

RESEARCH STRATEGY REPORT

ACCELERATING A RETURN ON INVESTMENT IN FTTx IN EMERGING ASIA-PACIFIC: **BEST PRACTICES**

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About this report

This report analyses how fixed-line operators in emerging Asia-Pacific (EMAP) can improve the return on investment (RoI) in FTTx networks.

The report also provides recommendations for FTTx operators in EMAP.

It is based on several sources, including:

- Analysys Mason's internal research
- interviews with stakeholders in the FTTx market in EMAP, including incumbent and alternative operators.

KEY QUESTIONS ANSWERED IN THIS REPORT

- How can FTTx operators in EMAP accelerate their return on investment in fibre networks?
- Which retail offers work best for driving revenue growth on FTTx operators' fibre networks?
- What are the best approaches for targeting FTTx coverage, and what are the best ways to reduce costs per home passed?
- Are there potential advantages in FTTx operators in EMAP opening their networks to third parties, and what are the different ways in which this can be achieved?

GEOGRAPHICAL COVERAGE

- Indonesia
- Malaysia
- Philippines
- Thailand
- Vietnam

OPERATORS

Operators mentioned in this report:

- Indonesia: Indosat; Link Net; MyRepublic; Telkom Indonesia
- Malaysia: Telekom Malaysia; TIME dotCom
- Philippines: PLDT
- Thailand: AIS; True; TT&T
- Vietnam: FPT Telecom; Viettel; VNPT

WHO SHOULD READ THIS REPORT

- Strategy teams in incumbent fixed-line operators in EMAP that have rolled out, or are in the process of rolling out, FTTx and are looking to accelerate a return on their investment.
- Strategy teams in alternative fixed-line operators that have rolled out, or are in the process of rolling out, FTTx and want to accelerate the return on their investment.
- Strategy teams in fixed-line operators worldwide that want to identify and implement best practices for improving RoI on FTTx investments.

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Executive summary

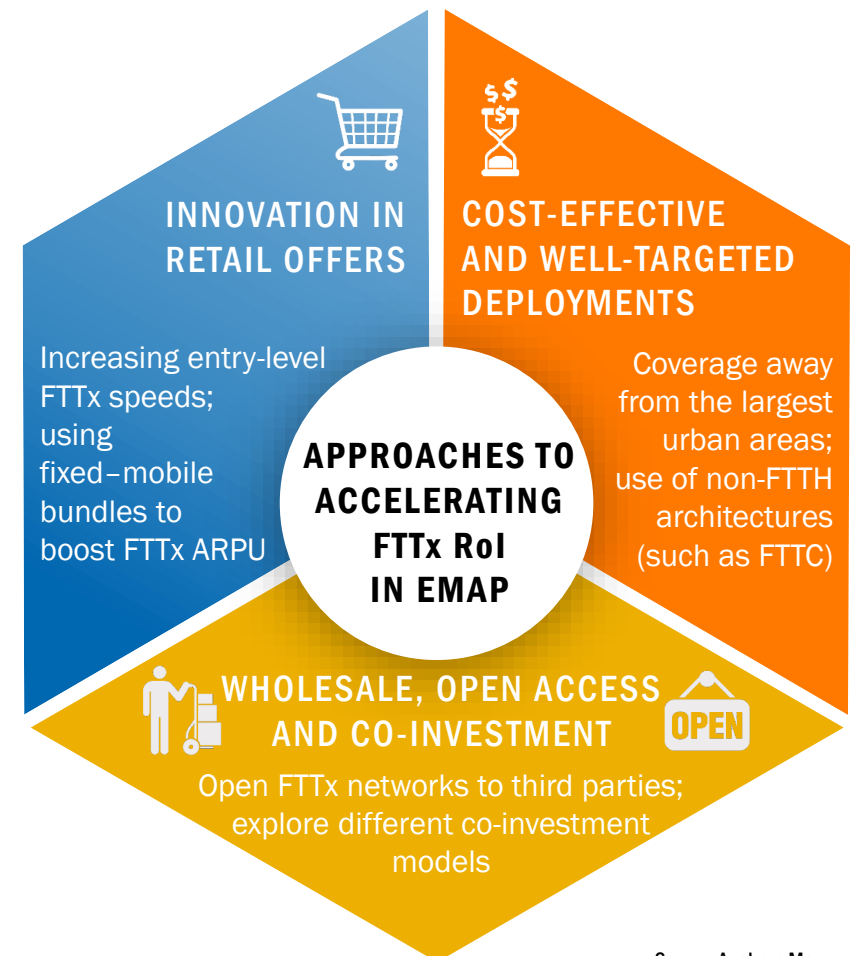
FTTx operators in emerging Asia-Pacific must do more to accelerate a return on their FTTx investments; the use of fixed-mobile bundles, expanded coverage for smaller towns, and opening networks to third parties are all promising strategies.

FTTx operators in EMAP have, in many cases, struggled to gain a return on their fibre investment due primarily to poor take-up of retail offers, which itself is the result of inadequately designed offers and competition from other providers with overlapping fibre networks. The cost of fibre roll-out in EMAP has also impeded a return on FTTx investments.

This report explores how operators can accelerate the return on their FTTx investments. We discuss how operators can boost take-up of retail offers and increase ARPU with fixed-mobile bundles. The report also assesses how fibre roll-out costs can be reduced (for instance, through the use of different FTTx architectures). Finally, we explore how operators can develop wholesale strategies and partnerships to both improve retail take-up and reduce the cost of network roll-outs.

The report recommends that operators should raise entry-level FTTx speeds and use fixed-mobile bundles to get a more-rapid return on their FTTx investments. FTTx operators in EMAP can also benefit from expanding their network coverage in smaller towns and cities. There is also good potential for developing wholesale and partnership strategies for fibre deployments in EMAP.

Figure 1: Strategies to help operators in EMAP to accelerate the return on investment in FTTx



Source: Analysys Mason

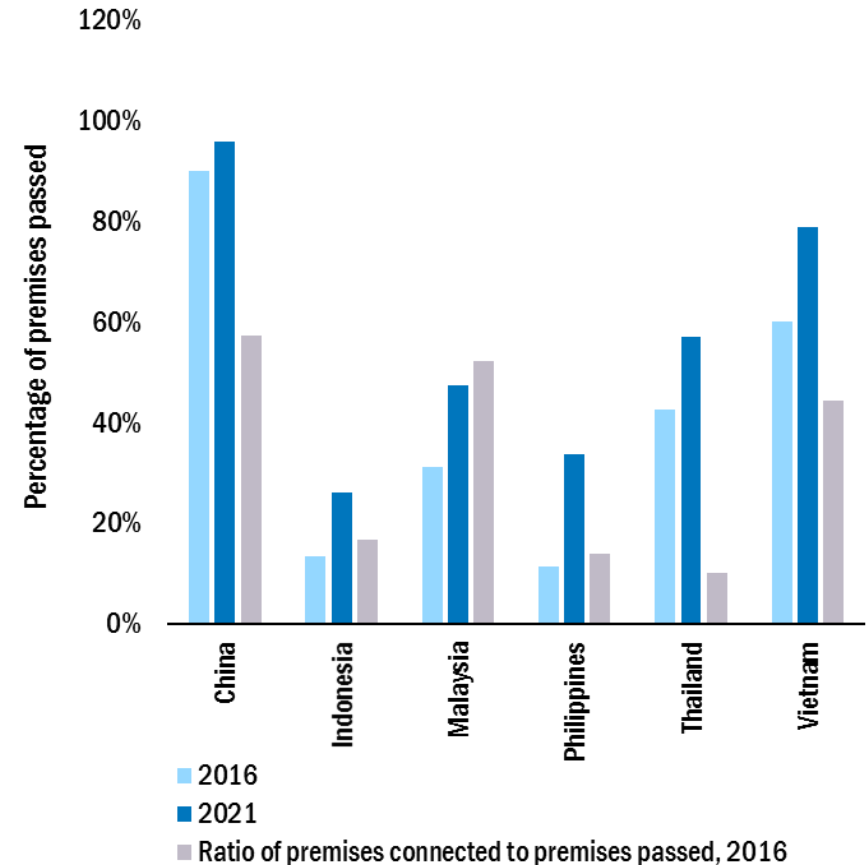
Operators need to increase FTTx take-up and reduce roll-out costs to generate improved Rol on fibre investments

Operators in EMAP have invested heavily in FTTx, but new strategies must now be employed to stimulate consumer take-up and revenue in order to accelerate Rol. Fibre coverage is still being expanded, particularly by new entrants, and these players must reduce roll-out costs to accelerate Rol.

Following significant investment in FTTx, some operators are now wrestling with the question of how to drive up subscriber penetration and boost revenue. There are some notable success stories for FTTx take-up in EMAP (for example, Telekom Malaysia), but other operators are finding it more difficult to achieve strong revenue growth from FTTx. For example, three overlapping FTTH roll-outs in Vietnam from VNPT, Viettel and FPT Telecom have generated fierce competition, driving prices down and constraining take-up of each operator's services. In Indonesia, the incumbent's FTTx roll-out has failed to meet its highly ambitious target in the number of initial subscribers. In Thailand, operators have made heavy investments in fibre and are now aiming to increase the take-up rate.

Although FTTx coverage expansion is beginning to slow down in most EMAP markets, both incumbents and new entrants in particular are still increasing their fibre footprints. Such operators will need to find ways to reduce the cost per home passed. This could include using different FTTx architectures, or co-investment with partners to avoid a needless overlap of multiple FTTx networks.

Figure 2: Percentage of FTTx household coverage (2016 and 2021) and the ratio of homes connected to homes passed (2016), selected EMAP markets



Source: Analysys Mason

The use of fixed-mobile bundles, expanded fibre coverage in smaller towns, and co-investment and open access can drive FTTx RoI in EMAP

The use of fixed-mobile bundles, extending coverage to smaller towns and cities and open-access models can help operators in EMAP to drive revenue growth and reduce the cost of FTTx network roll-outs.

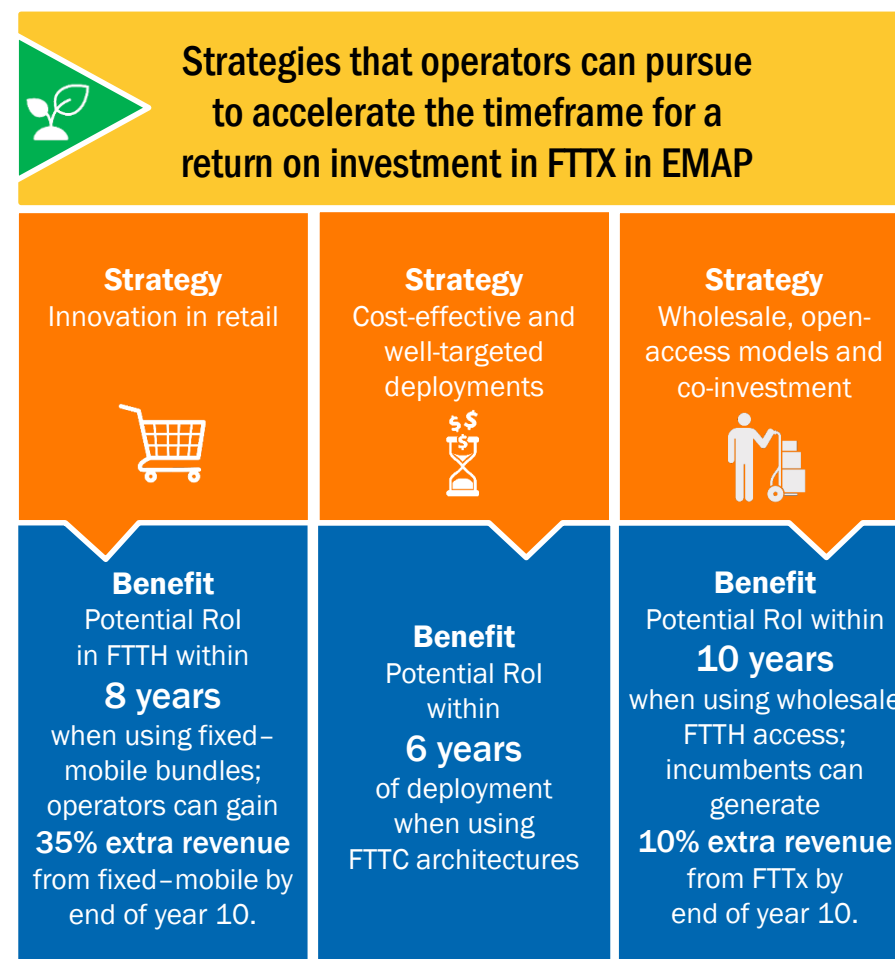
In this report, we examine how FTTx operators can drive revenue growth by attracting subscribers through innovative retail offers.

We also explain how FTTx operators can use different network architectures to reduce deployment costs and ensure that coverage is effectively targeted to areas with strong levels of customer interest.

Finally, we examine the ways in which operators in EMAP can use wholesale offers, open-access models and partnerships to improve retail take-up and reduce costs per home passed.

We recommend that FTTx operators should offer higher speeds in their entry-level packages and that fixed-mobile bundles can significantly improve return on investment in FTTx by driving postpaid mobile penetration. We also recommend that expanding network coverage to smaller towns and cities will generate higher retail take-up, a trend that we have observed amongst some FTTx operators in EMAP. We also take a favourable view of open-access strategies and co-investment with partners.

Figure 3: Approaches to accelerating the return on investment in FTTx in EMAP



Source: Analysys Mason

Recommendations

1

Operators in emerging Asia-Pacific can use fixed-mobile bundles to accelerate a return on their investment in FTTx.

FTTx operators have the opportunity to use fixed-mobile bundles to achieve a return on their investments in fibre. Such bundles can serve to increase ARPU by converting subscribers to postpaid offers. They may also attract SIM-only customers attached to the main bundle. Our model indicates that fixed-mobile bundles can help operators to generate an additional 35% revenue from FTTx offers by the end of year 10 of a deployment.

2

FTTx coverage can be profitably extended to smaller towns and cities in emerging Asia-Pacific.

Some operators in EMAP, such as AIS in Thailand, are reporting stronger FTTx take-up in smaller towns and cities. Such areas may often lack competition from other fixed-line next-generation access (NGA) providers and there is a considerable advantage for operators that are the first to roll out FTTx in a particular area. In order to take advantage of this opportunity, FTTx operators in EMAP need to be realistic in their pricing.

3

Opening networks to third parties is an attractive option for most FTTx operators in emerging Asia-Pacific.

Offering wholesale access to fibre infrastructure can assist players that are struggling to boost retail take-up on their FTTx networks. This strategy could be advantageous for incumbents, as well as non-integrated fibre players, which may find useful partners in mobile-only operators that need to compete with integrated fixed-mobile players. Co-investment can reduce roll-out costs and certain models will continue to allow fibre operators to have full flexibility over their retail offers.

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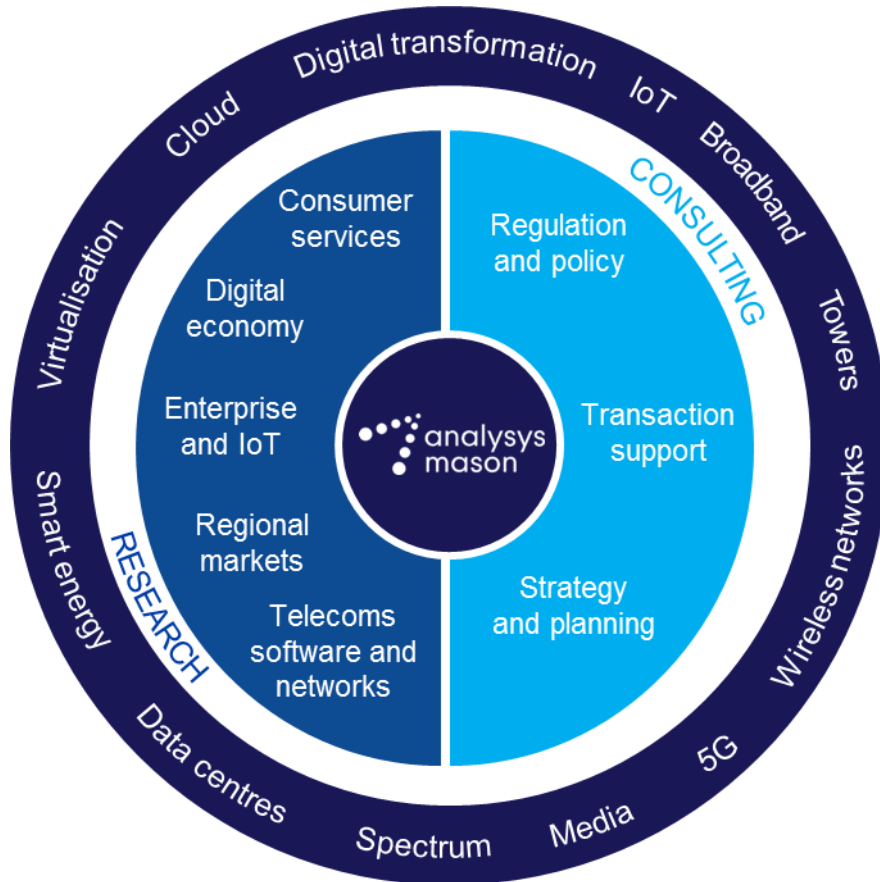
About the author



Stephen Wilson (Principal Analyst) contributes research to our *Fixed Networks* research programme. He joined Analysys Mason as a Senior Analyst in November 2012, having previously worked for Informa Telecoms & Media. Stephen has more than 5 years of experience covering the telecoms industry and specialises in analysing fixed broadband access technologies and strategies, as well as developments in European telecoms markets across fixed and mobile sectors. He has produced reports on DSL acceleration technologies as well as regular updates on European markets, notably in Central and Eastern Europe. Stephen is a graduate in Politics, Philosophy and Economics from St Catherine's College, Oxford University.

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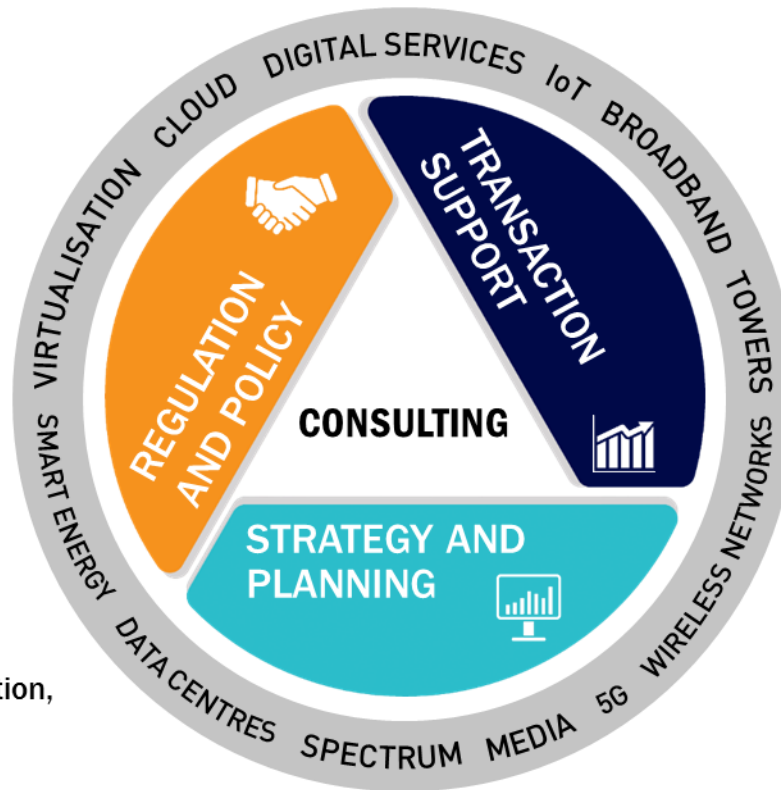
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