2023 Trends to Watch – APAC & Southeast Asia

Jensen Ooi

Principal Analyst, APAC Service Provider Markets

jensen.ooi@omdia.com

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2023 – Superthemes in Service Provider Markets

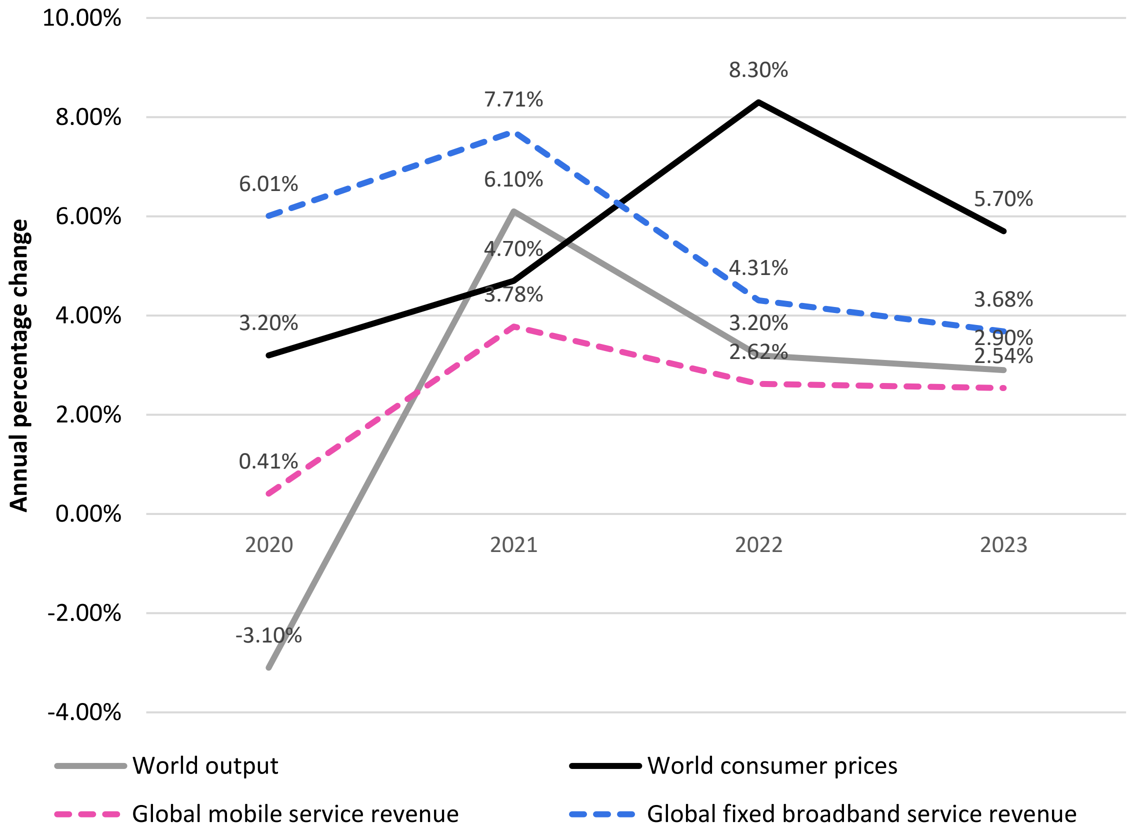
1	Economic challenges lie ahead, but the telecoms sector should escape the worst.	Slower economic growth and higher inflation will create challenges, but telecoms sector will not be severely impacted
2	The next wave of 5G launches will be in lower-income markets.	Lower-income markets in Africa, Central & Southern Asia, and Latin America will account for a large share of forthcoming 5G launches.
3	Further consolidations in the telecoms market.	Amid modest revenue growth and high network spending, consolidations will continue for CSPs to navigate the headwinds.
4	Telcos will tighten their business focus.	Many service providers will sharpen their focus, which is likely to lead the disposal of non-core assets and operations.

Telcos in Southeast Asia will remain resilient despite global economic uncertainties

Challenging market conditions but CSPs remain resilient

- Wage growth not keeping with pace of inflation; resulting in erosion of consumer purchasing power.
- Inflation means operators' costs will rise too, for major expenses such as energy, wages, and network equipment.
- Telecoms services as essential utilities should soften the impact.
- In 2023, Omdia forecasts:
  - Global mobile service revenue will grow by 2.54%
  - Global fixed broadband service revenue will rise 3.68%

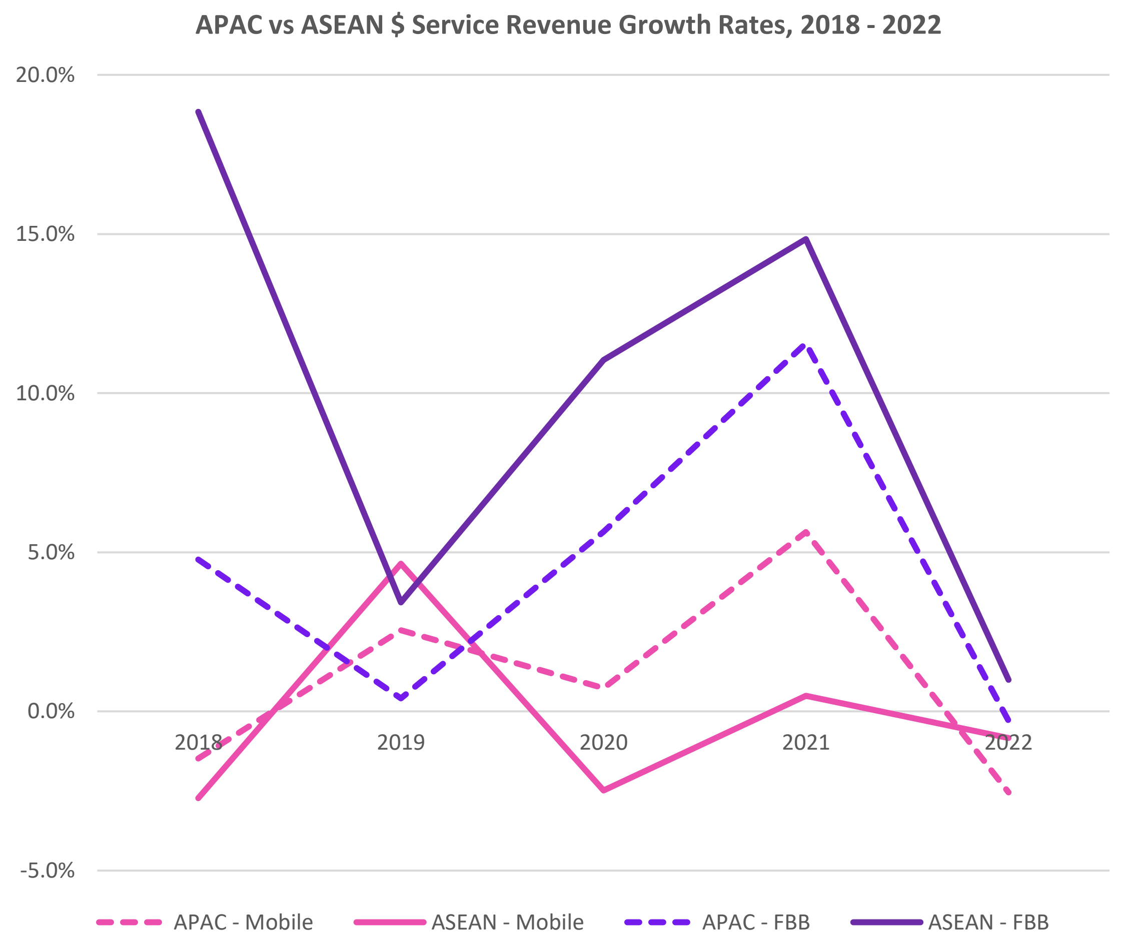
World economic output, inflation, mobile revenue and fixed broadband revenue growth rates, 2020-23



Source: IMF, Omdia

APAC & ASEAN: Mix bag of challenges

- Return to normalcy in 2022 for most CSPs, continuing into 2023.
- Headwinds:
  - Macroeconomic challenges and uncertainties
  - Rising costs
  - Ongoing competition in mobile space
- Tailwinds:
  - 5G innovation and monetization
  - End of COVID-19 lockdowns in China
  - Demand for fiber broadband and availability of converged services
  - Roaming services start to pick up again
- Expect conservative growth in 2023.



Source: Omdia

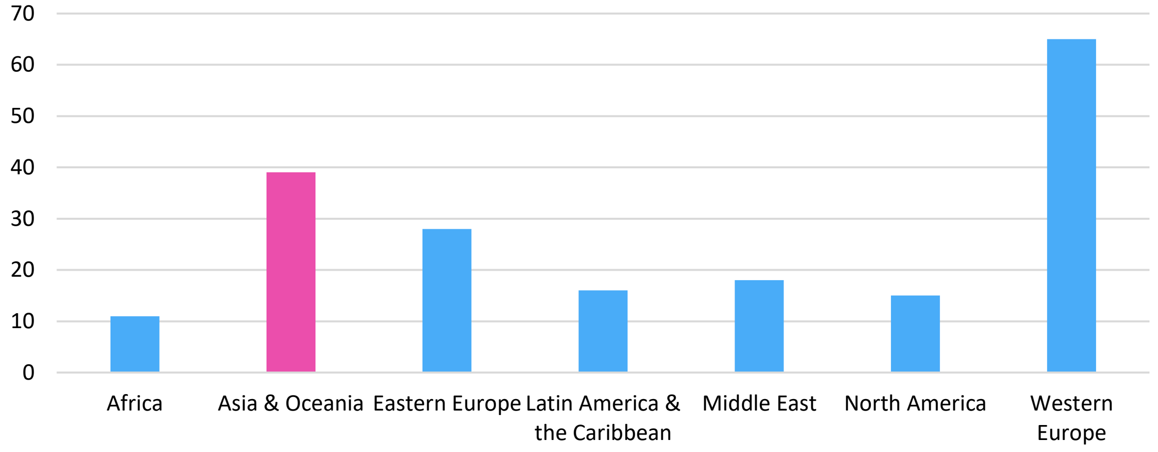
Telcos in Southeast Asia seek new ways to monetize 5G

5G will gain greater global traction in 2023, driven by developing markets

- Outside leading markets in some regions, telcos have largely yet to launch 5G in emerging markets in the Middle East and Africa.
  - In APAC, leading countries with the largest number of 5G subscriptions are China, Japan, South Korea and Thailand.

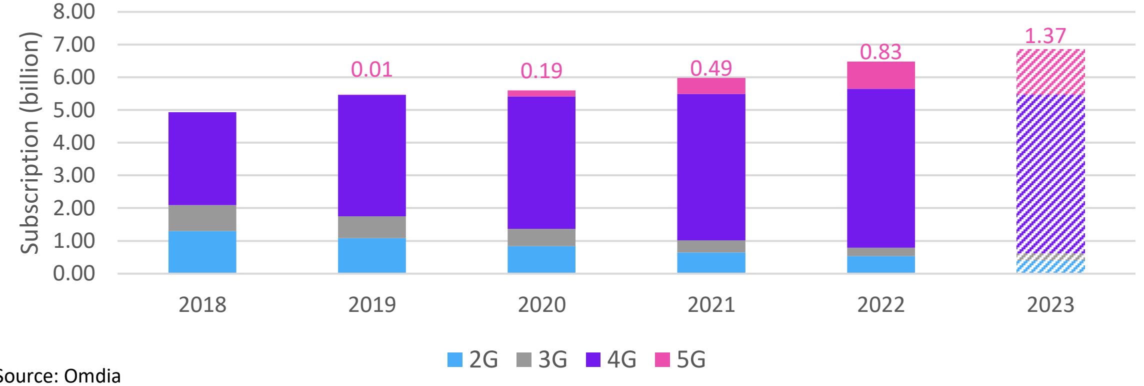
- In 2023, 5G market developments will see its own transformation due to:
  - Telcos in emerging markets begin to commit to 5G launches.
  - New use-cases, especially AR, have a good chance of starting to capture mainstream consumer interest in developed markets.
  - 5G is becoming more viable for companies to integrate into their business models as they accelerate their digitization plans.

Number of commercial 5G launches by region, 3Q22



Source: Omdia

APAC - Subscriptions by Generation



Source: Omdia

Developing Markets: Data generosity as temporary means to drive 5G adoption

64% of CSPs believe that 5G messaging and advanced communications services will drive consumer 5G adoption.

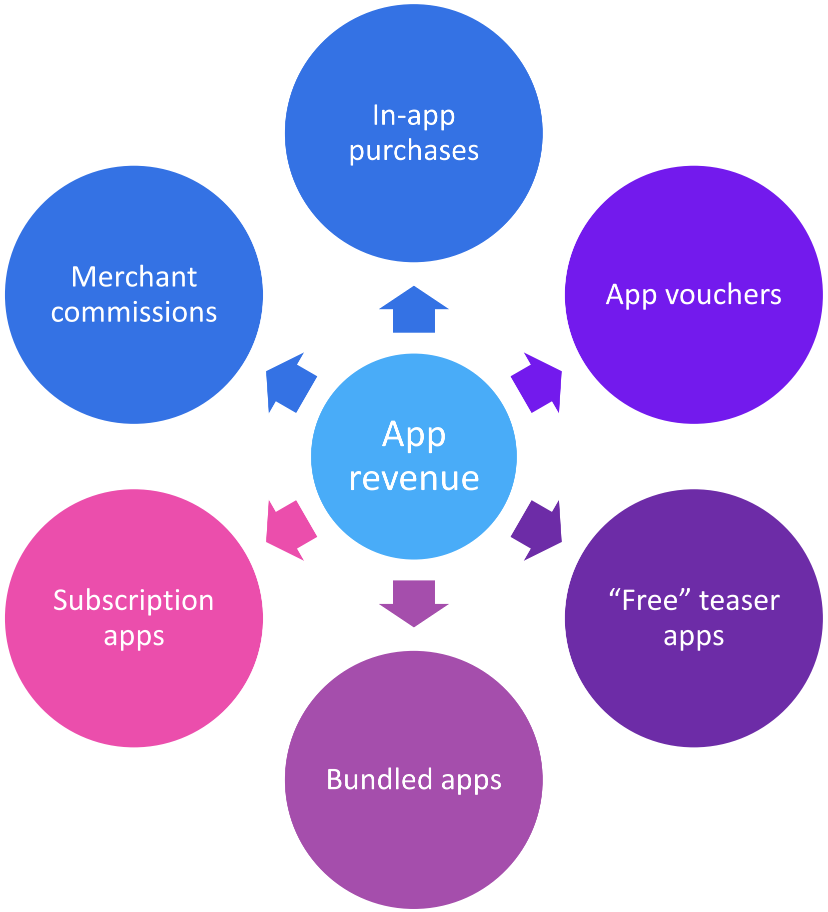
72% of CSPs plan to provide unlimited data combined with 5G applications to attract consumers.

46% of CSPs plan to provide 5G applications for free

Developed Markets: More telcos to monetize 5G apps beyond basic bundling

- 5G apps no longer limited to just early adopters, will be made available to a wider audience.
- More collaborations and partnerships to attract 5G sign ups and take relatively new services mainstream
- More sophisticated models include collecting merchant commissions (real-time AR shopping apps) or in-app games purchases. In markets where 5G app usage is low or needs stimulus, free teaser apps for all alongside bundled apps on premium plans and subscription apps makes sense.

Ways to monetize 5G apps



Source: Omdia

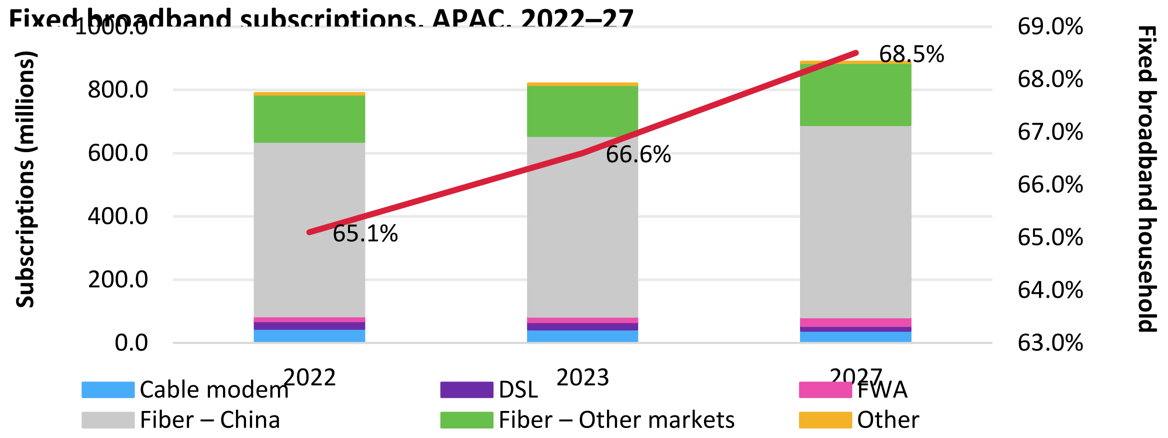
Key M&A/partnerships in 2022 will lead to more converged offerings in 2023

APAC - Ongoing growth for Fiber and FWA

- Accelerated demand growth for broadband services, especially Fiber and FWA since COVID-19
  – Migration from older generations like DSL and cable
  – CSPs have been expanding fiber footprint
  – Natural demand driven by necessity

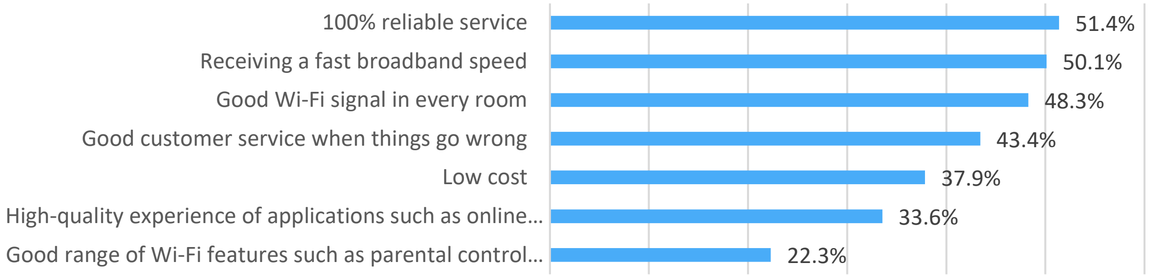
- FWA is growing steeply but there will be limits
  – Demand has slowed since the end of lockdowns (Malaysia and Philippines)
  – Not as competitive as fiber in terms of value

- If users are willing to pay a premium for gigabit broadband requirements, they expect more than just speed.



Source: Omdia

Which features of your broadband service do you consider to be most important?



n = 9,350
Source: Omdia

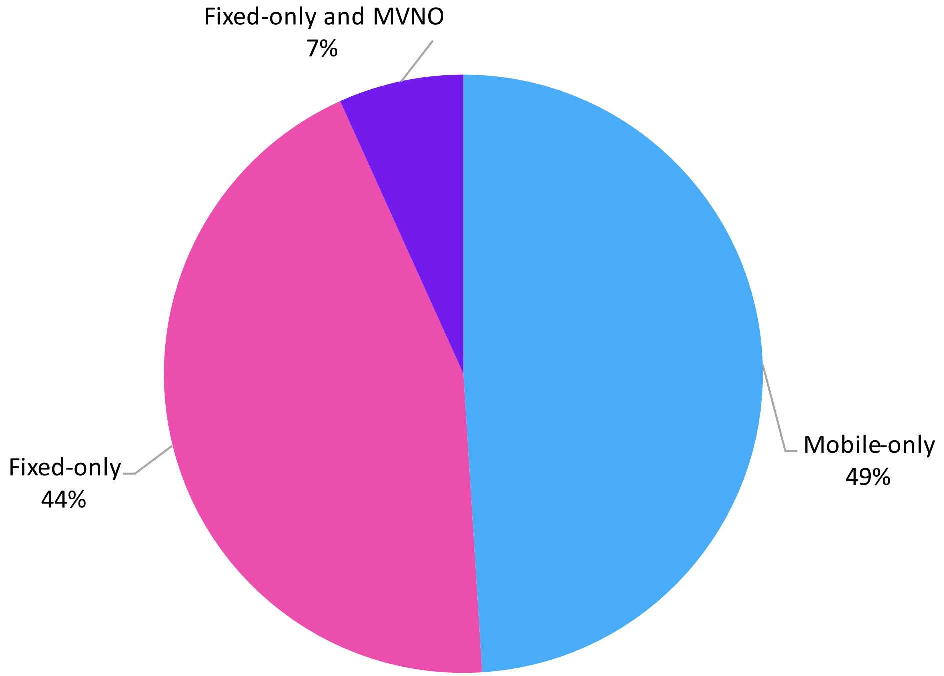
X-only operators are finding it increasingly difficult to thrive competitively

- x-only operators have reduced opportunities for growth compared to large multiservice operators

- In ASEAN, key consolidations happened or have been proposed in 2021-2022:
  - AIS to acquire 3BB
  - XL and Axiata complete Link Net acquisition
  - Merger of Celcom and Digi
  - Merger of True and DTAC
  - StarHub acquires MyRepublic
  - Merger of Indosat Ooredoo and Hutshison Tri
  - Telkom Indonesia initiated discussions to merge mobile and broadband businesses

- 2023 will be the year more FMC bundles will be introduced.

Global: Breakdown of x-only operators n=402(or 44%)



Source: Omdia

Note: *For the purpose of this section only, a fixed-only operator provides fixed broadband or fixed broadband and TV/OTT, thus excluding TV/OTT-only operators.

Potential Opportunities: Indonesia

- Indonesian broadband subscribers are willing to pay **up to 10%** extra for:
  - Doubling broadband speed
  - Online video service with best video quality
  - Other opportunities are such as home cybersecurity and work from home apps

- Not currently part of mobile/broadband subscription **but interested** in:
  - AR/VR apps
  - Smarthome security services
  - Digital financial services
  - Digital health services

Telcos to double down on key digital services in 2023 in line with refreshed strategies to strengthen ecosystem

SEA telcos will focus on existing digital services while keeping a close watch on emerging ones

- **More passive approach towards creation of new digital services in 2023**
  - Telcos in SEA will look to sustaining existing ecosystem instead and divest some that is no longer fit for their long-term strategy.
  - More collaboration and partnerships to accelerate innovation and introduction of new digital services

- In ASEAN, **Digital Financial Services (DFS)** will remain as one of the most important non-core service for telco and will continue to expand in line with global economic uncertainties and evolving demand:
  - Investment Services
  - BNPL
  - Loans
  - Digital banking

- Most telcos continue to be **Enterprise/digital solutions** providers as well, monetizing their internal capabilities and experience.
  - Singtel
  - AIS
  - Viettel

- Reality check for the **Metaverse**; relevance more for enterprises instead of consumers.
  - Singtel formed partnership with SK Telecom's ifland
  - AIS has built a virtual mall and virtual influencer
  - Expect more partnerships and collaboration from other telcos across APAC (SK Telecom ifland, NTT XR World, China Unicom YAOLAND)

2023 Key Takeaways

	Global Superthemes	Impact on ASEAN	Impact Rating
1	Economic challenges lie ahead, but the telecoms sector should escape the worst.	Lowered capex and opex, but still prone to other macro-economic impact. Service revenues growths will be in the single digits.	+2 +1 – -1 -2
2	The next wave of 5G launches will be in lower-income markets.	5G has been deployed in most parts of ASEAN, but still lacks innovative use cases. Speed will remain as key message, but more apps will be brought in gradually.	+2 +1 – -1 -2
3	Further consolidations in the telecoms market.	Ongoing but most major consolidations done in 2021-2022. 2023 will see stronger push for converged services.	+2 +1 – -1 -2
4	Telcos will tighten their business focus.	Ongoing divestment of assets to keep expenses low, and re-strategizing to focus on growth of digital services centered around core service.	+2 +1 – -1 -2

Questions?

Jensen Ooi

Principal Analyst
APAC Service Provider Markets

jensen.ooi@omdia.com

Thank You

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Americas
E: customersuccess@omdia.com
08:00 – 18:00 GMT -5

Europe, Middle East & Africa
E: customersuccess@omdia.com
8:00 – 18:00 GMT

Asia Pacific
E: customersuccess@omdia.com
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