RESEARCH

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Fixed–mobile convergence: trends and forecasts 2019–2024

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About this report

This report analyses multi-play services in 15 countries in Europe and Asia–Pacific. It includes forecasts for the adoption of fixed broadband and pay-TV bundles, as well as expectations for the take-up of, and revenue from, fixed–mobile converged bundles in these countries.

It is based on several sources, including:

- Analysys Mason's *European Core Forecasts* and *European Telecoms Market Matrix* research programmes, our *Connected Consumer Survey* data and our pay-TV forecasts
- secondary data, primarily from operators and regulators.

WHO SHOULD READ THIS REPORT

- Integrated operators that have invested in fixed–mobile convergence (FMC) as part of their retail strategy and want to understand its growth potential.
- Mobile-only or fixed-only players that want to understand what their addressable market for non-converged services will be by 2024.
- Investors who observe, or have stakes in, the current and potential consolidation developments related to convergence in Europe.
- Non-European operators that want to know more about the drivers of multi-play and FMC services, and wish to gain access to benchmarks.

GEOGRAPHICAL COVERAGE

Western Europe

- Belgium
- France
- Germany
- Italy
- Netherlands
- Portugal
- Spain
- UK

Central and Eastern Europe

- Poland
- Romania
- Turkey

Asia–Pacific (APAC)

- Australia
- Malaysia
- Philippines
- Thailand

KEY METRICS

- Total multi-play accounts
- Fixed broadband + pay TV (without mobile) accounts
- Fixed broadband + pay TV + mobile accounts
- Fixed broadband + mobile accounts
- Total FMC share of fixed broadband
- Total FMC household penetration
- Total FMC SIMs
- Total FMC mobile contract penetration
- Average SIMs per FMC account
- FMC ARPA
- Total FMC retail revenue
- Total FMC share in total telecoms retail revenue

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FMC remains a key market dynamic, and improving wholesale conditions will enable mobile operators to be ambitious about their FMC offers

The number of FMC accounts will increase in every country in Europe apart from France during the forecast period.

FMC is already mature in several European countries, but competition means that the FMC outlook is different in each of the FMC pioneer markets (France, Spain and Portugal). FMC will continue to be used as a defensive play by the established operators in countries such as the Netherlands and Belgium where competition has traditionally been low. FMC has been held back by infrastructure constraints in countries such as the UK and Germany, but emerging wholesale providers and M&A will cause penetration to increase. Limits in the demand for and supply of FMC offers has held back penetration in Turkey and Romania, despite favourable infrastructure conditions, and growth in FMC adoption in these countries will be limited during the forecast period.

The adoption of FMC will grow strongly in Asia–Pacific; FMC will be used as a powerful market share play in many countries.

The lack of fixed broadband network development in countries such as Malaysia means that convergence can be used to boost revenue and the number of subscribers, rather than as a reactive defensive play. The FMC market in Thailand is already mature, but the adoption of FMC will continue to grow during the forecast period as standalone operators continue to be put under pressure. The other three countries that we cover in the region have nascent FMC markets, but we expect strong penetration growth in each.

Increasing wholesale access competition and the rise of third-party OTT players will affect how FMC is offered.

Traditionally, high barriers to entry in the fixed market have been a key reason for the deployment of FMC, as converged players looked to put pressure on standalone mobile operators. However, tougher wholesale regulation and strong third-party fibre challenger roll-outs mean that established fixed players have less of an advantage. MNOs now have an opportunity to offer competitive fixed offers, and convergence provides a strong opportunity to increase revenue and insulate against churn.

FMC bundles have often been built around upselling premium pay TV. However, the rise of third-party OTT providers and the changing demand for TV content means that operator pay TV will not be as attractive, beyond specific examples. Challenger operators offering simple, non-pay-TV bundles can have success in such an environment, and the general trend will be for mid-tier operators to divest, or at least rethink their pay-TV portfolios, in order to compete with FMC challengers.

The aforementioned pioneer markets offer some insight into how FMC markets can mature. A lack of competition in Portugal has enabled all operators to offer very similar FMC plans. Bundles are becoming increasingly flexible in France (due to price competition), and this is driving FMC penetration down. The emergence of MásMóvil in Spain is forcing operators to address the low-value segment of the market.

European telecoms markets can be categorised into four separate groups

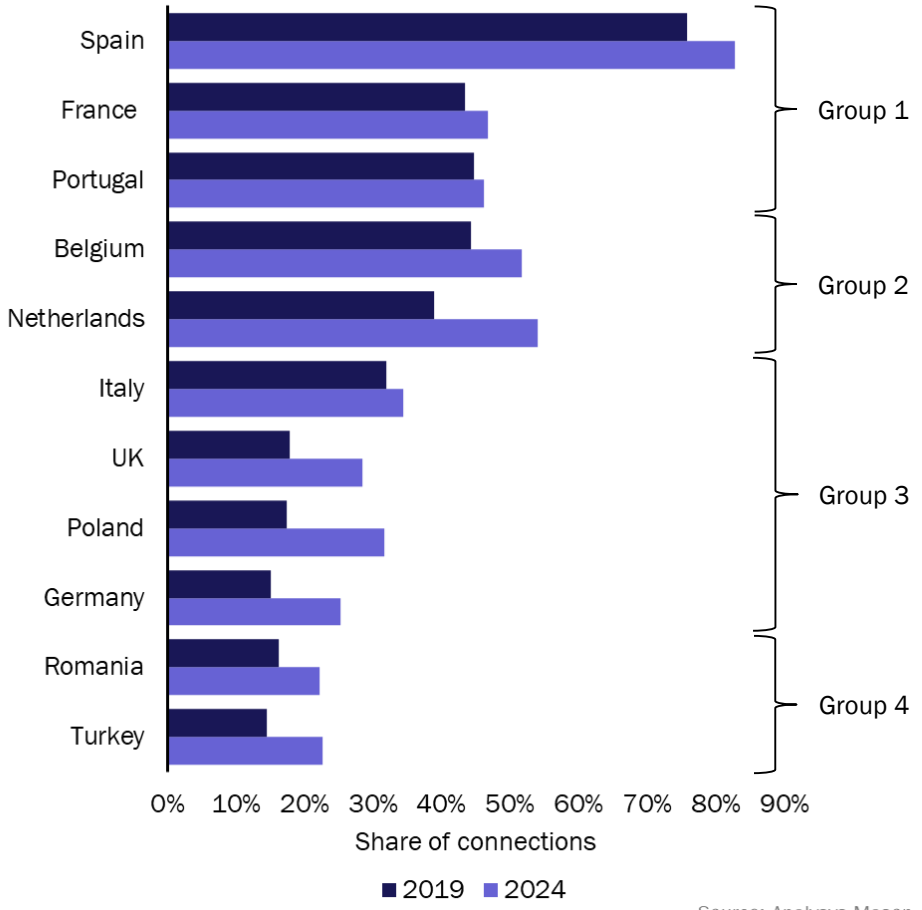
Markets that have been driven by upselling fibre (group 1). These are the most-highly penetrated FMC markets in Europe and are characterised by the wide availability of FMC bundles. See slide 14 for an extended analysis of how these markets differ from each other and how they are expected to evolve.

Markets with low levels of competition where conservative discounts have been offered to retain a high-value user base (group 2). These markets have the highest ARPA in Europe, and small discounts and more-for-more bonuses have been used to minimise the risk of churn. Competition has increased in these markets recently, and it is likely that FMC will retain a strong presence in order to slow the progress of any challengers.

Markets in which mass FMC penetration remains constrained by the market structure (group 3). The MNO share of the fixed market is reasonably low in these countries, so operator margins are constrained when offering FMC deals. However, improving wholesale conditions and potential mergers should lead to increasing FMC take-up.

Markets where FMC remains niche, despite favourable infrastructure conditions (group 4). The market structure in Romania and Turkey is ideal for FMC, although a lack of appetite for FMC on the supply side (Romania) and the demand side (Turkey) is limiting FMC take-up.

Figure 2: FMC accounts as a percentage of fixed broadband connections, by country, Europe, 2019–2024



Source: Analysys Mason

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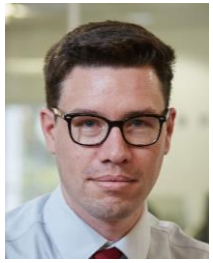
About the authors [1/2]

Simon Lumb (Analyst) is a member of the Consumer Services research team in London. He has contributed to several research areas during his time with Analysys Mason, and manages the *Convergence Strategies* programme. His skillset includes quantitative forecasting and model-building. Simon holds a BSc in Physics from Durham University.



Alex Boisot (Research Analyst) is a member of the regional markets research team in London, contributing primarily to the *Telecoms Market Matrix* and *European Country Reports* research programmes. Alex holds a BA in Philosophy, Politics and Economics from the University of East Anglia. He conducted research on the impact of telecommunications technologies on modern societies during his studies, writing his dissertation on e-government and e-democracy. He has also worked on the development of a mobile game aiming to teach users the basic principles of physics.

Stefano Porto Bonacci (Analyst) is a member of the regional markets research team in London, contributing mainly to the *Telecoms Market Matrix*, *European Country Reports* and *Global Telecoms Data* research programmes. He holds a BSc and an MSc in Economic and Social Sciences from Bocconi University. Stefano has experience as an analyst at an economic policy think-tank and at the European Commission.

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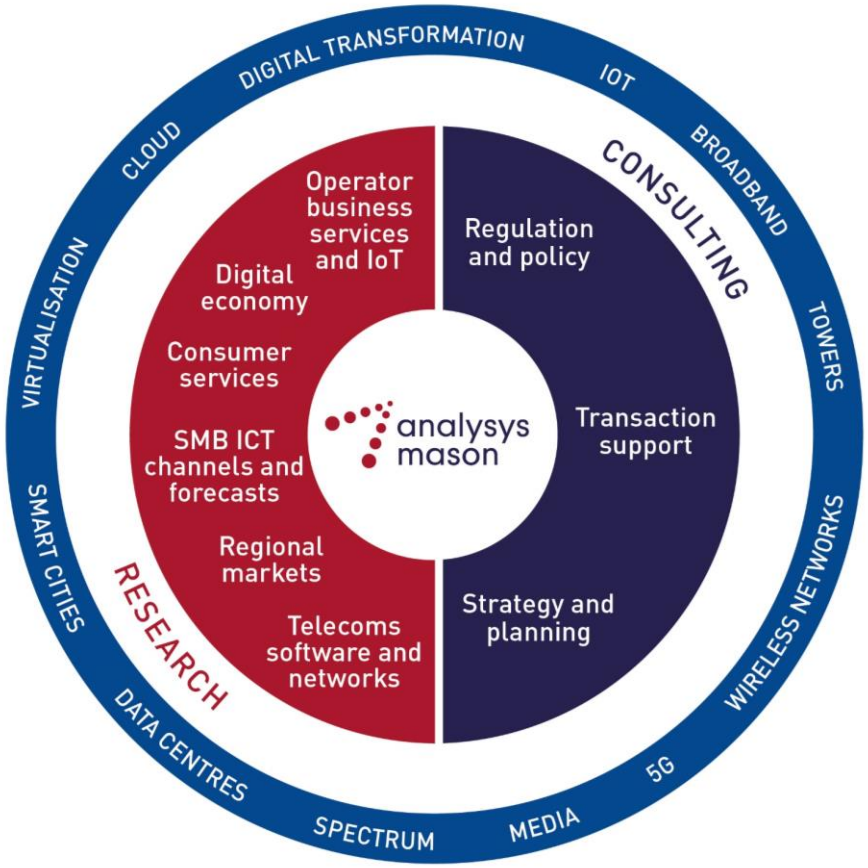

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