

**DEJAN TRIFUNOVIC**

University of Belgrade, Faculty of Economics, Serbia

**DJORDJE MITROVIC**

University of Belgrade, Faculty of Economics, Serbia

## **THE IMPACT OF MOBILE PHONE NUMBER PORTABILITY ON POST-PAID AND PRE-PAID USERS**

### **Abstract:**

The change of mobile operator imposes switching costs to the user who changes network. The most important part of switching costs stems from the fact that user needs to inform all his contacts about his new number in other network. Therefore, the objective of mobile phone number portability (MPNP) is to reduce switching costs by permitting to user to keep his previous number in new network. The effect of this policy depends on operator's pricing strategies. One possible pricing strategy for operator is to use two-part tariffs when small subscription fee is charged and user also pays per minute price that is higher for off-net than for on-net calls. In that environment MPNP might be anti-competitive since users of small network might decide to join large network in order to benefit from on-net discount that stems from cheaper on-net calls.

In our model there are two asymmetric operators in the market: large and small. We will analyse the effect of MPNP on post-paid and pre-paid users when operators don't use two-part tariffs and we assume that post-paid users pay only fixed subscription fee that depends on the number of minutes included in the package. With this flat pricing strategy, MPNP has pro-competitive effect in the post-paid market segment and it increases the market share of small operator. The pricing strategy of operators in the pre-paid market segment is such that users are not charged subscription fee, but they are faced with price discrimination in the form of higher prices for off-net calls. We have the similar result in this environment like in the case of two-part tariffs: MPNP is not (at the best) pro-competitive and it can not help to small operator to gain market share in the pre-paid market. This policy can only be pro-competitive if it is accompanied with asymmetric access charges, such that the access charge for small operator is lower than the access charge for large operator.

### **Keywords:**

network externalities, number portability, switching costs, post-paid users, pre-paid users.

**JEL Classification:** L14, L96