

## OPERATIONS REVIEW

### MOBITEL

**Our fully owned mobile subsidiary is rapidly forging ahead towards market leadership**

*"Sri Lanka is a great example of how HSPA can make broadband services much more widely available in countries where fixed lines are scarce. Now Sri Lankans will be able to use HSPA to both download and upload at high speeds, putting their country at the cutting edge of the global mobile broadband market"*

- **Alex Sinclair**, Chief Technology Officer - GSMA

The GSM Association (GSMA), which represents more than 700 GSM and 3G mobile phone operators across 218 countries and territories of the world serving over 2.5 billion customers, sees HSPA as the technology of choice for operators wanting to offer mobile broadband services to both urban and rural communities.

Mobitel, which started operations in 1994, became a wholly owned subsidiary of SLT in October 2002. In January 2004, the Company launched its fully-fledged 2.5G GSM network that is EDGE/GPRS enabled and designed to operate on dual band. Having successfully phased out its AMPS/DAMPS network, in December 2006, the Company launched its 'super 3.5G' network in December 2007. Investments committed to date in its 3.5G/2.5G networks and service offering total over USD 200 million and are set to increase its present 1000+ base stations to more than 1400 base stations by the end of the first quarter 2008.

The Company continued with its strategy which is positioned around value innovation and customer centricity firmly

believing that, it can serve well, by making the best out of the technology being used, distribution systems, product portfolio, services and value added services, with heightened acumen concerning customer needs and interests.

Perhaps, it is opportune to mention here that this strategic direction led the Company to pursue an aggressive network rollout with the dual objectives of introducing the best 'super-3.5G' service ever experienced, not only in Sri Lanka but also in the whole of South Asia and enhancing GSM coverage and capacity. It led the Company to seek an enhanced market position characterised by improved market share as well as strong revenue and product growth. In addition, it enabled the Company to build a strong brand image, dynamic and happening, with improved visibility at strategic locations, leveraging on the success of its illustrious parent, SLT.

Whilst positioning the customer at the centre always, through the delivery of optimum quality of service, higher levels of customer care, convenience and interaction, the Company expanded its distribution channels and introduced a divisional infrastructure to optimise channel management.

#### **M3, MOBITEL'S NEXT FRONTIER IN MOBILE COMMUNICATION**

The society is fast entering an ICT dependent environment, which compels people to embrace the internet whilst being stationary or on the move. Thus, stimulated by the above needs, high-speed data transfer facilities have become part and parcel of mobile telephony rendering voice communication, by itself, incomplete. In

such an environment, data has become more important than voice. Based on market study and insights gained from trials carried out over a period longer than a year, commencing in August 2006, it was found that 3G UMTS standard - with a maximum data speed of 384 kbps is insufficient for experiencing video rich applications over the internet. In addition, the study also revealed that consumers desired to have high speed internet access from two or more locations; for example home, workplace and a third place such as a study area or holiday retreat etc., highlighting the fact that they demand both mobility and connectivity.

M3, the sub-brand for Mobitel's third generation services has brought to bear something, which is significant in realising fast evolving consumer's mobile communication needs. Accordingly, M3 was designed to deliver three distinct value propositions sought by the consumers; namely, the fastest data speeds, the fastest growing 'super-3.5G' network reaching all corners of the country and finally the fastest access to experiencing broadband services by ensuring that all existing Mobitel post-paid and pre-paid users being automatically M3 enabled. The launching of M3 is not merely a branding exercise - an attempt to sugar-coat an existing suite of services. It's a culmination of a great deal of work behind the screen - introducing a 'Super 3.5G' HSPA network, reorganising Mobitel around customer centricity, which paved the way for Mobitel in blazing a trail in the South Asian Telecommunications market.

Equipped with a king size packet core powered by full duplex High-Speed Packet Access (HSPA) technology, the

very latest 'super-3.5G' network bursts data at a staggering rate of up to 14.4 Mbps on downlink and up to 1.98 Mbps on uplink with the aid of High-Speed Downlink Packet Access (HSDPA) and High-Speed Uplink Packet Access (HSUPA) technologies respectively. Moreover, these technologies are capable of delivering much higher speeds of 20 Mbps and 12 Mbps on downlink and uplink respectively on subsequent evolutions. Collectively, these specifications exceed 3G services available in the Sri Lankan market. No other operator in Sri Lanka or for that matter in South Asia currently offers HSUPA. The difference is that the M3 service will enable lightening speed internet access as well as allow both the downloading and uploading of large files, such as email attachments in a considerably shorter time than on 2.5G or 3G platforms, helping mobile data users focus their time more on the content and less on the waiting. Thus positioning Mobitel's M3 services as the richest 'Super-3.5G' experience in the country. M3 service is hassle-free and cost effective with several options to choose from be it 3G handsets with USB cables, HSPA or HSDPA modems bundled with a variety of price plans starting from a mere Rs. 400 per month.

As the National Mobile Service Provider, Mobitel stepped up to take on the challenge to aggressively promote internet, the all important economic enabler by having 60% of population covered at the time of launch and eventually reaching the deepest corners of Sri Lanka. Apart from Mobile Broadband, Mobitel's M3 also offers a rich suite of 3G products like video calling, video messaging, mobile TV, Push Mail etc., driving customers to a chic lifestyle while delivering an unmatched mobile experience. M3's suite of products are designed to embrace the stylish mobile cultures with the flavours of 'social networking' such as facebook, youtube and the likes.

### FULFILLING CONSUMERS' NEEDS WANTS AND DREAMS

M3's video services such as Video Mail, Video SMS, Video Blogging and Mobile TV are made easily accessible via M3 video portal by merely making a video call to 555 yet another first in the region. Mobile TV service which is among the M3's prime offerings ensures true mobility to the TV viewers while 'M3-Journalist', another first in the region by Mobitel, the latest addition to M3 suite adds the 'broadcast-yourself' aspect which is in the boom in the most

developed countries. Thus M3 Journalist has truly upgraded the connectivity of the broadcaster and the viewer from one-way-communication to two-way-communication using advanced video telephony to bring out true interactive infotainment to the citizens of Sri Lanka.

Mobitel being the National Mobile Service Provider paid tribute to the motherland by introducing M-guide, another innovation for its inbound roamers and local Pre and Post Paid users, whereby they can obtain information on historical sites and places of cultural interest in Sri Lanka through their mobile phones at the ease of dialling a voice call to 888 and subsequently pressing the respective site code which is advertised on special sign boards on site.

In 2006, the Company re-launched its pre-paid services as SMART in an attempt to bring mobile calls within everyone's grasp. SMART continued to enjoy its popularity and showed tremendous growth well into the year under review reaching a subscriber base of 1.2 million at the end of 2007. Also several new features were introduced during the year. SMART Bonus-, which may be, cited as a first ever loyalty programme in the country introduced with the intention of enhancing the benefits offered to the customer. SMART Share is yet another novel concept whereby customers share their account balances with family and friends who too, are SMART pre-paid customers.

Mobitel's post-paid product offering, Double M incorporates a three-part tariff structure, which allows the Company to give the customer double the value for the amount spent. Several benefits and



Left to Right: Shoji Takahashi, Director - SLT & Mobitel; Wijesiri Ambawatta, Director - Mobitel; S.N. Kumar, Director - SLT & Mobitel; Asoka Weerasinghe de Silva, Chairman - Sri Lanka Telecom & Mobitel; B.L.N. Chandrasena, Directress - SLT & Mobitel; Mr. Suren J Amarasekera, CEO - Mobitel; Victor Wang, President - Huawei Technologies Asia Pacific

features were added to Double M with the option of adding supplementary lines to the main connection and free bundle of data.

### DISTRIBUTION

The Company was able to enter into a series of successful agreements with Sri Lanka Post; Singer Sri Lanka increased its own presence in SLT branches and regional offices in 2006. During the year, the Company was able to enhance its reach by increasing the number of branches and by the end of 2007 Mobitel has consolidated a formidable distribution system.

Mobitel undertook a major revamping of the corporate website, providing a range of services hitherto unavailable thus, enabling the customers realise the full potential of M3. The website serves as a catalogue of information on available services and devices and facilitates online shopping, thus effectively making it yet another distribution channel.

It was important to have a futuristic, yet homely atmosphere for people to try out and experience M3 services on their own. Thus Big-M flagship centre was reopened with a facelift and Experience Centre was opened at Excel World, realising the concept of bringing about that unique M3 experience whilst serving as the one-stop-shop for all the needs of our M3 customers, as well as for our existing GSM customer base. The extension of the experience centres to branch level is underway.

### AWARDS

Mobitel's philosophy of customer centricity and value innovation was well rewarded yet again in November 2007,

winning the award 'Mobile Operator with Best Consumer Pull - Sri Lanka,' presented at CEO Conclave 2007, The Sixth Voice and Data SAARC Innovation Awards, held in Nepal. This was the second consecutive year that Mobitel won this prestigious regional award based on consumer voice. Mobitel was awarded the 'Peoples' choice Award - Best Stall' at the award ceremony of the Techno 2007 Exhibition which is the country's premier engineering and technology exhibition, held in October 2007 organised by the Institution of Engineers Sri Lanka (IESL). The award yet again proves that Mobitel has become the network with best consumer pull.

### ROAD AHEAD

The ever decreasing prices of 3G terminal devices combined with the multitude of infotainment capabilities based on third generation is fast emerging as the future standard among the mobile operators the world over. Therefore Mobitel strongly believed that securing the leading position in third generation mobile telephony would pave the way for leadership in a future generic mobile market. In the absence of number portability, which allows the user to take the existing number across networks, requires a significant differential in its service offering to entice long-standing mobile users to join Mobitel's network. To establish Mobitel's differentiation in the market, it recreated itself with M3 and is on course to making a formidable impact at the top of the pyramid while reinforcing its position at the rest of the pyramid.

Mobitel with its M3 offering is aptly positioned to compliment its parent Company in comprehensively addressing the two distinct segments of

the broadband market, be it the fixed or mobile broadband and thereby playing an integral role in internet enabling the nation as a whole.

In marching forward, Mobitel expects a series of industrial challenges in the year ahead. New entrants and increased rivalry among the operators are likely to pose a threat to the Company, whilst increasing energy costs, interest costs and increased frequency charges may cause pressure on profit margin. Mobitel has enhanced its competitive position over the years in terms of its distribution, product suite and brand to face up to these challenges. Further, Mobitel has exercised defences in the absence of number portability and calling operator pay regime. Mobitel has already embarked on process innovation in all areas of operations to somewhat mitigate the challenges posed by macroeconomic factors.

Mobitel, being the national mobile service provider will strive to promote new paradigms such as e-governance and m-learning at national scale in order to uplift the country's economy through enabling new opportunities for the public using its infocom infrastructure.

In conclusion, it is noteworthy to mention here that the Company strives to live by the phrase coined by Sir Arthur C Clarke in 1960's 'Don't Commute-Communicate'. At a time the fuel prices are skyrocketing, Mobitel believes that the promotion of this concept is of national interest and considers the enhancing of communications facility as business opportunity. Further, the avoidance of unnecessary travel will help reduce pollution thereby supporting the green globe cause appreciably.