

“As important to an agency as the coach is to a football team”

● Matthew Godfrey on CFOs, page 20

ANALYSIS 5

Singapore's telco trio look to data and tourists

The city-state's three operators seek to grow market share by turning their focus to the pre-paid consumer. By Glenn Smith

SECTOR INSIGHT

Singapore is totally wired. The city-state is criss-crossed with digital trunklines and shadowed by satellites as mandated by the 10-year Intelligent Nation Masterplan (iN2015). Broadband penetration is 99 per cent. Mobile phones outnumber people at 132 per hundred.

Three telecoms operators — SingTel, MobileOne and StarHub — battle each other by launching new features, and by bundling them into ‘convergence’ packages with existing services.

“Operators tie their brands to new product offerings,” says Linda Loh, senior business analyst, Synovate Business Consulting. “We have not observed operators rolling out ‘pure’ branding campaigns over the past two years.”

Of the three, SingTel has the biggest advertising budget, spending S\$18.7 million (US\$13.0 million) last year, according to Nielsen, while MobileOne and StarHub were neck and neck with S\$10.9 million and S\$10.4 million, respectively.

Telecoms offers require lots of fine print, and newspapers are the dominant media choice, with MobileOne relying on them the most. It spent 75.6 per cent of its budget on the medium and barely anything on television. SingTel lavished 25.9 per cent of its budget on TV, and StarHub 20 per cent.

Each operator retains a firmly entrenched image, according to Melanie Ng, research director at TNS Technology in Singapore. SingTel, founded in 1879, was a monopoly until competition arrived with the launch of MobileOne in 1994 and StarHub in 1998.

“SingTel has a particularly strong base of older consumers and maintains good share,” says Ng. “But StarHub quickly gained customers due to an excellent service

plan and later it added cable TV. MobileOne is the one lagging behind. It lost post-paid share because it lacks bundling opportunities. Only recently did it launch broadband, but this is in its infancy and probably far too late.”

SingTel's ability to bundle fixed-line and mobile telephony, internet and, most recently, IPTV, has enabled it to retain 2.9 million mobile subscribers, or a 46.4 per cent market share as of the end of 2008, according to Business Monitor International. StarHub has 1.8 million mobile subscribers, or a 27.8 per cent share, while MobileOne has 1.6 million mobile subscribers, or 25.8 per cent.

Loh believes that video is a key battleground in the convergence war. In 2002 StarHub merged with Singapore Cable Vision — Singapore's sole cable TV operator — giving it a foothold in the residential network delivery of video, voice and data services. Next, StarHub launched digital voice, effectively enabling it to provide a ‘quadruple-play’ offering. Now SingTel has upped the ante by launching Mio Generation, a bundle of fixed-line, mobile, broadband and IPTV.

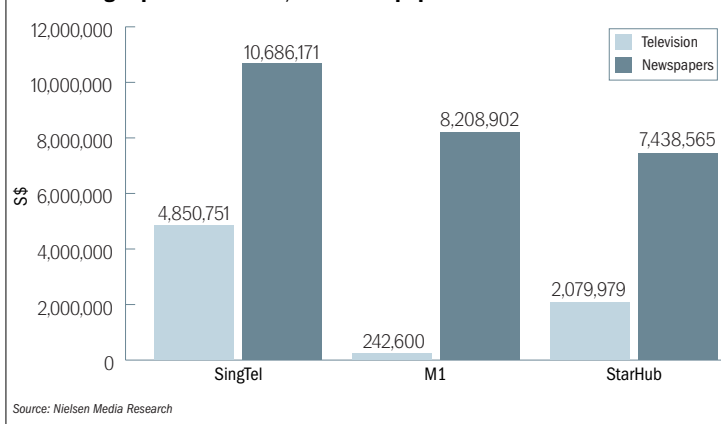
Another trend, notes Loh, is the shift from voice to non-voice services. SingTel has taken the lead through its launch of Apple's iPhone, though its rivals also have smartphone offerings. Forty per cent of handsets in Singapore have already migrated from 2G to 3G, according to Frost & Sullivan.

“Singapore is one of the first markets to be picking up smartphones in significant numbers,” says TNS' Ng.

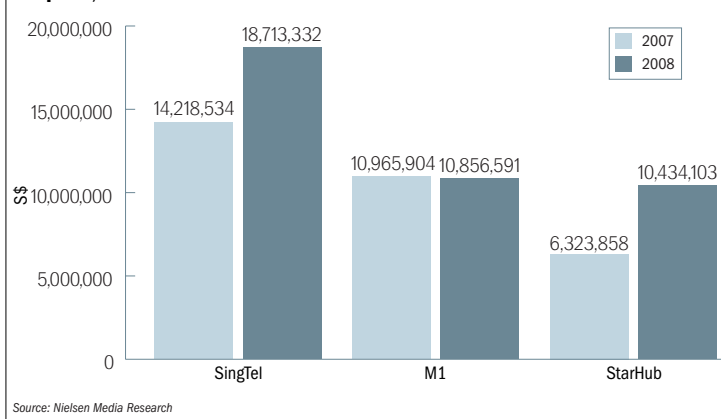
There are still some areas for potential growth. Data revenues still account for only US\$622.6 million, or one-quarter of the \$2.5 billion dollars that Singapore's mobile telephony turned over in 2008. Revenue per user averaged \$34.80 per month.

Pre-paid in particular is consid-

Advertising expenditure 2008, TV vs newspapers



Adspend, 2007 vs 2008



SingTel... biggest advertising spend



StarHub... 'quadruple-play' offer

ered the next area of growth, and the ratio of pre-paid to post-paid subscribers, as of December 2008, was 50/50 for SingTel and StarHub, and nearly so for MobileOne.

This marks a dramatic change for SingTel, which as of June 2006 had four times more post-paid than pre-paid subscribers.

The target is visitors to the Lion

City. “Given the influx of foreign manpower and tourists who stay for limited periods and prefer local pre-paid cards, we believe the ratio of pre-paid to post-paid may eventually shift beyond 50 per cent,” says Synovate's Loh.

Got a view?

Email feedback@media.asia

Analyst comment



Kamlesh Kalwar
Senior industry analyst, Frost & Sullivan

“Singapore, a developed Asian telecoms market, is characterised by product innovation and consumer loyalty programmes.

In terms of mobile subscriber net additions, Singapore's mobile sector reached its peak in 2007. Increasingly, data and value-added services are an important growth strategy.

Converged services are pursued by all the three mobile operators — SingTel and StarHub now offering ‘quadruple-play’, while MobileOne is luring customers with its dual-play service. Meanwhile, subscribers continue to migrate from 2G onto 3G, accounting already for nearly 40 per cent of handsets in the market.

Due to price parity for basic voice service, Singapore telcos are wooing customers with phone upgrades and discount vouchers in the range of S\$100 to S\$200.

Competition is fierce. When SingTel brought in the iPhone and HTC Dream, StarHub countered with huge discounts on its quadruple-play package. When SingTel announced an annual increase of S\$10 for its local fixed-line services, StarHub launched free broadband home phones on its 2Mbps internet connections. When SingTel introduced per-minute billing, MobileOne and StarHub offered per-second billing. When SingTel targeted the prepaid segment with Hot 100 (S\$72 local calls and SG\$28 overseas calls) top-up cards for foreign workers, StarHub introduced Happy 128 (S\$100 local calls and SG\$28 overseas calls).

Despite the slowing economy, all three telcos enjoyed strong operational performance in 2008 by deploying these strategies.”



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