PRISM

Policy Research on International Services and Manufacturing

# SCHOOL OF ECONOMICS

## SEMINAR

**The Impact of Mobile Number Portability on Demand Price Elasticities in Sub-Saharan African Countries**

by

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Friday 2 June 2017 at 13h00 in the Seminar Room (4th floor), School of Economics.

A light lunch will be provided in the staff lounge from 12h30.

Onkonkame Mothobi recently submitted his PhD in the School of Economics. He is currently working as a senior researcher at Research ICT Africa (RIA).

Abstract

This paper examines the effect of mobile number portability (MNP) on own- and cross-price elasticities. Using quarterly data for 27 mobile operators in seven Sub-Saharan Africa countries between 2010Q4 to 2014Q4 to estimate a differentiated products demand model, we find that MNP increased own-price elasticities of demand in countries that have implemented the facility. This increase in price elasticities may be a result of a reduction in switching costs between operators. On average, the introduction of MNP increases own-price elasticities by 0.47 in absolute value. We compare the level of price elasticities before and after the implementation of MNP in Ghana and Kenya, which implemented this policy in the time period of our study. Our results suggest that in Ghana, MNP increased own-price elasticities by an average of 0.35 in absolute terms from an average value across firms and over time of -0.74. In Kenya, the introduction of MNP increased own-price elasticities by an average of 0.21 in absolute terms from a lower average value across firms and over time of -0.39. However, we find that in Kenya and Ghana the average own-price elasticities remained small even after the implementation of MNP relative to other countries without MNP in place.

Thus, our results suggest that MNP is not the ultimate solution for increasing competitiveness within the mobile industry. On average markups are 53%, 42%,62% and 58% for Botswana, Mozambique, Nigeria and South Africa, respectively.