

Case Study Series
VimpelCom, Russia



Beeline Key Points:

- Offering a portfolio of own-branded handsets
- Creating versions of web sites that are simple and convenient to use on a device with a small screen
- Providing special mobile-only sites that can be accessed without incurring data charges
- Using unlimited tariffs to expand a customer base and drive wireless Internet penetration
- By providing the right mix of fair usage policies combined with smart data traffic management operators can strike the balance between customer satisfaction and ensuring a commercially-viable business

Key Statistics:

Population:	140 million
GDP per capita (PPP):	\$15,100 (2009 est.)
Mobile penetration:	155%
Internet penetration:	32%
HSPA Mobile Broadband penetration:	6.2%
2G connections:	193 million

Making a Beeline for Broadband 3G connections (including WCDMA and HSPA): 23 million



Expanding Mobile Broadband Coverage

In Russia, the world’s largest country, an economic rebound is fuelling strong demand for Mobile Broadband services, particularly in the many areas without fast fixed-lines. Amid intense competition, all three of the leading mobile operators are expanding the coverage of their Mobile Broadband (HSPA/3G) networks to both attract new customers and retain existing ones.

VimpelCom, one of the big three, expects its total corporate capital expenditure in 2010 to account for 15% to 20% of total revenues. Highlighting the importance VimpelCom is placing on the rollout of HSPA services, about one quarter of this expenditure will be dedicated to extending and enhancing its 3G network.

VimpelCom’s mobile brand, Beeline, is expanding its HSPA network in line with feedback from its customers, proactively addressing any issues raised by its earlier roll outs and the services provided to existing subscribers. By October 2010, Beeline’s HSPA network covered 565 settlements in Russia, each serving local subscriber bases ranging from 10,000 to more than one million people.

“We have all the 3G licenses we need and the challenge now is to build out the network fast enough to keep pace with demand. You can see all operators rushing



The Beeline case has shown three key components of the successful rollout of data services.

First: Establish the right HSPA infrastructure to deliver appropriate speeds and network coverage. VimpelCom provides peak downlink speeds of up to 3.6 Mbps across its network.

Second is user convenience: Provide handsets that make it easy to access services and partner with popular social networks that appeal to small-screen owners.

Third, use appropriate pricing: In Russia, Beeline sees unlimited tariffs as the best option for fulfilling customer needs, but other tariffs and some special bundles with unlimited access for social networks should also be considered.

to expand their 3G networks as fast as they can," Martin Furuseth, Executive Vice-President and VimpelCom Group Chief Marketing Officer says. "But what we will also see from VimpelCom is that we will be able to go to these third-tier cities with populations of 10,000 to 50,000 -- the places where fixed broadband connection is not yet available." In Russia and many other countries, HSPA is a well-established driver of internet penetration, especially in medium and small towns where fixed-line internet infrastructure may not be present, may be too expensive or may not offer fast enough data rates.

While the Russian mobile voice market is already saturated (SIM-card penetration in Russia is 149%), there is still room for mobile operators to grow by expanding the range of services available through Mobile Broadband. "When it comes to services and usage we can do a lot. And that is why we are seeing continued investment", says Furuseth. "We hope that with the introduction of new services driven by Mobile Broadband connectivity and consumer data demand, people will be less inclined to have several SIM-cards from different operators."



More and better handsets

Russia's mobile operators have seen a shift in usage from traditional voice calls towards mobile Internet access and other mobile data services, with subscribers increasingly accessing video clips, picture messages and other multimedia services. These multimedia services can require more sophisticated handsets.

"One of the challenges is not only the network. The key to 3G is that you offer a portfolio of handsets that make it easier for customers to access your expanding range of 3G Mobile Broadband services," says Furuseth.

To boost usage of Mobile Broadband services, Beeline is developing a portfolio of own-branded handsets and it has launched several devices already. "Russian users of iPhones have increased their Mobile Broadband usage by three to four times due to its friendly-interface and easy access to services, but not all people can buy it," says Furuseth. "For them, we provide a range of cheaper models." Beeline plans to offer a portfolio of 10-to-15 own-brand handsets by early 2011.



Mobilizing social networks

While mobile web browsing is still the top single driver of non-messaging data traffic worldwide, downloadable applications, supporting social networking, multimedia content, maps and other services, already capture 50% of all mobile data volume. The popularity of mobile apps is fuelling further mobile traffic growth.

In Russia, social networking, in particular, is a big driver of mobile Internet usage, as Russians use their mobile phones to access popular social networking sites, such as Odnoklassniki.ru and Vkontakte.ru. Globally, a huge amount of traffic within social networks is generated by the uploading of photos and video content by mobile phone users.

To ease access to social networks from mobile phones, Beeline has launched two joint-projects, with Facebook and VKontakte respectively, offering versions of their web sites that are simple and convenient to use on a device with a small screen. Through the provision of these services, Beeline is aiming to provide its customers with easy-to-use, clear and inexpensive access to Internet from their mobile device. For example, 0.facebook.com, a special mobile-only site that can be accessed without incurring data charges, enables Beeline customers to try mobile social networking risk-free.



Tailoring tariff plans

In some emerging markets, including Russia, there is a trend among mobile operators to offer unlimited data tariffs, often coupled with speed reductions or different speed options, to encourage their customers to adopt mobile broadband. In most cases, the unlimited tariff plans for so-called big screen devices (USB-modems for desktop / laptop) are structured differently to those for small screen devices (handsets).

Since the autumn of 2009, big-screen unlimited tariffs have been widely available in Russia and they are proving very popular. For ordinary customers, unlimited tariffs are predictable and transparent, enabling them to access the services they wish, when they want, without fear of "bill-shock". Beeline's research has found that most mobile subscribers are not able to estimate the amount of data that they will consume by accessing internet services and content through their device. As a result, they can't gauge whether a 100 MB, 1GB or 5GB data plan will be suitable for their needs. Beeline now offers unlimited tariffs for both big-screen and small-screen devices.



Beeline has concluded that providing customers with unlimited tariffs is for a good way to both expand its customer base and drive wireless Internet penetration. This approach has proven successful for providers of fixed-line ADSL and FTTB services, which are now generally only available on unlimited tariff plans.

Of course, appropriate pricing is key to making unlimited tariffs an attractive option for customers. In Russia, big-screen unlimited tariffs were typically introduced for Mobile Broadband services at prices between 600 and 900 rubles in most regions, levels which suited many customers. Further price reductions in the first half of 2010 have made these plans even more affordable.

However, unlimited tariff options are not always ideal for mobile operators. Beeline has seen that 5% of its subscriber base accounts for 40% to 50% of all of its data traffic. The economics of providing access to wireless internet services means that mobile operators can't afford to have individual subscribers using 10GB or more each month. Although they only pay the standard tariff, these heavy users can make disproportionately high use of network resources, adversely affecting the experience of other subscribers.

Many mobile operators worldwide have introduced fair usage policies for heavy users, which see throughput speeds reduced if the subscriber's data usage goes above a certain threshold. On Beeline's unlimited tariffs plans, some customers experience significant speed reductions after X GB of usage in a single month. Beeline is considering further pricing strategies to address advanced users or abusers of its network, enabling it to provide fair and reliable Mobile Broadband connectivity and service to all of its subscribers.

Another way for mobile operators to tackle heavy or abusive users of their networks is to use data traffic management and prioritization. When the network has become too congested, Beeline has, for example, restricted heavy-usage customers to free up capacity to serve less-demanding customers. Beeline has demonstrated that fair usage policies combined with smart data traffic management can help achieve a suitable balance between customer satisfaction and ensuring a commercially-viable business for operators.

Although unlimited tariff plans for mobile phones are now available, the small screens on these devices mean that customers are less likely to use them to download very large amounts of data. As a result, Beeline hasn't yet needed to apply fair usage policies and data traffic management to small-screen customers.



For further information, please contact
Email: mbb@gsm.org
Visit: www.gsmamobilebroadband.com