

Mobile services with handset bundling and governmental policies for competitive market



Dongsuk Kang^{a,1}, Min Jae Park^{b,*}, Duk Hee Lee^{a,*}, Jae Jeung Rho^a

^a Department of Business and Technology Management, Korea Advanced Institute of Science and Technology (KAIST), N22 Building, 291 Daehakro Yuseong-gu, Daejeon, South Korea

^b Department of Business Administration, a Seoul School of Integrated Sciences and Technologies (aSSIST) 46, Ewhayeodae 2-gil, Seodaemun-gu, Seoul, South Korea

ARTICLE INFO

Article history:

Received 13 November 2015

Received in revised form 18 December 2015

Accepted 1 April 2016

Available online 1 June 2016

Keywords:

Regulation

Service differentiation

Case study

MVNO

ICT

ABSTRACT

Governmental policies can significantly affect the social adoption of services offered by communication technology providers and competition between service providers. Following the implementation of several policies by the Korean government and mobile network operators' promotion of mobile handset bundling, consumer adoption rates of the latest mobile phone and communications services have been higher in Korea than in other countries. Mobile handset bundling provides consumers the bundled sale of mobile phones and services, but this practice can restrict consumers' choice of services and limit competition among service providers. This study analyses this ambivalent effect of bundling by mobile network operators (MNOs) and evaluates the outcomes of the Korean government policies (2011–14) using market statistics. Our results highlight that the policies have produced changes in market share but the government needs to promote service differentiation among providers.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

Governmental efforts on public policies can contribute to the social adoption of communications services and changes in their market structure, which affects the prices and benefits for consumers. During the Asian financial crisis (1997–1998), the Korean government promoted facility investment competition among communications service providers to achieve industrial breakthrough (Choudrie et al., 2003). The government also implemented several policies for the social utilization of information and communications technology (ICT) services through its support of consumer subsidies and civic literacy programmes for internet use (Choudrie et al., 2003). Under such strong policy support, Korean subscribers of wireless broadband services are much larger in number than those of other Organisation for Economic Co-operation and Development (OECD) member countries, and the number of users of wired broadband services are larger than the average number of users in OECD member countries in 2012 (Fig. 1).

Although Korea has high adoption rates of wired and wireless communications services, the average Korean's burden ratio of communications expenses to disposable income is 4.28% which was the highest among OECD member countries in 2011 (Fig. 2). Conversely, Mexico and Chile, among the countries which have low subscription rates of wired and wireless

* Corresponding authors.

E-mail addresses: anagamin@assist.ac.kr, paper2black@gmail.com (D. Kang), mjpark2@assist.ac.kr (M.J. Park), dukheelee@kaist.ac.kr (D.H. Lee), jjrho111@kaist.ac.kr (J.J. Rho).

¹ ORCID iD: <http://orcid.org/0000-0003-3249-3674>.

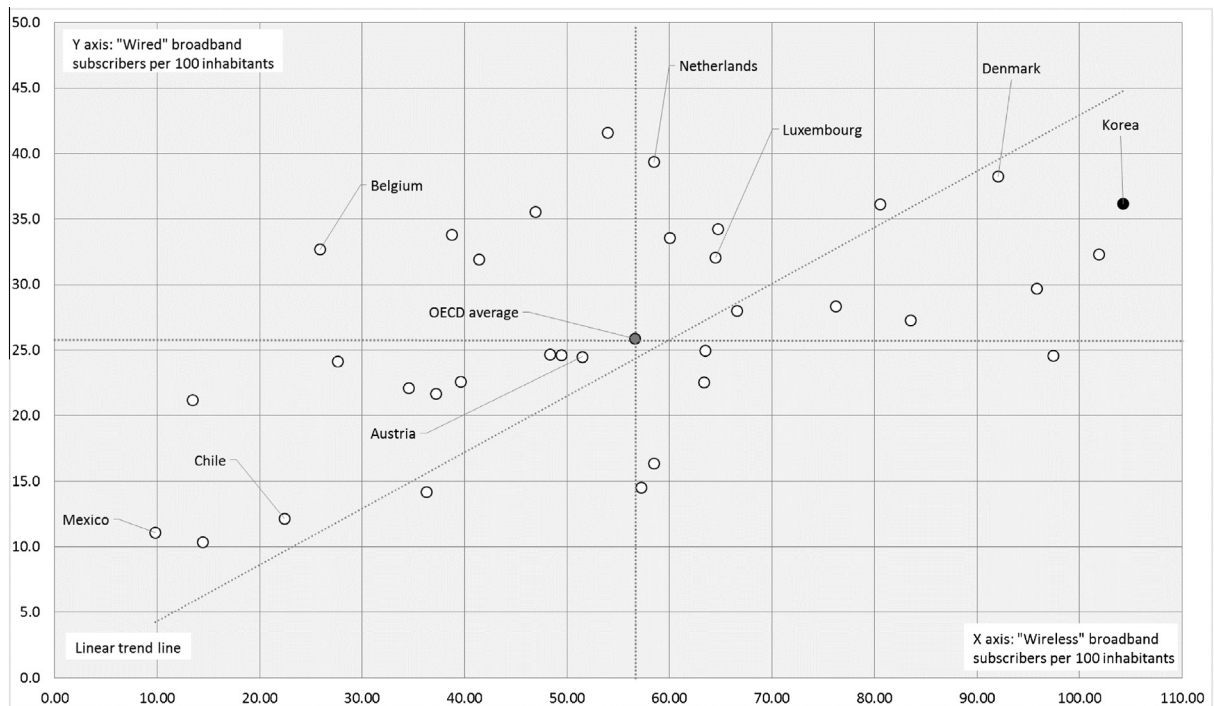


Fig. 1. Wireless and wired broadband subscribers per 100 inhabitants of OECD member countries (2012). Source: Outlined and edited from [OECD \(2013\)](#).

broadband services, have a civic burden ratio of 4.24% and 4.18% respectively, which are very similar to that of Korea ([Figs. 1 and 2](#)).

On the other cases, the civic burden ratios of the expenses in Denmark and Luxembourg are lowest (i.e., 1.71 and 1.70 percents) among those of OECD member countries, but their penetration rates of wired and wireless broadband services are close to those of Korea ([Figs. 1 and 2](#)). Concerning the facts that Korea has the higher penetration of a wireless broadband service than that of a wired service ([Fig. 1](#)) and its adoption rate of advanced mobile communications service of third-generation (3G) is 94.9% ([OECD, 2013](#)), the Korean tendencies of high utilization of mobile services and civic burden to communications expenses can have the relevance to the market characteristic of mobile handset bundling.

Mobile network operators' (MNOs) mobile handset bundling (hereafter "handset bundling") has ambivalent effects on supply and demand in the mobile telecommunications service market. Handset bundling is an MNO business strategy that offers a bundled sale of an MNO's mobile service and a phone to potential subscribers; it represents Korean subscribers' major consumption of mobile telecommunications services from MNOs ([KCC, 2011; KISDI, 2011](#)). The MNOs' handset bundling has contributed to the rapid diffusion of 3G mobile service in Korea ([OECD, 2013](#)).

However, bundling can have negative effects on consumers, such as higher consumer prices for both mobile phone and service usage in Korea than in other Organisation for Economic Co-operation and Development (OECD) member states ([KISDI, 2011](#)). The plausible relationships between MNOs' handset bundling and reduced consumer welfare can be closely associated with the market inefficiencies of restrained competition among MNOs.

The literature has examined bundling effects using economic modelling in a simplified market, but few studies have analysed the impact of bundling and practical government policies. Unlike previous theoretical expectations, wireless network operators (or carrier) can considerably influence the market structure of mobile services by strengthening their market position. Therefore, governments need to consider how to tune operators' market behaviour towards increasing producer competition and consumer welfare. The present study investigates MNOs' bundling influences in the Korean mobile service market and analyses the expected effects and results of relevant government policies. This research analyses the relationship between handset bundling and regulatory policies with reference to four factors affecting consumer welfare: new technology, new participants and market openness, service-device co-customization, and unbundling alternatives.

Relevant information on recent market responses and policy evaluations are measured using official statistics from the Organisation for Economic Co-operation and Development (OECD) and the Korean government. The case study can be an appropriate method for connecting qualitative information and observable statistics in order to establish integrated findings ([Yin, 2013](#)) from recent mobile market changes in Korea. This study pursues a single-case study method to analyse the latest market responses to government policies countering the effects of bundling by MNOs and evaluates their effects.

Download English Version:

<https://daneshyari.com/en/article/466929>

Download Persian Version:

<https://daneshyari.com/article/466929>

[Daneshyari.com](https://daneshyari.com)