



Overcoming barriers to internet usage in Bangladesh

Erlend Prestgard, CSO Grameenphone



Although low-income, Bangladesh is a country of strong growth and an exceptionally young population

Country overview

- Population: 166 million
- 51% of population < 25 years
- GDP per capita of USD 752
- GDP growth ~6%

Telecom market

- Real mobile penetration ~44%
- 5-player mobile market
- Fixed internet penetration <5%



Grameenphone is a strong and profitable market leader in Bangladesh

Subscriptions

49 m

subscribers Q1 2014



Market share

~48%

revenue market share



EBITDA margin

53.7%

Q1 2014



Revenues

USD 1.2 bn

2013



ARPU

USD 2.1

Q1 2014



Distribution network

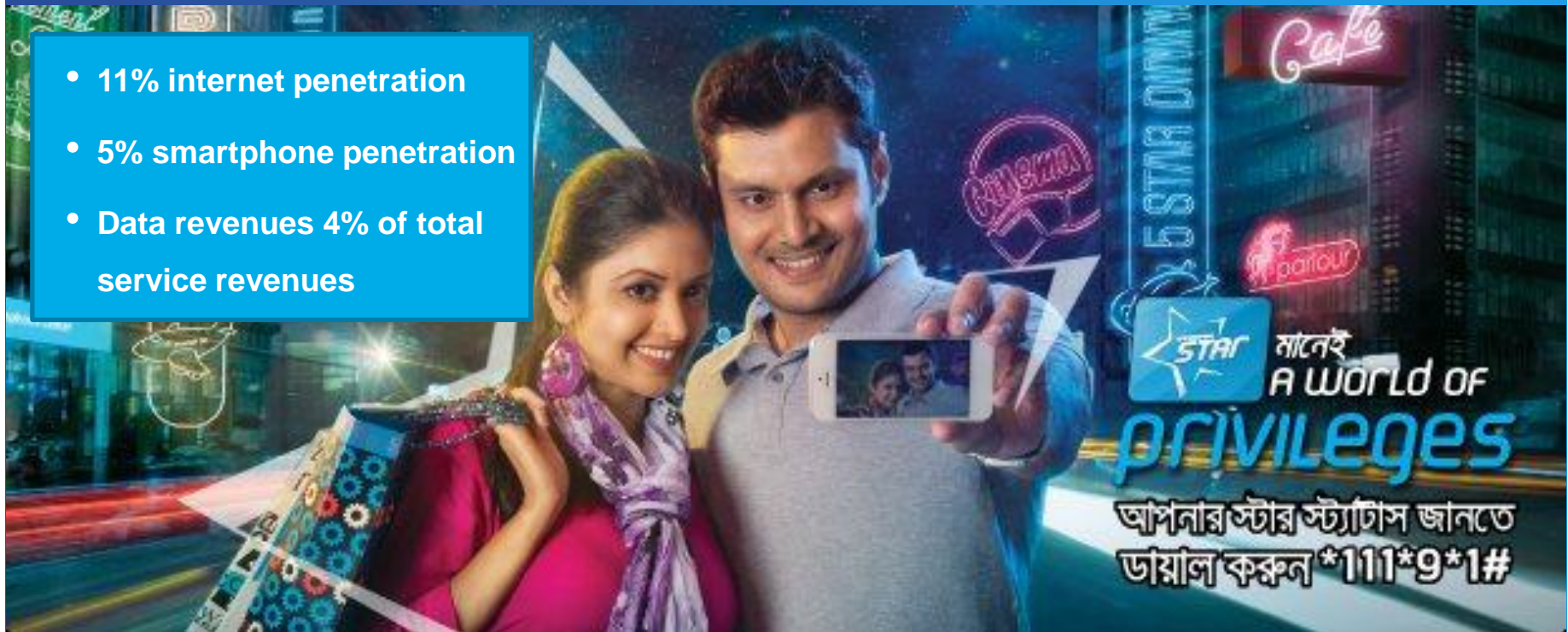
600k

points of sale



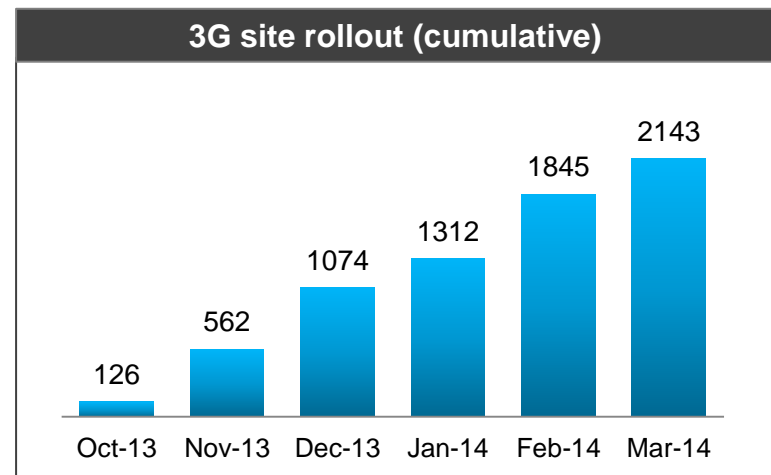
Internet is still an “elite” phenomena in Bangladesh

- 11% internet penetration
- 5% smartphone penetration
- Data revenues 4% of total service revenues

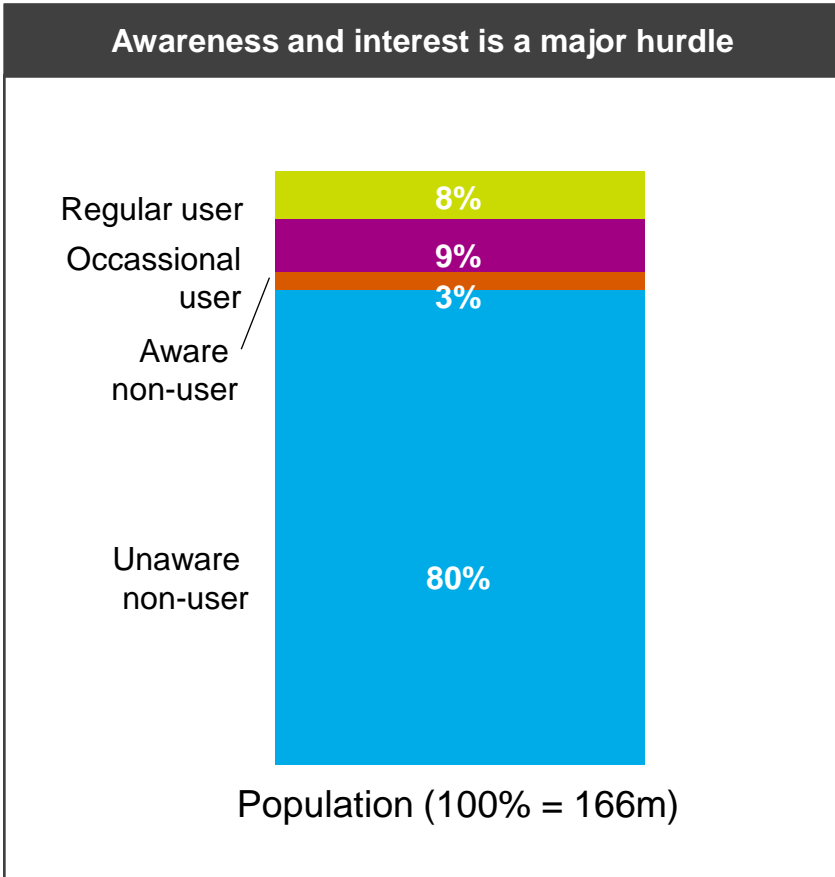


Grameenphone's infrastructure for data is now in place, ready to drive data growth...

- 2G coverage of ~99% of population
- 3G spectrum acquired in September 2013 with commercial launch in October
- All 64 districts headquarters covered by 3G six months after launch
- 3G coverage of ~40% of population
- 3G coverage of about 2/3 of 3G handsets



...but driving this growth requires that we help the country overcome a few major hurdles



Data enabled devices are still relatively expensive

BDT 1,500 (USD 20)

BDT 960 (USD 12)

We work actively on awareness, but educating a country of this size is a real challenge

Traditional marketing



Distribution network



I-Gen



Working with official stakeholders



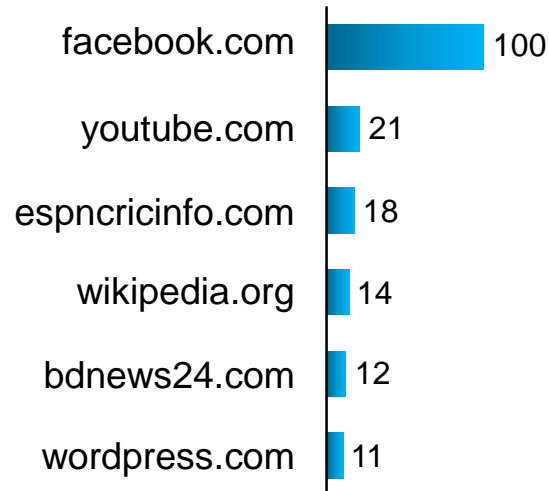
Relevance of content is a big part of creating awareness and interest – local content category largely missing

Facebook is also in Bangladesh the biggest utility



~80% of regular users

Video, news, sports information and blogs follow



Literacy remains an issue



40-60% are not literate enough to read facebook

We also try to create relevance through bringing partner content to market – but it is still early days



BDT 1/ BDT 5 video



Videodoctor



Music streaming



Entertainment portal

More than 50% of population don't have a basic handset, an internet-enabled one is even more challenging

Pushing data enabled handsets down in price



BDT 800/USD 11, unbranded Chinese

BDT 1,000/USD 13, local basic, strong brand



BDT 1,500/USD 15, Edge+Java, good local

BDT 4,000/USD 53, low-end 3G smartphone



BDT 6,500/USD 87, most selling smartphone

BDT 20,000/USD 267 high-end local

Overall internet handset base growth is a challenge, but quality is increasing

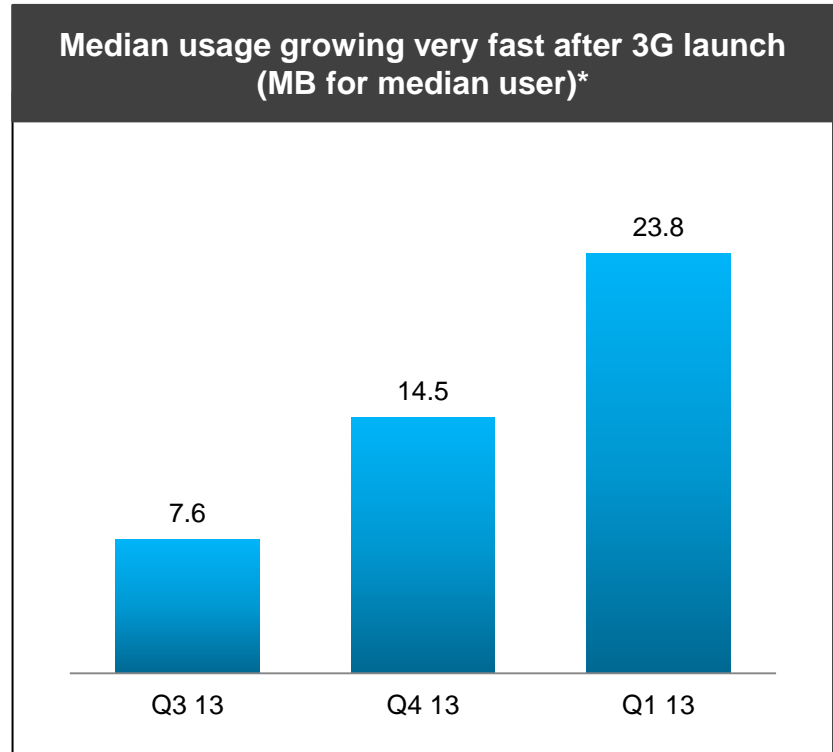
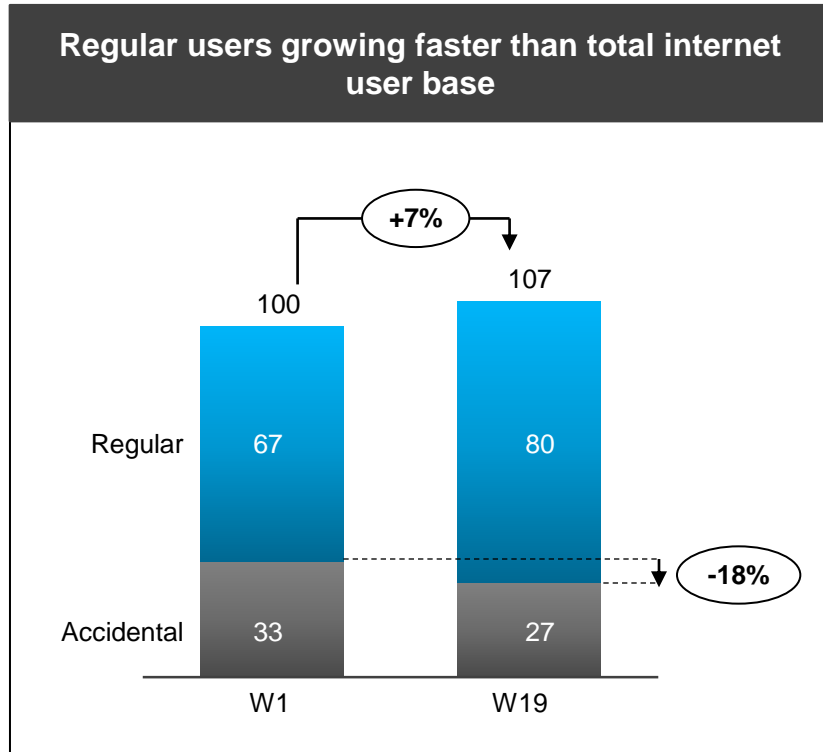
<u>Device type</u>	<u>Growth Sep 13-Mar 14</u>
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Basic	7%
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Internet enabled	3%
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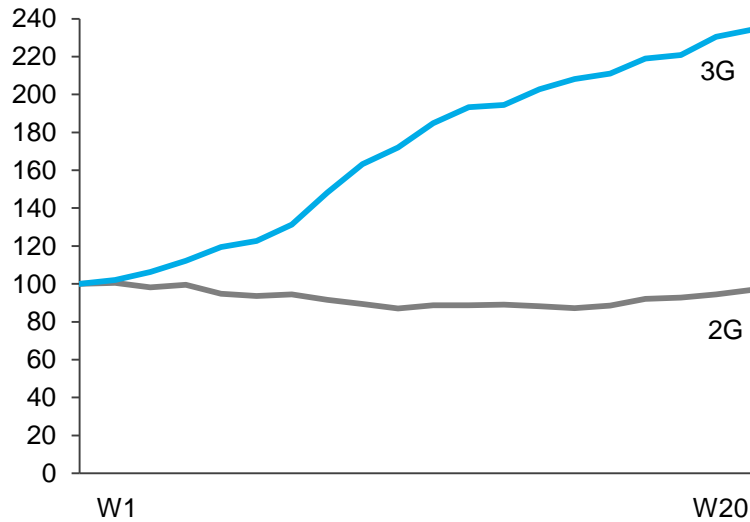
Smartphone	43%
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Data usage is growing fast, but more as a function of increasing average usage than growing user base



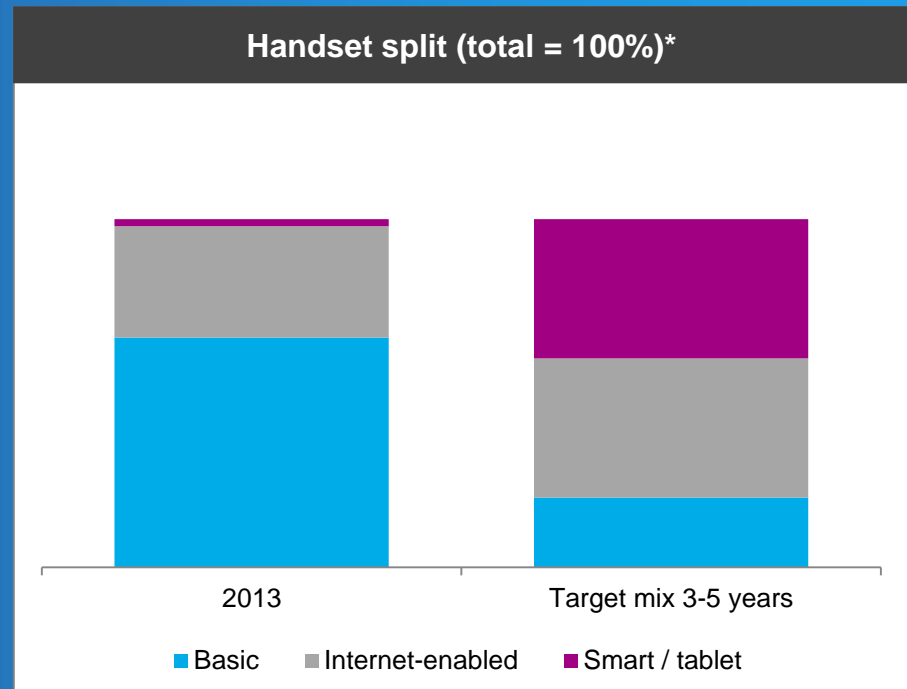
2G data users remaining roughly stable, while 3G comes in addition

Simultaneous users, busy hour
Indexed to 100 from 1 Jan 2014



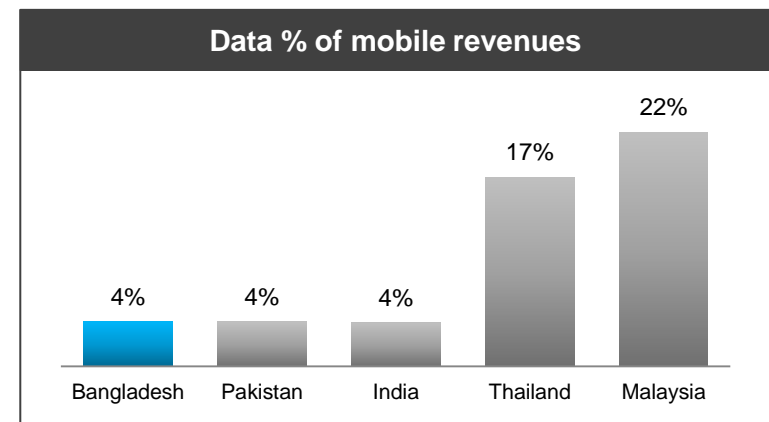
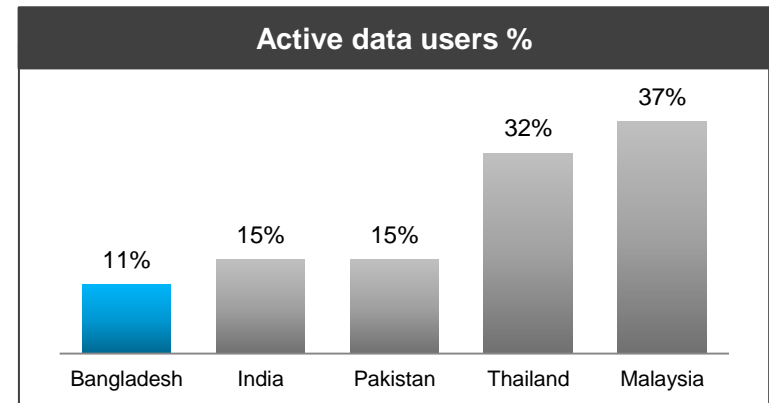
Affordable internet-enabled handsets necessary to drive mass-market internet usage

- The smartphone market will “take care of itself”
- Grameenphone to keep driving internet-enabled handsets
- Internet-enabled handsets at USD 12-13 will kickstart growth



Data will grow fast, but exactly how fast is a big question

- Strong macro factors in our favour
 - Strong economic growth
 - Young population
 - Handset prices coming down
 - Network present and available
- History shows that it is possible to make connectivity affordable
- Ambition to very quickly catch up to Thailand/Malaysia levels
- Penetration levels to increase in parallel with continued strong customer growth



Summary

- Internet is still an “elite” phenomena in Bangladesh
- Devices, awareness and affordability need to work in unison
- Grameenphone has a clear and strong ambition to drive the market
- Ambition to very quickly catch up to Thailand/Malaysia penetration levels





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