



## Bridging the cellular divide

**Since 2003, one sector in Pakistan has seen more than eight billion dollars in investment, an increase in its customer base to 52 per cent of the population from just five per cent, has contributed to some five per cent of the country’s GDP, and been responsible for the creation of up to a million jobs.**

“This is the next wave of change. The mobile revolution created a phenomenal increase in productivity – they say five per cent of GDP was added on because of this. I believe broadband is going to take Pakistan into a whole new dimension: a leap-frog opportunity,” says Zamindar. Pakistan’s telecommunications sector has, in the span of just five years, seen mobile phone subscriptions increase to 86 million from one million. In a population of 165 million, where only 4.5 million people have fixed-line telephones, the rapid expansion of the cellular market has been nothing short of a telecoms revolution.

**Naeem Zamindar**, INSEAD alum and Vice President of Strategic Planning and Business Development at Mobilink, Pakistan’s largest telecom service provider, points to a number of factors that came together around 2002 to create an opportunity to tap the huge potential of the Pakistani market and fill the telecoms gap.

Deregulation of the sector provided a clear framework for the technological innovations that allowed for what Zamindar refers to as a “mass market opportunity.”

“Postpaid made it very difficult to operate -- with

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billing, managing credit limits, etc. – in a country where the legal infrastructure is still not very sophisticated ... Prepaid technology made it very simple to operate. And also CPP (Calling Party Pays) made it very easy for the user to understand. People were afraid of getting charged for calls when they didn’t know who it was. Here they knew that every call they made was in their control ... And that was the turning point.”

Realising that this technology provided a huge opportunity in this market, Mobilink moved forward aggressively. “You’ve got to make it affordable and useful enough and easy to access. That’s what we did. We built a humongous distribution network. We outsourced a lot of that stuff – distribution was outsourced to franchisees; network build-out was outsourced to build-out guys. So we started scaling up very quickly. We invested a lot of money in the brand. And suddenly, there was a phenomenon of mass-market adoption, and inflection point happened.”

### Wireless broadband: "a leap-frog opportunity"

While use of cellular phones in Pakistan has exploded, internet usage has lagged behind. Of the 12 million internet users, only 128,000 use broadband. The majority are still using dial-up. With a population of 165 million people, and new wireless technologies reducing dependence on unpredictable fixed lines, Pakistan is on the brink of another potential revolution – wireless broadband. **Wateen Telecom**, a key competitor of **Mobilink**, has already rolled out **WiMAX**, a wireless data transmission technology in 22 cities across Pakistan, making it the largest fully functional **WiMAX** network in the world.

As with the expansion of the cellular market, **Zamindar** says it needs to be both affordable and useful for it to become mass market. **Mobilink** aims to build upon its extensive distribution network of 200,000 points of sale and the prepaid technology that facilitated the cellular boom to build an online portal of value to Pakistanis – creating employment, educational and e-commerce opportunities. "There's no localised content, there's no localised e-commerce capability, and I see that's where the opportunity is ... We're trying to develop the eco-system to make it useful, because when that starts happening, that's when people find the internet a useful place to do things other than just email and chat."

**Mobilink's** success attracted other firms to the market, resulting in six large, foreign-owned firms dominating the market. This has been in line with what **Suleman Khan**, Manager of Organizational Development at **Mobilink**, says is the strategy of Egyptian parent company, **Orascom**. "Their business model has always revolved around going into a third-world country with a lot of potential, but no competition."

Pakistan is now a highly price-competitive market, with some of the cheapest rates in the world; with some international phone calls costing less than a cent a minute. **Mobilink** alone continues to sell 4,200 SIM cards an hour.

The success of Pakistan's telecom sector has been heralded as a model for the markets in other developing countries. According to **Zamindar**, "Pakistan has played a key role in the telecom industry in this region. The [**Mobilink**] team from the early days has gone all over the world. In the Middle East, Iran, Afghanistan – they've gone and built companies out there."

The sector continues to be of huge importance to the Pakistani economy. At \$1.8 billion, the telecom sector accounted for just over a third of the country's foreign direct investment last year and contributed some \$13 million in taxes, a 30 per cent increase from the year before. Last year also saw the revenues of telecom companies cross the three billion dollar mark.

While growth in the sector continues, it is slowing down as network coverage to more remote parts of the country – accounting for about 30 per cent of the population – is still being established. **Mobilink**, and other telecom providers, are already looking to the next 'revolution' – wireless broadband.

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