

Quad Play: *Singapore Telecom*

New entrant puts spotlight on SingTel's bundling strategy



Summary

In brief

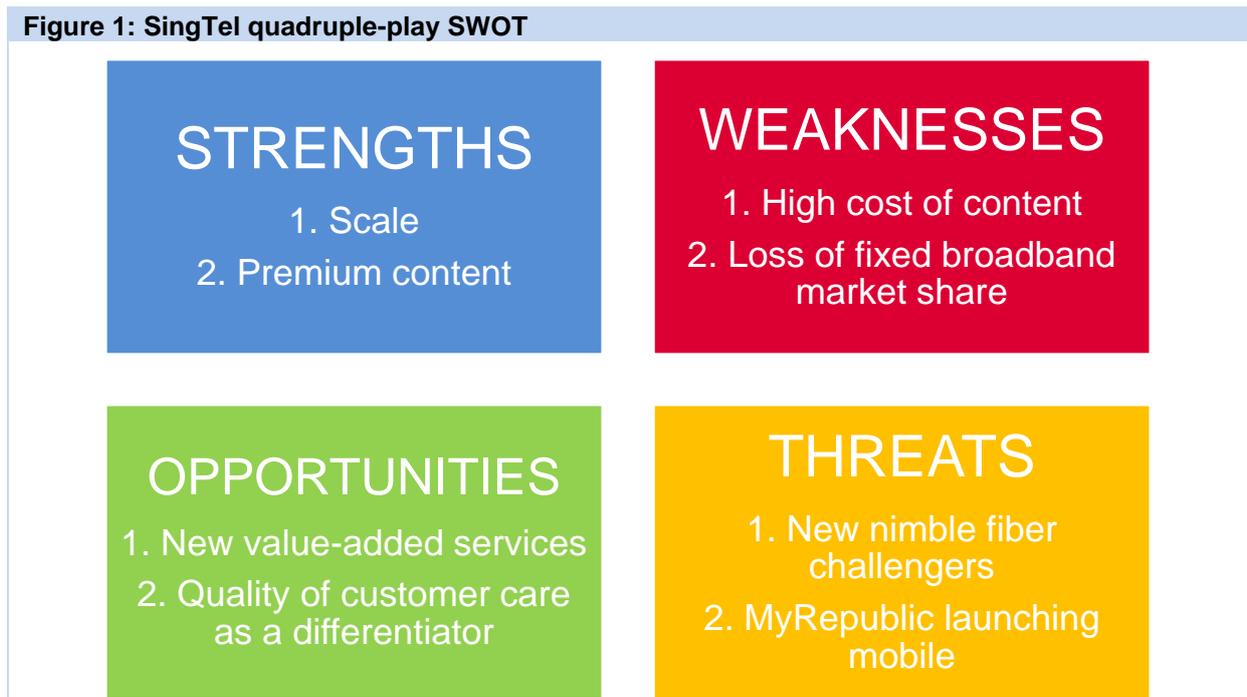
Greenfield broadband service provider MyRepublic has turned the Singaporean fiber, pay TV and multi-play market upside down. Offering cheap fiber broadband services over Singapore's Next Generation National Broadband Network (NGNBC), MyRepublic's market impact on the incumbents – and in particular SingTel – is reminiscent of Free as a broadband and mobile disrupter in France. With revenues, ARPU and market share under pressure, SingTel will be forced to reevaluate its bundling strategy as fiber access services commoditize.

Ovum view

- **MyRepublic gains scale through cheap fiber and product differentiation.** MyRepublic has launched two cheap fiber offers, but its trump card is not the fact that these 1Gbps packages are heavily discounted. Rather, MyRepublic's fiber broadband offers include fixed voice services and crucially over-the-top (OTT) IPTV.
- **M1 matches MyRepublic on price, fiber as a commodity.** As the smallest incumbent, M1 has matched MyRepublic's 1Gbps fiber discounted offer, which it bundles alongside fixed voice, OTT IPTV and mobile subscription discounts. In turn, fiber access and pricing are set to commoditize.
- **SingTel's premium IPTV-led bundle under pressure.** Through bundling, SingTel hopes to keep existing high ARPU subscribers and pull through new users thanks to its premium content in the bundle. But competition from MyRepublic's OTT IPTV service Teleport and Singapore's cross-carriage content regulations are threatening this traditional bundling strategy.
- **MyRepublic also plots mobile service.** MyRepublic plans to build its own mobile network but this will take time to gain subscriber traction, meaning SingTel can leverage mobile as a differentiator for the medium term.
- **SingTel needs to differentiate on other things.** In this competitive environment, SingTel will need to differentiate on more than premium content and compete in other areas such as customer care, personalization and new value-added services, otherwise it risks becoming another Orange in France, which continues to lose market share (mobile and fixed broadband) to challenger service provider Free.

SWOT

Figure 1: SingTel quadruple-play SWOT



Source: Ovum

Recommendations

- **Scale and resource advantage.** SingTel has a scale advantage – it has more subscribers that it can amortize its fixed costs (e.g. IP transit costs) across. It has the resources to afford premium content and, to invest in customer care and value-added services as differentiators. Also, the NBNBN is only the bandwidth from the operator to the end-user – it does not take into account all the back-end architecture that has to be in place to ensure seamless connectivity (including subsea cabling), hence there is a resource advantage here for SingTel.
- **SingTel's IPTV service still has legs.** Despite OTT IPTV competition, SingTel continues to invest heavily on key premium broadcast rights, which remain a popular bundling draw card compared to MyRepublic's Netflix-led OTT content. Cross-carriage rules mean customers from rival StarHub have also gained access to key content, owned by SingTel, but they have to buy this content from SingTel. Under the cross-carriage rules, differentiating on content is difficult, but not impossible.
- **Mobile might be elevated from a soft-play.** Today, SingTel only discounts mobile monthly subscriptions to its bundled subscribers. But if MyRepublic is successful in gaining scale in mobile, SingTel could add mobile voice and data to its hard bundle for greater traction, but this would erode healthy mobile margins.
- **SingTel must push into new value-added services.** We believe that SingTel must develop new value-added service for its multi-play bundles, such as connected home services, and leverage its advantage in the devices space (e.g. push connected TVs). We believe there is a market for SingTel to launch its own OTT IPTV service (similar to Foxtel's Presto service in Australia).

- **SingTel will also need to focus on customer care.** Quality of customer care must be a key differentiator for SingTel moving forward. This is the big challenge for MyRepublic because of lack of resources.

Overview

MyRepublic offers 1Gpbs fiber access for S\$49 a month

The Singapore multi-play market has taken a dangerous turn. On the one hand, Singapore Telecom and StarHub are trying to differentiate their bundles based on premium content. But this content led strategy, is being undermined by challenger operators – particularly MyRepublic – that is not only offering cheap 1GB fiber services, but also cheap OTT IPTV content.

SingTel, StarHub and M1 launched commercial services over Singapore’s fiber wholesale NGNBN in September 2010. SingTel and StarHub are trying to migrate their existing ADSL and cable modem bundled and unbundled customers onto their higher margin fiber NGNBN bundled platforms. Before NGNBN, M1 was only reselling SingTel’s and StarHub’s fixed broadband services.

The game changer in the market has been the launch of three-year-old fiber broadband operator MyRepublic, which is adding 2,000 new users per month and passed 25,000 fixed broadband customers in early November 2014. The firm has two broadband products, both of which offer three months free subscription to OTT IPTV service Teleport, which includes Netflix, Hulu, BBC iPlayer and Amazon Prime Instant Video. Both broadband services are available at the high speed of 1Gbps - the Ultra service costs just S\$49 per month.

MyRepublic’s strategy has massive implications for premium content players SingTel and StarHub. First, cheap 1Gbps fiber broadband means S\$49 is the new entry-level price point for fiber access. Second, its OTT service Teleport is cannibalizing their premium pay TV products and bundles.

SingTel offers a quad play with mobile subscription discounts

Singapore is a mature multi-play market. As shown in Figure 2, SingTel, StarHub and M1 five bundled elements. For SingTel and StarHub, fixed broadband, fixed voice, IPTV and mobile broadband make up the quad play, whilst mobile subscription discounts are offered, forming part of the soft bundled strategy since these are an adjunct to quad play.

MyRepublic has no mobile components in its offering, but it is planning to apply for a mobile license. In the meantime, it is offering new fiber customers S\$100 handset voucher or a free smartphone (Xiaomi Redmi 1S, Samsung Tablet 370 Lite, Asus Zenifone 5 3G or Lenovo A536).

Figure 2: Singapore, multi-play offers by operator

Provider	Fixed broadband	Fixed voice	TV	Mobile broadband	Mobile subscription discount
SingTel	Yes	Yes	Yes	Yes	Yes
StarHub	Yes	Yes	Yes	Yes	Yes

M1	Yes	Yes	Yes	Yes	Yes
MyRepublic	Yes	Yes	Yes	No	No

Source: Ovum

SingTel's quad play Fiber Entertainment Bundles are offered over three download speeds are shown in Table 1. Unlike MyRepublic, there is no 1Gbps speed service, although SingTel's Unlimited Fiber bundle (a competitive response to rivals' S\$49 1Gbps offers), which includes Home Digital Line and S\$200 mobile handset voucher, advertises 800Mbps "typical speed" service. We also note that the Fiber Entertainment bundles' IPTV component does not include premium sports or movie channels. Such premium service need to be purchased in addition to the bundle's basic IPTV service. The most expensive 500Mbps service includes almost S\$1,000 worth of installation costs, including to wholesale network provider OpenNet for fiber installation.

Table 1: SingTel's Fiber Entertainment Bundles (24 months - October 2014)

Download speeds	VoIP	Mobile Broadband	Mobile	IPTV	Others
200Mbps	Home Digital Line with free unlimited local calls	4G Mobile Broadband Plan (500MB)	Up to 30% discount on 5 SingTel mobile lines + S\$350 yearly handset rebate	Over 50 channels	10GB online storage
300Mbps	Home Digital Line with free unlimited local calls	4G Mobile Broadband Plan (500MB)	The above + S\$200 mobile handset discount (30 day validity)	Over 50 channels	10GB online storage + modem installation
500Mbps	Home Digital Line with free unlimited local calls	4G Mobile Broadband Plan (500MB)	Same inclusions as the 300Mbps bundle	Over 50 channels	10GB online storage + OpenNet/modem installation + Wireless Access Point, Internal home wiring, Security Suite (PCs), Home LiveCam

Source: Ovum

Rival StarHub has two Home Broadband Bundles for fiber: 200Mbps and 500Mbps, as Shown in Table 2. They differ in three main ways (other than price) compared with SingTel's Fiber Entertainment Bundles. First, StarHub's Mobile Broadband inclusion is for a 3G dongle, not LTE. Second, there is no 300Mbps speed tier. Third, StarHub bundles its multi-screen TV service TV Anywhere into its Home Broadband packs.

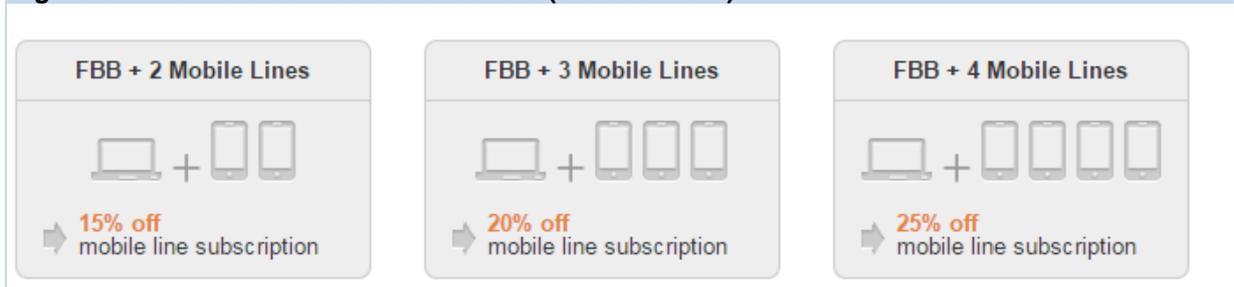
Table 2: StarHub's Home Broadband Bundles (October 2014)

Download speeds	VoIP	Mobile Broadband	Mobile	IPTV	Others
200Mbps	Home Phone Line with free unlimited local calls	21Mbps Mobile Broadband (1GB)	Up to 30% discount on 6 StarHub mobile lines + Annual Handset Upgrade (can renew mobile voice contract in 12 months, rather than 24 months)	Up to 67 channels + TV Anywhere	S\$6 Monthly Home Hub Voucher (to spend on additional TV Group content, VOD, add-on channels/packs), free wireless AC Dual-band router, free installation/activation, free fiber point installation and, free number porting.
500Mbps	Home Phone Line with free unlimited local calls	21Mbps Mobile Broadband (1GB)	Up to 30% discount on 6 StarHub mobile lines + Annual Handset Upgrade (can renew mobile voice contract in 12 months, rather than 24 months)	Up to 67 channels + TV Anywhere	S\$7 Monthly Home Hub Voucher, free wireless AC Dual-band router, free installation/activation, free fiber point installation and, free number porting.

Source: Ovum

Meanwhile, M1 bundles its fiber broadband service with subscription discounts on 2, 3 or 4 mobile lines, as shown in Figure 3. M1 offers three fixed broadband products: Fiber Broadband 1Gbps, Fiber Broadband 200Mbps and GamePro 300Mbps. Each of these bundles fixed voice (including unlimited local calls and 30% discount on listed IDD rates), Mobile Broadband (1GB) and either 12 or 24 months subscription to its Internet TV service MiBox. Moreover, an early S\$250 re-contract fee is waived on a handset on any one of the mobile lines annually.

Figure 3: M1's Multi-Service Saver bundle (October 2014)



Source: Ovum

MyRepublic has two unlimited fiber bundles: the Ultra 1Gbps and Gamer 1Gbps, both of which include three-months free Home Voice Plus service (see Figure 4), free wireless modem, up to 1GB downlink speed and up to 500Mbps uplink speed. By peering with other game services located outside Singapore, the Gamer bundle offers low latency to users.

Figure 4: MyRepublic's Home Voice offers (October 2014)

Home Voice	Basic	Plus	Pro
Monthly Subscription	\$0	\$2.88	\$18.88
Free Monthly IDD Calls	0	30 mins*	1,000 mins*
Local Calls	2¢/min	Free Unlimited	Free Unlimited
One-Time Installation Charge	\$49	\$49	\$49

Source: Ovum

But it is MyRepublic's Teleport service, offered for free on both bundles, that is causing major problems for SingTel and StarHub. Teleport is a VPN-like service that avoids Geo-Blocking, allowing users to stream OTT video and music content over the fiber service. The Basic package costs S\$2 a month for Netflix, Hulu and Amazon Prime Instant Video (but users need to pay additional fees for Netflix and Hulu directly. For example, Netflix costs S\$7). The Basic Enhanced package is S\$3 a month and includes numerous other channels, such as BBC iPlayer and Spotify.

SingTel – Quad play strategy analysis

Access to fixed telecoms and TV resources

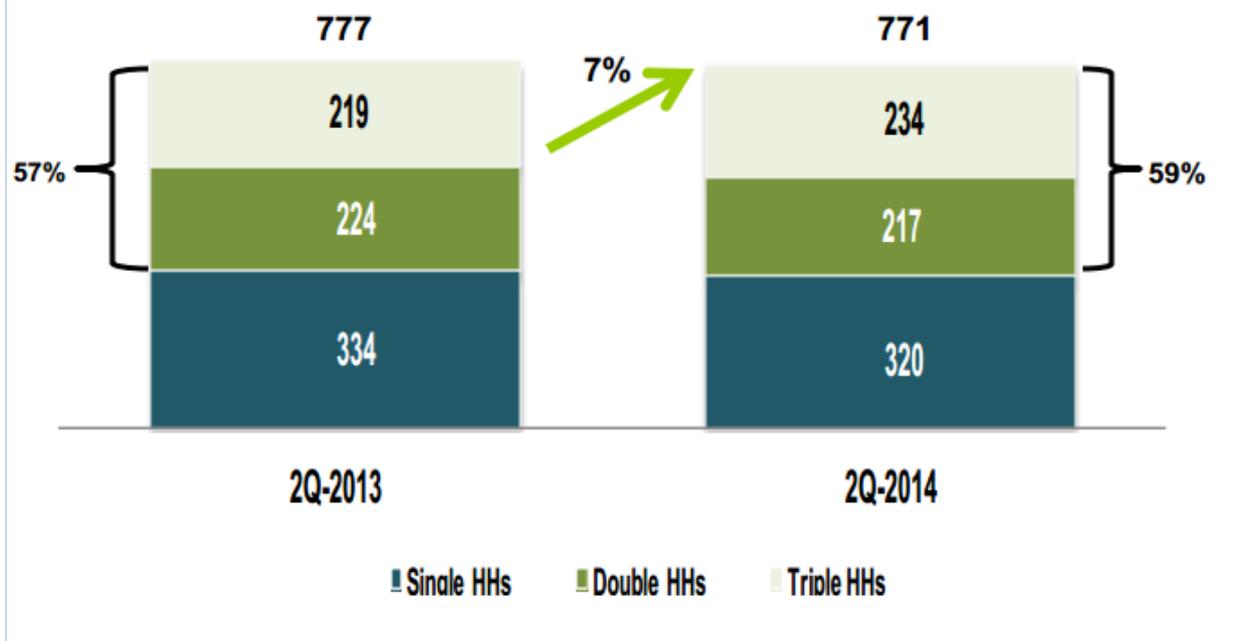
Bundles emerged in Singapore more than a decade ago. These gained momentum with the launch of StarHub's "Hubbing Packs" in October 2008, which consisted of cable broadband, mobile (voice, SMS and data), and fixed voice services.

By the end of 2010, SingTel, StarHub and M1 had all added fiber to their bundles. In our July 2013 report – *High-speed bundling: Singaporean operators hold fire on FTTH/LTE combination*, we noted that bundles included the triple ingredients of fiber broadband, pay TV and fixed voice. They also included 1GB of data for HSPA dongles and offered discounts on mobile monthly subscriptions (the higher the discount, the more lines with the operator). Today's bundles are packages in this same format, but SingTel includes data for LTE big-screen users, while StarHub still restricts its mobile broadband component to 21Mbps HSPA.

Strategic goals

SingTel's quad play rationale follows bundling's traditional strategic goals to reduce churn (it does not disclose any churn figures), create value for customer, retain high ARPU customers, increase ARPU and increase market share. But for SingTel, bundling was also key to thwarting the "hubbing" efforts of StarHub in 2012, whose cable TV network then offered a superior experience to SingTel's ADSL network which had been prone to Quality of Service issues. Figure 5 shows StarHub's "hubbing households", of which 59% take its multi-play services, up from 57% year on year.

Figure 5: StarHub's hubbing households ('000)

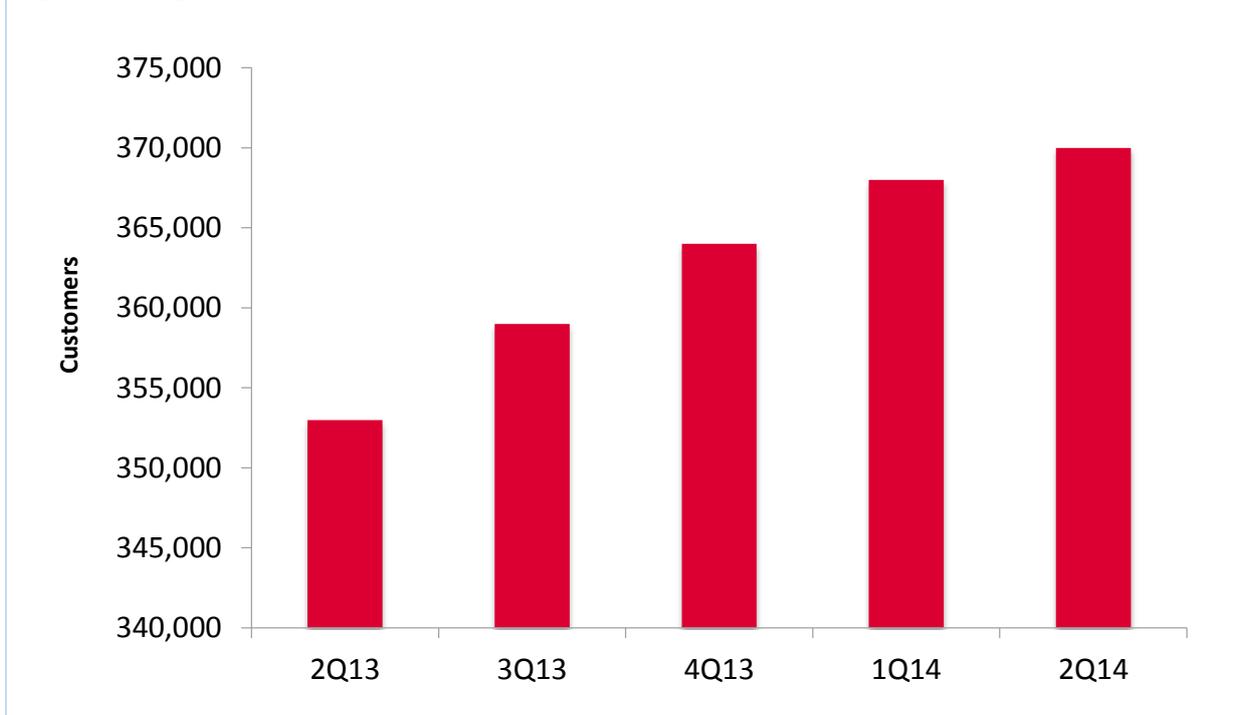


Source: StarHub

Business model

The focus of all operators is on fiber in the bundle, not lower margin cable broadband or ADSL services. As shown in Figure 6, SingTel had 370,000 bundled customers by the end of 2Q14, a growth of only 4.8% year on year, due to more competition. In 1Q14, SingTel's bundled customers increased 6.1% year on year. With fiber access commoditizing (see the Pricing section below), the focus on bundles for SingTel and StarHub is now on premium content as a differentiator and mobile as a differentiator.

Figure 6: SingTel's customers on bundled plans



Source: Ovum

Pricing

Singapore is in the midst of a fixed broadband price war. In September 2014, M1 launched its Fiber Broadband 1Gbps offer for S\$49 a month, while SingTel debuted its promotional Unlimited Fiber offer for S\$69.90 a month (see Table 3). M1's 1Gbps service advertises a "typical download speed" of 714.9-849.7Mbps, while SingTel markets a typical speed of 800Mbps and says users should "experience [the] average download speed as advertised 95% of the time." These two offers follow the launch of MyRepublic's S\$49.99 Ultra 1Gbps offer in January 2014, which includes a free wireless router. Separately, M1 has also launched several short-term promotional fiber offers in 2014, including its S\$29 per month 100Mbps service offer and S\$39 per month for 300Mbps service. Both short-term "tactical" promotions have lapsed; M1 also refers to its S\$49 1Gbps offer as a "tactical" promotion, but with StarHub planning a discount 1Gbps fiber broadband plan, this S\$49 tipping point is set to become the new longer term starting price reality for fiber access in Singapore.

Table 3: Singapore broadband offers – 24 months (October 2014)

Download speeds	Technology	SingTel	StarHub	M1	MyRepublic
15Mbps	ADSL	S\$31.90			
100Mbps	Cable		S\$39.90		
100Mbps	Fiber		S\$39.90		
200Mbps	Fiber	S\$49.90		S\$39.00	
300Mbps	Fiber	S\$59.90	S\$49.90		
500Mbps	Fiber	S\$79.90	S\$69.90		
1Gbps	Fiber			S\$49.00	S\$49.99
Unlimited (800Mbps)	Fiber	S\$69.90			

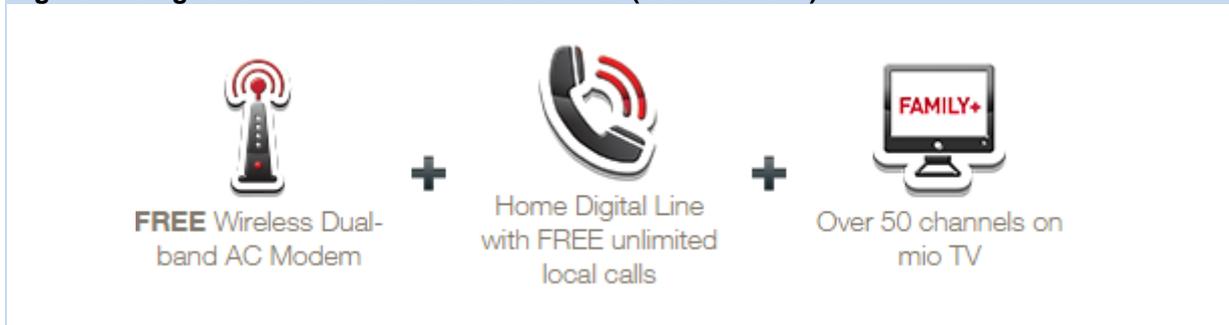
Source: Ovum

In terms of pay TV bundles, SingTel's 500Mbps Fiber Entertainment Bundle is offered at a premium (S\$88 a month), which makes it 11.7% more expensive than StarHub's HomeHub 500 bundle which costs S\$78.80 a month. StarHub's HomeHub 500 bundled price is closer to SingTel's S\$79.90 Fiber Entertainment Bundle but this is offered at a slower 300Mbps. SingTel commands a bundling premium due to its premium pay TV content.

Marketing

As shown in Figure 7, SingTel markets its Fiber Entertainment Bundles as comprising of a free modem for fiber Internet, and highlights fixed voice and IPTV as part of its hard bundle. Its IPTV service is marketed as a family-orientated service with more than 50 channels that span genres Entertainment, Education, Kids, Asian, Lifestyle, News and Sports (the latter includes only Fox Sports News).

Figure 7: SingTel's Fiber Entertainment Bundles (October 2014)



Source: Ovum

The accompanying text box – see Figure 8 - then explains each speed tiers inclusions, and it is here that the consumer discovers that 500MB Mobile Broadband LTE service is included in the bundle.

Figure 8: Mobile Broadband inclusions – SingTel’s Fiber Entertainment Bundles (Oct. 2014)

Fibre BroadBand Speed	Monthly Subscription <i>(24-month contract, inclusive of GST)</i>
<p>200M</p> <ul style="list-style-type: none"> • FREE 4G Mobile BroadBand Plan (500MB)* • FREE OpenNet installation worth up to \$481.⁵⁰ • 10GB online storage 	<p>\$69.⁹⁰/mth Sign Up</p>
<p>300M</p> <ul style="list-style-type: none"> • FREE \$200 Mobile Handset Discount (with 30 days validity) • FREE 4G Mobile BroadBand Plan (500MB)* • FREE OpenNet and Modem installation worth up to \$571.⁵⁰ • 10GB online storage 	<p>\$79.⁹⁰/mth Sign Up</p>
<p>500M</p> <ul style="list-style-type: none"> • FREE \$200 Mobile Handset Discount (with 30 days validity) • FREE 4G Mobile BroadBand Plan (500MB)* • FREE OpenNet and Modem installation worth up to \$571.⁵⁰ • FREE Internal Home Wiring and Wireless Access Point worth \$379 • 10GB online storage • FREE 24-month Security Suite subscription worth \$120 • FREE 24-month Home LIVECam subscription with purchase of new camera at \$98 	<p>\$88.⁰⁰/mth Sign Up (U.P. \$99.⁹⁰/mth)</p>

Source: Ovum

The final element of SingTel’s multi-play strategy is the mobile line discount. This is not included in the direct marketing of the Fiber Entertainment Bundles as shown in Figure 6 or 7. Rather, to access details on the included “mobile benefits” which entail 10% discount off the monthly subscription for 1 SingTel mobile line and, up to 30% discount for five SingTel mobile lines, the user needs to click through to another web page. Also, the first nominated line user receives S\$350 yearly handset rebate.

Results

Fixed broadband access set for commoditization

MyRepublic has made S\$49 1Gbps fixed broadband, fixed voice and OTT content an entry-level product in Singapore, forcing all Big Three operators – SingTel, StarHub and M1 – to also reduce tariffs. With its lower overheads and lower fixed costs, this is not as much of a problem for MyRepublic.

But this competition has slowed the growth of fiber broadband subscribers, led to loss of market share and, ARPU and revenues declining or flattening for the incumbents. For its part, SingTel’s fiber broadband subscribers grew 8.1% quarter on quarter to 347,000 in 2Q14, compared with 16.6% growth in 2Q13 (see Table 4). Fiber broadband revenues decreased 8.7% year on year in 2Q14. For the quarter, revenues were down 3.8%, compared with 1.8% quarter on quarter growth in 2Q13. Meanwhile, consumer home ARPU, which includes fixed broadband, fixed voice and Mio TV ARPU, was flat in 2Q14 over 1Q14, if the impact of the World Cup is excluded. Finally, SingTel’s fixed

broadband market share has fallen to 56.6% at end-June 2014, compared to 57.7% the year previous, while price competition has eroded ARPU and margins.

Table 4: Fiber broadband subs and revenues

Operator	Metric	2Q13	1Q14	2Q14
SingTel	Fiber broadband subs	224,000	321,000	347,000
	Fiber broadband revenues	S\$55.0m	S\$52.0m	S\$50.0m
	Consumer home ARPU (fixed broadband, fixed voice, Mio TV)	S\$120	S\$127	S\$133 (S\$127 excluding impact of World Cup)
StarHub	Fiber broadband subs	43,000	54,000	61,000
	Broadband services revenue	S\$61.7m	S\$56.3m	S\$51.0m
	Residential broadband ARPU	S\$45.00	S\$39.00	S\$37.00
M1	Fiber broadband subs	67,000	90,000	94,000
	Fiber monthly ARPU	S\$47.30	S\$41.70	S\$41.90

Source: Ovum

For its part, StarHub's broadband revenues declined by 5.4% quarter on quarter and 17.3% year on year, driven by a 19.3% year on year decline in broadband ARPU to S\$37.00 due to promotional activity. This included more focus on mid-to-low end products (e.g. S\$29.90 per month 50Mbps broadband). Moreover, StarHub's broadband churn rose from 1.0 in 1Q14 to 1.1 in 2Q14, a sign that its bundling strategy is under pressure.

Meanwhile, M1's subscriber growth continued to slowdown, with 4,000 net additions in 2Q14, half its average quarterly net adds of FY13. M1's fiber ARPU was flat quarter on quarter at S\$41.90 per month as short-term promotions ended, but competition will intensify with StarHub's planned 1Gbps offer.

Prior to Singapore's S\$49 per month 1Gbps offers, there were 1Gbps services in the market but they were offered at a significant premium (e.g. SingTel and StarHub). For instance, in September 2014, StarHub was still marketing a 1Gbps offer for S\$395.90, which is soon to be replaced. The S\$49 1Gbps offers have eradicated the ability of operators to charge a premium for very high-speed services. This situation has been compounded since not only is green field entrant MyRepublic charging S\$49 for 1Gbps, but so too is existing player, M1.

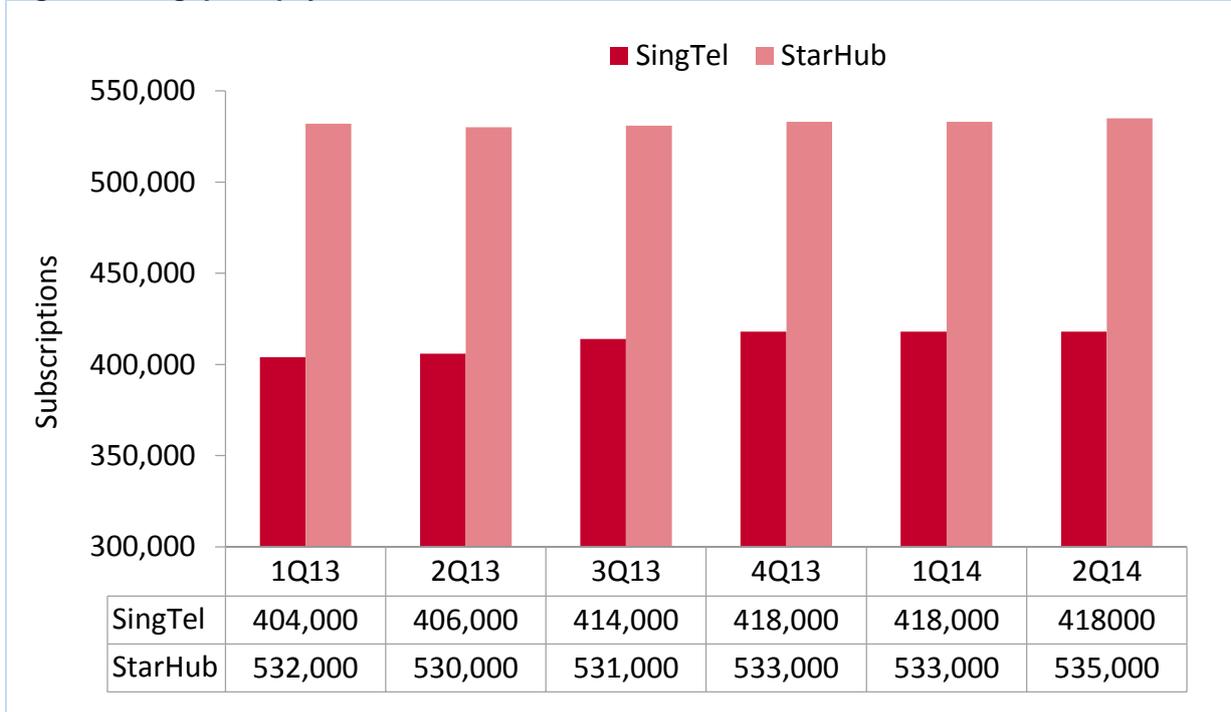
We believe this is a mistake for the market to go down the path of commoditizing 1Gbps fiber broadband access today since it destroys the future value proposition that can be offered to customers. Today, nobody needs 1Gbps downlink speeds – more realistically 50-60GB on average is required for today's applications that are available. When the commercial demand arises for 1Gbps services – e.g. 3G pricing, augmented reality, etc – it will be very challenging for telcos to increase this S\$49 price point up other than moderately. At that time there will be a lot more traffic on the network, but telcos will be unable to monetize that given there is no upsell opportunity.

Ironically, driving a premium is a larger problem for M1, given its lackluster content play (MiTV) and fact that it has no plans to buy premium content, such as EPL, through cross-carriage.

Content focused strategy

SingTel's bundling strategy is more about the content, rather than just pure speed and price. But thanks to MyRepublic's Teleport, its pay TV subscribers have remained flat for the past three consecutive quarters, as shown in Figure 9.

Figure 9: Singapore, pay TV subscribers



Source: Ovum

Moreover, Singapore's cross-carriage regulations on exclusive content has also diminished SingTel's strategy of differentiating on premium content.

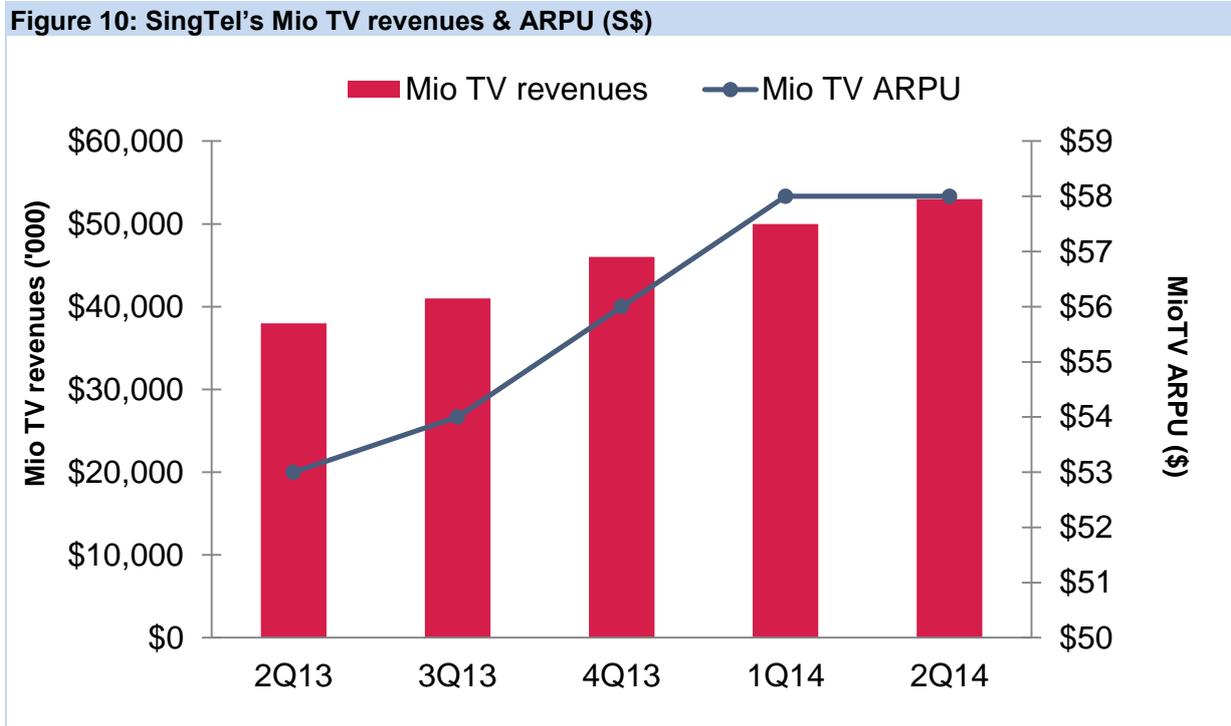
For instance, SingTel holds the broadcast rights for English Premier League (EPL) and sets the pricing and packaging of EPL channels for any subscriber, including those of StarHub. Under the regulator's cross-carriage rules, all EPL customers are SingTel customers including cross-carriage EPL customers who are watching the EPL on a StarHub set-top box. These customers pay SingTel for the EPL content.

If a StarHub customer wants to watch EPL content on a StarHub set-top box, he/she only has one package to choose from: the stand-alone EPL package for S\$59.90 (also offered at the same price to SingTel customers). EPL content which is bundled together with other channels by SingTel (e.g. Mio TV's Gold Packs) cannot be cross-carried. In October 2012, SingTel announced it had secured the EPL rights for three seasons, commencing from August 2013 (paying in the region of around US\$300 million). Also, SingTel priced the 2014 FIFA World Cup games package at S\$112 (both for SingTel and StarHub customers). Those subscribers that signed or renewed EPL content packages over two years, got this World Cup package for free.

The point is that the cross-carriage content rules have made it challenging for SingTel to differentiate on premium exclusive content compared with its pay TV arch rival StarHub. StarHub won't cross-carry all exclusive content from SingTel, and when it does, its subscribers need to pay SingTel. M1 has not reached the subscriber threshold required for it to gain access to content under cross carriage and for

content like the World Cup that was expensive, this is likely to be out of reach for a lot of its customers.

Having said that, the real fly in the ointment for SingTel and StarHub's content strategies is around the issue of OTT TV, particularly MyRepublic's Teleport which undermines SingTel's expensive content rights, premium content strategy. Figure 10 shows that SingTel's Mio TV revenues were marginally higher at S\$53 million in 2Q14 versus S\$50 million in 1Q14 if the impact of the World Cup is excluded (S\$63 million with World Cup revenues included).



Source: Ovum

With increased competition, we believe SingTel should develop value-added services, such as home security, for its bundled offers to increase their attractiveness and perceived value for money. Given Singapore's mature pay TV market, we also see an addressable market in Singapore for SingTel to tap the large migrant population, with an OTT IPTV service, similar to Telstra's new Presto service. Further, we see an opportunity for SingTel to leverage its scale advantage in the devices space to gain market share in the connected TV space.

Also key for SingTel is to improve its customer services, with a goal of personalizing the whole experience for subscribers (again, similar to Telstra). Improving customer service is a costly exercise, more suited for incumbents, not challenger service providers, to differentiate on.

Mobile moves up the bundled stack in importance

With SingTel's premium content strategy under pressure (cross-carriage, increasing broadcast rights costs and fact that IPTV is already a loss leader) and the market at risk of 1Gbps fiber access being commoditized, mobile as a differentiator (e.g. speed, depth of reach, network quality) will increase in importance as a differentiator moving forward.

The problem for SingTel is that MyRepublic reportedly intends to invest S\$250-\$300 million in the first year deploying an LTE-only network and that it is considering unlimited data pricing. MyRepublic is lobbying for spectrum. It is looking for spectrum below 1GHz for coverage and additional spectrum at either 2.3GHz or 2.6GHz for capacity. For it to pose a threat to the incumbents, we believe MyRepublic will need domestic roaming to be mandated by the government in order to allow it to build up its network progressively, yet have the scale benefit of being able to offer a nationwide mobile service with equivalent indoor coverage. My Republic is targeting 10-15% mobile market share.

The next question is will MyRepublic's mobile launch force SingTel to make mobile voice and data part of their hard bundle? To do so, would mean an erosion of high mobile margins. We would not expect SingTel to make such a move to prop up their fixed broadband business until they absolutely needed to (this would require a significant erosion of mobile share) and hence see this as a longer term possibility, rather than immediate one.

Singapore following the path of Free in France's destruction?

MyRepublic's shake up of the fiber broadband access market and IPTV market in Singapore, alongside its planned mobile deployment, is reminiscent of Free's destruction of the fixed broadband and mobile sectors in France. Free, owned by Iliad, disrupted the market with cheap DSL (wholesaled from France Telecom through Unbundled Local Loop access) and extensive Wi-Fi deployment. Also, domestic roaming was mandated for mobile, allowing Free to build out its network out slowly, whilst under-cutting on mobile pricing (predominantly prepaid). In our *High-speed bundling: Orange opens up the market* report (November 2013), we stated that postpaid mobile subscriptions had fallen by 30%.

In response, Orange has bundled FTTH and LTE, to prevent its high-value customers from churning to cut-price rivals. Orange is still losing connection market share in both mobile and fixed broadband, although the rate of loss is slowing.

In 3Q14, Orange said its mobile service revenue dipped 7.4% in 3Q14, compared with a higher 9.4% decline a year earlier. However, it continues to bleed net losses, but the rate of decline has slowed marginally to -0.5% in 3Q14 versus -0.9% in 1Q13. Free has a 13.4% mobile market share, having launched in January 2012. Meanwhile, mobile ARPU's decrease has slowed down to -8.9% in 3Q14 after -10.4% in 1Q14 and -9.2% in 2Q14. Contract churn (annual) also decreased -2.8 points year on year to 15.2%.

For fixed broadband, Orange claimed 44% of its FTTH subscribers were "convergent." While Orange is getting marginally higher ARPU from its bundled subscribers, this has come at a cost – the firm has rolled out fiber to all major metros.

Appendix

Methodology

Ovum talked with local operators (including MyRepublic, StarHub and SingTel) and network wholesalers for this report. It also used connection data from WCIS and WBIS, and drew on desk research, including several financial reports.

Further reading

Multiplay: Orange Poland goes for differentiation with bundled plans and exclusive content, TE0009-001162 (February 2014)

High-speed bundling: Orange opens up the market, TE0009-001163, (November 2013)

High-speed bundling: Singaporean operators hold fire on FTTH/LTE combination, ME0003-000355, (July 2013)

Operator bundling strategies: StarHub, TE011-001001 (March 2012)

Telecoms Service Bundling: A Quad-play Update, TE011-001219 (March 2013)

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