TCL Response to Consultation Paper on Differential Pricing for Data Services

Question 1: Should the TSPs be allowed to have differential pricing for data usage for accessing different websites, applications or platforms?

TCL Response:

"Non-discrimination" as defined in Clause 2(k) of the TTO is that service provider shall not, in the matter of application of tariffs, discriminate between subscribers of the same class and such classification of subscriber shall not be arbitrary. Clause 10 of the TTO provides that no service provider shall, in any manner, discriminate between subscribers of the same class and such classification of subscribers shall not be arbitrary. The provisions of TTO (33rd Amendment) inter alia provides that whenever differential tariffs are offered, it shall be the responsibility of the operators to define in a transparent and unambiguous manner, the eligibility criteria for availing such differential tariff. It is our submission that the concerned stakeholders in terms of TTO are the end consumers and licensed TSP. If the licensed TSP is providing free internet connectivity for content of a particular Content Provider on the internet to all its customers in a non-discriminatory and transparent manner then the same would be permissible under the present tariff regime as well as under Section 11(2) of the TRAI Act. Content Providers, Application Service Providers, Platform service providers and licensed TSPs are all part of internet ecosystem value chain and each of them operate as per their commercial considerations and business plans. In our view there is no reason to treat sponsored data services or zero rating cases as discriminatory to the end consumers of the services provided no preferential network access to any content is provided at the cost of other content available on the internet ie no throttling of any content on the internet. Internet value chain is a classic case of two sided market players where each member of internet value chain interacts with the other as per its business considerations. Any intervention in respect of regulated TSP's tariff should be done only after a detailed study of internet eco-system and two sided market network impact on various players of the internet value chain.

Differential pricing for data usage for accessing different websites, applications or platforms should therefore be allowed.

This will enable:

- Consumers to pick and choose the pricing plan which suits their needs.
- Consumers to right-size their costs for internet access.
- Affordability to people who are unable to adopt internet access on the basis of general pricing plans.

Question 2: If differential pricing for data usage is permitted, what measures should be adopted to ensure that the principles of nondiscrimination, transparency, affordable internet access, competition and market entry and innovation are addressed?

TCL Response:

The following measures are recommended:

- There should always be a general pricing plan available to all consumers. This plan should provide the consumer with access to the internet without any differential price point for different content/destination.
- The differential pricing plans should be available in general to all consumers as an option.
- The differential pricing plan must clearly articulate the destinations/content that qualify for the differential rate and under what applicable terms and conditions. It must also clarify the applicable rate for all other destinations/content. For example, access to abcdef.com will be provided at Rs. @/MB but access to all other destinations will be provided at Rs. ^/MB where @ and ^ may or may not be different – this must be clarified upfront.
- The differential price point should not be higher than the price point of general pricing plan.
- TSP shall not intentionally throttle consumer's access to promote one destination/content (say X) over another (say Y) because the TSP has commercial/other arrangement with X.
- Traffic management, whenever required, must be done fairly for all retail consumers and for reasonable reasons such as to cure or prevent network congestion that damages the network for all users, network protection, legal/regulatory compliance, data caps etc.

Question 3. Are there alternative methods/technologies/business models, other than differentiated tariff plans, available to achieve the objective of providing free internet access to the consumers? If yes, please suggest/describe these methods/technologies/business models. Also, describe the potential benefits and disadvantages associated with such methods/technologies/business models?

TCL Response:

New methods/technologies/business models may evolve as the consumer market develops and matures both in terms of population penetration and sophistication of consumers in terms of specific needs.

Question-4: Is there any other issue that should be considered in the present consultation on differential pricing for data services?

TCL Response:

The power of the Internet has redefined the global economy for the 21st Century. As of 2015, over 3.2 billion people around the world were connected of which 2 billion are from developing countries with India having figure of 242 million. The corresponding boom in Internet based retailers, news and information providers, and online entertainment and video companies has been just as impressive. Businesses go where the customers are, and increasingly the customers are online or mobile.

Unfortunately, the online revolution is lagging in many of the least developed parts of the world. For every Internet user in the developed world there are 2 in the developing world. However, 4 billion people from developing countries remain offline, representing 2/3 of the population residing in developing countries Consider that as of 2014, fewer than 30 percent of Africa's 1.1 billion population used the Internet. At the same time, relatively few African businesses have participated in the Internet business boom. Less than one percent of all existing domain name registrations in 2013 originated from Africa, meaning African-based businesses have very little local or global presence on the internet.

The problems are multiple. Building a broadband infrastructure to all homes, especially in rural areas, is too costly for many low-income countries. And mobile broadband service, while more broadly available, is also relatively expensive to provide and high-priced compared to incomes. As a result, broadband markets are limited in many poor and developing areas. In 2013, for example, there were 20 mobile broadband subscriptions per 100 people in the Philippines, and just three for every 100 people in Kenya.

At the same time, a low level of connectedness keeps the local Internet ecosystems stunted. Entrepreneurs are unwilling to start new Internet based businesses because there aren't enough customers online. Conversely, without local Internet-based businesses providing relevant information, content, and services, potential customers have less incentive to invest in expensive data plans for their smart phones.

Consider the obstacles facing a potential local business that would collect agricultural prices across a poor country, and post them online. Such Internet businesses have increasing returns to scale—expensive to collect the information in the first place, but relatively cheap to provide it to more and more customers. That means such a business—which would be very beneficial to farmers—is far easier to start and far more profitable if the pool of potential customers is large. But if the pool of potential customers is small, the business may never get started, and there will be even less reason for poor mobile phone users to buy a data plan.

Toll-free telephone calls are a well-known concept: customers can contact businesses free of charge, while the company receiving the call covers the communication costs. In today's highly mobile, data-driven world, consumers everywhere place a high value on the time-saving and money-saving facilities mobile data technologies allow. This is especially true in emerging markets, where a mobile phone is often the only "connected" device they own.

With these valuable benefits in mind, Bradesco, one of Brazil's top retail banks, launched "Acesso Grátis Bradesco Celular" in March 2014, enabling clients to access their bank accounts from their smartphones without using up their mobile data caps. By sponsoring clients' mobile-banking data use, Bradesco was able to shift more of its client's interactions to Internet-based self-service and dramatically reduce cost per transaction, since mobile banking is significantly less costly than any other banking channel. At the same time, it increased customer engagement, as clients now execute many more transactions through mobile banking than any other channel.

Indeed, one year after launching its Sponsored Data offer, Bradesco mobile banking users have more than doubled, and transactions over the mobile channel have quadrupled. From practically non-existent in 2010, mobile has become Bradesco's second-most used access channel and is likely to become the foremost one as mobile service usage grows.

The results of Bradesco's case are also particularly impressive since 75% of mobile users in Brazil are on prepaid plans and consume very little, if any, mobile data on a regular basis. Consequently, their broad adoption of this service is remarkable, and the impact that "1-800 Data" can have on other consumer and citizen-facing services promises to be disruptive.

Moreover, the customer support cost savings and goodwill achieved by Bradesco are completely transferrable across industries, making its experience an iconic success strategy for others to follow. For businesses and governments in general, the benefits offered by mobile technology are clear. By allowing their customers, employees, partners and citizens to gain anytime/anywhere access to compelling mobile services, Sponsored Data helps these firms improve productivity, lower operational costs, create new revenue opportunities, and increase customer satisfaction and engagement. As a result, these firms should expeditiously contact wireless operators for help deploying relevant Sponsored Data services and seizing these gains.

With Sponsored Data, third parties can provide end users mobile data access free of charge in exchange for (i) engaging with their brand, (ii) purchasing something, and (iii) interacting through a more economical service channel or other engagements. It may also be used not only by businesses, but also by governments to encourage users to access valuable information and basic services. There are many different ways to create value with Sponsored Data services:

• Customer service: With the growing trend toward online self-help, sponsoring mobile access to customer service can help companies significantly reduce costs with contact center services, as well as improve customer experience. Toll-free mobile data service also complements toll-free contact center services, which often block calls from mobile phones and are overloaded by high demand.

• Websites: Sponsoring access can be a great way to drive traffic to a website—whether to induce e-commerce transactions or promote ad-driven models, such as in the case of editorial content providers looking to boost mobile ad revenues. For Mobile Commerce websites, sponsoring mobile data is especially attractive as it encourages consumers to browse and purchase on the go, and can also be used as a reward for purchasing a product.

• Mobile marketing: A common application for Sponsored Data is offering consumers free Internet access for viewing advertisements or brand information such as instructional videos. Companies may also offer users free Internet as a reward for viewing an ad or engaging with the brand on social networks.

• Digital content delivery: Digital content can result in significant data consumption. By subsidizing mobile data costs for consumers (and possibly including them in subscription fees), digital content providers ranging from newspapers and magazines, to e-books, games, music and video streaming services, can drive adoption among consumers who might otherwise find the access cost prohibitive.

• Hardware vendors: Selling Internet-ready devices with bundled data can be a great way to differentiate a product with complementary services. For devices attached to a specific service, such as Connected Home and remote healthcare monitoring applications, Sponsored Data encourages service adoption, without which the hardware has little use, creating a new revenue stream for manufacturers.

• App developer: For app developers, sponsoring the data to download and use the app for the first few times can stimulate adoption of a new product. Moreover, since developers are getting paid for the content, it may be viable and prudent for them to pay for content download on an ongoing basis. A Sponsored Data offer can also be an excellent marketing strategy, aiding discovery through positive word of mouth.

• In-company use: Companies with many remote workers can reduce the cost of supplying employees with a mobile service and boost field force productivity by sponsoring access to tools such as productivity apps and the company website and Intranet.

In all these applications, businesses are looking to increase the efficiency of their operations by offering mobile based services. Sponsored Data provides these businesses with a tool for driving the adoption of their mobile based services, which significantly improves customer satisfaction without demanding a large investment of money, time or effort.

For businesses and government overall, the benefits of Sponsored Data are clear. By allowing their customers, employees, partners and citizens to gain anytime/anywhere access to compelling mobile services, it helps these firms improve productivity, lower operational costs, create new revenue opportunities, and increase customer satisfaction and engagement.

Source : Frost and Sullivan White Paper on "Sponsored Data: Connecting the Unconnected"