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**“Reducing Consumer Switching Costs with Technology Portability:
Evidence of Market Competition in the Global Wireless Industry”**

Abstract

This paper studies the effect of a consumer-friendly policy (i.e., Mobile Number Portability or MNP) on market competition in the global wireless telecom industry. To promote competition, the policy intends to reduce consumer switching costs and even the playing field for small firms, but its actual consequences are unclear. We construct an asymmetric duopoly model in which switching costs are heterogeneous across customer segments. The model predicts that the overall market share of the large firm will decrease, while its average price may increase; the effect on the small firm is the opposite. We test these predictions empirically by analyzing panel data of 218 wireless operators in 52 countries over six years. We find relative market share gains for small firms under MNP. Yet, large firms still manage to sustain a higher average price than smaller firms. We call these two contrasting findings “market share convergence” and “price divergence.” By examining customer base composition, we find that large firms are able to retain higher-value contract subscribers while small firms tend to attract lower-value “pay-as-you-go” subscribers. Contrary to popular belief, even with MNP, large firms continue to dominate. Using MNP as a natural experiment, our study provides insights into pro-consumer portability policies in markets with switching costs, and whether they achieve intended outcomes to promote competition. Such findings also help firms better design their marketing strategies to retain the right kind of customers, especially in the face of reduced switching costs.