

Fixed–mobile bundles could significantly reshape telecoms markets in emerging Asia–Pacific

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Fixed–mobile bundles are becoming more prevalent in emerging Asia–Pacific (EMAP) as operators in markets like Malaysia and Thailand follow the example of China’s operators, which have offered converged bundles for several years. The launch of fixed–mobile bundles has the potential to significantly affect subscriber and revenue market share because they are proving to be popular with consumers in many parts of the world. This comment analyses the current and future impact of fixed–mobile bundles in EMAP, and draws on Analysys Mason’s recently published report, *Converged fixed-mobile bundles in emerging markets: opportunities for growth*.¹

Strong fixed-line players can make significant gains in the mobile market with fixed–mobile bundles

As in many developed markets, fixed-line players in EMAP have found success with fixed–mobile bundles and enticed customers to also take their mobile offerings. China Telecom and China Unicom successfully used this strategy to increase mobile subscriber and revenue market share in China. As far back as 2009, 32% of China Telecom’s fixed broadband subscribers took a converged offer and the figure for the same metric for China Unicom was 35% at the end of 1H 2014. The very strong take-up of fixed–mobile bundles was one reason why China Mobile experienced a fall in its share of overall (fixed + mobile) service revenue in China from 56.4% in 2010 to 52.6% in 2014.

More recently, Telekom Malaysia has entered the Malaysian mobile market through its webe operation. Telekom Malaysia’s initial target was that 8% of households using its services would also subscribe to webe by the end of 2017, but this target was met early and reached at the end of 3Q 2017. The impact on the market is more significant than subscriber numbers alone suggest because webe’s proposition is currently only postpaid and is focused on higher-value customers. True, Thailand’s largest fixed broadband provider, is another player that has used its strong fixed-line base to generate growth in higher-value postpaid mobile subscribers. True has consistently led the way in postpaid net additions in recent years although network leadership is arguably a more important factor than convergence in explaining this trend.

MNOs may feel compelled to enter the fixed-line market when facing converged rivals

The success of fixed-line players offering fixed–mobile bundles may prompt MNOs to launch fixed-line propositions, for instance, because of concerns around losing higher-value mobile customers. However, MNOs also see the opportunities for revenue growth in fixed broadband, which still has significant room for growth in subscriber numbers in different EMAP markets. Fixed–mobile bundles for such MNOs need not just be seen as

¹ For more information, see Analysys Mason’s *Converged fixed-mobile bundles in emerging markets: opportunities for growth*. Available at www.analysysmason.com/fmc-bundles-emerging-rdcs0.

a defensive measure but also as an opportunity to attract new fixed and mobile customers and boost overall revenue.

China Mobile has been successful in arresting its decline in overall service revenue share since it more aggressively made its presence felt in the fixed broadband market from 2015 onwards. However, China Mobile's fibre deployments are not the only reason for its improved performance – the company's LTE roll-out has also played a part. The take-up of converged offers in other EMAP markets is lower than in China, but some standalone mobile players have realised that offering both fixed and mobile services provides a better route to future growth. MNOs like AIS in Thailand have deployed fibre networks and are offering fixed–mobile bundles to help drive fibre take-up. By the end of 3Q 2017, AIS had 481 500 fibre subscribers, a take-up rate of around 7% of homes passed, meaning that fixed broadband accounted for 2.7% of total revenue in the quarter.

Converged operators must carefully consider the structure of their fixed–mobile bundles

In many cases, converged operators in EMAP have decided that offering fixed–mobile bundles makes sound business sense. This situation may not be replicated everywhere as market dynamics might mean there are players with both strong fixed and mobile arms who see the risk of cannibalising existing revenue when offering bundles providing discounts to existing customers. This is much less of a problem where there are operators that are new to either the fixed or mobile segment as, for example, when an MNO is rolling out FTTH for the first time.

Operators that decide fixed–mobile bundle launches make sense must consider whether to offer discounts versus standalone offers. MNOs like AIS in Thailand have placed emphasis on offering discounts of around 10% to existing postpaid mobile customers that take fixed broadband. Rather than focusing on discounts, which may raise concerns about potential revenue cannibalisation, operators may choose to offer additional benefits for customers taking both fixed and mobile services. Maxis has taken this approach with its MaxisONE Prime tariff, which offers no discounts versus standalone offers but includes unlimited cellular data (rather than 60GB per month) and can also be shared with up to four other lines.

Converged operators will also need to consider which features to include as part of their fixed–mobile bundles. Shared data plans may prove attractive because they can cater for families who are the typical target of fixed broadband offers. Converged operators will also need to address the issue of whether to include additional SIMs as part of fixed–mobile bundles. Offering extra SIMs could help further boost the number of higher-value postpaid subscribers but may also run the risk of cannibalising extra revenue.

Converged operators in EMAP need not fear the launch of fixed–mobile bundles

Fixed–mobile bundles were launched in many Western European countries as a defensive play to reduce churn and coincided with continuing declines in overall market revenue. This situation will not necessarily be replicated in EMAP markets. MNOs may have some justified concerns about cannibalising revenue from higher-value customers, but offering fixed–mobile bundles could act as an important point of differentiation versus standalone rivals and could help drive fibre take-up and attract more high-value mobile customers. The success that fixed-line players in markets like China have had with fixed–mobile bundles shows that these players in the rest of the EMAP region could also benefit significantly from the launch of such offers.