



Expert's View

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Seize the opportunities in fixed broadband market

The home and enterprise broadband market represents not just a fresh opportunity for mobile operators to increase income, but also a new engine and a key strategic drive for them to maximize core competitiveness.

By Zhong Xiaofang

Seeking a new growth point

Several years of rapid development and market maturity have consistently slowed the annual growth in new global mobile subscribers. By Q3 2008, the global mobile penetration rate had risen to 57%. In Western and Eastern Europe, the rate actually exceeds 100%, while in the heavily populated Asia Pacific region, mobile penetration has topped 40%. We can say that the global market of potential consumers is approaching saturation, if not considering the non-target market (the poor/the elderly/children).

Moreover, for mobile operators the amount of traditional voice service traffic is increasing while the revenues are dwindling. The EBITDA margins are dropping to their lowest levels. If mobile operators continue to focus on traditional mobile services only, new growth space will quickly evaporate. To increase shareholder value, mobile operators are seeking new business growth points, of which the home and enterprise broadband access market forms a key component. The following are some examples:

After launching its xDSL and mobile

service bundled package in the U.K., O2 extended its reach into Germany in October 2006 by providing the service to homes and enterprises via the network of its parent company, Telefonica.

In Q3 2006, Vodafone launched Homezone, its innovative bundled xDSL and mobile service. Moreover, French second largest mobile operator SFR, which is jointly owned by Vivendi and Vodafone, has deployed its fixed WiMAX network in the southern area Paris to enable broadband access.

Telefonica will expand into the broadband market in South America and intends to increase the region's fixed broadband subscribers to 5 million during 2009. Vodacom has formally launched its Best Effort service to replace xDSL with WiMAX to access homes and enterprises. SingTel has delivered 1M Internet wireless broadband access in Singapore and its subsidiary, Globe, has defined its strategy to deploy WiMAX networks on a large scale to realize wireless broadband access for homes and enterprises.

Moreover, WiMAX forms one of the six strategic services promoted by France Telecom; the company has launched integrated WiMAX and Wi-Fi services for homes and enterprises, which it underpins

with converged diversified services.

Fresh opportunities

Although the broadband markets in Japan, Korea, and several Western European countries are close to saturation, the broadband subscriber bases in China, America, Germany, India, Russia, and South America are still growing rapidly, which is driving the overall rapid growth of the global broadband access market. Statistics from PointTopic reveal that, by Q3 2008, global broadband access subscribers totaled 398 million, up 21.2% annually; global broadband popularity (the proportion of broadband access subscribers against total population) reached 6.9%, reflecting an annual rise of 1.1%, while global home broadband popularity was 25.3%, 4.1% higher than the year before.

The services provided by mobile operators focus on individuals, which clearly inhibits integrated service provision, reduces these operators' competitiveness with integrated operators, and wastes a wealth of growth opportunities. Once integrated operators deliver diversified integrated services, they will attract high numbers of subscribers that will in turn increase the churn rate and

subscriber retention cost (SRC) of mobile operators.

Vodafone researched subscriber consumption habits in 2006 and found that in the home application environment 4% of the subscribers use mobile communication services only, and that just 1.1% of potential subscribers will confine their use to mobile communications services. However, 94.9% subscribers require multiple access modes. In Europe, home mobile phone services account for 30% to 40% of total usage, but this figure is higher in America, at between 40% and 50%. Mobile operators failing to deliver home-customized solutions will lose considerable service opportunities; as such many are now aiming to share the home market with fixed network operators.

Combining home and enterprise services with individual mobile services can enable mobile operators to develop various applications and auxiliary packages, increase service attractiveness, promote service development, and maximize their core competitiveness.

In 2006, Vodafone adjusted its mobile service strategy to include packages that integrated mobile, fixed, and broadband packages. Vodafone identified the combination of fixed and mobile services as one of its five key development strategies, and placed it as its drive to boost business development and maintain its leading position.

Vodafone implemented a range of measures globally to penetrate the fixed service market. In Italy and Spain, it acquired Tele2 broadband services; in Germany, the company bundled the broadband services of its joint venture concern, Arcor; and then targeted Italy with its Vodafone Fastweb broadband service. Vodafone acquired iHUG in New Zealand and partnered with BT in the U.K. to provide fixed services in both. In Germany, Italy, France, Hungary, and Portugal, the company delivered its "Zonal Traffic" voice service. In Germany, Italy, the U.K., Spain, Portugal, Egypt, Malta, and New Zealand, Vodafone deployed xDSL services.

By 2007, "Vodafone at Home" subscribers totaled 3.25 million, and its "Vodafone at the Office" service had attracted 2 million subscribers across 14 countries and regions. The company has

achieved considerable gains with this strategy, and has boosted its income, competitiveness and brand equity considerably.

Choosing the right strategy


As fixed networks increasingly converge with mobile networks, several operators have strategized a customized innovation approach to enter home and enterprise markets in different regions.

France Telecom proposed a strategy named New Experience in Telecom services (NExT) for transformation in June 2005, and specifically defined a unified brand "Orange" for its global mobile, broadband, convergent and commercial services. This approach allows operators to deliver a series of new telecom services for homes and enterprises by recombining services and networks according to subscriber requirements as opposed to designing services around network technologies. For individuals and homes, France Telecom hopes to combine telecom services with personal entertainment and the daily life environment. Connecting Wi-Fi and LiveBox, for example, can send music from computers to sound or home theater systems wirelessly, and can be remotely controlled by mobile phones or laptops.

Vodafone set its five key strategic objectives in 2007: Revenue stimulation and cost reduction in Europe; Innovating and delivering on customers' total communications needs; Delivering strong growth in emerging markets; Actively managing the portfolio to maximize returns; Aligning capital structure and shareholder returns policy to strategy. Based on new development strategies, Vodafone is actively boosting the evolution of mobile networks with a focus on mobile services, while implementing fixed-mobile convergence step by step. Integrating its network system with various advanced technologies, Vodafone keeps its technological advantages and the leading service position. By gradually integrating mobile services with Internet services, Vodafone is laying a foundation for new service development.

In emerging markets, MTN has already determined homes and enterprises as its next developmental focus. As the largest mobile operator in Africa, MTN owns mobile networks in eleven countries: South Africa, Uganda, Rwanda, Swaziland, Cameroon, Nigeria, Côte d'Ivoire, Zambia, Iran, the Democratic Republic of Congo, and Botswana. After acquiring Investcom, which operates as Areeba, MTN deployed mobile networks in Benin, Cyprus, Ghana, Guinea-Bissau, Liberia, Yemen, Guinea, Sudan, Afghanistan, and Syria. After a 12-year expansion drive, MTN has emerged as a multi-national conglomerate that covers nearly 500 million people and owns 21 subnets.

MTN holds that the arrival of the integrated telecom era has blurred the barrier between mobile and data operators, noting that one of the largest potential customer groups in emerging markets is fixed wireless data subscribers. Its resulting strategy MTN embodies a new business model and products, including those which are less dependent on mobility. Moreover, MTN has realized the unique value of WiMAX. By shifting static wireless data services from GSM and 3G networks to WiMAX networks, MTN is effectively coordinating GSM/UMTS and WiMAX networks. The company has improved mobile voice and data service experiences and developed personal mobile broadband data services through GSM/UMTS networks. It delivers high-quality wireless broadband data services with WiMAX to enter the home and enterprise broadband market. By Q1 2009, MTN had developed three WiMAX commercial networks and one WiMAX pilot network, with plans to deploy more.

The Chief Information Officer (CIO) of MTN-Uganda subnet, Phinda Ncala expressed his view on WiMAX, "MTN has invested in WiMAX to deliver broadband applications. We believe that the MTN broadband applications help improve Internet usage in Uganda. High data speeds, competitive pricing, and subscriber satisfaction promote the increased use of WiMAX technology and users are satisfied. WiMAX is not just a possibility. Here, it is a reality." 

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