

# News Flash



## **European 3G Price Competition Heats Up**

Aggressive pricing by incumbent 3GSM (WCDMA) operators in Europe is closing the gap on 3G providers and analysts say that the cost-cutting trend could spill over from more price-competitive markets, such as the UK and Italy, into less price-sensitive ones, such as Germany.

According to Maynard Um, an analyst at UBS Investment Research, Vodafone UK's 3GSM (WCDMA) service pricing is closing the gap with Hutch. Three months ago, the Vodafone pricing was higher than Hutch's. Now on 1000-minute voice plan, there is no difference between Hutch and Vodafone on a per minute basis. Vodafone's 3GSM (WCDMA) pricing is now cheaper on a per minute basis than it is for GSM. UM said that Vodafone will continue to be aggressive in the back half of the year. Aggressive cuts at TIM in Italy have also brought voice pricing for intra-TIM calls down 90%.

3G handset prices are falling even in unsubsidized markets, says Um. "When we looked at handset pricing at TIM, where no subsidies are offered, 3GSM (WCDMA)-handset pricing is coming down to somewhere about US\$ 363, which is on par with some of the high-end GSM handsets". In other markets such as UK, retail handset pricing tends to be aggressive. "Both Hutch and Vodafone are offering handsets for US\$ 175 or less, and in a lot of cases you can get these handsets free", says Um.

Lower wholesale handset pricing should ease the subsidization burden on operators, which may give them more incentive to push 3GSM (WCDMA). Despite having only four 3GSM (WCDMA) models, Nokia handsets are offered by the largest number of operators globally.

Whereas most of the operators have launched 3G services with only data cards and then offered handsets over time, most of the new launches are going to go live with handset offerings. Nine more networks are going to get lit up in the back half of the year.

The table below shows the 3GSM (WCDMA) growth factors.

### 3GSM (WCDMA) – Growth factors since March'05

Factor	Comment
No. of operators offering handsets	Number of commercial 3GSM (WCDMA) operators offering handset has increased 150% to 70 in about four months.
No. of commercial 3GSM (WCDMA) operators	Increased by nine in about four months. At least 10 more launches expected in 2H 05.
No. of handset models	75 models available from 16 different manufacturers. Nearly 50% increase expected by year-end.
Handset pricing	Unsubsidized-handset pricing continues to decline. Operators continue to subsidize handsets (some are free). US\$ 200-250 unsubsidized handsets expected by year-end.
Service Pricing	Continues to decline on a per-minute basis. Vodafone UK per-minute pricing for WCDMA now below GSM.
Network quality of service	Room for improvement. Should continue to improve over time with better coverage buildouts.

Source: [Informa Telecoms & Media](#)