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## Value for the money: Mexico telecoms compete

Oct 14, 2014 9:30pm by Jude Webber

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Several times in the past couple of weeks, your correspondent has been called up by Movistar, the Mexican mobile unit of Spanish firm Telefónica, urging her to switch phone service providers.

That could be a smart move, according to new research by Tarifica, a specialised telecoms pricing consultancy that monitors

312 mobile phone companies in 85 countries. No. 2 player Movistar comes out on top in Mexico in value-for-money terms, well above dominant market player Telcel, owned by tycoon Carlos Slim, which has a reputation for offering the best nationwide coverage but at higher cost and with poor customer service.

Tarifica uses algorithms to cut through the marketing mumbo jumbo spouted by mobile phone operators in the bewildering array of plans offered to customers. Orange in France, for instance, offers a whopping 350 different plans, Tarifica says. Many consumers struggle to evaluate whether more minutes is better than more coverage or more internet availability trumps more messages.

Tarifica crunches all those numbers with the aim of evaluating which plans offer the best value for money. The firm says it offers clients “independent, objective [and] mathematical” comparisons, worked out after comparing all aspects of each mobile plan, including how much data the user has to surf the internet, geographic coverage, data speeds, SMS messages allowed, and special promotions. It then weighs them against the total cost of the plan to determine consumer value on a score based from 0 (rubbish) to 100 (top).

In Mexico, where Telcel has some 70 per cent of the mobile phone market, first place goes to Telefonica, according to Tarifica’s analysis. Telefonica’s best plan scores the magic 100, compared with just 43 for Telcel. As Melissa Mascarenhas, Tarifica’s Mexico analyst, said: “The differences in score values are dramatic.”

She adds:

*Movistar's four 'without phone' plans score best of all plans in that category primarily because it offers the largest data volumes and best download speeds of all operators in the market. Those factors, combined with its reasonably good coverage, make its plans the most attractive for consumers. In contrast, Telcel's plans are the most unattractive in both the with-phone and without-phone categories. This is mainly due to its high prices, but its relatively slow speeds and limitation on use of included minutes to Mexico only also weigh down its scores*

How does No. 3 carrier Iusacell fare? Iusacell is now fully owned by Grupo Azteca boss Ricardo Salinas after Televisa, the Mexican television giant, sold out a month ago, though Salinas is now shopping around for a strategic partner. (There are rumours in Mexico City that it could be Verizon, a potentially ironic move: Verizon and Vodafone sold to Salinas in 2003 at a knockdown price of \$10m plus debt, after investing \$1bn each. Verizon spokesman Bob Varettoni told beyondbrics: "It is not true that Verizon is close to signing... to become Iusacell's strategic partner. We decline any further comment.")

Iusacell fares not so badly, Tarifica reckons, despite worse geographical coverage and speed: Its best plan scores "a respectable 78". Why? Because it has "significantly higher data volumes and more reasonable prices", Tarifica says.

In addition:

*Iusacell and Movistar allow customers to use their included minutes to call both the US and Canada, another factor that adds value to their scores*

Among plans that come with a phone, Iusacell trumps Telcel by 100 to 37. Movistar does not offer any plans that come with a phone.

Understanding the real value of offers matters too – as a way of boosting competition by spelling out (to companies, as well as consumers) how plans could become more market-friendly, and how that could spark a "cascade effect" of other players adjusting their plans to compete more effectively with top plans.

Take the case of Cell C in South Africa. It offered customers 8GB of data access – but the fine print revealed that half of that had to be used after midnight. Had they changed that, the plan could have leaped from fifth place to first or second, Tarifica says.

In Mexico, the takeaway from all this is: Movistar should expand coverage, pronto.

Will Watts, Tarifica programme manager, told beyondbrics: "If I were Movistar, I'd be really focused on expanding my coverage. It's easier for Telcel to change offers and lower prices and offer more data than it is for Movistar to expand. And the only way for Movistar and Iusacell to compete is via coverage."

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