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Jordan's telecom sector remains ahead of many of its regional peers.

Jordan may have lost the mantle of first position in this year's Arab Advisors' Cellular Competition Intensity Index – a respected barometer for the region's telco sector – but this is perhaps more to do with the inroads made by Saudi Arabia, which took the number-one spot, than any failings from Jordan.

Indeed, few could dispute that Jordan remains far ahead of most other countries in the region in terms of competition in the telco sector, and the past year saw further developments that enhanced competition in the country still further.

With mobile voice penetration now understood to be above 100%, the country's two leading operators, Orange Jordan and Zain Jordan, are now battling it out to attract users for their recently deployed mobile broadband networks.

Jordan's third mobile operator, Batelco-backed Umniah, is also planning to launch 3G services, but not until 2012. Peter Kalioropoulos, CEO, Batelco said he expects the Jordanian operation to "roll out 3G services" in Q1 2012.

Orange Jordan, which is 51%-owned by France's Orange Group, was the first operator to launch 3G services, in March last year, after paying JD50 million (US\$70 million) for a 15-year licence in August 2009.

Zain Jordan followed in March 2011, after deploying an HSPA+ network in the preceding months.

Zain's deployment caused some controversy, with Orange Jordan claiming that the government had breached its exclusivity period. In January 2011, it emerged that the incumbent operator was

asking for JD120 million in compensation for “granting the 3G licence to another operator” within its exclusivity period.

While the case appears to be ongoing, both operators are now competing for market share in one of the few areas of the telecoms sector that appears able to halt declining ARPUs.

By May, Zain Jordan had reached a total of 350,000 subscribers to its HSPA+ network, comprising smartphone and dongle users, according to the company’s CEO, Dr. Abdul Malek Al-Jaber.

Zain Jordan’s initial mobile broadband subscriber uptake appears to be far stronger than Orange Jordan’s was. In January, the company said that it had gained 100,000 subscribers, and blamed the slower-than-expected uptake on a lack of awareness about 3G services in the market and a lack of 3G-enabled devices.

Al-Jaber says that within a month of launching the service, Zain Jordan had 100,000 subscribers, which was five times its original expectation.

The company now has a total of about 350,000 users, with 100,000 subscribers opting for mobile data via dongles, and about 250,000 subscribers using the HSPA+ network via their smartphones.

Al-Jaber also confirmed that the HSPA+ network now covers 99% of the population of Jordan.

“We already have full country coverage, it is identical to the 2G coverage which is 99% of the population of Jordan, so with regards to HSPA+, we have identical number of towers - 1,200 towers for 2G, and the same for HSPA+,” he says.

Al-Jaber attributes the rapid growth in subscriber numbers to the type of mobile broadband packages that Zain Jordan offers, and a marketing campaign that focused on applications and services.

“We educated the customers about what they need depending on their usage. If he is just going to Facebook and social media, it is not the same as if he is using Youtube or watching movies. Based on the customers’ needs we will advise them whether they should go for the 1 gig or 5 gig package for example,” Al-Jaber says.

However, with mobile broadband competition set to intensify, particularly when Umniah enters the market, analysts have warned that the telcos should avoid trying to compete too heavily on price.

“Operators have played the price game on the voice side and challenges could arise if they follow the same approach on the data side, especially mobile data,” says Xavier Anglada, a partner at Delta Partners, a Dubai-based telecoms consultancy and investment firm.

Anglada says that mobile broadband represents a major opportunity for Orange and Zain, not least because the country's fixed-line infrastructure is under-developed and broadband penetration low, while the country is also home to a large population of young people.

"3G has the opportunity, especially as the population is quite concentrated in the big cities," he says. "Against a good segmented roll out, 3G could yield good benefits. Even the roll out to places where fixed-line would not reach any time soon, HSPA has the business opportunity.

"The youth segment is quite large and growing and they are typically quite early adopters."

The way that the operators approach the market with their 3G offerings, and the type of price structures that they offer, will be crucial to the future health of the telecom industry in Jordan, according to Anglada.

"Here operators need to price smart making sure that all the investment gets paid back. If we go to the aggressiveness of pricing of voice we will have challenges paying back the investment, but if you price it up you have the challenge that people cannot adopt it.

They need to be aggressive enough to drive adoption but ensure good margins," Anglada adds.

This is a situation that Zain's Al-Jaber is well aware of. He says that operators need to start thinking about the sector "in terms of applications and services" such as software-as-a-service, mobile financial services and e-health.

"Operators are strategically positioned because of their relationship with their customers, and they need to be proactive and move in that direction to save and rescue their revenue streams.

"If they don't move in that direction I am afraid that operators are going to face very difficult times in the coming years," he adds.

In order to take this route, telcos must profile and segment their customers, and understand the needs of different categories of customers.

A-Jaber adds that operators will need to be "proactive and smart" by creating alliances with companies in sectors such as healthcare and financial services in order to tap potential for services related to these types of sectors.

Overall market

While mobile broadband has gained significant attention in Jordan in recent months, the country's fixed-line sector remains a challenge. The fixed-line sector remains largely dominated by Orange Jordan, with Local Loop Unbundling yet to happen in the country.

However, the fixed-line sector does appear to be developing. Both Zain and Umniah have extensive WiMAX networks, and Zain has also been busy deploying its own fibre-optic network.

Al-Jaber says that Zain Jordan started its transition to become an integrated operator about 18 months ago by building its own fibre-optic infrastructure and investing in its overall network, including WiMAX and HSPA+.

“From an infrastructure point of view, Zain has completed its transformation to become a fully integrated provider, and the enterprise market part of it is key,” he says.

Al-Jaber adds that Zain Jordan will soon start to offer a full range of fixed-line services to enterprises including managed services such as managed security.

“We created partnerships and alliances with the leading providers of these services. We are not a managed security expert or cloud expert but we have the partners,” Al-Jaber says.

Key challenges

Despite its reputation as one of the region’s most competitive telecom markets, some key challenges remain, including a heavy tax burden on the sector and Orange Jordan’s monopoly over the country’s copper network for voice services, according to Anglada.

“Taxation is a key element that the government must look at very carefully, and the second thing is LLU,” says Anglada. “Although it is not going to be a massive booster for the market, it will bring healthy competition and avoid a monopolistic approach.”

Zoran Vasiljev, managing partner at consultancy firm Value Partners, adds that while designing policies to boost competition is relatively easy, it can be “much more difficult” to actually implement them.

“The effectiveness of these implementations will be the real measure of the TRAs success in Jordan,” he says.

In terms of the main barriers to the ongoing development of Jordan’s telecom sector, Vaslijev points to the need for more investment.

“The sector requires more investments – and keeping it attractive for international investors is very important,” he says. “Also, the sector has to attract new talent, leadership, and innovations. I believe these factors are key in the coming years for Jordan’s telecom sector.”

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