

Website: <http://www.business24-7.ae/companies-markets/technology/voip-to-drive-demand-for-broadband-2010-05-13-1.243629>

Article: VoIP to drive demand for broadband

Date: 13 May 2010

The screenshot shows the Emirates Business 24/7 website interface. At the top, the logo 'EMIRATES Business 24/7' is displayed. The date and time are 'Monday, 24 May, 2010 4:28 PM Dubai Time'. Navigation tabs include News, Banking & Finance, Economy, Companies & Markets, The Business of Life, Sports, and Opinion. A search bar is present with an 'Advanced' option. Below the navigation, there are sub-categories like Real Estate, Construction, Aviation, Energy & Utilities, Logistics, Healthcare, Technology, Media, Retail, Travel & Hospitality, Commodities, and Markets. The main article is titled 'VoIP to drive demand for broadband' by a Staff Writer, published on Thursday, May 13, 2010. The article features a photo of customers at an etisalat showroom. To the right, there are sections for '24/7 Editor's Choice' with a cityscape image, 'Forex Rates' table, and 'Dubai Index' showing a value of 1646.73 with a +2.01% change. Below these is an advertisement for Xerox Phaser 6140 and 6128MFP printers.

Currency	Rate	Change
GBP	5.51	+0.718%
EUR	4.96	+0.004%
INR	0.08	-0.862%
PKR	0.04	+0.691%

1646.73	+2.01%
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VoIP to drive demand for broadband

By - Staff Writer

Published Thursday, May 13, 2010



Customers at an etisalat showroom in Dubai. Mobile broadband is expected to have a market penetration of 57 per cent in the Mena region by 2015. (EB FILE)

The launch of Voice Over Internet Protocol (VoIP) services in the UAE would result in a massive growth of broadband penetration in the country, a report said.

The report by Rasmala Investment Bank and Royal Bank of Scotland (RBS) said the country that currently has more dial-up internet connections would see more demand for broadband services

once the VoIP services are launched. Both etisalat and du are set to launch their own VoIP services soon.

While broadband service has a penetration of 27 per cent in the UAE, it leads the GCC in dial-up services with 51 per cent.

As at December 2009, the UAE's penetration rates for fixed, mobile and internet penetration rates are 29.9 per cent, 21.5 per cent, and 26.9 per cent, respectively.

Until now, both UAE's fixed-line and internet markets have been restricted to specific operating zones. Hence, etisalat was not allowed to extend its fixed-line services, including IPTV, internet or broadband services, to some parts of Dubai, while du could operate in these areas only.

However, the UAE's Telecommunications Regulatory Authority (TRA) decided to lift these restrictions and allow nationwide access to both operators. To that end, an ongoing infrastructure-sharing agreement is in the final stages of negotiations that will allow both operators access to zones from which they were previously restricted. Management guidance from both operators has indicated that nationwide coverage could be possible by 2011.

Both operators have been hit by reductions in new internet connections, a factor that analysts attribute to saturation of the market.

Both etisalat and du plan to enhance their platforms and add value for current customers by providing triple-play and quad-play services. At present, operators offer bundled services through their fixed-line services, ie broadband, IPTV, and fixed telephony to make their services more cost effective for consumers.

Mobile broadband

According to the report, mobile broadband is set to grow exponentially in the Mena (Middle East North Africa) region and it forecast a market penetration of 57 per cent by 2015 from 3.3 per cent in 2008. Although voice ARPU (average revenue per user) continues to decline in the region, the report said, broadband services should ultimately drive cash flows and value creation for operators. Mena countries have attractive demographics for the broadband segment with 60 per cent of the population below the age of 30.

As per reports from the International Telecommunication Union (ITU) 2008 broadband penetration in the Arab states was 3.3 per cent for mobile and 1.3 per cent for fixed. Local operators are rapidly introducing new services and products to capture this growing market.

While broadband will provide future growth to operators the market has also ignored the potential positives of an increase in broadband penetration.

The report said Mena operators are uniquely positioned to take advantage of low broadband penetration. Given the lack of social and leisure networks in certain countries, broadband applications could fill this void for the younger generations in these countries. Broadband will become a meaningful contributor to revenues, profitability and cash flows. With mobile penetration rates across most Mena countries above 100 per cent, the question is where the next growth driver will come from. The short answer is broadband, said analysts.

While mobile broadband technology is expected to grow it is too early to determine if it will be a market leader. The uptake of smart phones and the attractive proposition of mobile broadband will ultimately prove too compelling for fixed broadband to compete with.

The subtle differences between mobile and fixed broadband have significant implications on both the potential number of users and cash flows to the operators. Fixed broadband has much higher upfront costs and intangible frictional costs that make it less attractive to the operator and end-user.

Routers installed in the home and service technician visits are some examples of the tangible and intangible frictional costs associated with the service. One fixed line can support a family or household of users. The packages are typically priced at throughput rather than usage. Operators are unable to effectively monetise heavy users. Mobile broadband does not require the tearing of roads or technician visits, and is generally charged on a usage basis. Each user can have own service arrangement compared to an entire family using one subscription, which would result in more subscribers.

Thus far, the data points support the view from a global and local perspective, that mobile broadband will ultimately become the delivery method of choice.

Mobile services are expected to extend beyond handsets and smartphones to multiple devices including cars, washing machines and coffee makers. This trend could have far reaching implications for the industry.

Therefore, high-speed data services, namely broadband, both mobile and fixed can provide untapped revenue for operators. Technology development has played a larger role in the Middle Eastern telecommunications market than in any other emerging market, because of the unique culture, high youth population, and strong purchasing power of the Mena population.

More than 60 per cent of the Mena population is under the age of 30, and their strong purchasing power allows the telecom subscribers in the Mena region to spend more on the rather expensive data and multimedia services, yielding higher value for domestic operators.

Double SIM effect

According to ITU, the Mena countries with very high mobile penetration rates, essentially the GCC countries, are experiencing the so-called 'double-SIM' effect.

According to ITU, different parameters that affect this trend are the high number of foreigners (professionals/tourists) entering the country (for varying periods of time), individual countries market structures (eg a high share of prepaid customers), the relatively late introduction of mobile number portability (eg 2006 in Saudi Arabia) and/or no portability at all (eg in the case of Bahrain and the UAE).

Despite the fact that headline mobile penetration rates in the region have surpassed 100 per cent, there is room for growth in the Mena telecommunications industry particularly in terms of high-speed data provision. Mobile penetration rates in the Mena markets surpassed 100 per cent, there was a notable parallel increase in internet penetration rates, which could be explained by the high spending power that Mena subscribers enjoy and the increased sophistication of end-users.

According to a study by Delta Partners, almost 70 per cent of the broadband subscribers in the MEA (Middle East and Africa) will, in fact, be delivered over wireless networks by 2011, up from about 38 per cent today.

This will translate to a significant growth potential for mobile broadband in MEA, with subscribers expected to grow from 2.5 million today to about 40 million in 2011, which represents a market worth around \$6 billion (Dh22.02bn) in 2011 versus \$1bn today.

Value-added services

With expansion plans temporarily put on hold, telecom operators have shifted focus to offering value-added services to its higher-spending customer base in efforts to sustain Arpu levels and reduce churn rates.

The adoption of mobile banking is considered an innovative value-added service, with its applications ranging from rendering simple banking solutions, such as money remittances and e-wallet, to full-fledged services for both the un-banked and banked segments of subscribers.

Although mobile banking is still in a nascent stage, particularly in the Mena region and Africa, potential returns are significantly attractive.