

Emerging Markets are Increasingly the Real Innovators in Mobile Telecoms

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Delta Partners, the leading specialized telecom advisory and investment firm has released its latest white paper, "Reverse innovation in telecoms: The increased integration of developed and developing markets." The paper explores the rise of emerging markets in the telecom industry and highlights telecom innovations from developing markets which are increasingly relevant in developed markets.

Historically, the West has been the dominant driver of the world economy and its innovations. With 90% of the 20th century's greatest innovations and still over 50% share of World GDP (G7 countries in 2010), the Western world's weight remains significant. However, industry analysts are forecasting China to overtake the US economy by 2025, and for India to do so by 2050. "The same is happening in telecoms," says Daniel Torras, Associate Partner at Delta Partners, "where emerging market growth has exploded in the past decade. The technology might have been invented in the West when 1G networks were first rolled out in Japan in 1979, and when Prepaid was first invented in Portugal. Now emerging markets constitute nearly 80% of all mobile subscribers and 40% of global telecom revenue (up from 15% in 1995), contribute many pan-continent giants like MTN, Bharti, Vimpelcom and Etisalat), and are increasingly active as network and device vendors, for instance. The exciting playing field and growth is not only coming from developed markets anymore."

"This growth has been accompanied by many extraordinary innovations by emerging operators", adds Victor Font, Group Managing Director at Delta Partners, "This white paper aims to outline some of those innovations, highlighting the ones with potential relevance for developed markets - a concept coined as reverse innovation - where Western operators can learn from their once smaller brothers."

Some of the profiled examples with potential for reverse innovation

MTN Dynamic Discounting - A proprietary technology that MTN developed with Ericsson to gain market leadership in many of its markets consisting of up to 100% discount on tariffs offered dynamically to its customers dependent on the traffic utilization of its base stations. Put another way, at low traffic times the discount would be high and there would be little discount during peak times. This not just optimized MTN's network utilization but proved to be a big hit with customers. The reverse innovation potential for Western markets would be to launch such a tariff for data traffic to help control the spiraling traffic growth and costs in many developed markets.

SMART's Micropayments - Filipino operator Smart was one of the first to launch payments and remittances via mobile phones back in 2000. This service expanded the addressable customer base and reduced recharge commission costs. The reverse innovation potential of m-payments is for Western telecom operators to launch similar schemes to address underserved segments e.g. youth without credit or debit cards.

Econet's Location based management - African operator Econet uses powerful location-driven tools to inform network and commercial investments, by meshing a whole range of customer data with its network, operational and sales data. This allows Econet to reduce waste and make more informed investment decisions and increase efficiency, a critical competitive differentiator in low-ARPU markets. The reverse innovation potential is to use location based management for potential 4G network investment decisions that many operators now face, for instance.

“These are just a small sub-set of the innovations by emerging market players,” continues Victor Font, “but with all telecom operators eyeing emerging markets for growth, especially in MEA and Asia, it becomes increasingly relevant for Western operators to take note of the great innovation potential in emerging markets - or risk being cut out of the game in the future.”

About Delta Partners

Delta Partners is the leading TMT advisory and investment firm in emerging markets. With more than 160 professionals the firm operates across 50 markets in the Middle East, Africa, Eastern Europe and Emerging Asia. Delta Partners provides three synergistic services: management advisory, corporate finance and investments from its offices in the UAE, Bahrain, South Africa, Spain and Singapore. Delta Partners delivers tangible results to its clients and investors through its exclusive sector focus on telecom, media and technology, and a unique approach to services, combining strategic advice and a hands-on pragmatic approach.

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