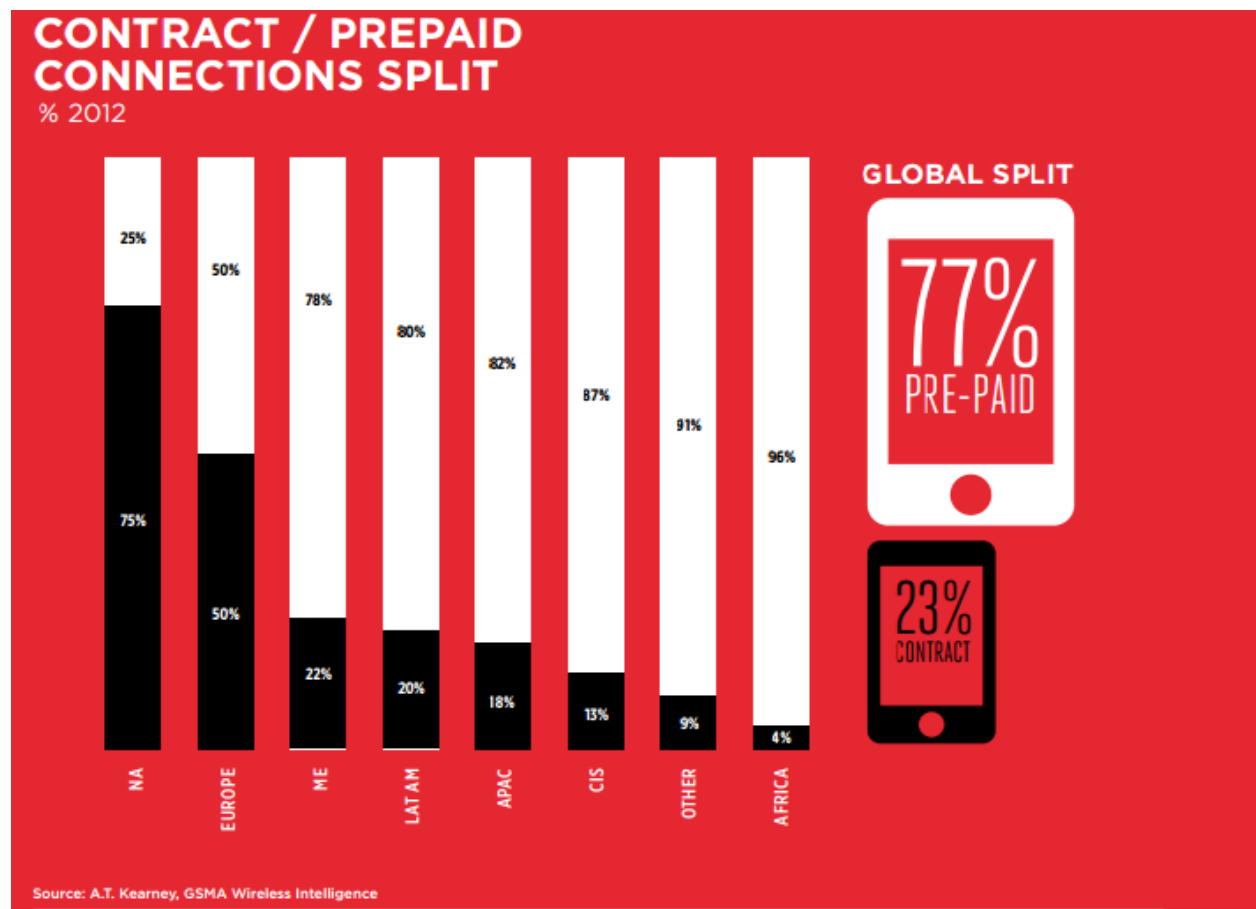


Overall

In developed economies, mobile subscriptions tend to be on contract (post-paid) as opposed to pre-paid. For example, in North America 75% of connections are post-paid, while in Europe the proportion is 50%, reaching 75% in Northwestern Europe as compared to 40% in South-Eastern European states. At the same time, other regions are largely pre-paid: 18% of connections are post-paid in Asia Pacific, 20% in Latin America, 13% in CIS and only 4% in Africa. This is partly a historic factor in the development of markets where early adopting countries required contracts but later adopting markets used pre-paid as a quicker way to launch and get customers connected. As markets mature, consumer expectations are harder to shift. In some countries the pre-paid model is more accessible to populations of people who do not possess the prerequisite bank account and identity documentation required to enter into a contract.

– GSMA *Mobile Economy* 2013

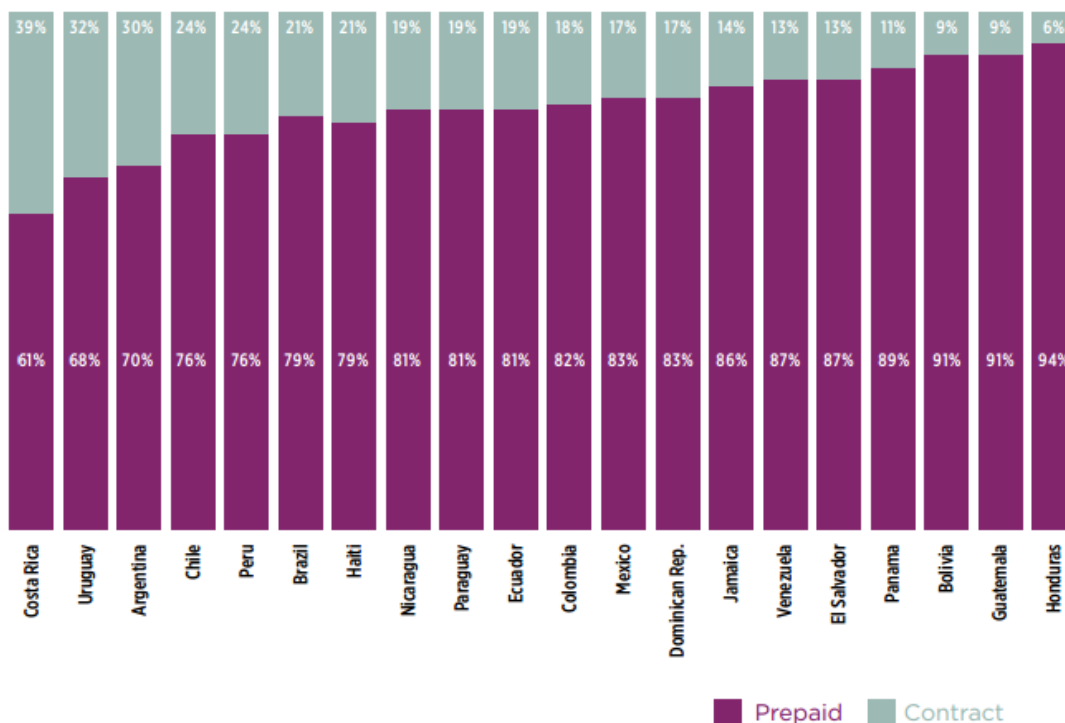


Prepaid v Postpaid -Latin America

Prepaid continues to dominate the LatAm market, accounting for 80% of total SIM connections at the end of 2012. However, there is evidence of a gradual shift to contract over recent years, with the proportion of contract subscribers rising by three percentage points over the last four years. - GSMA Mobile Economy Latin America 2013

CONTRACT/ PREPAY MIX JUNE 2013

(% OF SIM CONNECTIONS)



Source: GSMA Intelligence

LatAm mobile market generated \$48B in 2013 and is estimated that for 2017 it will be \$64B.

The share of prepaid connections is projected to remain high through 2020, at around 75% of the total. This means that smartphones will be taken up primarily as part of low-cost prepaid plans, including so-called 'sachet' data tariffs that allow users to consume data occasionally and on a pay-as-you-go basis. The dominance of prepaid across most of the region further emphasizes the important role that lower-cost smartphones will play in driving take-up, given the absence of device subsidies in prepaid plans. – GSMA Mobile Economy Latin America 2014

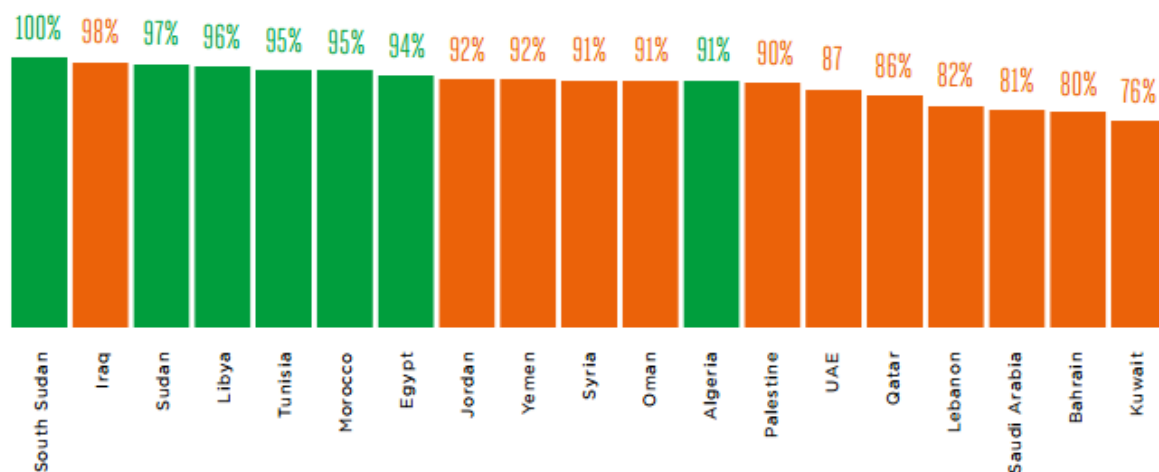
Prepaid v Contract -Sub Saharan Africa

Prepaid connections are predominant in Africa as this allows consumers to buy airtime in very small increments, usually for immediate use. In fact, reducing airtime denomination proved a key success factor in extending affordability of mobile telephony. Therefore, only a few countries in the region show a prepaid proportion of total contracts at or below 95% (Lesotho, Zimbabwe, Namibia, Botswana, South Africa). – GSMA Deloitte Sub Sahara Africa Mobile Report 2012.

Prepaid v Contract Middle East-North Africa

The markets in this segment are predominantly prepaid, with over 95% of total connections at the end of 2013 being in this category. The Arab States is a primarily prepaid region, accounting for 92% of connections in 2013, compared to the global average of 77%. Contract connections are much more prevalent in the Arab Middle East and, on average, account for 12% versus 6% in North Africa. This high prepaid proportion is fuelled by many factors including a youthful population, a high migrant workforce, immature or simple billing systems, and an intensely competitive market. –GSMA Mobile Economy Arab States 2014

Prepaid proportion of connections by country
2013



Prepaid v Contract -USA

As of December 2013, the share of prepaid and pay-as-you-go services' in the overall wireless market (or penetration) is 23.4 percent, equal to more than 75.3 million wireless prepaid and pay-as-you-go subscribers.

– CTIA 2014

Prepaid service has come into its own because of a trio of customer-friendly factors: The cost sometimes is less than half that of a traditional billed service; there's no restrictive contract or hefty early-cancellation fee; and some high-end providers offer smartphones with unlimited Internet, text and roaming capabilities that weren't available previously.

The biggest U.S. prepaid company, with just over 21 million customers, is TracFone Wireless Inc. The company is a subsidiary of Mexico's America Movil.

Growth is spurring a wave of international mergers. TracFone Wireless Inc. is acquiring Simple Mobile of Irvine, while Deutsche Telekom's T-Mobile plans to merge with MetroPCS. Japan's Softbank Corp. is buying a 70% stake in Sprint.

– LA Times 2013

Prepaid v Contract -Asia Pacific

Southern Asia- India, Pakistan, Afghanistan

The markets in this segment are predominantly prepaid, with over 95% of total connections at the end of 2013 being in this category. In addition, the vast majority of connections are utilizing 2G networks, 92% at the end of 2013.

China & Southeast Asia

These markets are also predominantly prepaid, accounting for 85% of all connections in this segment at the end of 2013. Revenue growth has slowed in recent years as rising penetration rates led to slowing subscriber growth; as well as some macro-economic impacts.

Asian developed markets- Japan, South Korea and Oceania

All of these markets have subscriber penetration rates that are above 80-90%, the level at which subscriber growth tends to stall. These markets are largely contract based (87%) and have some of the world's highest levels of greater speed network adoption. Smartphone penetration rates are also amongst the highest in the world, ranging from 48% in Japan to almost 80% in South Korea.

-GSMA *Mobile Report Asia Pacific 2014*

Prepaid V Contract -UK

There were more post-paid mobile subscribers than pre-paid subscribers at the end of 2012, when nearly 53% of active mobile subscribers were on post-pay tariffs, up from 49% at the end of 2011 (Figure 5.42). This was the first time that there had been more post-pay than pre-pay mobile subscribers since 1999; the number of active post-paid mobile subscribers increased by 3.5 million to 43.7 million in 2012.

The increasing proportion of mobile subscribers on post-paid tariffs is likely to be driven by mobile operators making post-paid tariffs more attractive than pre-paid. Most of the mobile operators have publicly stated that their strategy is to encourage this shift, because post-paid subscribers generally spend more than pre-paid subscribers. Post-paid tariffs may have become more attractive because:

- They now often include a large quantity of inclusive voice and SMS messages, plus an inclusive data allowance.
- There is now a wide choice of 30-day SIM-only rolling contracts from many operators.
- Post-paid tariffs often include handset subsidies that reduce the upfront cost of getting a new handset, including smartphones which can cost over £500 when bought without a monthly contract. The upfront purchase cost of pre-paid handsets may have become prohibitive for some consumers.

-OfCom/Operators

Figure 5.42

Number of active mobile subscribers, by pre-pay and post-pay: 2007 to 2012



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Content courtesy of: Emida, a leader in the global prepayment and value transfer market. www.emida.net

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