

# Operators in the Gulf region should exploit 5G to offer more unlimited mobile tariffs and bundle new content

August 2021

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Most operators in the Gulf region were among the first in the world to introduce 5G mobile services in 2019. However, adoption of their services has been limited compared to that of their peers in more-mature markets such as South Korea.

In this article, we argue that operators in the region should capitalise on 5G’s superior performance and efficiency to offer more unlimited 5G mobile tariffs. They should also experiment with new content bundles to accelerate 5G take-up and enable better data monetisation.

## Gulf-based operators were early adopters of 5G; many of them have already reported strong population coverage

Operators in the Gulf region first deployed 5G to stimulate the next phase of mobile data growth, to support data traffic more efficiently than with 4G and to enable new digital experiences. 5G can help operators to keep up with the growing demand for data, as has been the case in countries such as Bahrain and Kuwait, which have among the highest levels of mobile data usage per capita in the world.

5G coverage reached most of the region’s population by mid-2021 (see

Figure 1). However, the adoption of mobile 5G services has been relatively low. This can be attributed to the emergence of COVID-19, which stifled the momentum for the demand of 5G and forced operators to prioritise customer retention over the promotion of 5G. There is also the lack of a clear use case to compel customers to upgrade to, and use, 5G, given the high unit data price in countries such as Oman and the UAE.

Operators also face the challenge of providing good 5G indoor coverage to satisfy the needs of high-value customers, who likely live in villas and high-rise buildings and could experience poor reception due to signal propagation limitations in the mid-band.

**Figure 1: 5G mobile launch data and coverage in the Gulf region, by operator, June 2021**

Country	Operator	Launch date	5G population coverage
Bahrain	Batelco	July 2019	>95%
	stc		
Kuwait	Zain	July 2019	> 90%
	stc		
Oman	Omantel	February 2021	Main cities but no population coverage data
	Ooredoo	April 2021	
Qatar	Ooredoo	July 2019	~95%
	Vodafone		> 70%

Country	Operator	Launch date	5G population coverage
Saudi Arabia	stc	June 2019	43 cities but no population coverage data
	Zain	October 2019	60%
	Mobily	1Q 2020	21 cities but no coverage data
UAE	du	June 2019	Major urban areas but no coverage data
	Etisalat	May 2020	

Source: operators' reporting and Analysys Mason estimates

## Operators in the Gulf region can further demarcate 5G tariffs from 4G packages

Analysys Mason's report *5G mobile pricing strategies in the GCC* identified three broad strategies that operators have implemented in the Gulf region to monetise 5G mobile services.

- **Make no price differentiation between 4G and 5G.** A common approach has been taken by operators in the UAE and Qatar, and Mobily and stc in Saudi Arabia, to grant all subscribers with access to 5G services if they have 5G-enabled devices. This ensures continuity with the previous tariffs while higher data allowances can encourage customers to upgrade.
- **Charge prepaid customers a premium.** Restrict free access to postpaid subscribers only and charge prepaid users a monthly fee to enable 5G (a strategy implemented by both Batelco and Zain in Bahrain).<sup>1</sup> This encourages customers to migrate to postpaid plans while offering prepaid customers the opportunity to test the 5G experience.
- **Charge a premium for high-end tariffs.** A few operators in the Gulf region charge extra compared to a similar 4G package to reflect the speed difference. For example, Zain in Saudi Arabia charges USD93 for unlimited prepaid 5G mobile broadband tariffs compared to USD87 for the equivalent 4G plans.

These pricing strategies are simple to communicate to customers, but they do not take full advantage of 5G's enhanced capabilities and efficiency to offer more differentiated tariffs.

## 5G can support operators to move more aggressively towards unlimited data plans and to experiment with new content bundles

Operators in leading 5G markets in Asia-Pacific, Europe and North America have adopted a mix of pricing strategies to drive 5G adoption and to encourage customers to upgrade to higher-tier tariffs. Examples of these strategies, along with their pros and cons, and their impact on operators' KPIs were discussed in our recent [case study report](#).

Two of these strategies can be adopted by local operators depending on the quality of their 5G coverage, as well as their content assets and partnerships:

- **Speed-tiered unlimited tariffs.** 5G's spectrum efficiency enables operators to offer more unlimited data plans in a more cost-effective way than 4G. Operators can therefore offer maximum speeds to 5G users and

<sup>1</sup> Batelco charges BHD5 (USD13.3) for 5G activation. Zain charges BHD5.25 (USD14), but it is free on a promotional basis (as of August 2021).

speed-throttle those on unlimited 4G package to create clearer differentiation. They can also shift most of their portfolio to unlimited 5G plans and increase the maximum speed depending on the monthly spend. This approach encourages tariff upgrades and results in incremental ARPU gains as reported by DNA, Elisa, O2 Germany and Vodafone.

- **Bundling of new content.** Cloud gaming has emerged as a popular use case to drive 5G usage. It is an offering that can stimulate demand for connectivity and attract a large, young audience. However, to be successful, operators need to ensure that coverage, throughput and latency are optimal. For example, Zain (Saudi Arabia), which has the best 5G coverage and the lowest latency in the country, offers a free subscription to the cloud-gaming platform 'Nvidia GeForce NOW' to postpaid mobile broadband 5G subscribers. Beyond network considerations, operators should decide what role they want (and can) play in the emerging 5G content ecosystem. This will depend on their risk appetite, 5G ambitions and the assets that they can use for content production and distribution.

Regardless of the moves that local operators decide to make to enable more future-proof 5G tariffs, there are still uncertainties regarding the impact that 5G could have on consumer revenue. Therefore, Gulf-based operators need to be realistic about how much ARPU uplift they can achieve with the introduction of unlimited tariffs and the use of speed or content tiering.