FMC is yet to become established in MENA, but we are confident that it will gain traction

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Operators in the Middle East and North Africa (MENA) are increasingly offering fixed–mobile convergence (FMC) bundles. Operators must consider fibre coverage, levels of postpaid penetration and regulatory headwinds when launching FMC propositions. This comment summarises our findings from five operator case studies in different countries in MENA and the Caucasus region. We believe that FMC can be an effective means of retaining subscribers, and when offered in conjunction with fibre upsell and postpaid migration efforts, has high potential for generating organic revenue growth.

FMC penetration is limited by three main factors, though these obstacles are surmountable

FMC penetration of broadband subscribers is likely to be under 15% in the vast majority of countries in MENA; this is much lower than that in regions such as Europe and emerging Asia–Pacific. FMC penetration in MENA has been held back by the following three main factors.

- **Regulatory intervention.** Single billing for fixed and mobile services is entirely prohibited in some countries. Some regulators also consider FMC offers to be anti-competitive due to the potential for cross-subsidies, and there are limits on operators' FMC discounts.

- **Prepaid-mobile-dominated markets.** Operators in some of the lower income countries in MENA have been unable to drive postpaid mobile migration. One reason for this is that they are unable to use handset subsidies.

- **Weak fixed broadband networks.** Fibre upsell has been important in the countries in which the take-up of FMC bundles has been strong. FTTP networks generally have low coverage in MENA, and fibre contracts are unaffordable for some consumers.

However, there are good reasons to believe that the take-up of FMC bundles in MENA can grow. We expect regulation to ease as 5G gains traction and the line between mobile and fixed services becomes more blurred. Fibre coverage is also increasing (the total number of FTTP connections in MENA is expected to double between 2020 and 2024) and fibre upsell using FMC offers can drive fixed broadband penetration growth and postpaid mobile migration. FMC benefits can also be offered to prepaid customers where postpaid migration continues to be challenging.

We have identified three groups of FMC operators in MENA

Fixed-line incumbents in several countries in MENA are using FMC benefits to protect their businesses from fixed and mobile challengers. Competition is currently relatively modest in Oman and Bahrain, and FMC propositions tend to be mobile bonuses that are available to customers taking both fixed and mobile offers. This

results in minimal revenue cannibalisation and works to lower churn. Silknet in Georgia faces heavy competition; it offers larger discounts than similar operators elsewhere and is willing to accept some revenue cannibalisation in exchange for a lower churn risk.

Operators that are predominantly mobile are using FMC discounts to penetrate the fixed market. Low-quality fixed networks and limited FTTP coverage in some countries in the region mean that fixed broadband remains underpenetrated and mobile broadband dominates, despite the high GDP per capita. Moving consumers onto fibre opens up an additional revenue stream and lowers cellular network congestion.

Similarly, operators that are predominantly fixed can use their broadband base to penetrate the mobile market. This strategy is rare in MENA because there is more generally more potential for growth in terms of the number of subscribers for fixed broadband than for mobile, and the barriers to mobile market entry are high. An advantage of this approach is that current broadband subscribers in MENA are likely to have higher incomes than consumers that do not take broadband, so operators have an opportunity to penetrate the premium mobile segment with FMC bundles.

We profiled five operators in MENA

The operators that we profiled in our case study report each fell into at least one of the three categories described above and are summarised in Figure 1.

Figure 1: Summary of the FMC operators profiled, MENA, 2020[1]

Operator	Focus of FMC strategy	Potential for mobile benefits	Potential for fixed benefits
Batelco (Bahrain)	Building a fixed user base and protecting against challengers	●●○○○	●●●○○
Omantel (Oman)	Protecting against challengers	●●○○○	●●○○○
Silknet (Georgia)	Protecting against challengers	●●●○○	●●○○○
Ooredoo (Kuwait)	Building a fixed user base	●●○○○	●●●●●
Telecom Egypt (Egypt)	Building a mobile user base and protecting against challengers	●●●●○	●●●○○

Source: Analysys Mason

Batelco offers a mobile data bonus to its existing fixed and mobile customers. The launch of the offer pre-empted the entries of MNOs Zain and STC into the fixed broadband market, which took place once Batelco's fixed broadband operation had become structurally separated. Batelco's fixed broadband revenue grew by more than 10% year-on-year each year during 2017–2019, driven by improving fibre coverage and affordability. The SmartSaver FMC bundle can also reduce churn in Batelco's growing fixed broadband base.

Omantel's offer allows free calls between a landline and 3–9 associated mobile lines for customers that take Omantel's fixed and mobile offers. This insulates Omantel against competition (particularly that caused by the

1 The scale for potential benefits is based on whether the FMC offer is largely a defensive, customer enrichment strategy or whether the offer has strong, organic revenue growth potential: the higher the rating, the greater the potential for organic revenue growth.

market entry of Vodafone). Omantel has attempted to offer more-comprehensive FMC packages, but the regulator has blocked these moves.

We included Silknet due to the similarity of Georgia to many countries in MENA. Silknet offers postpaid mobile discounts to dual-play TV and broadband subscribers. The bundle is mainly targeted at existing customers as a means of encouraging postpaid migration and lowering the risk of churn. The bundles immediately gained traction among existing customers (almost 5% of fixed broadband subscribers had taken the offer within the first 4 months of the launch), although the regulator has since intervened, and the discounts have been reduced due to complaints from mobile-only operator Veon.

Ooredoo in Kuwait is using large discounts in FMC bundles (up to 50%) to drive broadband adoption. Strategically, this has the double benefit of building a new revenue stream while reducing the strain on the mobile network in a market that has the highest cellular data traffic per capita in the world. Ooredoo has struggled to make its broadband offering affordable because of expensive wholesale broadband rates in Kuwait, and the total number of fixed broadband subscribers in the country remains low.

Telecom Egypt entered the mobile market in 2017 and its Indigo Plus FMC bundles offer customers a discount versus its standalone offers. The operator hopes to use the offer to grow its mobile market share and penetrate the premium postpaid mobile segment. The take-up of Telecom Egypt's FMC plans is growing, and the operator aims to attract 15% of its fixed broadband base to these offers.