

Telecoms operators in the UAE have the opportunity to enhance their share of the ICT market

January 2018

Karim Yaici

The telecoms market in the UAE has started to show signs of a slowdown, especially in the consumer segment. This situation has driven telecoms operators to consider future growth opportunities in non-connectivity businesses. Operators are seeking to strengthen their cloud-based offerings as the demand for ICT services in the region is increasing.

Telecoms operators in the UAE dominate the provisioning of connectivity services to enterprises and SMEs, and enjoy a high level of customer satisfaction, but they capture only a small proportion of the ICT market. As current levels of adoption of (and interest in) cloud-based services are high, we believe that telecoms operators are in a good position to capture a bigger share of the growing ICT market. They can make use of their positive relationship with enterprises to sell additional ICT services. This article draws on our recently published UAE enterprise survey and market forecasts to discuss operators' ICT strategies and how they can bolster their propositions.

Operators in the UAE view ICT as one of the key catalysts for future growth

The UAE mobile market has started to show signs of saturation, especially in the mobile consumer segment. The number of active mobile SIMs (excluding M2M) declined from 19.9 million in 2016 to 19.7 million at the end of June 2017.

We think that there is growth in the core connectivity market in the UAE, unlike in other high-income economies. In 2017, we believed that operators' retail revenue from large enterprises and SMEs in the UAE would reach AED4.3 billion (USD1.2 billion) and AED5.8 billion (USD1.6 billion), respectively.¹ Traditional telecoms services² generate the bulk of business revenue, but operators are looking to increase the contribution from non-connectivity businesses because their potential for growth is more significant.

The intention to churn is high despite high levels of customer satisfaction

End users in the UAE reported a similar level of customer satisfaction with operators for both fixed and mobile services, according to our survey of 200 large enterprises and SMEs, regarding their usage of various telecoms

¹ Annual growth rates were 3.3% for large enterprises and 2.7% for SMEs. For more information, see Analysys Mason's [Telecoms services forecast for large enterprises: Middle East and North Africa 2017–2022](#) and [Telecoms services forecast for small and medium enterprises: Middle East and North Africa 2017–2022](#).

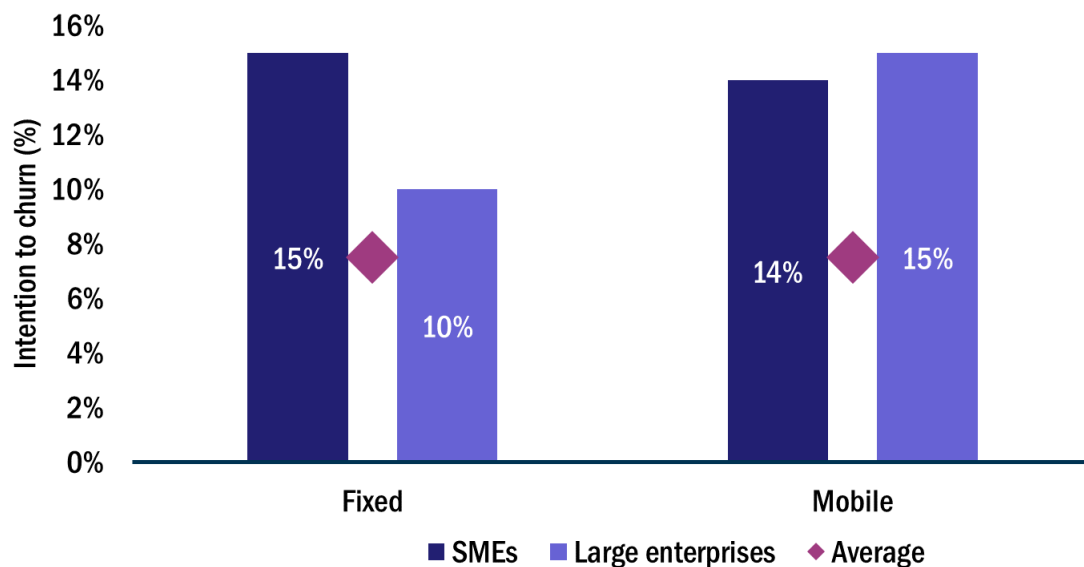
² This includes fixed and mobile voice, mobile data, fixed broadband, dedicated connections and cloud-based services.

and ICT products.³ This might suggest that there is little differentiation between the two providers in terms of the quality of their services.

Operators in the UAE score among the highest levels of customer satisfaction (measured using the net promoter score (NPS)) for fixed services compared to those in other surveyed countries.⁴ However, the NPS was average for mobile services, which suggests that the operators have room to improve customer service and use this as a differentiator.

Surprisingly, enterprises in the UAE are more likely to intend to churn than in other surveyed markets (Figure 1). Given the similarities in the satisfaction levels and the quality of the services, this indicates that the price competition between fixed and mobile operators is increasing.

Figure 1: Enterprises' stated intention to churn by service type and enterprise size compared to the survey sample average, UAE, 2017⁵



Source: Analysys Mason

Telecoms operators are in a good position to increase their share of the ICT market through partnerships and investments

The level of adoption of cloud-based services by the business sector in the UAE is already high. Our survey of enterprises indicates that 64% of large enterprises in the UAE are already using cloud software or applications and 35% are already using unified communications services.

We believe that the demand for cloud-based services will increase over the next 5 years, driven by the need to reduce the total cost of ownership (TCO) of IT infrastructure and to improve the service scalability, security and

³ For more information, see Analysys Mason's [Enterprise survey 2017: United Arab Emirates country report](#).

⁴ The fixed NPS for the UAE was equal to 19 compared to an average of -5 for all other countries.

⁵ The survey covered 1600 enterprises across 8 countries, including the UAE.

continuity. This demand will also be driven by smart government initiatives and digital transformation programmes undertaken by private and public organisations.

Operators in the UAE currently have a small share of the ICT market, but we believe that there is a strong growth opportunity. According to our enterprise survey, 14% of respondents in the UAE stated that they were interested in purchasing cloud services from their telecoms operator. This suggests that operators can potentially increase their market share to above the current levels.

To this end, both fixed and mobile operators have taken measures to strengthen their business offerings by dedicating more human and financial resources:

- In October 2017, du announced the establishment of the ICT Solutions division responsible for providing government entities with enterprise networks, cloud services and applications.
- Etisalat Digital was launched in October 2016 to make use of Etisalat's expertise and assets in the digital economy, including data centres, the cloud, cyber security, IoT platforms, analytics, big data and digital payment gateways.
- The telecoms regulator TRA has been working with Etisalat and du to set up a marketplace where government and semi-government entities can select cloud-based services.
- Both operators have also increased the number of partnerships established with ICT product and service providers over the last 6 months, including Amazon, DarkMatter, Symantec and Unified Inbox (for du), and Cisco and Ericsson (for Etisalat).

Etisalat and du need to make use of their current relationship and local presence, and partner with IT specialists to provide services targeted at key industry verticals where they can differentiate themselves from large-scale public cloud providers such as Alphabet and Amazon.

Inversely, enterprises that purchase ICT services from their telecoms operator are less likely to change provider, which should help to reduce churn levels – as shown above, the UAE has among the highest proportion of potential churners for the countries surveyed.

In the medium term, operators might also wish to consider partial or full acquisitions of ICT providers to bolster their propositions, similar to that done by AT&T, KPN, Telia and Telstra in 2017. However, there are only a few viable targets in the region, so they would have to consider overseas targets with specialised assets and/or skills. Given their small size, these services can be easily brought back to the region.