

At A Glance

Market Analysis & Strategy In The Communications Industry

Our Practice

NERA's experts have an almost unrivaled knowledge of the economics of communications markets, gained from practical, comprehensive industry experience at communications firms, academic and research institutions, and regulatory agencies. We work closely with industry experts, and draw additional support from colleagues in other parts of the firm and from leading academic institutions. Clients needing strategic advice on market demand, cost, pricing and competitive strategy frequently turn to NERA. We have earned an outstanding reputation for compelling quantitative analysis, persuasive testimony, and skill under cross-examination.

Our Focus

As new technologies and competitive market structures transform their industry around the world, communications firms face expanding challenges and opportunities. Issues of entry into new markets and market power have now joined decades-old issues of costs, demand and rates. The tools and insights of microeconomics are critical to address these issues. NERA is a key participant in the important regulatory, legislative and competitive issues inherent in today's communications industry. We advise governments on the setting of auctions for spectrum allocation and work with bidders to design and execute winning strategies. We advise companies on the competitive impact of mergers on market power as well as on product strategies and pricing. We also advise governments worldwide on privatization, market mechanisms and the design of regulatory regimes.

Succeeding in New Market Structures

The Telecommunications Act of 1996 in the United States and similar initiatives in other countries have opened the door to competition in markets where it was previously unknown. NERA's economic expertise, in the form of research and strategic advice, help companies capitalize on the opportunities created by these changes.

Markets opened to competition present consumers and producers with new choices. Using sophisticated quantitative

survey research and econometric choice models, our experts estimate how consumers will choose among different service/price/carrier configurations. We use quantitative techniques to understand price elasticities of demand, first-purchase and repeat-purchase behavior, new service diffusion, and market segmentation. Our quantitative models help clients decide which products to roll out and when, what technology to use, and what cash flow to expect.

New Products and Markets

NERA has some of the world's leading experts on demand analysis. They employ quantitative and econometric techniques to forecast telecommunications demand, analyze the effects of competitive and regulatory variables on consumer choice, and design optimal tariffs. Some of the leading edge survey techniques that reveal complicated consumer choices have been developed at NERA. These techniques help competitive firms make pricing and production decisions, select new geographic markets for entry, and identify the most promising areas for their bids. We help regulators and public policy-makers monitor the impacts of specific policies and changes in market conditions, and train them in the legitimate uses of price discrimination, second-best pricing techniques in the presence of market distortions, and the design of cost-causative prices for telecommunications services.

Auctions of Bandwidth Property Rights

Worldwide, auctions now create competitive markets for the distribution of valuable licenses and other communications

assets. Governments use simultaneous multiple-round auctions to allocate rights to segments of the electromagnetic spectrum. Complicated and risky, these auctions send executives to “war rooms” to monitor the bidding and make billion-dollar decisions on the spot. NERA advisers accompany these executives, offering insight into the value of licenses, the business sense of new bids, the timing and size of bids, and the right moments to hold or fold in this high-stakes game.

Litigation and Damage Claims

As telecommunications markets become increasingly competitive and attract firms operating under a variety of business models, damage claims (based on alleged fraud, anti-competitive behavior, or other forms of interference) and related litigation become more frequent. NERA helps to either formulate or deconstruct damage claims, specifically by making fine-tuned forecasts of lost profits or sales under alternative scenarios. In this respect, NERA’s experts rely on sophisticated econometric techniques and counsel their clients on causation premises underlying damage claims.

Risk Management: Managing Diverse Strategic Risks and Real Options

The convergence of many electronic modes of communication into a single system creates enormous risks for the companies involved. Large capital expenditures now occur in environments in which traditional accounting methods are no longer adequate. Using advanced financial tools like real options techniques, we give clients state-of-the-art criteria to reliably value and make decisions about multiple diverse contingencies that involve variable discount rates and risks over time. NERA offers expertise to decompose complex financial, hazard and business risks, and to identify relationships among those sources of risk.

Client Experience

Argentina: Provided advice on restructuring of telecommunications regulation, developed tariff options, and analyzed their impacts on customer groups, economic efficiency, telephone penetration, and competition

Ireland: Evaluated investment appraisal methods and procedures used by Telecom Eireann

New Zealand: Analyzed the competitive effects of proposed acquisition of a satellite pay television company by a dominant telephone company

Peru: Analyzed different tariff options for OSIPTEL, including a one-minute unit charge Slovakia and Czech Republic: Designed, established and provided training in an investment appraisal procedure

South Korea: Constructed a LRIC interconnection model for pricing by KTF in South Korea’s mobile market

Spain: Modeled the impact of competition on Telefonica’s profits and cash flows under alternative price structures

UK: Forecasted the development of the UK telecommunications market and the market shares of different entrants

US: Applied ordered choice models based on survey data to determine price elasticities and consumer preferences for various services provided by Verizon

Our Latest Thinking

“Mobile Virtual Network Operators: Blessing or Curse? An Economic Evaluation of the MVNO Relationship with Mobile Network Operators”

“Imputation Tests for Bundled Services”

“Drivers of Demand Growth for Mobile Telecommunications Services: Evidence from International Panel Data”

“Some Aspects of the Spanish Telecommunications Market”

“Telecommunications Privatization and Tariff Rebalancing: Evidence from Latin America”

About NERA

NERA Economic Consulting (www.nera.com) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA’s economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world’s leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

Contact

Dr. Christian Dippon

Managing Director

Co-Chair, Communications, Media, and Internet Practice

+1 202 466 9270

christian.dippon@nera.com