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Mobile Business in Portugal: present and future

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Mobile business as we know it today is a result of major developments occurred during last 2 decades, with mobile technology being the economical sector that has grown the most during that period. Focusing on the recent past, some impressive figures confirm it: in the mid 90s worldwide mobile penetration was about 1%, while in 2008 the 60% barrier was exceeded, with 4 billion subscribers, according to recent figures from the International Telecommunication Union (ITU[15],2009). Among developed countries, as defined by the ITU, the average figure is already close to 100%, on average.

In Portugal, more than 85% of the population uses a mobile phone on a regular basis, with the figure going as high as 90% on those over 14 years old. When looking at the total number of customers (i.e. SIM cards that are active on the existing mobile networks), the most recent figure from ANACOM[16] (Portuguese Telecommunications Regulator, 2009) is close to 140%, with 16% of users having 2 active SIM cards and 2,5% of users having 3 or more active SIM cards. This high penetration rate is also due to the recent growth of mobile broadband, heavily supported by Government Programs such as “e-escolas”, that conducted the penetration of mobile broadband in Portugal to levels compared to those traditionally more advanced countries in mobile technologies - the Nordic ones. In fact, according to recent statistics from ANACOM, mobile broadband is in use by more than 1 million customers, with the most used services in the mobile phone (access directly with the mobile phone) being video-call, music/video downloads and Internet access.

When looking into the economic importance of the sector, telecommunications are already responsible for more than 5% of Portuguese GDP, with over 7 billion Euros in revenues (according to figures from both ANACOM and European Commission, 2009). Mobile business is responsible for more than half of this figure (mobile data was responsible, according to ANACOM, for 13% of total mobile revenues in 2008).

In fact, when going into detail, some relevant figures and events in time help on a better understanding on the situation we have reached in the mobile telephony:

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[15] http://www.itu.int/ITU-D/ict/

[16] http://www.anacom.pt/render.jsp?categoryId=159087

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- It was in Portugal, back in 1995, that Portugal Telecom launched the prepaid system (worldwide innovation), leading to a structural change in the market by a fast increase on service adoption rates. Penetration grew at a remarkable pace in the following 5 years. Nowadays, around 80% of customers have a prepaid plan.
- The Portuguese have showed, in different situations, their interest for technology and fast adoption of new services. This was also the case for mobile communications and for specific services, such as the SMS (today is used by over 70% of customers).
- In line with other Latin countries, Portugal has been a major market (in its relative dimension when compared with bigger countries) for handset manufacturers, with an average of 2 years replacement period for mobile phones. In 2008 over 5 million units have been sold in the country, with smartphones and 3G phones being the segments that are still growing in 2009. In 2009, one third of customers carry a 3G phone.

However, due to worldwide recession, some questions arise: are we going to be able to sustain this “momentum” or is this market going to loose part of the significant gains conquered in the recent past? Our opinion is that “there will be some slowdown, with some revenues loss, but several signs show us that the market will continue to evolve”. Some elements to take into consideration:

- 2009 is expected to register a decrease on voice revenues, result of a potential slowdown in consumption (e.g. less conversation minutes, reduction on multiple SIM cards by users), special offers to youth segments (e.g. flat rates for unlimited consumption) and regulatory changes (e.g. “termination rates” and limits on roaming tariffs for European Union traffic).
- Data will continue to be a major driver for the telecom sector growth (following the SMS services path- that still represent more than 10% of total revenues) and exceeding the 20% current figure on data revenues in total operators’ results. Mobile broadband expansion, together with innovative pricing schemes, and replacement of older phones by 3G/audio/video enabled ones, will help to increase some of the figures – 25% of customers using MMS and 30% sending pictures/videos through their wireless devices.
- Innovative services, such as solutions based on IP technology and/or based on fixed-mobile convergence, with real commercial capability, will take advantage of wireless data speed and quality/stability of connections, potentially gaining

space, first as complementary solutions and afterwards as substitution solutions (to fixed and traditional mobile ones)

- We will observe partnership movements, alliances or even M&A (mergers and acquisitions), not only involving telecom operators but also involving players placed in different parts of the value chain (e.g. banks, content providers, aggregators, advertising players, handset manufacturers, among other), combining their competencies to offer more integrated and value-added services to the market (e.g. services and content as a unique value proposition under the same brand).

Following an existent path (players with investment resources, new generation networks, support from public authorities, innovation from industry players, among others), it is crucial to keep the focus on customers' needs and willingness to pay, such as occurred before with prepaid systems. New generations will play a key role in the years to come, given that they were already born with mobility as a basic element of their daily life, showing a huge affinity with everything that is new.

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The mission of CTT is to create physical and electronic links between the public, Public Administration Services, companies and organizations in general. Postal tradition is being progressively strengthened and business is being expanded into areas where the logistical and communications capabilities of the company can be made available to clients.