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Pricing Wars in the Telecommunications Market

A number of new regulations have been introduced into the telecommunications market in order to provide for and protect competition. Not all of the telecommunications companies have welcomed the new regulations. However, in such an oligopolistic market it is still difficult to establish clear-cut competition rules. As a result, the regulatory authorities must scrutinize the market and its players. The Advertising Board plays a significant role in this regulation. In order to protect consumers from being deceived by advertisers engaging in the current pricing wars, the Advertising Board strictly regulates the market and does not refrain from imposing heavy penalties.

When mobile phones were first launched the services that they offered were rather expensive. Thus, the public considered such a service as a luxury rather than simply satisfying a basic communication need. Later, as the number of players in the market increased and Turkish people began using mobile phones on a daily basis, the Global System for Mobile (GSM) operators reduced the service prices. However, the various high taxes imposed on such services still reflect the view of mobile phones services as a luxury, rather than a basic necessity. Thus, despite the price reductions, communication via mobile phone remains one of the Turkish public's biggest expenditures.

Competition among GSM operators has always been based on the pricing of services. In particular, with the entrance of a third GSM operator into the market, this pressure has significantly increased. However, as members of an oligopolistic market would never allow a brutal pricing war, the competitive pressure has pushed advertisers into being more creative with their campaigns and using them to suggest that there are significant differences between the prices of different operators.

One GSM operator launched a campaign with the slogan "Non-discriminating rates" and advertised that even telephone calls to different GSM operators and land lines would be equally priced. In fact, however, there were a number of exceptions to the campaign which flowed across the bottom of the television screen in such small print that it was difficult for the audience to notice them during the short advertisement. The Advertising Board decided that the advertisement was misleading consumers, so it banned the advertisement and fined the company TRY60,000 (approximately €30,000). However, this was not the operator's first breach of the regulations. Therefore, the board doubled the pecuniary punishment and fined the advertiser TRY120,000 (approximately €60,000).

In another decision the Advertising Board fined a GSM operator TRY118,000 (approximately €59,000) for its advertising campaign for its new rates, which compared its prices with those of another operator, but failed to include its competitor's cheaper rates.

Number portability, which allows users to change service provider while keeping the same telephone number, is now being discussed in the Turkish telecommunications market. Considering the current state of the market, it may be worth keeping an eye on the pricing wars that are being waged through advertisements