

Fixed to Mobile Substitution, operators sitting on a golden egg

STOCKHOLM – February 18, 2004 – Despite one of the highest mobile penetrations in the world, still only a fraction of voice calls are carried over mobile networks in Sweden. Fixed-to-mobile substitution, the latest white paper from Northstream, one of the worlds leading independent mobile analysts, sheds some light on this dark corner of the industry's big enigma - How to generate more traffic over mobile networks.

Sweden houses one of the world's highest penetrations of mobile phones, 94% but experience very low rates of normal voice calls made over mobile phones - only 15 % of all calls. In comparison, the Finnish mobile penetration at 86% generated 38% of all calls, and Norwegian penetration is 88% with 21% of calls over mobile phones. Other parts of Europe, for example the UK, Ireland, Italy and France, show lesser penetration but still higher rates of calls over mobile phones than in Sweden.

"Strong drivers exist for customers to personalize their telephony, going from family-oriented fixed-line to personal access via a mobile. The industry just need to find the keys to those drivers to unleash a huge customer demand. This will rocket mobile voice calls and generate long term income as well as create an opportunity to reach new customers," says Anna Lange Strategic Advisor at Northstream.

Fixed-to-mobile substitution offers business opportunities for all types of mobile operators. The opportunity itself will vary, depending on markets and operators, both in size and timing, but over a period of time, the same drivers will crop up during a customer acceptance lifecycle. Lifestyle changes and network reach, and efficient pricing models and attractive personalization of services and applications will encourage users to opt for mobile, but operators need to work out their specific fixed-to-mobile substitution lifecycle strategies to achieve lasting growth in mobile voice traffic.

"Fixed-line telephony cannot offer the necessary future functionality that will attract new voice-call customers. Northstream believe that future mobile networks will carry 80% of voice traffic, which should be considered as a more or less realistic maximum substitution. Unlocking the key drivers for customers to switch from fixed-line voice calls to mobile, fixed-to-mobile substitution might be the foremost opportunity for operators to generate sustainable growth and income," continues Anna Lange.

Markets with underdeveloped fixed-line infrastructure, such as Eastern Europe and Latin America, offer considerable fixed-to-mobile substitution business expansion opportunities to operators, provided that low enough cost levels can be maintained, to support local demand. In markets with well-developed fixed-line infrastructure, such as Western Europe and the US, fixed-to-mobile substitution business opportunities utilize the fact that mobile communication has become an integral part of a modern lifestyle.

What is Fixed-to-Mobile Substitution?

'Fixed-to-mobile Substitution' is a common term for a number of market developments that all result in a proportionate increase in the volume of voice calls carried by mobile networks, compared with the volume carried over fixed networks. Strong drivers for fixed-to-mobile substitution do exist, regardless of the state of the market, though they may vary quite a bit from market to market and over a period of time.

About Northstream:

Northstream provides strategic technology and business advice to the global wireless industry. Northstream has assembled a multinational team with some of the world's best experts and analysts in wireless communication business and technology. Northstream's list of clients include several of the world's leading operators and system suppliers as well as some of the leading investment banks and financial institutions.
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