# The Latin American Mobile Landscape & The Social Innovation Service Opportunity

GSMA Latin America Plenary #41

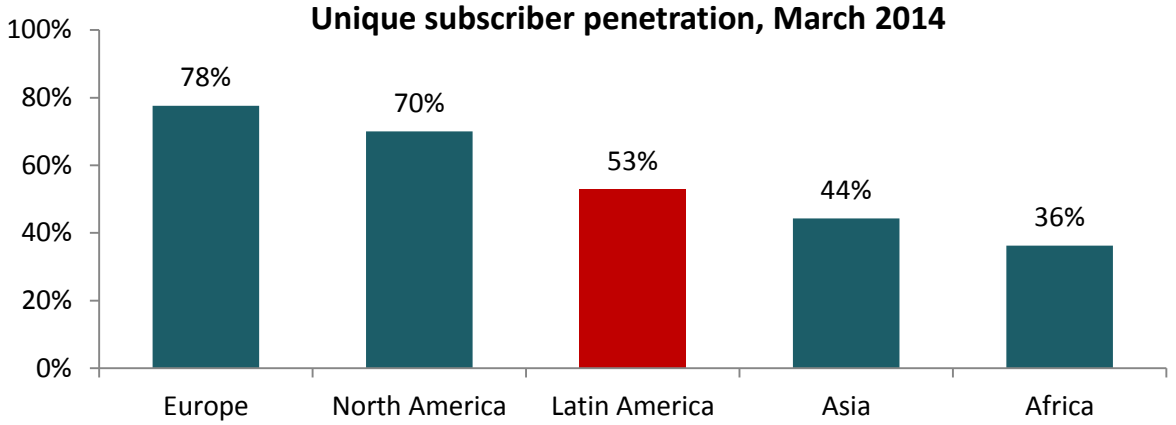
Montevideo, Uruguay

May 2014

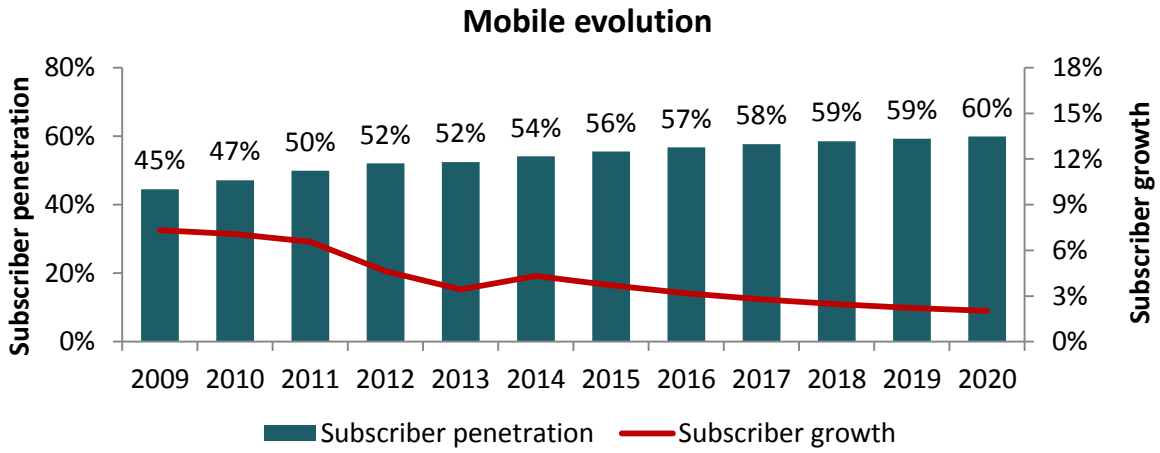
Mobile for
Development Impact

# A growing region for mobile overall

- Around half of Latin Americans have mobile subscription – less than in Europe/US, but more than many parts of Asia and Africa



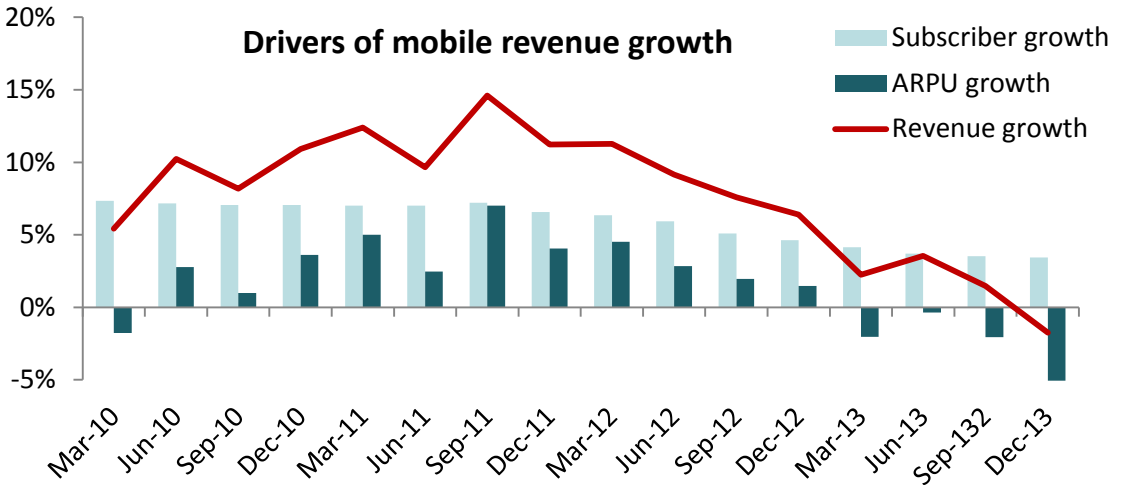

- We expect this to continue rising, and while growth will slow down, we expect penetration rates to reach around 60% by 2020
- Even at 60%, this is still below levels in Europe and North America, implying growth can go beyond that

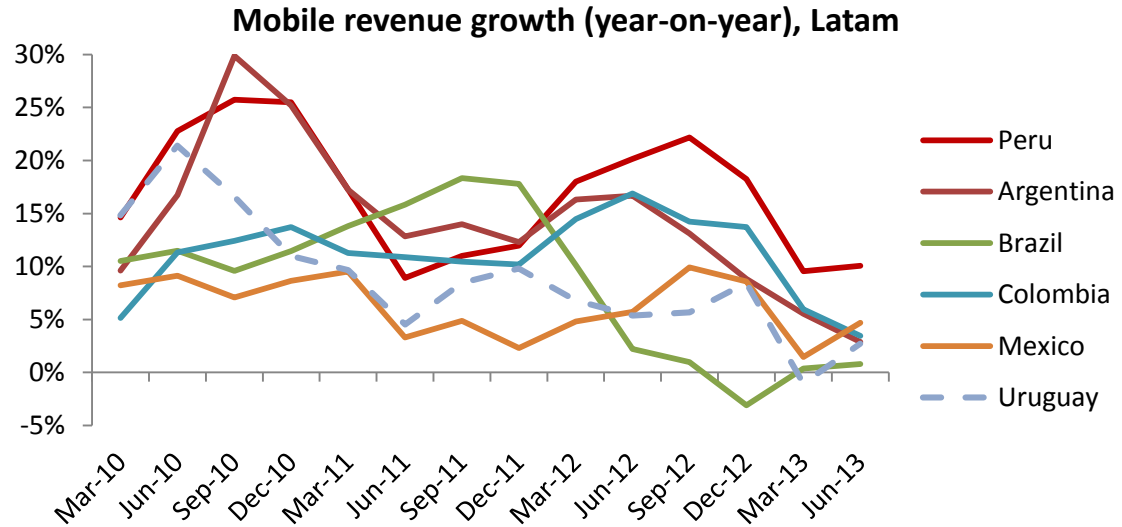



Note: penetration based on unique subscribers. Note this will be lower than connections penetration due to multi SIM use
Latin America region includes South and Central America, and Caribbean
Source: GSMA Intelligence

# Revenue growth impacted by regulation

- The increase in mobile subscribers has ensured healthy growth in operator revenues
- But, regulations have had and are likely to continue to have a negative impact on revenue growth
- In the past few years, regulators in Latin America have been imposing reduction in Mobile Termination Rates (MTR) of up to 80% (e.g. Brazil, Mexico, Chile)
- While this may benefit consumers, often, the unintended consequence is a negative impact on network investment.

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Note: Revenue corresponds to recurring (service) revenue. Subscribers correspond to unique subscribers. ARPU for subscribers

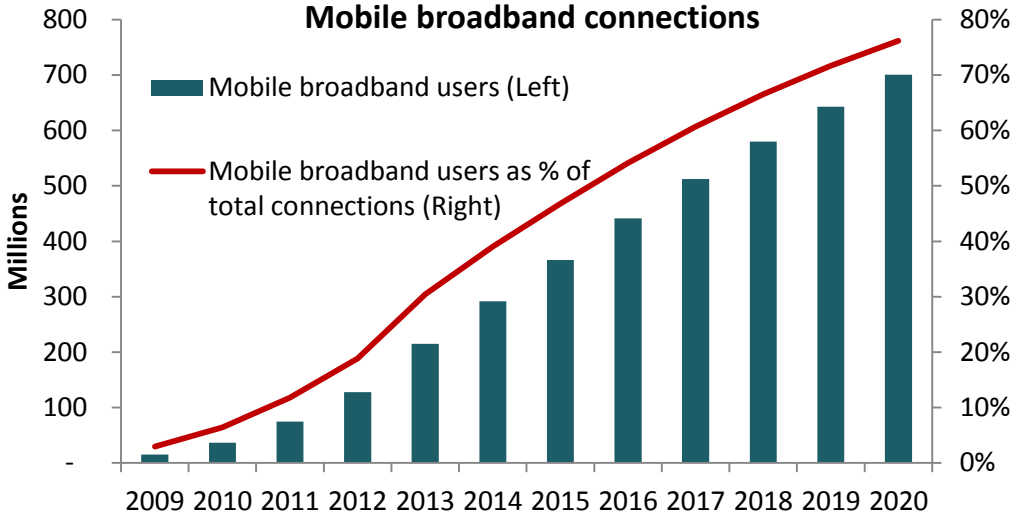
Source: GSMA Intelligence

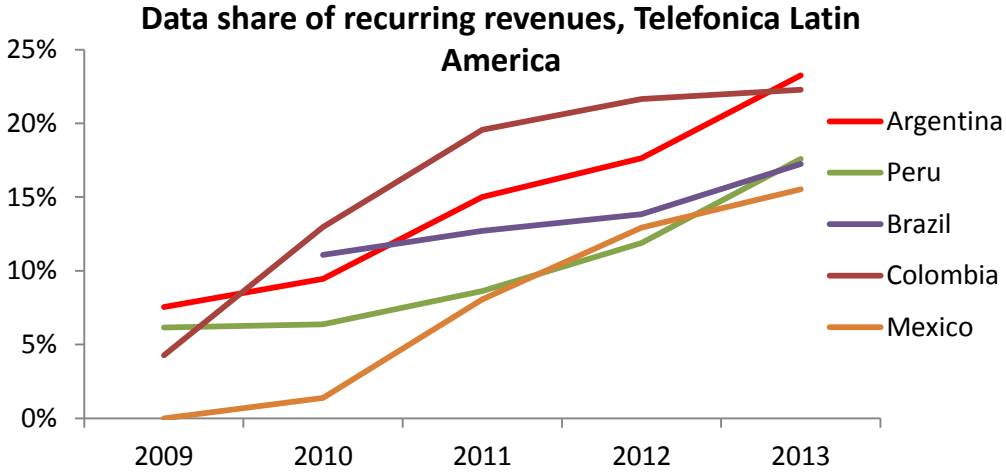
# Mobile broadband will drive future growth; importance of feature phones in driving data traffic

- Mobile broadband connections accounted for 3% of total connections 5 years ago, today they account for nearly 40%. This is expected to grow to over 75% by 2020

- This is already reflected in financial terms. Operator service revenue has increasingly been driven by data, which now accounts for between 15-25% of revenues across the region

- However, smartphone penetration rates in the region are still only at around 20%. This means that most of this data traffic is on feature phones and we expect this to continue for the next 2-3 years at least – an important factor in how VAS are designed

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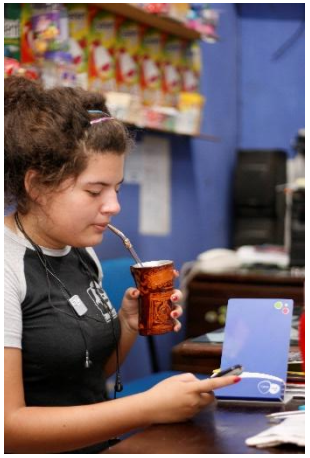
Note: Data is non-SMS, corresponds to mobile internet
Source: GSMA Intelligence

# Social innovation through mobile augments the socio-economic impact of mobile

- We already know that mobile is a cornerstone of the economy in Latin America at a macro level:
  - generating over **3.7% of the region's GDP** in 2012
  - supporting over **350,000 direct jobs**
  - contributing over **US$ 39 billion** to public funding in Latin America.

- At M4D Impact we dig deeper to demonstrate how specific mobile value added services provide social benefits to the end user, whilst supporting operator business goals

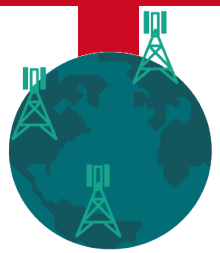


Source: Mobile Economy Latin America 2013 Report

# The Social Innovation Service or 'Mobile for Development' hypothesis

In Latin American markets….

**Mobile network operators**



**Underserved users**

Underserved users

# Mobile market entering new phase of development

In Latin American markets….

**MNOs** missing the opportunity:
- slow down in subscriber growth
- declining ARPU growth

**BOP users** missing some basic access (notably banking), but:
- Much higher access to mobile infrastructure
- More advanced economies, with higher average income levels and social outcomes

Underserved users

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*Mobile and financial services includes select countries

Source: GSMA Intelligence, GSMA Mobile Money program, IEA, World Bank

# Underserved, emerging middle class & lingering poverty

In Latin America….

**MNOs** missing the opportunity:
- slow down in subscriber growth
- declining ARPUs

**Some underserved users** missing some basic access (notably banking), but:
- High access to mobile infrastructure
- Increasing demand on general infrastructure & services by emerging middle class

Underserved users

**32% pop now 'middle class' on ~$10 per day**

**30% still considered in poverty**

**Less than 40% have a bank account**

**High youth unemployment**

**Up to 80% own or can access a mobile**

Source: WEF, GSMA Intelligence analysis

# Supporting operator business goals through serving the underserved

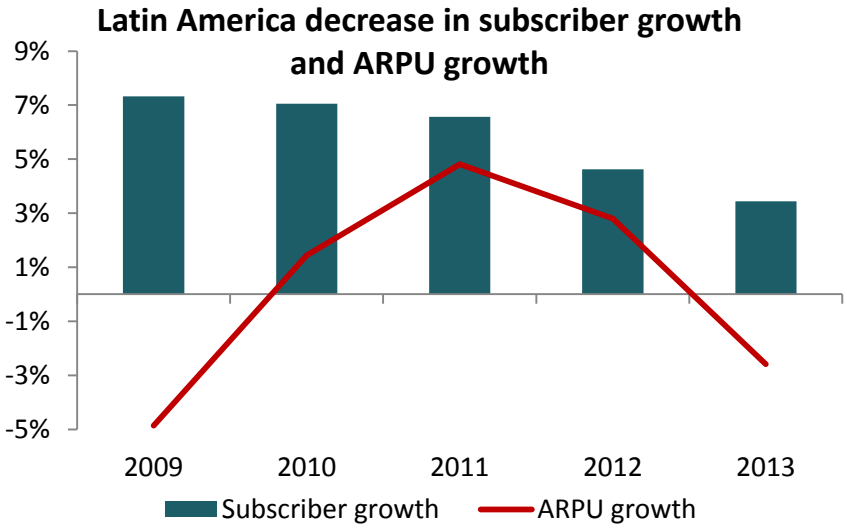
In Latin American markets….

**MNOs** missing the opportunity:
- slow down in subscriber growth
- declining ARPUs

Mobile can deliver social impact services more economically and efficiently.

**Mutually beneficial solution**: Develop **commercially viable Value Added Services** (VAS) that address the underserved, improve efficiency of existing services

Underserved users




- **Provide access to financial & education services**
- **Improve delivery of government cash transfer**
- **Address youth unemployment**
- **Mobile tools for business efficiency**
- **Healthcare cost reduction**

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*Mobile and financial services includes select countries

Source: GSMA Intelligence, GSMA Mobile Money program, IEA, World Bank, GSMA-MDI Analysis

# Social Innovation Services bring a range of commercial benefits…

## Operator commercial goals

New revenue opportunities through priority value-added services

Subscriber growth

Churn reduction and brand loyalty

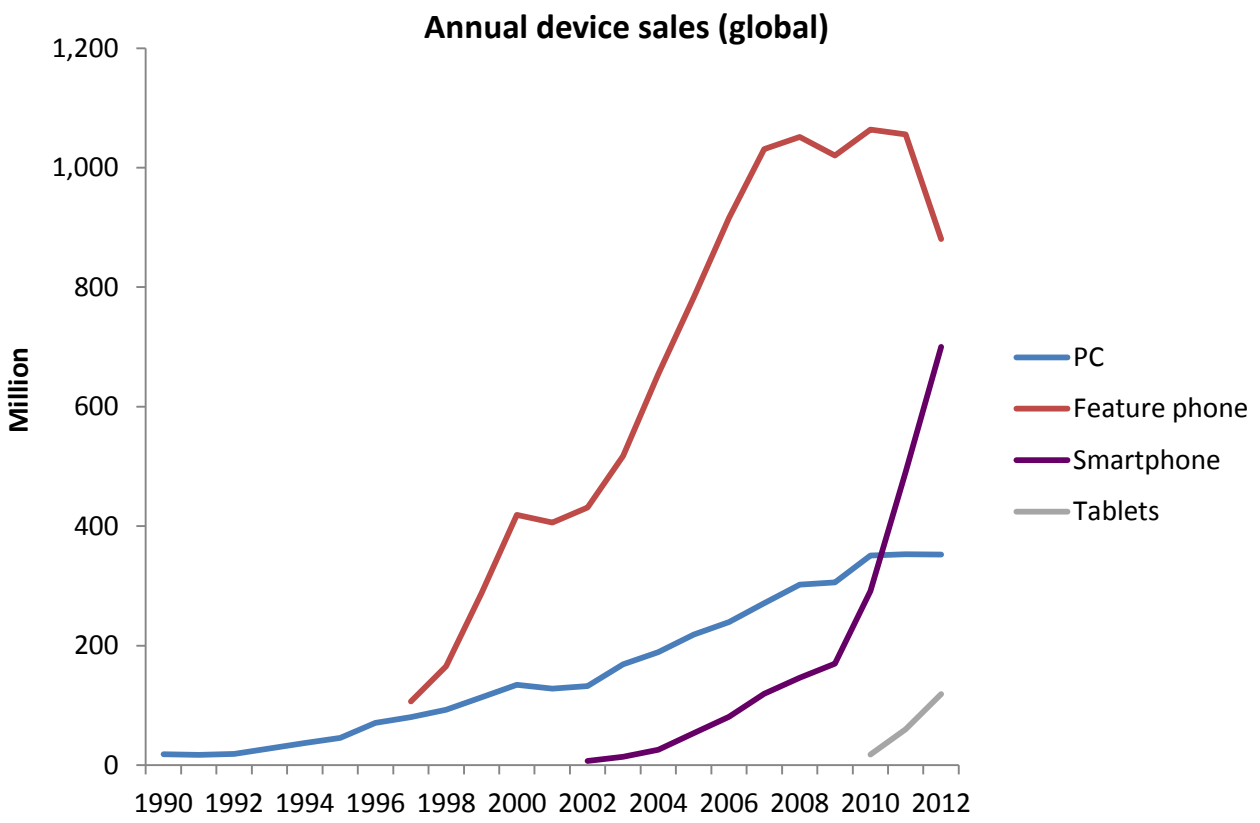
Stronger brand image

## Served by Social Innovation Services

# …fuelled by availability of low-cost phones

A shift in technology life-cycle:

- More computing power in feature phones and smaller devices
- Increase in smartphone penetration
- LatAm smartphone penetration set to increase from 20% in 2012 to 44% in 2017




Uptake of smartphones and mobile broadband to drive demand for new applications and services

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Source: GSMA Intelligence

# M4D Impact Workshop focussing on Value Added Services

- Convening **21 representatives** from **16 MNOs** across more than **15 countries**
- Objectives:
    - To communicate the opportunity presented by social innovation services to key members of mobile operator companies – especially those working in VAS, CSR and business innovation
    - To create a forum for collaboration, shared learning and peer networking for mobile operators
    - To gather and publish valuable insights to support partnerships between the mobile industry and M4D stakeholders.

# What opportunity does mobile present for inclusion & social innovation in Latin America and the Caribbean?

- **Warren Blake**, Group Roaming Coordinator, Digicel Group

- **Lennon Powder,** Roaming Business Analyst, Telecommunications Services of Trinidad and Tobago