Operators in the Gulf region must be creative in monetising mobile 5G to justify the business case

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Telecoms operators in the Gulf region were among the first in the world to launch consumer 5G services. Their ambitions to be perceived as technology leaders, combined with the extensive 4G mobile network infrastructure in the region contributed to the rapid 5G deployment.

Operators expect that mobile 5G will bring new opportunities for revenue growth and that it will play a role in emerging digital ecosystems in the long term. If operators want to increase the appeal of 5G services, they will need to think beyond upselling higher-data packages and must consider building tariffs around new content types, such as mobile gaming, or highlighting the performance gains of 5G by moving to speed-based tiering.

In this article, we review the 5G launch strategies of operators in the Gulf region and discuss how these operators can capitalise on short-term opportunities in the mobile consumer segment.

The availability of 5G-capable devices was the catalyst that accelerated the deployment of consumer 5G services

Operators in the Gulf region have invested in infrastructure and carried out 5G trials since 2016. However, they were not able to commercialise consumer 5G services until the first 5G-capable smartphones and fixed-wireless access routers came to the region in May 2019. As of September 2019, 10 operators in the region offer commercial 5G services, 8 of which target smartphone users (Figure 1). We expect that the rest of the operators in the region will announce commercial launches before the end of 2019.

Three major smartphones were introduced as part of the mobile 5G launch in the region: Huawei Mate 20X 5G, ZTE Axon 10 Pro 5G and Oppo Repo 5G 10X, each of which are priced upwards of USD1000. However, most operators offer these devices as part of bundles, and the payment is split over a 24-month contract.

***Figure 1:** Commercial 5G launches in the Gulf region, by country and operator*

Country	Operator	5G service type	Launch date
Bahrain	Batelco	FWA	June 2019
	Viva	FWA	July 2019
Kuwait	Ooredoo	FWA and mobile	June 2019 (FWA), July 2019 (mobile)
	Viva	FWA and mobile	June 2019 (FWA), July 2019 (mobile)
	Zain	FWA and mobile	June 2019 (FWA), July 2019 (mobile)
Qatar	Ooredoo	FWA and mobile	July 2019
	Vodafone	FWA and mobile	August 2019
Saudi Arabia	STC	FWA and mobile	June 2019
UAE	EITC (du)	FWA and mobile	June 2019

Country	Operator	5G service type	Launch date
	Etisalat	FWA and mobile	May 2019

Source: Analysys Mason, 2019

Operators in the Gulf region have adopted two main approaches to pricing mobile 5G services

As of October 2019, there is little differentiation between 4G and 5G tariffs in the Gulf region. We have identified two common strategies that operators have used when launching 5G services.

- **Free access to 5G with no premium.** 5G services are available with no premium for either all postpaid users (as in the UAE, for example) or users that have pre-registered. Ooredoo Qatar has implemented the latter option, and the 5G service is restricted to its highest-tier plans (Qatarna and Al Nokhba 750). Sprint in the USA and Vodafone in Italy and Germany have also made 5G available with no additional premium.

- **Dedicated 5G tariffs available at an extra cost.** STC offers data-only 5G tariffs ('QuickNet 5G') that can be used on smartphones and routers. It charges high premiums ranging from 66% for a 100GB per month tariff to nearly three times the price of a 4G unlimited data postpaid package. In Kuwait, Ooredoo, VIVA and Zain charge premiums of between 67% and 100% over SIM-only tariffs with a similar allowance on 4G.

Most operators in the region are still exploring which approaches to adopt in order to differentiate 5G from 4G, while still encouraging its adoption. We believe that those that have opted to charge, or are considering charging, an explicit price premium for 5G will need to provide more evidence of its superiority over 4G to justify it to the end users. As competition on high-value customers increases, we expect that the premiums will be dropped in favour of more-innovative approaches. The launch of 5G can also provide operators with an opportunity to 'reset' their existing tariffs and increase their pricing; this is what Telecom Italy did when it introduced 5G services in June 2019.

Operators will need to start thinking about how to monetise the 'experience premium' of 5G mobile services

5G promises faster speeds that would push the average data usage from a few gigabytes to tens and even hundreds of gigabytes per month. However, the combination of the high price per gigabyte of mobile data and the volume-based pricing adopted by all Gulf-based operators is unlikely to drive the take-up of 5G services.

Operators will need to review their data unit pricing in the context of 5G, while adapting and enhancing their tariff structures to exploit 5G's capabilities. Two pricing options are emerging from early movers outside the region.

- **Content-based propositions.** Operators could use their existing content or develop new content with partners, such as gaming content providers, to showcase 5G's network capabilities. This content could then be offered as a zero-rated service-based add-on. For example, SK Telekom and EE offer a 5G game pack that allows users to play select games with no data charges. Operators could also offer content-specific bundles. For example, KT enables the live streaming of 360° UHD videos. Gaming is attracting the most interest from operators that are looking to differentiate 5G. For example, SK Telekom is partnering with Microsoft for its game streaming platform xCloud, and Vodafone and Sprint have partnerships with Hatch.

- **Speed-based tiering.** Operators can integrate 5G into a speed-based pricing model. Elisa (Finland) and Swisscom have been long-time adopters of this approach. Vodafone in Spain and the UK introduced speed-based tiering alongside the launch of 5G, and we expect that more operators will experiment with this model.

Operators in the Gulf region expect that 5G will help them to reverse the downward trend of consumer ARPU. However, we predict that the adoption of 5G will be slow given the current trend of increased handset replacement cycles and the high data unit price. Operators should primarily target high-value customers with compelling new services, such as cloud-based gaming, while experimenting with performance-tiering to improve the monetisation of unlimited data tariffs.