



Fixed–mobile convergence: trends and forecasts 2019– 2024



Simon Lumb, Alex Boisot, Stefano Porto Bonacci and Rémy Giraud

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

Contents [1]

6. Executive summary

- 7. FMC remains a key market dynamic, and improving wholesale conditions will enable mobile operators to be ambitious about their FMC offers
- 8. The take-up rate of FMC bundles will vary; FMC household penetration will be the highest in Spain, France and Portugal
- 9. FMC penetration will grow strongly in every market, largely due to improving broadband connectivity

10. Implications

11. Analysis

- 12. European telecoms markets can be categorised into four separate groups
- 13. FMC penetration will continue to increase in most countries in APAC, and operators have an opportunity to use it to drive revenue
- 14. The markets in France, Portugal and Spain provide an indication of how FMC markets may evolve
- 15. Mobile-centric operators will benefit from the increased availability of competitive wholesale access for gigabit services and the arrival of 5G FWA
- 16. The rise of third-party OTT video, exclusivity issues and changing viewing behaviour mean that operators can launch FMC bundles that do not include pay TV
- 17. The segment will adapt to a shifting landscape driven by intensifying competition from third-party OTT video players
- 18. FMC ARPA will decline in most markets during the forecast period
- 19. Scorecard of incentives and drivers for the supply of, and demand for, FMC bundles

20. Western Europe

- 21. Belgium: the FMC market has historically lacked competition, but this is changing as Orange's proposition begins to gain momentum
- 22. France: the FMC market is reaching saturation and operators are unlikely to aggressively pursue take-up growth in this segment
- 23. Germany: FMC penetration will continue to grow steadily, but it will remain lower than that in most other European countries
- 24. Italy: FMC operators will target the high-value end of market, and will offer premium services based on 5G and fibre-based access networks
- 25. Netherlands: the merger of T-Mobile and Tele2 is boosting competition in the FMC segment
- 26. Portugal: growth in the number of FMC accounts will be flat over the forecast period due to low competition
- 27. Spain: ARPA will decline slightly due to increasing growth in the number of subscribers in the value segment
- 28. UK: access to wholesale fibre is likely to encourage more-ambitious FMC offers, and FMC penetration will grow strongly over the forecast period

29. Central and Eastern Europe

- 30. Poland: market fragmentation will limit the potential for fixed-mobile convergence, although 5G might change this
- 31. Romania: the entrance of a new FMC operator will probably intensify the price competition in the high-value end of the market
- 32. Turkey: a range of factors make the widespread adoption of FMC improbable

33. Asia-Pacific

- 34. Australia: the number of FMC offers will grow after the merger of VHA and TPG has been completed

Contents [2]

- 35. Malaysia: only one operator currently offers a truly converged bundle
- 36. Philippines: growing competition in the mobile market is expected to increase operators' focus on FMC bundles
- 37. Thailand: strong competition in the fixed broadband segment is driving convergence across the market
- 38. Forecast methodology and assumptions**
- 39. Several factors affect the supply of, and demand for, FMC bundles
- 40. Our forecasts cover fixed broadband, pay-TV and mobile service bundles, with or without fixed voice
- 41. Notes on key assumptions and methodology
- 42. Comprehensive definition of FMC bundling classifications
- 43. Factors influencing the growth of supply and/or demand for FMC bundles (often acting together)
- 44. About the authors and Analysys Mason**
- 45. About the authors [1/2]
- 46. About the authors [2/2]
- 47. Analysys Mason's consulting and research are uniquely positioned
- 48. Research from Analysys Mason
- 49. Consulting from Analysys Mason

List of figures

Figure 1a: Household penetration of FMC bundles and FMC SIMs as a share of total SIMs, selected countries in Europe, 2024

Figure 1b: Household penetration of FMC bundles and FMC SIMs as a share of total SIMs, selected countries in Asia-Pacific, 2024

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

Figure 3: FMC accounts as a percentage of fixed broadband connections, by country, Asia-Pacific, 2019–2024

Figure 4: Potential evolution pathways for saturated FMC markets

Figure 5: Pros and cons of various pay-TV strategies

Figure 6: Percentage of FMC bundles with pay TV, by country, 2014–2024

Figure 7: Average revenue per FMC account (ARPA), by country, 2014–2024

Figure 8: Incentives and drivers for the supply of, and demand for, FMC bundles, by country

Figure 9: Number of FMC accounts and FMC bundles as a share of subscriptions, Belgium, 2014–2024

Figure 10: Number of FMC accounts and FMC bundles as a share of subscriptions, France, 2014–2024

Figure 11: Number of FMC accounts and FMC bundles as a share of subscriptions, Germany, 2014–2024

Figure 12: Number of FMC accounts and FMC bundles as a share of subscriptions, Italy, 2014–2024

Figure 13: Number of FMC accounts and FMC bundles as a share of subscriptions, Netherlands, 2014–2024

Figure 14: Number of FMC accounts and FMC bundles as a share of subscriptions, Portugal, 2014–2024

Figure 15: Number of FMC accounts and FMC bundles as a share of subscriptions, Spain, 2014–2024

Figure 16: Number of FMC accounts and FMC bundles as a share of subscriptions, UK, 2014–2024

Figure 17: Number of FMC accounts and FMC bundles as a share of subscriptions, Poland, 2014–2024

Figure 18: Number of FMC accounts and FMC bundles as a share of subscriptions, Romania, 2014–2024

Figure 19: Number of FMC accounts and FMC bundles as a share of subscriptions, Turkey, 2014–2024

Figure 20: Number of FMC accounts and FMC bundles as a share of subscriptions, Australia, 2014–2024

Figure 21: Number of FMC accounts and FMC bundles as a share of subscriptions, Malaysia, 2014–2024

Figure 22: Number of FMC accounts and FMC bundles as a share of subscriptions, Philippines, 2014–2024

Figure 23: Number of FMC accounts and FMC bundles as a share of subscriptions, Thailand, 2014–2024

Figure 24: Incentives and drivers for the supply of, and demand for, FMC bundles

Figure 25: Multi-play bundles covered in our analysis (may or may not include fixed voice)

Figure 26: Drivers and incentives for FMC supply and demand

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.

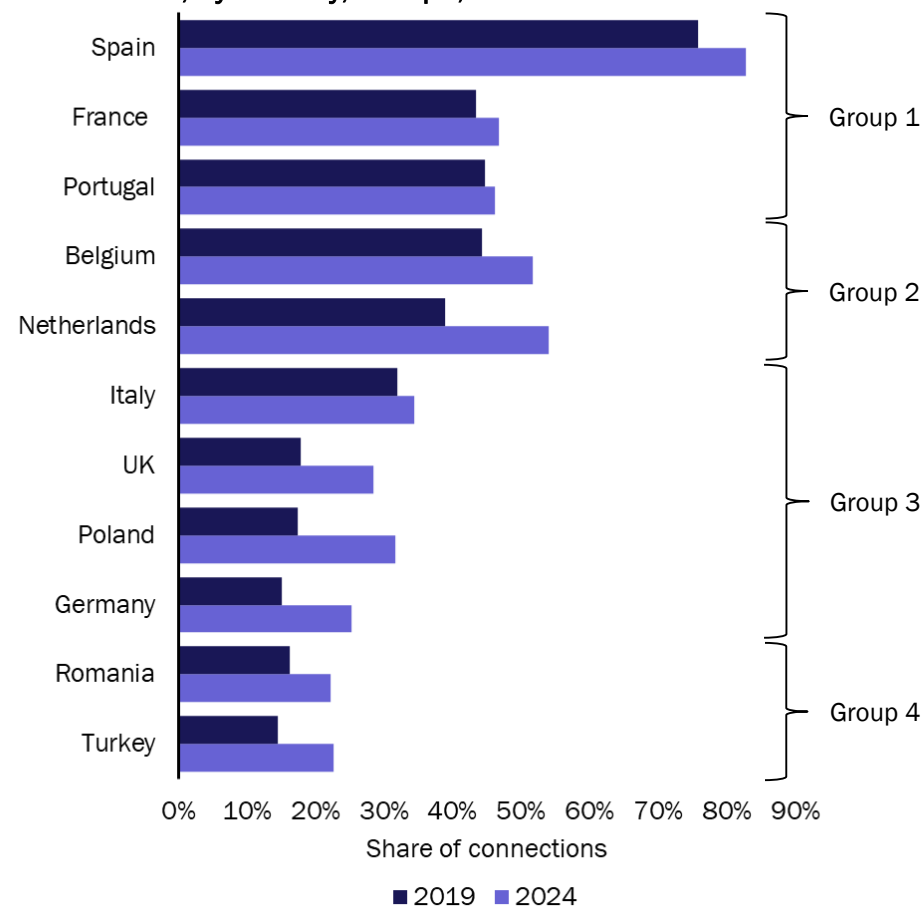
Markets with low levels of competition where conservative discounts have been offered to retain a high-value user base (group 2).

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



Contents



Executive summary

Regional trends

Country-level trends

Western Europe

Central and Eastern Europe

Asia–Pacific

Forecast methodology and assumptions

About the authors and Analysys Mason

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.

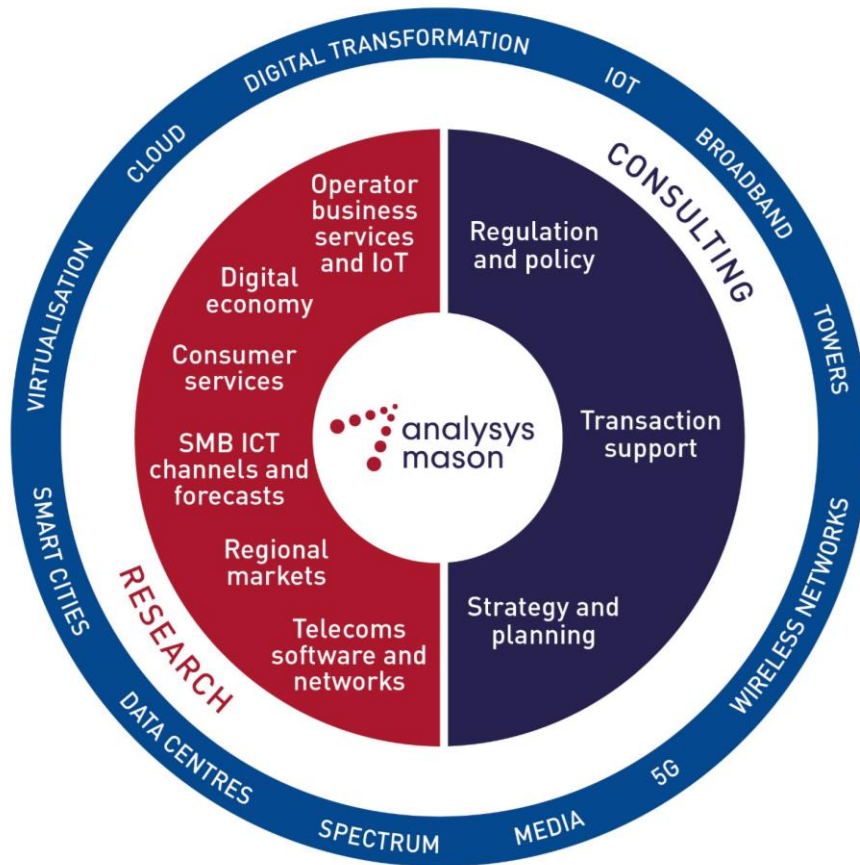
About the authors [2/2]



Rémy Giraud (Senior Analyst) is the lead analyst for Analysys Mason's *Americas* research programme, and as a member of the regional markets research team in London, contributes mainly to the *Telecoms Market Matrix*, *European Core Forecasts*, *European Country Reports* and *Global Telecoms Data* research programmes. Rémy holds a BSc in economics from the London School of Economics (LSE), and holds an MSc in Risk and Finance from EDHEC Business School.

Analysys Mason's consulting and research are uniquely positioned

Analysys Mason's consulting services and research portfolio



Consulting

We deliver tangible benefits to clients across the telecoms industry:

- communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters and service and content providers

Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces.

We are future-focused and help clients understand the challenges and opportunities new technology brings.

Research

Our dedicated team of analysts track and forecast the different services accessed by consumers and enterprises.

We offer detailed insight into the software, infrastructure and technology delivering those services.

Clients benefit from regular and timely intelligence, and direct access to analysts.

Research from Analysys Mason

Consumer services programmes

Mobile Services
Mobile Devices
Fixed Broadband Services
Convergence Strategies
Video Strategies

Operator investment programmes

Operator Investment Strategies
Network Traffic
Spectrum

Telecoms software and networks programmes

Software Forecast and Strategy
Telecoms Software Market Shares

Network-focused

Next-Generation Wireless Networks
Video and Identity Platforms
Service Design and Orchestration
Automated Assurance
Network Automation and Orchestration
Digital Infrastructure Strategies

Customer-focused

Digital Experience
Customer Engagement
Monetisation Platforms
AI and Analytics



Digital economy programmes

Digital Economy Strategies
Future Comms

Operator business services and IoT programmes

Large Enterprise Voice and Data Connectivity
Large Enterprise Emerging Service Opportunities
SME Strategies
IoT and M2M Services
IoT Platforms and Technology

SMB ICT channels and forecasts programmes

Managed Service Provider Strategies
Cyber Security

Regional markets programmes

Global Telecoms Data
Americas
Asia-Pacific
Middle East and Africa
European Core Forecasts
European Telecoms Market Matrix
European Country Reports

DataHub

~2500 forecast and 250+ historical metrics
Regional results and worldwide totals
Operator historical data

Consulting from Analysys Mason

REGULATION AND POLICY

- Policy development and response
- Ex-ante market reviews, remedies, costing ...
- Universal Service Obligation (USO)
- Scarce resources: radio spectrum management, auction support, numbering ...
- Ex-post/abuse of dominance
- Postal sector



analysismason.com/consulting

TRANSACTION SUPPORT

- Commercial due diligence
- Technical due diligence
- Mergers and acquisitions (M&As)
- Debt and initial public offerings (IPOs)
- Joint-venture structuring
- Mid-market financial sponsors

STRATEGY AND PLANNING

- Commercial expertise
- Technology optimisation
- New digital frontiers



PUBLISHED BY ANALYSYS MASON LIMITED IN **MARCH 2020**

Bush House • North West Wing • Aldwych • London • WC2B 4PJ • UK

Tel: +44 (0)20 7395 9000 • Email: research@analysismason.com • www.analysismason.com/research • Registered in England and Wales No. 5177472

© Analysys Mason Limited 2020. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of the publisher.

Figures and projections contained in this report are based on publicly available information only and are produced by the Research Division of Analysys Mason Limited independently of any client-specific work within Analysys Mason Limited. The opinions expressed are those of the stated authors only.

Analysys Mason Limited recognises that many terms appearing in this report are proprietary; all such trademarks are acknowledged and every effort has been made to indicate them by the normal UK publishing practice of capitalisation. However, the presence of a term, in whatever form, does not affect its legal status as a trademark.

Analysys Mason Limited maintains that all reasonable care and skill have been used in the compilation of this publication. However, Analysys Mason Limited shall not be under any liability for loss or damage (including consequential loss) whatsoever or howsoever arising as a result of the use of this publication by the customer, his servants, agents or any third party.