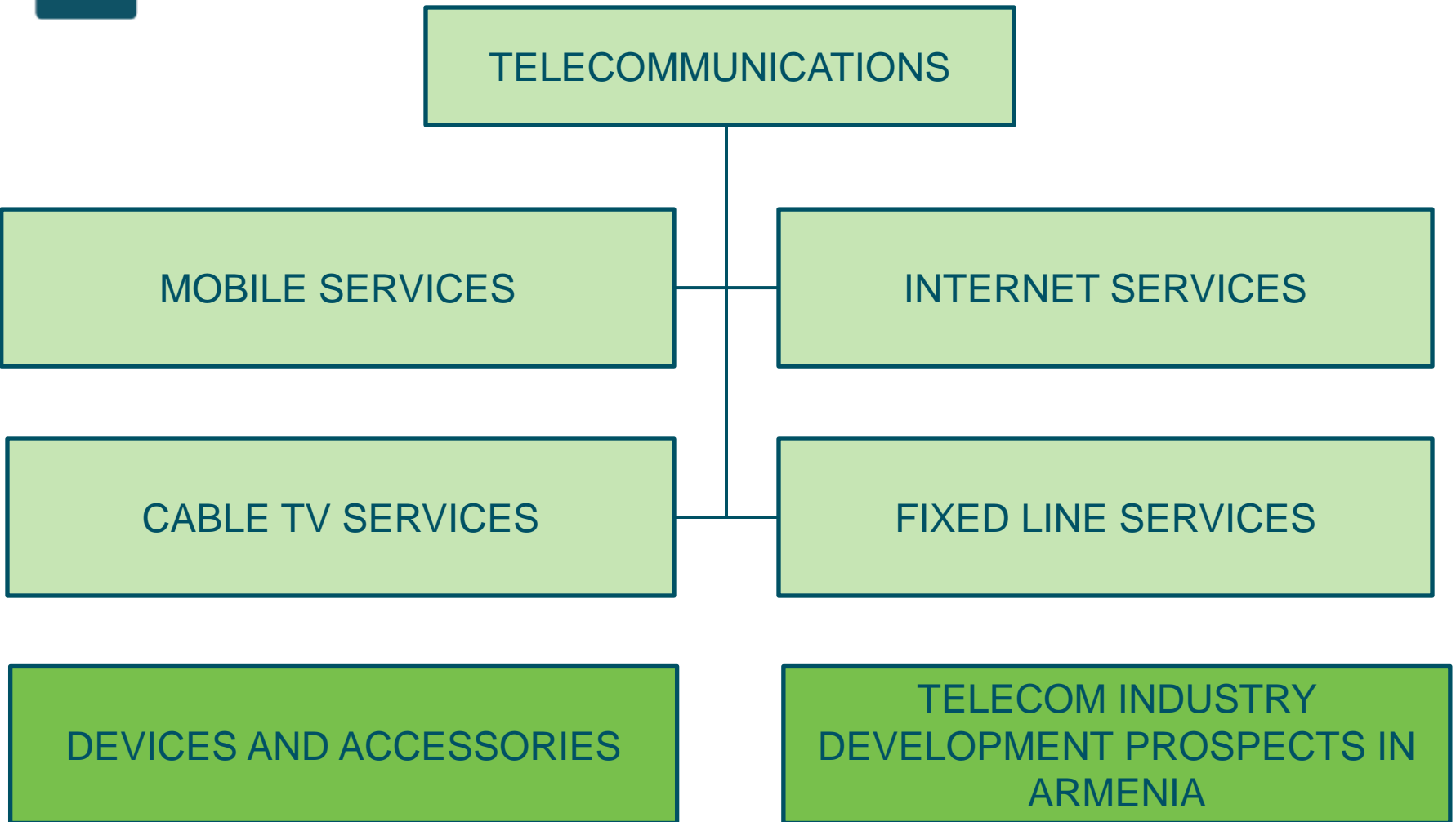




# TELECOMMUNICATIONS INDUSTRY IN ARMENIA

CURRENT STATE, CHALLENGES AND PROSPECTS

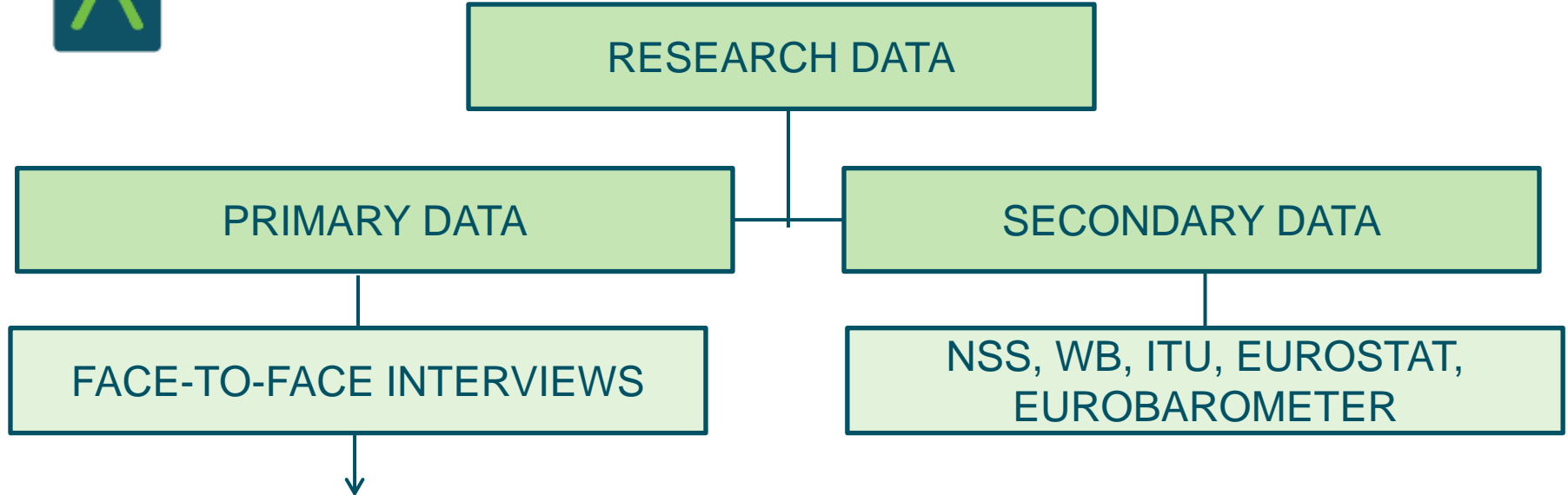
YEREVAN, MARCH 2014





Identify the following aspects for each of the telecom industry subsectors in Armenia:

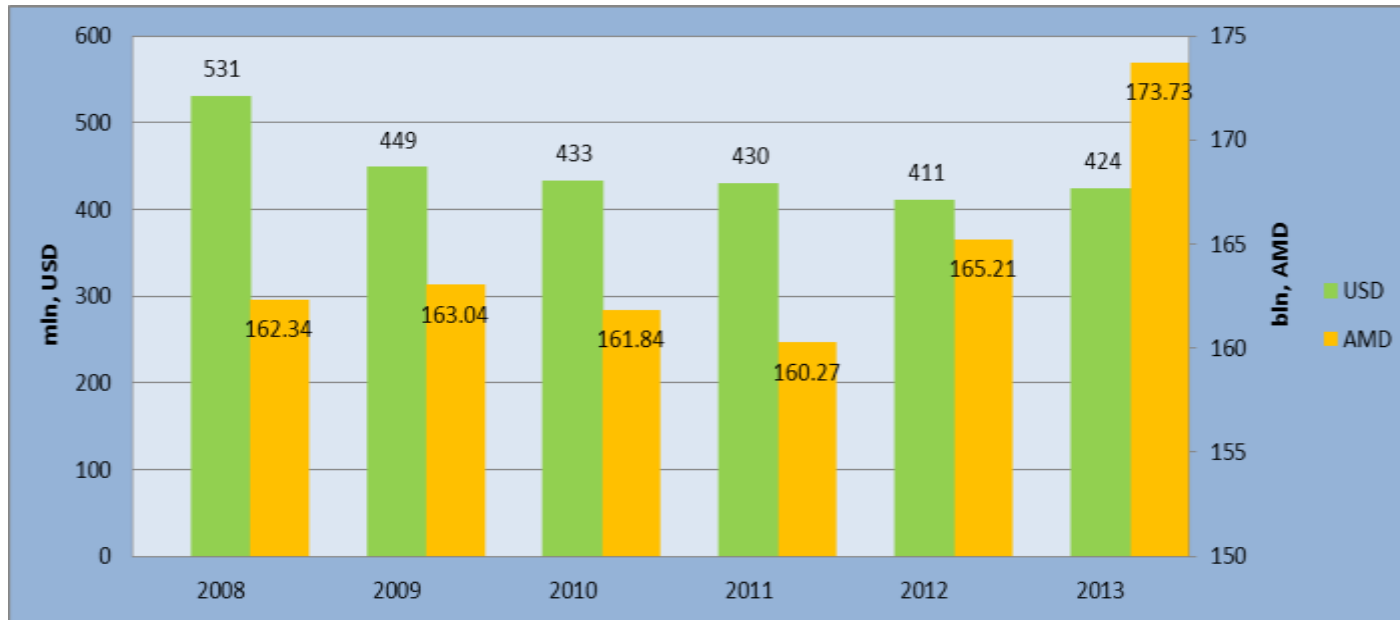
1. Market **size**
2. **Structure and specifics of the competitive platform**
3. Customer **loyalty**
4. Factors **affecting consumer choice**
5. **Consumer spendings for telecom services**
6. Consumer **preferences**
7. Use of supplementary **devices and accessories**



<b>Field work period</b>	<i>December 2013 – January 2014</i>
<b>General population</b>	<i>Yerevan residents aged 15-69</i>
<b>Sample size</b>	<i>1,067 respondents</i>
<b>Coverage</b>	<i>Yerevan</i>
<b>Sample quotas</b>	<i>Gender, age, districts</i>
<b>Confidence level/interval</b>	<i>95% +/-3%</i>



Telecom industry revenues (at current prices) in Armenia,  
VAT excluded, 2008-2013

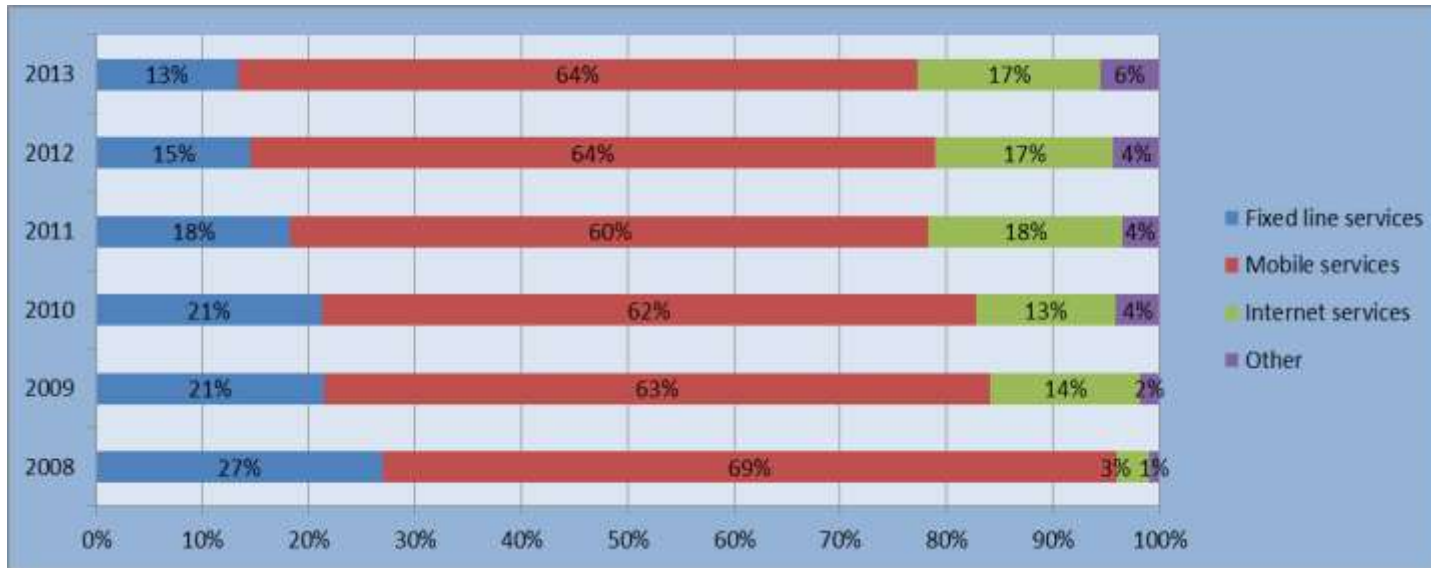


Source: NSS

- In 2010-2013, the share of value added in output structure amounted for 80.3% on average.
- The economic crisis had rather limited impact on the telecom industry.



## Breakdown of telecom industry revenues (at current prices) by key services in Armenia, VAT excluded, 2008-2013

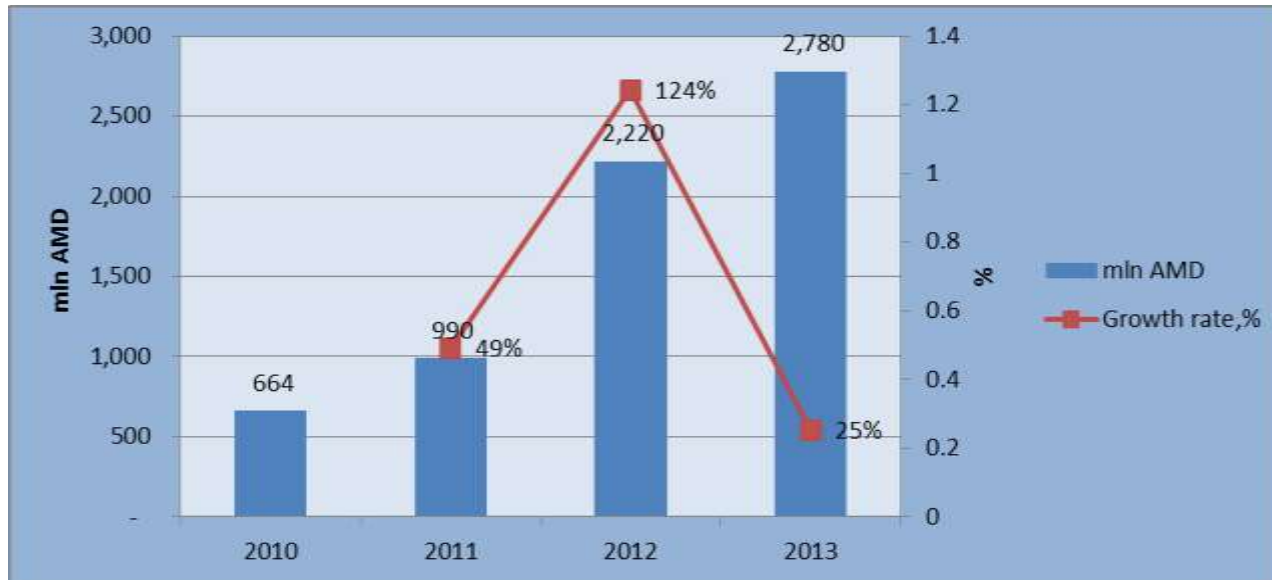


Source: NSS

- In 2008-2013, as a result of "Over the Top" service competition, the industry revenue breakdown has changed significantly with Internet services displacing traditional services.



## Cable TV industry revenues, AMD (at current prices), VAT excluded, and growth rate

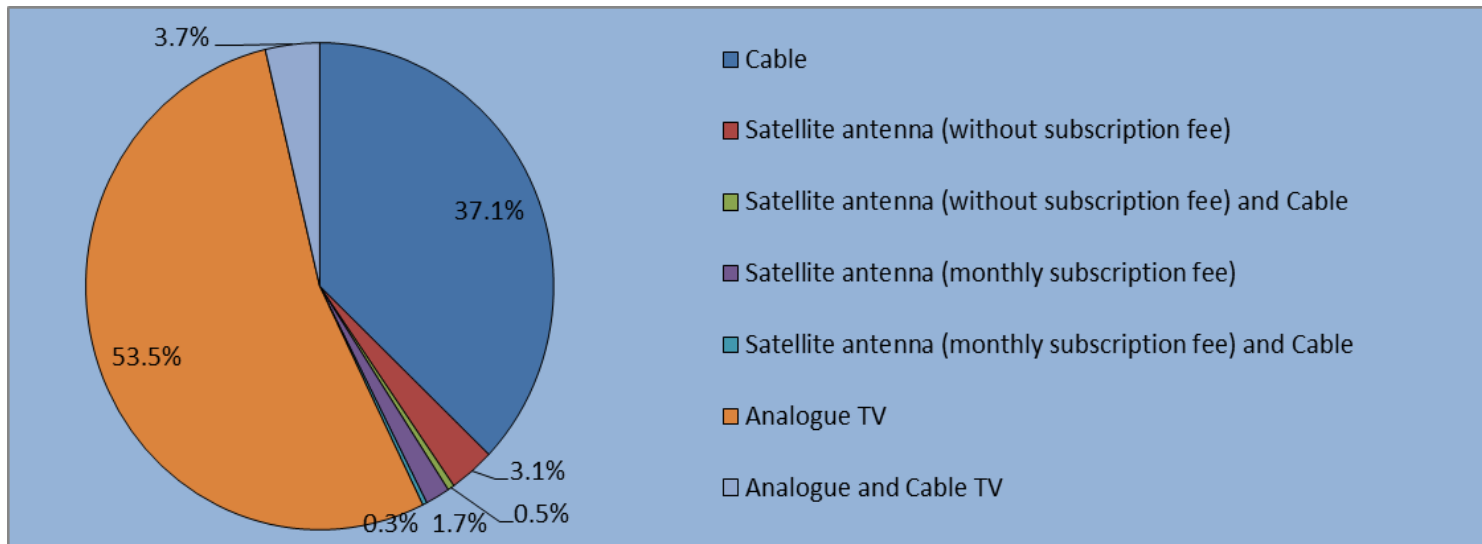


Source: NSS

- The cable TV services market is the most rapidly growing market in the telecom industry. Revenues of this subsector have grown 4 times in 2008-2013.
- According to our projections, the number of cable TV subscribers in Yerevan only is going to increase by 38,000 in the coming years.



## Breakdown of Yerevan households by TV access mode



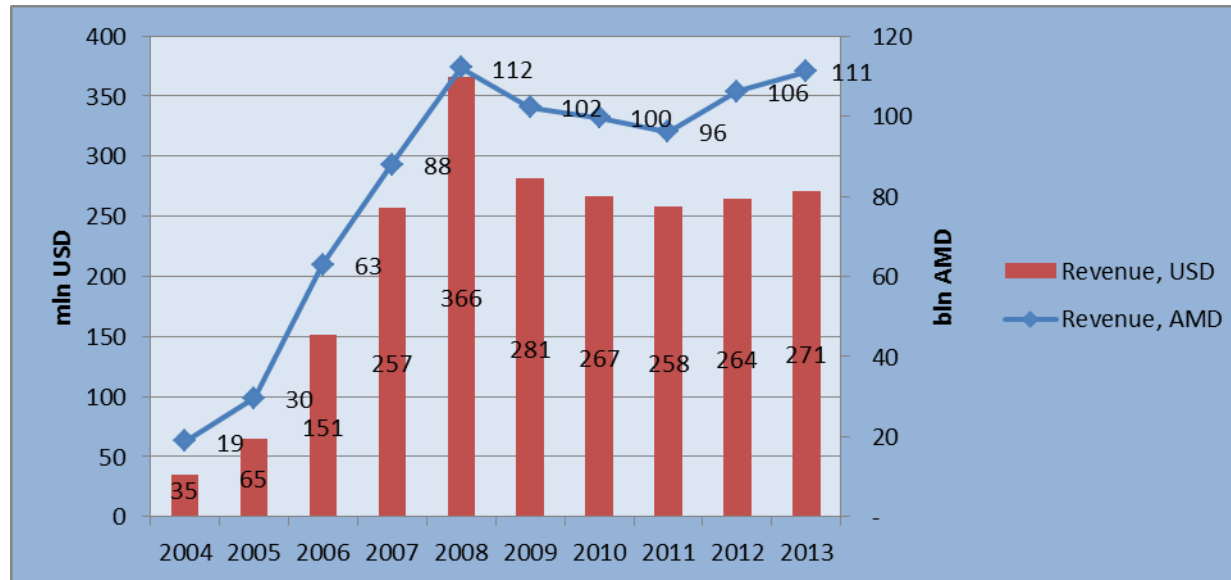
Source: Survey

- 43.3% of households in Yerevan use pay TV services.
- 53.5% of households in Yerevan use analog TV only.





## Mobile services industry revenues (at current prices) in Armenia, VAT excluded, 2004-2013



Source: NSS

➤ We have outlined **4 stages** of the mobile services market in **2004-2013**:

**Development: 2004-2005**

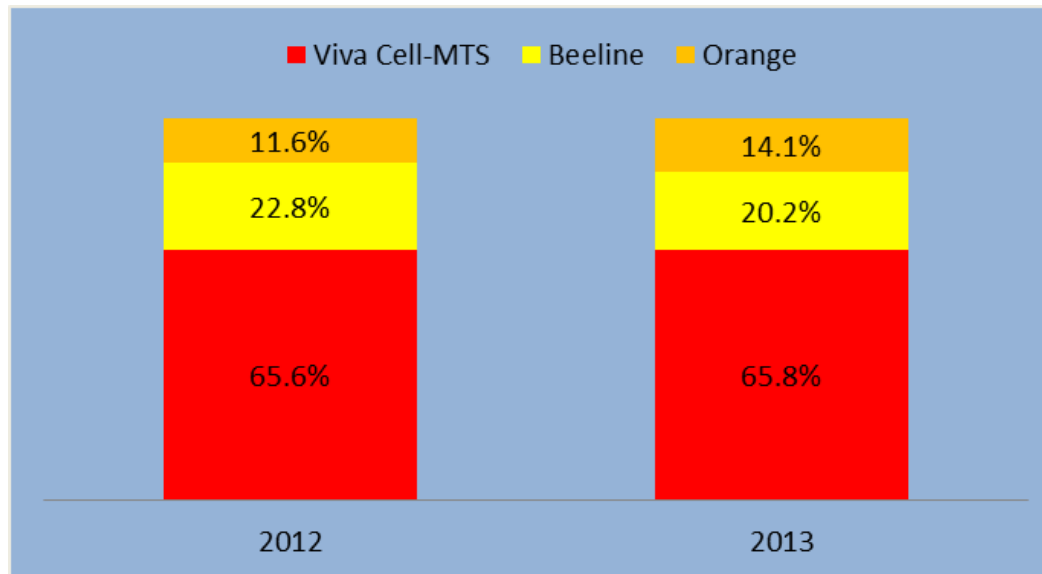
**Fall: 2009**

**Growth: 2006-2008**

**Stabilization: 2010-2013**



## Structure of mobile services retail market in Armenia, 2012-2013\*



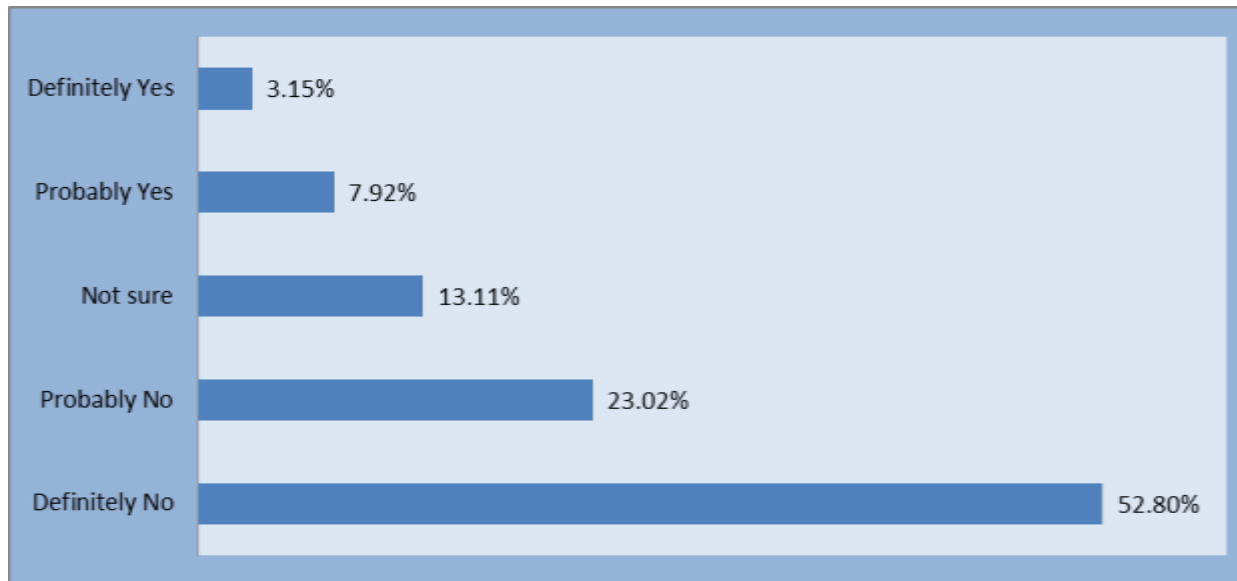
Source: NSS

- According to our estimations, in 2012, the mobile services retail market accounted for AMD 90.6 bn vs. AMD 68.8 bn during the first 9 months of 2013.
- The mobile services market in Armenia is predominated by the **Rule of Three and Four**, meaning it is **a stable competitive market** with the share of the largest competitor around 4 times higher than market share of the runner-up.

\*The indicator for 2013 has been estimated based on the data for the first 9 months.



If you could switch to another mobile operator without changing your phone number, would you take the chance?

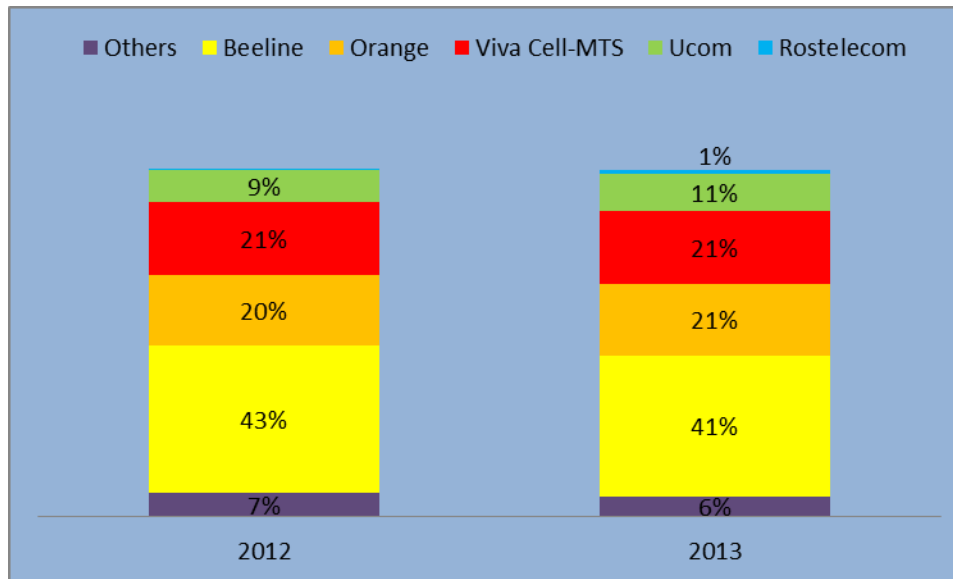


Source: Survey

- According to survey, **mobile number portability service** will not affect Yerevan's mobile market significantly. Although this option could be accompanied by price and non-price competition creating **resonance** in the market.



## Breakdown of ISP retail market in Armenia by subscribers, 2012-2013



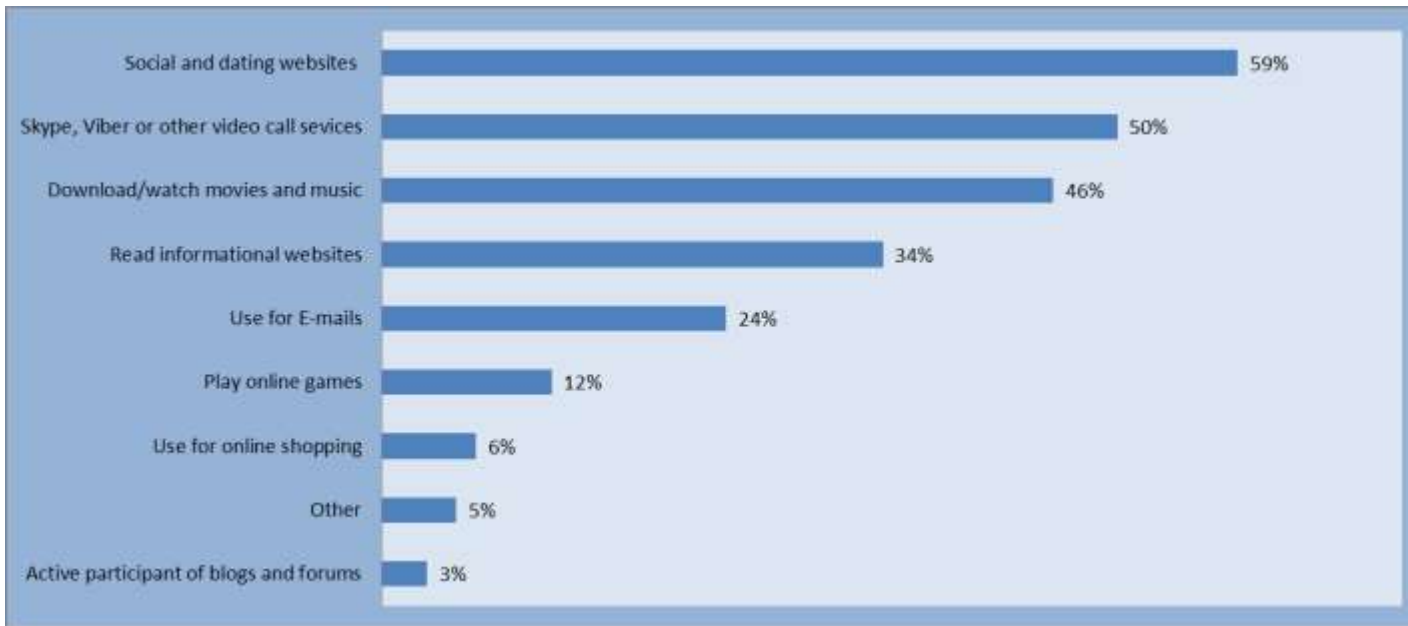
Source: NSS

- The major players on the broadband Internet retail market of Armenia by the number of subscribers are Beeline (41%), Orange (21%), Viva Cell-MTS (21%) and Ucom (11%).

*\*The indicator for 2013 is calculated based on the data as of September 30.*



## Main internet services used by the population of Yerevan

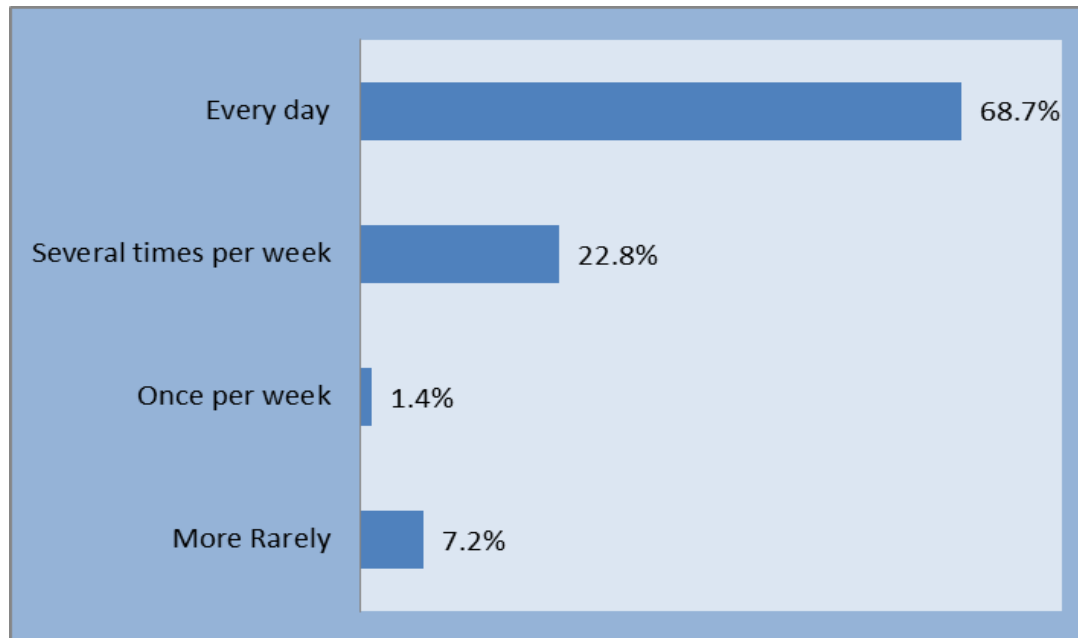


Source: NSS

- **Video calls**, which are among 3 most frequent activities over the Internet for Yerevan-based population (50%), cause a serious substitution effect in relation to the traditional telecom services.



## Breakdown of Yerevan population using fixed line services by frequency of use

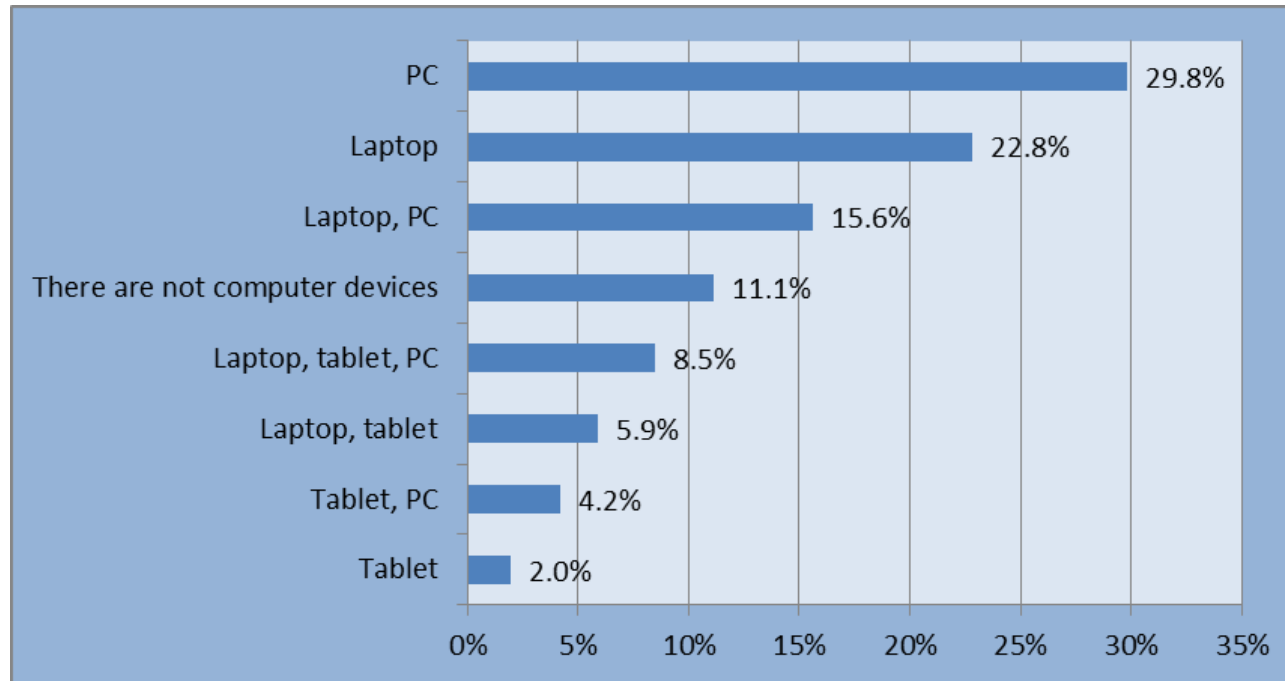


Source: NSS

- According to research findings, **the fixed line phone communication in Yerevan is still topical**: 68.7% of fixed-line users (about 91.5% of population) aged 15-69 use fixed line services every day.



## Distribution of households in Yerevan by types of computers owned

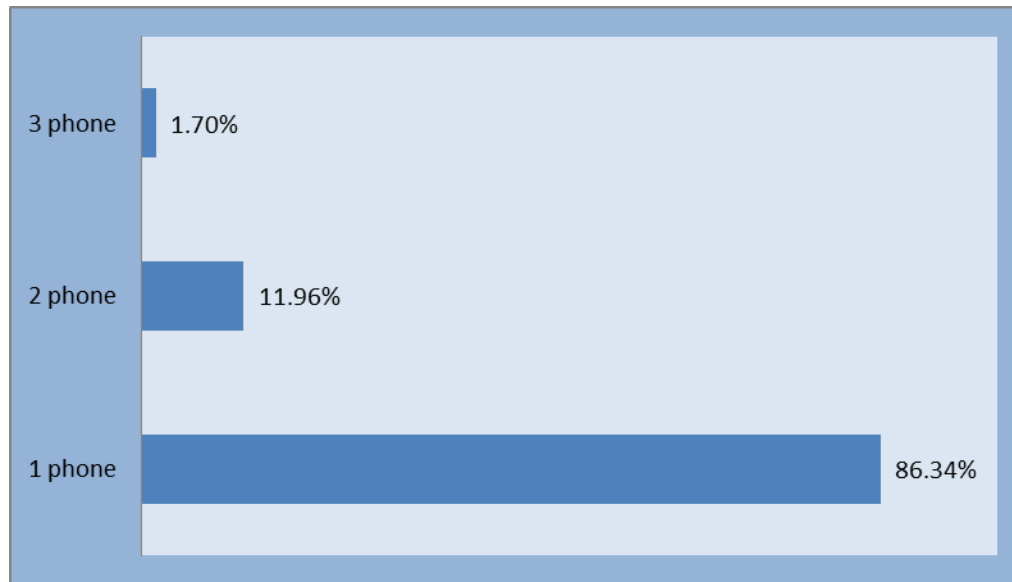


Source: NSS

- 55% of households in Yerevan have only one computer device.
- Only 8.5% of households in Yerevan possess a laptop, a tablet and a PC at the same time.



## Distribution of Yerevan population by number of cell phones used



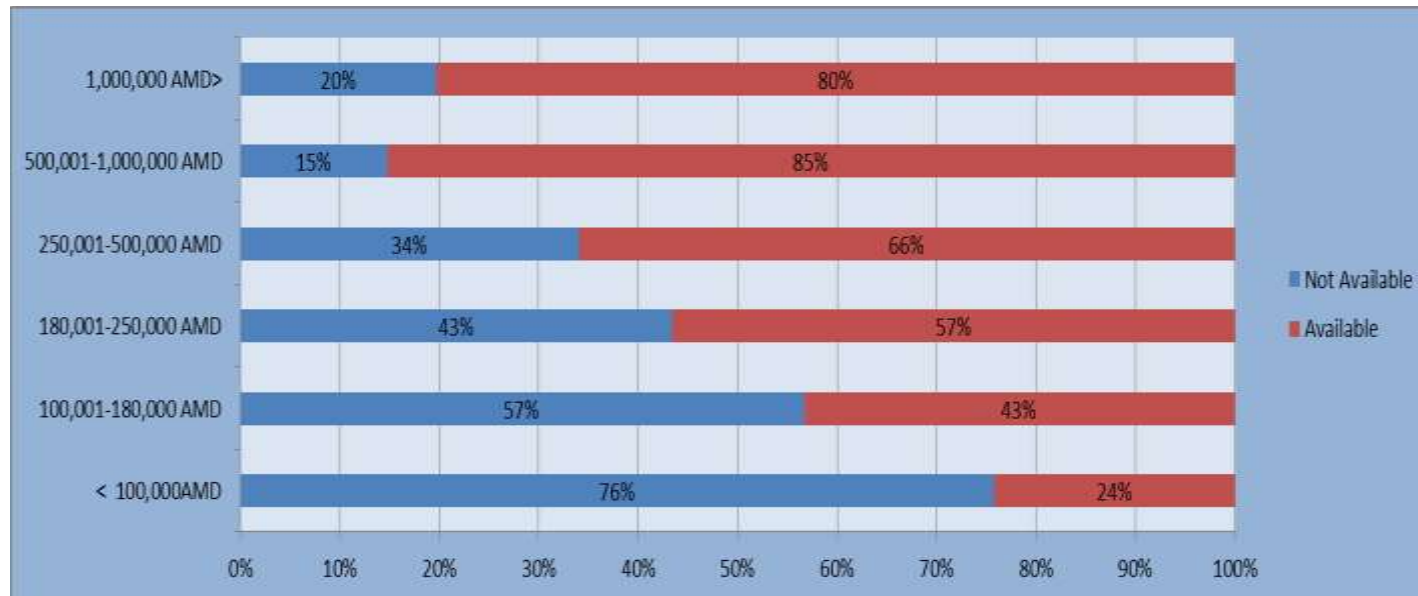
Source: NSS

- On the average, there is **1.15 cell** phone per one mobile services user aged 15-69 in Yerevan, with 86% having 1 cell phone only.





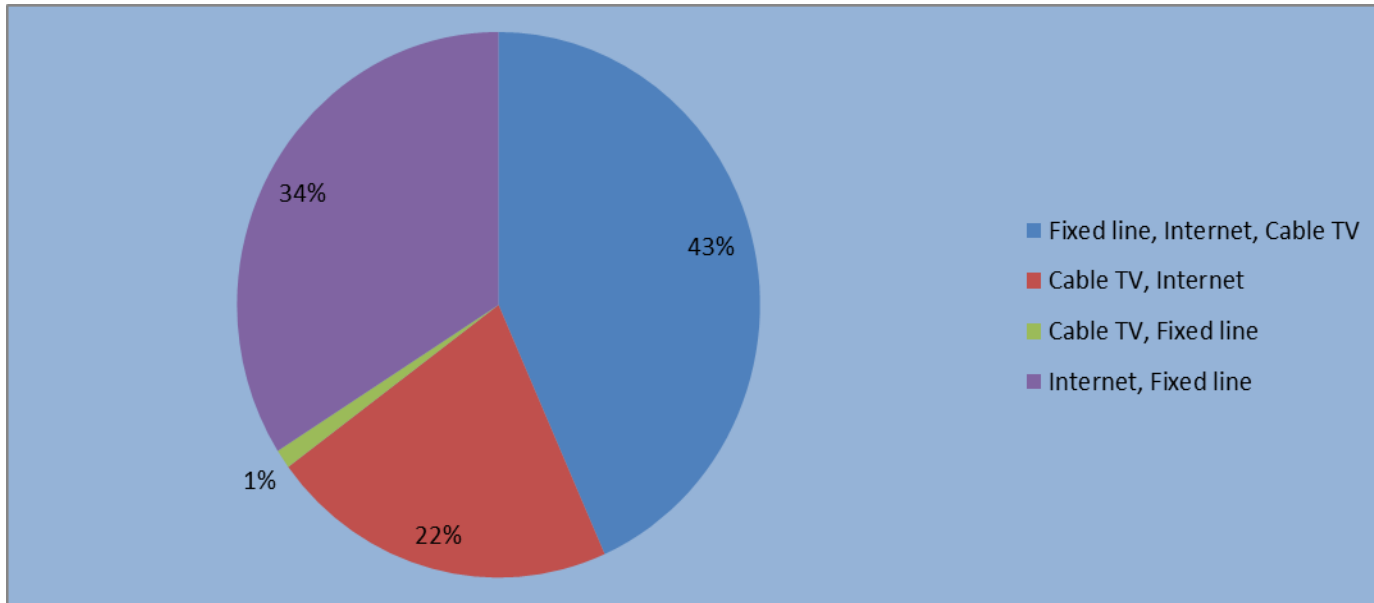
## Distribution of laptop possession by income groups of Yerevan household



- **Owning a laptop among Yerevan households has positive correlation with the HH income:** the share of HHs owning a laptop is increasing with the growth of income.



## Distribution of households using “comprehensive” telecom packages by services included in the package



- Only 43% of the households in Yerevan are subscribed to a package that includes all three telecom services: fixed phone line; Cable TV and Internet.



1. **Cable TV** and **Internet services** have the best prospects for growth in Armenian telecommunication sector.
2. Due to intense competition from "over the top" service providers, ***Internet services will dominate over the traditional telecommunications services (fixed line and mobile) in the coming years.***
3. Major service providers in these subsectors of economy should ***deploy customer loyalty systems*** to strengthen their positions in the market.



**THANK YOU!**