TELCO DEEP DIVE 2015

DNA

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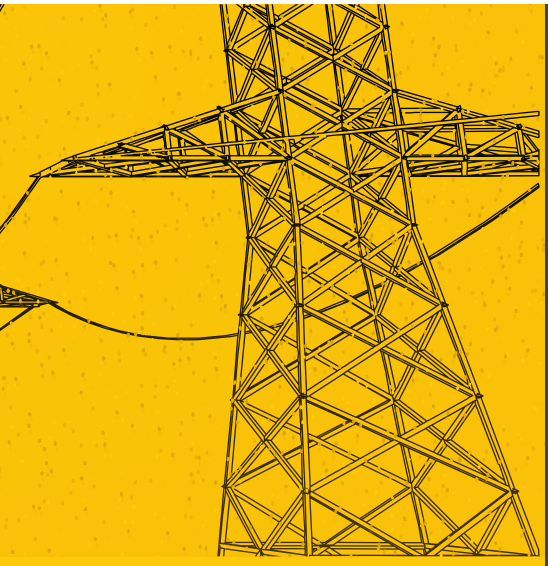

Introducing DNA's Telco Deep Dive 2015

- FIVE CEO INTERVIEWS, TELCO CONSULTANTS CHIP IN ON MALAYSIAN MARKET
- PROACTIVE TELCO ACTION ON DIGITAL FRONT TO AVOID 'DUMB PIPE' SCENARIO

THIS is the second year Digital News Asia (DNA) is doing a Telco Deep Dive for Malaysia, after last year's inaugural issue (PDF link).

This downloadable pdf now becomes a handy reference as it encapsulates all the 10 articles we have run over two and a half weeks from June 1st.

We are doing this because the ultra-competitive telco scene in Malaysia offers up a regular dose of interesting stories.

Because, in the Axiata Group, Malaysia has one of the leading telco groups in the world with its crown jewel, Celcom Axiata, based in Malaysia.

Because Telenor Group's upcoming group president and chief executive officer (CEO) Sigve Brekke told me last year that in Digi

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Telecommunications, in which Telenor holds a 49% stake, it has a telco that has struck the best balance in pricing data offerings which are optimally geared to meeting customer needs and maintaining operator profitability.

Because, contrary to those who claim telcos are doomed to become so-called 'dumb pipes,' the telcos in Malaysia are anything but, and readers who have been following our steady stream of articles on our Mobility channel will know this well.

The Big Three players in Malaysia – Celcom Axiata, Digi and Maxis – have been proactive in taking steps to avoid this nightmare scenario.

But one thing the Big Three have not been able to prevent is the establishment of a fourth player, U Mobile, which has battled through its own ups and downs to carve oddut a hard-earned spot in the market for itself with four million subscribers.

I could go on, but I will let some of the stories in this special report illustrate the dynamism of the Malaysian telco market.

Included are five CEO interviews, one of which is with Malcolm Rodrigues of fixed broadband player MyRepublic – which is based out of Singapore but is knocking on the door to get into the Malaysian market.

And to help MyRepublic get into the Malaysian market, it has roped in the former CEO of Packet One Networks Sdn Bhd, Michael Lai, as its chief development officer.

At the same time, we will also have a guest opinion piece by a consultant who contends that telcos need to transition from telcos into 'comcos' or communications companies. Let me know if you agree with his point of view.

And do reach out to me if you feel a particular story needs telling but has not been told well or not been covered at all yet.

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Spectrum refarming in limbo?

| by Edwin Yapp

MALAYSIA is considered a fairly advanced nation as far as its telecommunication infrastructure, products and services are concerned. Beginning with GSM (Second Generation) technology in 1994, the country eventually adopted 3G (Third Generation) technology in 2005 and rolled out 4G (Fourth Generation) networks in 2013.

This progress has been due in part to the proactive and forward-thinking nature of industry regulator the Malaysian Communications and Multimedia Commission (MCMC).

Also a key factor is the assignment of frequency spectra for different wireless operators to use when building their wireless networks.

But what exactly is spectrum?

SPECTRUM 101

The basis of all wireless communications is the superimposition of information onto electromagnetic waves, followed by the transmission of those waves from one point to another.

Spectrum is a term used to describe the range of frequencies by which the electromagnetic wave is transmitted from one point to another. The information embedded in the spectrum commonly includes radio, TV, cellular voice, and broadband wireless data.

In Malaysia, the MCMC is responsible for ensuring that spectrum is managed in a way that meets the needs of spectrum users, with adequate provision for public and community services, and to maximise the allocation of spectrum efficiently.

Spectrum is an extremely important issue for a country's telecommunication infrastructure. It should be viewed as a natural resource that is limited and scarce.

In essence, there's only so much spectrum to go around.

Because spectrum is essentially a commodity, no single company or party should have a monopoly over its usage. By dividing spectrum amongst a few companies, competition can be encouraged, ensuring that wireless services are competitively priced and the quality of services is sustained.

The most common spectrum range used today for cellular telephony and mobile data are 900MHz and 1800MHz for GSM services; 1920MHz to 2170MHz for 3G services; and 2300MHz for WiMax. Long-Term

Evolution (LTE or 4G) uses the 2600MHz and 700-850MHz bands.

Currently, 700MHz is also used for analogue TV transmission, which is slated for decommissioning in 2015.

Malaysia's three largest cellular operators – Maxis Bhd, Celcom Axiata Bhd and DiGi.com Bhd – own the lion's share of spectrum in the country. The country's fourth and smallest cellular operator, U Mobile Sdn Bhd, has a licence to operate 3G in the band between 1920MHz and 2170MHz.

While all these operators can essentially provide cellular services, not all of them can do so equitably, as some have more spectrum than others. For example, Digi currently only has 4MHz of the 900MHz band, while Celcom and Maxis have 32MHz and 34MHz respectively.

SPECTRUM REFARMING DEFINED

With the burgeoning use of mobile data, the exponential rise in the ownership of smartphones in Malaysia, as well as the scarcity of spectrum (as it is finite in nature), the MCMC has been toying with the idea of 'refarming' the 900MHz and 1800MHz bands for some time now.

In industry parlance, refarming refers to the redistribution of spectra amongst mobile operators, thereby giving a chance to those who do not own certain bands to bid for them.

But refarming is a thorny industry issue, especially when it comes to the 900MHz band.

Digi has for years argued that it is disadvantaged by the fact that it does not own a significant portion of the 900MHz spectrum, which Maxis and Celcom do. The right to use 900MHz is acutely important for Digi as it is the only operator today that does not own vast quantities of the lower 900MHz frequency band that is needed for wider coverage.

Gaining the 900MHz band would also help it offload some of its 3G traffic from its current 1800MHz band to the 900MHz band, thereby enabling LTE on its 1800MHz spectrum, something its rivals Celcom and Maxis are able to do.

However, Maxis and Celcom will be unhappy to give up what they've essentially been licensed to use for some 20 years now, and would be loath to participate in any refarming exercise.

SO, WILL IT HAPPEN?

The wireless industry has been watching with bated breath as to when the MCMC will address what some industry observers believe as essentially an unbalanced playing field in Malaysian spectrum assignment.

However, a senior industry executive who is familiar with regulatory issues within the wireless industry told Digital News Asia (DNA) that two other more important spectrum-related issues need to be dealt with first before spectrum refarming can take place.

The first is the assignment of LTE spectra while the second is the assignment of Digital Terrestrial Television Broadcast (DTTB) spectra.

Former MCMC chairman Mohamed Sharil Tarmizi

The former MCMC chairman Mohamed Sharil Tarmizi wanted the first issue [LTE spectra assignment] out of the way, and that happened in 2013," the executive said, on condition of anonymity.

"The DTTB spectra was then dealt with in 2014, and this year is the year the 900MHz and 1800MHz spectra refarming was to have taken place," he added.

However, Sharil's tenure as chairman was abruptly ended and the MCMC is now under the helm of a career bureaucrat in Dr Halim Shafie.

His appointment, while being generally lauded by the industry, may still have thrown a spanner in the works as far as the timing of the refarming exercise is concerned.

[The MCMC had not responded to DNA's request for comments to this article as at press time]

The industry insider said that regardless who the chairman of MCMC is, the spectrum refarming should go on as the industry needs to redress the imbalance that exists now.

"There is an urgent need to start realigning 700MHz to 900MHz spectra sooner rather than later because the market is rapidly changing to becoming full broadband networks, as voice and SMS (short messaging service)

are being substituted by over-the-top (OTT) trends – which means there won't be revenue to be generated from voice and SMS for much longer.

"The MCMC should put a firm commitment to designate these bands for mobile broadband and conduct a spectrum demand study before coming to any decision.

This is especially true for the 700MHz band as it is still currently being used by analogue TV transmissions, which are due to be turned off by 2018," said the industry source.

Vivek Roy

Vivek Roy, research analyst at Ovum Asia Pacific, stressed that the issue of spectrum refarming is crucial in a developed mobile market, such as Malaysia, as the exercise creates a level playing field and increases competition in a market that is already saturated, and without much more to be done where coverage is concerned.

"The exercise also lays out a clear roadmap of technology evolution," he told DNA via email. "That said, some operators might lose out on spectrum capacities."

POSSIBLE PERMUTATIONS

Despite the urgent need for the spectrum refarming exercise, the industry insider said it won't be an easy thing to do as the MCMC "has a lot on its plate," including the ongoing furore over how the Good and Services Tax (GST) is to be implemented on prepaid users.

However, if spectrum refarming were to be carried out, there are a few scenarios that could emerge, according to Ovum.

The London-based telco research and consultancy firm said that while it's difficult to predict how the MCMC will reassign spectrum, nevertheless the process will likely start with the 900MHz band and likely to be then followed by the 1800MHz band.

Vivek said the MCMC could use three common methods to refarm spectrum: By auction; by the best business and technical case proposal (more commonly known in the industry as 'a beauty contest'); or by grants.

The reason for addressing the 900MHz band refarming first is because it has the largest unequal distribution and is perhaps the most contentious amongst the big three operators to realign, he argued.

Vivek suggested the first possibility that could play out is that Digi acquires an additional portion of the 900MHz band at the expense of Celcom and Maxis.

"This will be the most favourable case for Digi as it creates a level-playing field and will enable it to free up some portion of its 1800MHz band for 4G.

"It would also enable DiGi to move 2G users from 1800MHz to 900MHz, something Celcom and Maxis are finding it easy to do now owing to their excess 900MHz allocations," he explained.

The second scenario would be that U Mobile receives 900MHz, assuming the first possibility still holds true, according to Vivek.

U Mobile currently only has access to 3G frequency (1920MHz to 2170MHz) and the 2600MHz LTE band. If it does get a 900MHz reassignment, it would allow U Mobile to add to its existing 4G band and allow it to expand to rural areas, he ventured.

The third possibility is that the non-cellular players are assigned some 900MHz, which is unlikely to happen, he said.

"[If this happens], this would be predominantly WiMax players, which already have some 2600MHz allocations for 4G use.

"However, if Telekom Malaysia (TM) happens to win any additional spectrum, it will definitely create an imbalance, considering that TM now has access to 850MHz, 2600MHz and 2300MHz [via its 57% stake in Packet One Networks (P1)] – all of which can be used for 4G," he added.

Vivek said another scenario that could surface would be that U Mobile gets some of the 1800MHz band, since the big three operators have equal 1800MHz allocations (2x25MHz each).

He ventured that MCMC could decide to reassign 1800MHz to accommodate U Mobile. This will bring challenges for Maxis and Celcom as they currently use a portion of their 1800MHz band allocations for 4G, while Digi is expected to do the same soon, he said.

"This may lead to the possibility of [900MHz] spectrum sharing between the big three and the smaller players if the regulator decides to reallocate both 900MHz and 1800MHz," he added.

WIMAX PLAYERS

Meanwhile, the country's two WiMax players – P1 and YTL Communications Sdn Bhd (YTL Comms) – would be determined not to be left behind either.

Currently, P1 and YTL Comms each have 30MHz of LTE spectrum in the 2600MHz band. Both companies have also been relatively quiet about their plans, preferring not to announce anything to the media in the past year.

- REALIGNMENT HAS TO HAPPEN THIS YEAR; THREE POSSIBLE PERMUTATIONS
- SPECTRUM MANAGEMENT NEEDS MORE TRANSPARENCY, URGENCY

According to an industry insider, P1 and YTL have hard choices to make as WiMax is really a sunset technology and there is no more support globally.

"It's likely both of these companies have yet to break even and become profitable after investing heavily in WiMax," said the insider.

"And now they have to pour more money into TD-LTE (Time Division-LTE), which is the only migration path available to them."

Another industry source concurred, noting that the real question is not whether they would migrate away from WiMax to TD-LTE, but when.

"My view is that they will choose to migrate eventually to one frequency band. Once they do so, both of them need to determine what their original frequency allocation will be used for.

"If I were TM [via P1], I would use the 2300MHz frequency as a form of wireless UniFi [TM's high-speed broadband offering] so that I can expand the coverage of its fibre network, and use the 2600MHz for the pure mobile network offering.

"From a technology standpoint, I believe the frequency addition is simpler for YTL since it has built a mobile network from day one, but for P1, it may be a little more complicated given it also has some legacy equipment that supports fibre (fixed) connections," said the insider.

TRANSPARENCY, URGENCY NEEDED

Whatever the refarming scenario, most industry players believe that the issue of spectrum management in Malaysia must proceed ahead with more transparency and urgency.

Ovum's Vivek said he expects operator consolidation to happen in Malaysia, as there are just too many players operating in a relatively small market.

"One catalyst for this consolidation will be spectrum, as the larger operators will seek smaller operators to boost their spectrum supply," he said.

An industry insider DNA spoke to concurred. "The industry today has too many players, which either creates price wars or semi-cartels.

"The MCMC shouldn't just let more players in [to increase competition], but should better manage the anti-competitive activities that occur, sometimes subtly, sometimes overtly.

"The regulator has for far too long been focused on technical regulation and has not given enough emphasis on economic regulation. As a result, we see high degree of cosiness amongst the three mobile incumbents – to a point where their competitiveness is very staged," he argued.

The industry insider also noted that more sharing beyond infrastructure such as towers and common antennae must be encouraged, and the MCMC should draw on LTE lessons and notice that the operators can share the spectrum.

"So if they can share the 4G [2600MHz] spectrum, my argument would be that they surely can also share the 900MHz spectrum," he argued.

"Perhaps MCMC can give these mobile operators a 'licence fee holiday' for a year on condition that the fees that are saved will be used to help defray the cost of migrating customers."

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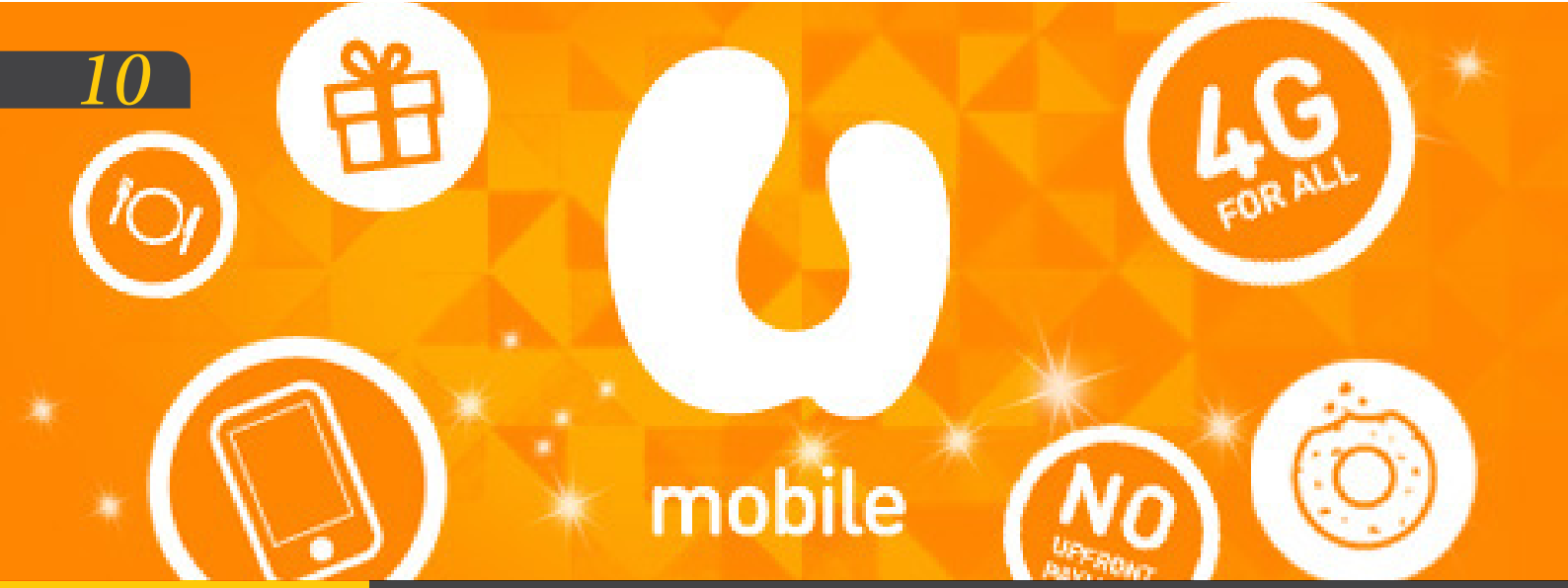

- DESPITE ENTRY INTO CROWDED SPACE, HAS CREPT UP ON THE BIG 3
- EXPECTS A CHALLENGING YEAR FOR INDUSTRY, UPBEAT ON ITS OWN PLANS

U Mobile plans to be a 'strong No 4'

| by Goh Thean Eu

FOR many years, the highly competitive and saturated Malaysian mobile communications scene was dominated by the top three players: Maxis Bhd, Celcom Axiata Bhd and Digi.Com Bhd.

However U Mobile Sdn Bhd, one of the newer companies in the market, believes that there is still ample opportunity for it to make a difference, woo new customers, and more importantly, become the strong No 4 player.

It has shown that it can win subscriber market share in this space, up from 1.5% in 2010 to over 8% in 2012. It also managed to sign up two million new customers between Sept 17 and Dec 31 last year via its 'Vision 2 Million' campaign.

Today, it has over four million active customers, an increase of approximately 3.5 million versus the 540,000 subscribers it had four years ago.

In contrast, the top three mobile operators only managed to grow their subscriber base by about a collective two million during the same period.

U Mobile, founded in 1998 as MiTV Networks Sdn Bhd, is 49% owned by Straits Mobile Investment Pte Ltd, a subsidiary of Singapore's ST Telemedia.

Prior to Straits Mobile Investment's entry, the company was 33% owned by telco giants KT Corp (then KT Freetel) of South Korea and NTT DoCoMo of Japan. KT Corp and NTT jointly acquired the stake for US$200 million in 2007.

Today, U Mobile's other shareholders include U Telemedia Sdn Bhd with a 37% stake, Magnum Bhd with a 6.3% stake, Glorious Reflection Sdn Bhd with a 5.3% stake, and Malaysian billionaire Vincent Tan with a 2.4% stake.

Tan, who also controls U Telemedia, at one point had substantial stakes in U Mobile competitor Digi.Com Bhd. He exited the company 2005.

Based on Companies Commission of Malaysia (CCM) data, its revenue almost

doubled to RM919.17 million for the financial year ended Dec 31, 2013, versus RM470.93 million a year earlier. It still recorded a net loss of RM363.24 million, but that is against a net loss of RM444.44 million in 2012.

[RM1 = US$0.27]

Wong Heang Tuck

SECRET TO SUCCESS

U Mobile chief executive officer Wong Heang Tuck says his company's success was mainly driven by its focus on customer experience.

"Over the years, we have put in a lot of effort on customer experience. We are glad to see that the message is coming through," he says, in a recent interview with Digital News Asia (DNA) in Kuala Lumpur.

To boost its infrastructure and network, the company is committed to investing RM1.5 billion (US$410 million) from the fourth quarter of 2014 to the end of this year to roll out 1,000 Third Generation (3G) and 1,000 4G LTE (Fourth Generation/ Long-Term Evolution) sites.

In terms of products, U Mobile has also introduced various new offerings such as the U MicroCredit instalment plan, where micro loans are offered to eligible customers who can service these loans over a 12- to 36-month period; International Airtime Transfer, which allows subscribers to transfer their mobile airtime credits to overseas prepaid mobile accounts; and others.

It is also narrowing the gap between prepaid and postpaid rates. "This means the rates for both prepaid and postpaid are almost the same. The only difference is the mode of payment," says Wong.

"We want to offer our customers the flexibility; we want to level the playing field," he adds.

With its heavy capital expenditure commitment, U Mobile is showing it is serious about providing its customer with a good data experience.

"Those customers who are more discerning or more data-centric are choosing us over our competitors," claims Wong, who adds that over 60% of U Mobile's customers are smartphone users.

CHALLENGING YEAR AHEAD

Wong believes that the overall mobile industry in Malaysia is braced for a challenging year in 2015. "I think 2015 will be tougher than, if not equally as challenging as, last year."

The main reason for such a gloomy forecast is the confusion over the implementation of the Goods and Services Tax (GST), which came into effect on April 1. This has affected U Mobile and the overall industry in terms of customer acquisition, reloads, and even dealers.

"The impact is quite dramatic. We have seen some dealers give up and close shop. I think that has impacted at least one full quarter," Wong says.

He is nevertheless confident of continued growth for U Mobile in 2015.

"Growth will come from both existing subscribers and new subscribers," he says. "But while subscriber growth is a good indicator, a better indicator is revenue growth."

Wong says U Mobile currently can not only grow its subscriber base and revenue, but also its average revenue per user (ARPU).

"Our ARPU is going up. We see that as customers get familiar with us, they will also start using more of our services. Their hunger for data is also increasing," he says.

He says this "hunger for data" does not only apply to domestic users, but also to the company's pool of foreign migrant customers.

"This is why for 2015, we need to continue to be aggressive and also to continue to focus on customer experience," he adds.

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Singapore's MyRepublic eyes Malaysian market

| by Karamjit Singh

SINGAPORE-based MyRepublic is pretty much a disruptive fibre broadband player in South-East Asia, and its chief executive officer Malcolm Rodrigues loves one trend that seems to accompany any market deregulation in the telco space.

- WAITING FOR THE RIGHT REGULATORY ENVIRONMENT
- AIMS TO OFFER 100Mbps AT BETWEEN RM60 AND RM70

"Every time you have a deregulation event in the market, from opening up the long-distance market in the United States in the 1980s, to the local loop unbundling 15 years ago, also in the States, you can see 30% of the market leaving incumbents in virtually every country.

"This is even if you, as a new service provider, are poor at what you do and are a crappy, boring company," he quips.

Significantly, he says "We are starting to see the same trend in Singapore."

Naturally, as MyRepublic is neither a crappy nor a boring company. Rodrigues' goal is to take as much of the 30% as possible in a market where it made a huge splash by offering 1Gbps at a disruptive price of S$49 (about US$36) a month, in May 2014.

Singapore rival StarHub was offering the same service at S$395.90 (US$294) then.

By February 2015, every fibre broadband player in Singapore was offering the service at prices ranging from S$49 to S$69.90 (US$52).

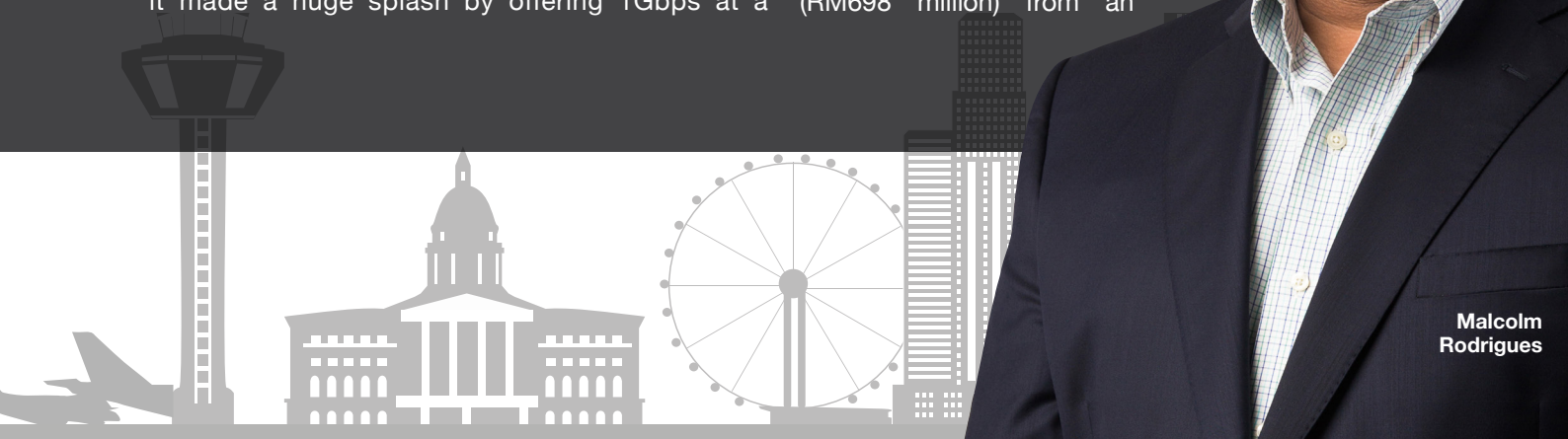
Hungry for more disruption and aware that mobility has become a way of life and is the primary connectivity choice for consumers, MyRepublic is now aiming to be the fourth telco in Singapore.

In March, Rodrigues publicly announced that MyRepublic will be participating in the next spectrum auction that the Infocomm Development Authority of Singapore (IDA) has to hold by next year.

With some spectrum licences due to expire in March 2017, an auction needs to be held earlier by the Singapore regulator. MyRepublic has declared its interest in the 2.3GHz and 2.5GHz bands.

MyRepublic has also begun to lobby the IDA to set aside some spectrum for new entrants only, and to create a national roaming agreement.

It is looking to raise S$250 million (RM698 million) from an



Malcolm Rodrigues

overseas mobile player as its partner and from other investors which share its vision of becoming the fourth telco in Singapore.

If successful, this augments the last round of S$34 million (RM95 million) it raised in July 2014 when Indonesian conglomerate Sinar Mas and maverick French telco entrepreneur Xavier Niel came in.

While all of this is going on in Singapore, the good news for Malaysians who believe they are paying too much for their fibre broadband services is that Rodrigues is planning for MyRepublic to serve the Malaysian market as well.

"We want to offer 100Mbps at between RM60 and RM70 (about US$16 and US$19) a month," says the self-professed serial entrepreneur, who launched MyRepublic after having raised S$2.5 million (US$1.9 million) from 21 investors.

Note that dominant broadband player Telekom Malaysia's current 1Mbps + voice package stands at RM116.60 (US$32).

Small wonder that Rodrigues says, "We want to be very, very disruptive in the market."

But the caveat to fulfilling this disruptive role is that the regulatory environment has to make sense for Rodrigues.

Specifically he is waiting for Telekom Malaysia (TM) to open up its network access sometime around 2015-2016.

When it was pointed out that TM had already partnered with some telco players which were using its high-speed broadband network, Rodrigues explains that he does not believe in doing wholesale deals with incumbents. "I think they end up screwing you!"

He says he expects MyRepublic's market entry into Malaysia towards the end of 2015 or early 2016. It is currently in Singapore and New Zealand.

To assist its Malaysian and regional expansion, the company has hired seasoned Malaysian broadband executive Michael Lai to join its team.

One big strength of MyRepublic that allows it to make a profit, even when selling broadband for a low price, is the fact that the organisation is tight.

Comparing telco giant Singapore Telecommunications (Singtel) with MyRepublic, the former has almost 10,000 staff in Singapore, while MyRepublic can cover the entire island with broadband with 88 staff.

Rodrigues says he runs the company in a "very lean and mean model." He believes this allows MyRepublic to compete with the telcos whose business models epitomise rigidity.

For instance, MyRepublic's IT, Product, Support and Finance divisions support both New Zealand and Singapore, and will handle Australia as well when it launches there in the third or fourth quarter. He is currently raising a US$20-million round of funding to help execute the expansion there.

But for Malaysians, it is his impending launch here that is going to excite them and increase the pressure on the incumbents!

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How Malaysia's big 3 fared in Q1 2015

- MAXIS RETAKES POLE POSITION IN TERMS OF TOTAL SUBSCRIBER BASE
- CELCOM NOW HAS THE SMALLEST SUBSCRIBER BASE IN PREPAID SEGMENT

| by Goh Thean Eu

DURING the first quarter of 2015, the Malaysian mobile industry shrank by more than 500,000 subscribers, one of the biggest quarterly declines in recent years.

However, it was not the first time we witnessed such a drop. In the third quarter of 2014, the total mobile subscriber base declined by 89,000.

In 2006, the industry also saw a decline of approximately 500,000 subscribers following the implementation of a prepaid registration exercise mandated by the Malaysian Government. The bulk of the decline came in the second half of 2006.

Take Celcom Axiata Bhd, then known as Celcom Bhd, for example – it managed to grow its subscriber base by over 742,000 during the first half, before experiencing a decline of 1.5 million subscribers in the second half of 2006.

Fast forward to the present. During the first quarter of 2015, the total mobile subscriber base declined to 44.42 million, versus 44.93 million in the fourth quarter of last year.

The overall decline was partly driven by Celcom's shrinking customer base.

During the quarter, its total customer base fell by 5% to 12.28 million, versus 12.97 million in the fourth quarter of 2014. It attributed the decline

Total Subscribers

TABLE 1

	SUBSCRIBERS	MARKET SHARE
Q1 2015		
Maxis	13.26mil	35.6%
Celcom	12.28mil	33.0%
Digi	11.69mil	31.4%
Q4 2014		
Maxis	12.91mil	34.6%
Celcom	12.97mil	34.8%
Digi	11.42mil	30.6%

A full picture of the total subcriber base

TABLE 2

	SUBSCRIBERS	MARKET SHARE
Q1 2015		
Maxis	13.26mil	29.9%
Celcom	12.28mil	27.6%
Digi	11.69mil	26.3%
Others	7.19mil	16.2%
Total	**44.42mil**	
Q4 2014		
Maxis	12.91mil	28.7%
Celcom	12.97mil	28.9%
Digi	11.42mil	25.4%
Others	7.63mil	17.0%
Total	**44.93mil**	

Source: Telco presentations, plus MCMC's Communications and Mutlimedia Pocket Book of Statistic Q1 2015

Besides the decline in the mobile subscriber base, the industry also saw a change in rankings, with Maxis regaining its leadership in the mobile subscriber base.

For a deeper insight on how the industry fared in the first quarter, let's look at the some of the numbers and break them down.

THE RETURN OF THE KING

For many years, Maxis Bhd had been holding the top position in terms of total mobile subscriber base. However, a few years ago, its market leadership came under attack by aggressive competition from rivals Celcom and Digi.Com Bhd.

As a result, it slipped, and Celcom overtook Maxis to become the largest mobile operator in Malaysia in terms of subscriber base.

In 2014, Celcom had a 34.8% market share while Maxis had 34.6%.

Meanwhile, Digi is steadily growing its subscriber market share as well. During the first quarter, its mobile subscriber base expanded by 270,000 subscribers to hit a market share of 31.4%.

Although Maxis has regained its lead, don't expect Celcom or Digi to stay cowed. After all Celcom, at one point, was the smallest player in the prepaid space before it staged a slow but steady climb to the top spot.

While Table 1 shows how the top three players performed in the first quarter, Table 2 is a snapshot of the entire mobile space, which includes mobile virtual network operators (MVNOs) and privately-held mobile operators like U Mobile.

From this full perspective, based also on figures from industry regulator the Malaysian Communications and Multimedia Commission (MCMC), it can be seen that besides Celcom, 'Other' players in the sector have also experienced a decline in subscriber base.

While the MCMC did not reveal which mobile operators are contributing to the decline, it is believed that U Mobile may be one.

U Mobile chief executive officer Wong Heang Tuck, in a recent conversation with Digital News Asia (DNA), revealed that the company had taken measures to 'wipe out' a substantial number of inactive subscribers.

"We churned out some one million subscribers," he told DNA after a signing ceremony between Telekom Malaysia Bhd and U Mobile in Kuala Lumpur.

While Wong did not reveal how many subscribers U Mobile had as at end-2014, a U Mobile official claimed that the company's current subscriber base is more than four million.

Mobile service revenue and market share

TABLE 3

	REVENUE	MARKET SHARE
Q1 2015		
Maxis	RM2.07bil	38.4%
Celcom	RM1.73bil	32.1%
Digi	RM1.59bil	29.5%
Q4 2014		
Maxis	RM2.04bil	37.8%
Celcom	RM1.81bil	33.5%
Digi	RM1.55bil	28.7%

Short Message Services (SMS)

TABLE 4

YEAR		TOTAL (MIL)	PER SUBSCRIPTION
2014	Q1	14,245.4	329
	Q2	13,192.8	301
	Q3	11,722.1	268
	Q4	10,130.4	225
2015	Q1	7,768.1	175

Assuming U Mobile had four million in the first quarter, which telcos do the remaining 3.2 million subscribers in the 'Others' category belong to?

Based on industry observers' feedback, a large portion of the 3.2 million are probably on Tune Talk (approximately 1.5 million), while the balance may likely be split amongst Merchantrade Mobile, XOX Bhd, redONE, and others.

REVENUE TREND AND MARKET SHARE

In terms of revenue, the mobile industry – without factoring in revenue from U Mobile (as it is not publicly available) and the various MVNOs – experienced a slight decline in the first quarter of 2015.

The top three players registered total mobile service revenue of RM5.39 billion (US$1.44 billion), compared with RM5.4 billion (US$1.45 billion) in the first quarter of last year.

Do note that mobile service revenue does not take into account the sales of devices or the fixed-line business.

The Q1 decline was mainly driven by Celcom, as it was the only player amongst the incumbents to register a downtrend. The shortfall came from its voice and Short Message Service (SMS) business.

SMS SUFFERS BIGGER THAN USUAL DECLINE

A look at MCMC's statistics also shows that there was a sharp decline in text messages. Although SMS volume has been trending down, it has never before fallen at such a pace.

In the first quarter of 2014, total SMS volume in the country was 14.24 billion, declining to just over 10 billion in the fourth quarter.

By the first quarter of this year, SMS volume had fallen by approximately 2.3 billion to scrape by at 7.77 billion.

The decline was likely driven by the increasing adoption of smartphones as well as the skyrocketing popularity of messaging apps such as WhatsApp, Line, WeChat and KakaoTalk.

PREPAID CONSOLIDATION?

During the first quarter, the total prepaid subscriber base in the industry shrank by 620,000 subscribers to 36.16 million.

The decline was mainly driven by Celcom's performance in that segment. During the quarter, it recorded 9.54 million prepaid subscribers versus 10.17 million in the fourth quarter of last year.

This also saddles Celcom with the smallest prepaid subscriber base, with Digi recording 9.93 million prepaid subscribers and Maxis leading with 9.98 million.

In terms of revenue, it appears that Maxis was the biggest winner in the first quarter as it gained the most ground. During this period, its prepaid mobile revenue market share jumped to 33.4%, from 30.5% and 30.7% in the first and fourth quarters of 2014, respectively.

Though it gained the most market share, Maxis still couldn't dethrone Digi in the prepaid space, with the 'Yellow Man' staying strong at pole position with a 36.6% market share.

POSTPAID STATUS QUO

The postpaid landscape remained pretty much unchanged for the top three players. Maxis was almost untouched in this space, with a commanding 42.1% subscriber market share and a 45.2% revenue market share.

Although Celcom suffered in its prepaid business, its postpaid business remained somewhat stable. During the quarter, it lost a marginal number of subscribers, while revenue fell 1% to RM739 million (US$197.8 million).

Nevertheless, its position as a strong No 2 player in this space was not threatened.

Digi was the only player amongst the top three to register growth in both its postpaid revenue and subscriber base.

SUMMARY

With all these leadership changes, it will be interesting to see if Maxis can hold on to the overall top spot, if Digi can defend its prepaid turf, and if Celcom can get aggressive enough to regain lost ground.

One thing is for sure, this sector is becoming increasingly interesting to watch

Prepaid subcribers and market share

TABLE 5

	Q1 2015		Q4 2014	
	SUBSCRIBERS	MARKET SHARE	SUBSCRIBERS	MARKET SHARE
Maxis	9.98mil	33.9%	9.62mil	32.6%
Celcom	9.54mil	32.4%	10.16mil	34.5%
Digi	9.93mil	33.7%	9.70mil	32.9%

Prepaid Revenue and market share

TABLE 6

	Q1 2015	Q1 2014	FULL YEAR 2014
Maxis	RM1.05bil (33.4%)	RM969mil (30.5%)	RM3.94bil (30.7%)
Celcom	RM944.5mil (30%)	RM1.09bil (34.3%)	RM4.3bil (33.5%)
Digi	RM1.15bil (36.6%)	RM1.12bil (35.2%)	RM4.6bil (35.8%)
Total	**RM3.14bil**	**RM3.18bil**	**RM12.84bil**

Postpaid subcribers and market share

TABLE 7

	Q1 2015		Q4 2014	
	SUBSCRIBERS	MARKET SHARE	SUBSCRIBERS	MARKET SHARE
Maxis	3.28mil	42.1%	3.29mil	42.1%
Celcom	2.74mil	35.3%	2.8mil	35.9%
Digi	1.76mil	22.6%	1.72mil	22.0%

Postpaid Revenue and market share

TABLE 8

	Q1 2015	Q1 2014	FULL YEAR 2014
Maxis	RM972mil (45.2%)	RM984mil (30.5%)	RM3.92bil (45.6%)
Celcom	RM739mil (34.4%)	RM746mil (34.3%)	RM2.95bil (34.4%)
Digi	RM434mil (20.2%)	RM427mil (35.2%)	RM1.73bil (20.1%)
Total	**RM2.15bil**	**RM2.16bil**	**RM8.6bil**

GO TO CONTENT

Celcom out to regain lost momentum

- NEEDS TO BALANCE BETWEEN GROWING EXISTING TELECOMS BUSINESS AND NEW GROWTH AREAS
- STRATEGY INVOLVES RE-ENERGISING DISTRIBUTION CHANNELS AND NEW DATA PACKAGES

| by Goh Thean Eu

THE year 2014 was indeed a year of battles for Celcom Axiata Bhd, as it had to endure some hiccups in its IT transformation programme while facing an increasingly competitive landscape.

Celcom, one of the 'Big Three' mobile operators in Malaysia and a wholly-owned unit of Axiata Group Bhd, saw its leadership in subscriber base narrowing to a 34.8% market share, from 35.5% in 2013.

This also saw its subscriber base lead shrink to 0.2 percentage points, compared with 0.7 percentage points a year ago.

Analysts expect the company, which saw a similar downtrend in the first quarter this year, to regain momentum in the second half of 2015.

While some may see Celcom's downward momentum as an alarming sign, its chief executive officer Shazalli Ramly isn't surrendering. After all, the company has come back from worse.

In 2005, Celcom, which was then a wholly-owned subsidiary of Telekom Malaysia Bhd (TM) before the latter spun off its mobile business, saw its market share shrink to such an extent that it became the smallest player (amongst the incumbents) in the prepaid segment.

Shazalli, who was then the newly appointed chief at Celcom, was brought in to revitalise the company. Just as importantly, he would have needed to motivate his team, to make them believe that the government-linked company would be able to outperform market leader Maxis Bhd and fast growing Digi.Com Bhd.

Celcom is a wholly-owned unit of Axiata Group Bhd, which in turn is 37.7% owned by Khazanah Nasional Bhd (the Malaysian Government's invetsment arm) and 13.5% by the country's Employees Provident Fund Board.

At the time of his appointment, some industry pundits were sceptical as to whether Shazalli, who had previously been running loss-making TV station ntv7, would be able to get the job done.

One of the first things he did was implementing a performance improvement programme (PIP), to arrest the declining business and then to stabilise it in various areas, such as distribution networks, operations, and network processes.

The company also improved its segmentation strategy and introduced stronger partnerships with mobile virtual network operators (MVNOs). The idea then was that if there is a market segment it is not able to address efficiently, it will work with an MVNO to address the segment. Celcom currently has MVNO partnerships with Merchantrade, XOX Bhd, Tune Talk and redONE.

Shazalli Ramly

Shazalli was able to silence his critics as a result of the PIP, with Celcom at one point registering 31 consecutive quarters of growth in both its top- and bottom-line – an achievement that has yet to be matched by any of the other incumbents today.

2015 GAME PLAN

With the IT transformation over and done with, Celcom is going all out to regain lost momentum. To do so, Shazalli and his team will need to strike a balance between growing the company's existing telecommunications business and exploring new growth areas.

"For 2015, Celcom will continue to focus on its core activities whilst concurrently enhancing its focus on mobile data and digital services," Shazalli told Digital News Asia (DNA) via email.

Like most mobile players, data will also be Celcom's main focus for all new launches, which would involve further network expansion.

This data focus seems to be paying dividends. For its first quarter ended March 31, 2015, its data revenue saw a 36% growth year-on-year [to RM499 million or about US$135 million], accounting for 26% of Celcom's total revenue of RM1.92 billion (US$518 million), compared with 19% in the previous year, highlighted Shazalli.

"Celcom strives to propel its data business by acquiring new customers, up-selling and increasing its smart devices uptake – initiatives have been put in place to boost sales and revenue by focusing on re-energising our distribution channels and introducing new data packages," he said.

"Celcom is optimistic of sustaining growth via these innovative plans and 4G LTE (Fourth Generation/ Long-Term Evolution), which will be a key differentiator in meeting the exponential demand for data services and content.

"We will also embark on the next generation of revenue stream with an emphasis on digital brands, business services, and solutions business," he added.

TRANSITIONING TO THE DIGITAL SPACE

Telecommunications companies throughout the world today are attempting to transition from pure-play telcos to becoming players in the digital space.

Celcom is no exception, as seen by its various e-commerce ventures. Recently, the company, via its joint-venture entity Celcom Planet (a partnership with South Korea's SK Planet), launched an online marketplace known as 11street.

"This is to complement Celcom's current e-commerce businesses, namely BachaBooku, TheCresent and Buzzar," said Shazalli.

Some may see Celcom's e-commerce ventures as an experiment, but Shazalli said, "We see our move into the digital space as a long-term investment.

"We believe that an enhanced customer experience encompasses competitive edge, and is based on the accessibility of the Internet via innovative data packages at affordable pricing," he added.

Besides its e-commerce ventures, it also offers local content and personal entertainment via its subsidiary Escape Axiata, its Over-The-Top (OTT) video service launched in 2013.

In terms of mobile remittance, Celcom has also migrated its mobile money service Aircash to a new platform.

"The new platform will offer an enhanced consumer experience, as well as new services for all smartphone users," said Shazalli.

"Moving forward, we will look at mobile remittance known as Doowit and other opportunities in the payment space," he added.

FOCUS ON HABITS, NOT DEMOGRAPHICS

It is widely known in the industry that Celcom has strong market share in suburban areas, but may not be the clear leader in urban areas.

This strong suburban foothold can only mean one thing: There's a lot of untapped potential as far as its data business is concerned.

On how Celcom is going to grow its mobile broadband and data business in its suburban markets, Shazalli said that one of the things it will be focusing on is customers' habits.

"We aim to focus on user data habits rather than segment customers based on demographics," he said.

By understanding customers' habits, Celcom would then be in a better position to give its customers improved products, services, and experience, he added.

GO TO CONTENT

TM: REALISING 'LIFE AND BUSINESS MADE EASIER' THROUGH CONVERGENCE

"ALL OUR ACHIEVEMENTS HAVE BEEN INSPIRED BY THE ONE THING THAT IS CLOSEST TO OUR HEART: THE CONTINUOUS WELL-BEING OF THE COMMUNITY. WE BELIEVE THAT WE ARE MORE THAN JUST A CONVERGENCE CHAMPION." TAN SRI ZAMZAMZAIRANI MOHD ISA, GROUP CEO OF TM

In this day and age, most economists believe that the rate of ICT adoption is one of the primary contributing factors for the nation's economic well-being. This belief is the drive behind Malaysia's aspiration of emerging as a fully digitised economy by 2020 and the catalyst for the growth of many industries identified in the National Key Economic Areas (NKEAs), a vision that is upheld by the Prime Minister.

In the long, rich history of Malaysian telecommunications, Telekom Malaysia Berhad (TM) has been at the forefront of every major milestone, including the roll-out of the globally acclaimed High Speed Broadband (HSBB) project through Private Public Partnership (PPP).

As the country's only truly integrated telecommunications provider, they are committed to this nation building mission of helping to usher in the next wave of socio-economic growth through a digital transformation programme. A digital transformation that is not just about rolling out the best high-speed fixed and mobile broadband networks that connect even the remotest corners of the country, but one that focuses on converging and embedding technology enabled solutions into lives and businesses so that they become easier and more seamless every day. It is their conviction that real digital growth will happen when communities are empowered and connected.

On that note, TM's true purpose is symbolised by the campaign they embarked on since 2013 – 'Life and Business Made Easier' – an inspirational pledge that goes beyond TM's dedication to better customer service so that whatever they do, big or small, has the intent of making the lives of all their stakeholders easier. TM does not only make lives easier by enriching lifestyle and enhancing business productivity, but also by going beyond connectivity to provide opportunities for communication and collaboration. TM continues to play an important role in transforming the way Malaysians connect, communicate and collaborate towards a better future; in the way they touch the lives of Malaysians – be it through TM's products and services, solutions, community and nation building programmes, as well as via education.

CONNECTIONS MADE SIMPLER

As their vision of a converged nation is taking shape, people are being empowered with digital technology that has really made a difference. Malaysians such as Paridah Ahmed and Hasan Haji Ismail from Titi Gajah, Alor Setar are enabled by TMgo to connect and remain close to their son in New Zealand. As for entrepreneurs like Humble Chef owner, Rosman Hussin Rizal, they could easily grow their business with TM's business tools that are designed to help them manage operations - like enabling businesses to easily accept credit and debit card payments.

COMMUNITIES' LIVES MADE BRIGHTER

TM's commitment in building a digitised, converged nation is also a reflection of its on-going mission to bridge the digital divide amongst rural communities. Hence, Program Sejahtera is introduced to empower single mothers in the community with the ability to support livelihoods. Siti Kartini Ismail, a single mother from Kampung Tawang, Kelantan was provided with financial support and business tools so she could sustain and grow her business.

EDUCATION, HEALTH AND LIFE CARE MADE ACCESSIBLE

Education is being empowered by Convergence as well. Under the TM Pintar school adoption programme, students at the Sekolah Kebangsaan Pendidikan Khas Pekan Tuaran are enjoying broadband connectivity and learning aids that allow them to stretch their imagination and fulfill their potential. As for Health and Life Care, Convergence will, one day, enable expecting mothers in remote areas to have ready access to quality prenatal healthcare.

DREAMS AND PASSIONS MADE POSSIBLE

Dreams can be made a reality with Convergence. The Mencari Ramli talent search programme by TM, tapped into the power of digital and connectivity to handpick young Malaysians from Johor, Penang, Terengganu and Perak for the opportunity to meet and train with their soccer heroes from Manchester United. The nation's love for sports is further fuelled by technology, which enables fans from all over to come together as Team Malaysia so they could rally behind national athletes who fly the national flag on the global stage.

INNOVATIONS MADE GREATER

With Convergence, the telecommunications company provides platforms for local developers, startup entrepreneurs as well as students to realise their potential and bring their innovations to life. TM introduced its Innovation Exchange platform via the Innovation Exchange Accelerator Programme that enables student teams from Multimedia University to showcase their ideas and compete amongst the industry's best in technology innovation.

converGence™ champion.

A vision that enhances the lives of Malaysians

Convergence, by TM, is inspired by a single dream and vision. A vision to infuse a seamless broadband-enabled experience into people's lives in more ways than one. A vision to empower every facet of the nation – from education, healthcare and banking to entertainment, retail and more. With ambitious plans set firmly in sight, the company will continue to converge technologies across all platforms to enrich, improve and impact the lives of Malaysians everywhere, making their lives and businesses easier.

TM
Opening up possibilities

Telekom Malaysia Berhad (128740-P)

Operators just scratching the surface with 4G

| by Karamjit Singh

IT'S a good thing that Elon Musk of Tesla and SpaceX has his interest in green cars and space, because who knows how the race to connect every citizen on planet Earth would have shaped up with him in the picture.

- OPERATORS STILL FIGURING OUT OPPORTUNITIES PRESENTED BY LTE
- MOVE TO BECOME DIGITAL LIFESTYLE PROVIDERS A HARD TRANSITION

The current scenario is already crazy, says Dimitris Mavrakis, principal analyst, Intelligent Networks, at UK consulting firm Ovum.

"Next year, we are probably going to see drones that can stay up for five years, due to them being solar-powered," he says.

The drones, by both Google and Facebook, will join Project Loon, Google's high altitude (at 60,000 feet) balloons in the race to provide high speed Internet to the unconnected in the world.

"It's definitely uncharted territory, with the driver for this being the introduction of the LTE or Long-Term Evolution mobile network," says the London-based Mavrakis, speaking to Digital News Asia (DNA) in Kuala Lumpur where he was attending a recent customer event.

With LTE being the first true mobile network for data and mobile broadband, he believes we are just scratching the surface of what is possible in terms of services and business models.

Services like Meerkat and Periscope, which enable a single user to become a live streaming provider, are just the latest examples of what can be enabled by LTE, or 4G (Fourth Generation), networks. Operators will have huge challenges if such services find a mass market.

"Does the concert organiser, besides selling tickets and broadcast rights to their event, also charge users for the right to live stream from their mobile devices?" Mavrakis asks.

Which is why he says operators "are still trying to figure out 4G," where traffic and usage patterns are very different from the 2G and 3G era.

For instance, with 4G, a single user watching a high definition video on his or her mobile device can theoretically congest an entire cell site – a scenario that was never possible in the past.

Fortunately, operators have time to come to grips with the challenges. With less than half of operators in the world offering 4G and with just a fraction of total users on 4G services, "there is a lot of room for organic growth," Mavrakis says.

There is also room for revenue growth, he believes. "While telcos generally have been used to 35% to

40% profit margins, those margins are now under threat."

He points out that the response from some operators is to evolve into 'digital lifestyle providers' by acquiring Internet companies. The results so far have been mixed because it is very difficult to achieve this transformation with very different business models than the telcos are used to.

Within Asia, Mavrakis flags Axiata Group, Telenor and Singtel as being "very advanced and aggressive" with their transformations. Others, however, are struggling.

"Deutsche Telekom, China Mobile and Vodafone are struggling to provide digital services consistently across their footprint," he says, while pointing out that Spain's largest mobile player, Telefonica, had had a rougher journey trying to increase its revenue from digital services.

"It has tried but has not succeeded," he says, highlighting that Telefonica tried to force itself into this digital lifestyle mode.

For instance, it was doing interesting things around big data and was running analytics on its subscribers, even selling this data to third parties.

"Perhaps it was too ahead of its time," Mavrakis surmises.

The trick, he feels, is not to force things. For instance, if telcos were to make acquisitions of digital companies: "Don't try to assimilate them forcibly. You have to remember that telcos are very large companies and there is a lot of inertia in them."

At the same time, he sees no disruptions to telco business models because of 4G. "If anything, LTE has helped operators as it gives consumers who do not have smartphones a strong incentive to acquire one, and for those who do have smartphones, operators are able to push higher-tier subscription plans to them."

He has also seen operators attach content bundling and fixed subscriptions, and offer data storage and enter new segments through partnerships.

Dimitris Mavrakis

This can be seen in Malaysia as well where all three main players, Celcom Axiata, Digi and Maxis, have been forming various partnerships.

WATCH FOR WIFI CALLING, THANKS TO APPLE

When asked if he sees anything exciting on the horizon for LTE this year, Mavrakis flags out WiFi Calling as being interesting.

While the technology has been around for years and used to be called UMA (Unlicensed Mobile Calling), there were not enough handsets. But it has come to the fore now that Apple has included it in its iPhone 6 and Samsung has the feature in its Galaxy S6.

For those not familiar, WiFi Calling allows you to use a WiFi network to make and receive phone calls, rather than using the traditional mobile network. This is especially useful when one is experiencing poor coverage.

It works exactly the same as the mobile network, meaning you may not even notice you're actually using a WiFi network rather than the mobile one.

As a result, your text conversations remain uninterrupted and your call log stays complete – without the need to switch to a different application when using a WiFi network to connect.

"For operators who are introducing voice-over-LTE or VoLTE, the value proposition is even better as there is minimal capital expenditure to add on WiFi Calling once you have VoLTE in place," Mavrakis says.

"Apart from this, I do not think you will see a lot of action from operators [rolling out anything interesting] – they will just be focused on growing their business," he adds.

GO TO CONTENT

MVNO Merchantrade and its ire at incumbents

- SUCCESS IN MVNO & REMITTANCE BUSINESS SEES IT COME UNDER COMPETITION
- BUILDING APPS INHOUSE OFFERS TOTAL CONTROL OVER USER EXPERIENCE, SAYS CEO

Ramasamy Veeran

| by Karamjit Singh

RAMASAMY Veeran shows a video clip of the busy intersection at Silang Road in Kuala Lumpur where his company Merchantrade Asia Sdn Bhd occupies the corner building, during the weekend a few months back.

The video is not to show off the prominent location he enjoys, but is testament to the fact that his company is now seen as a serious competitor by the established mobile operators. Merchantrade is not only the leading Malaysian remittance player – it sent RM3.2 billion (US$850,000) in outbound remittance last year – it has also become a leading mobile virtual network operator (MVNO) in Malaysia. It was also the first MVNO in Malaysia when it launched in 2007.

The media-shy Merchantrade managing director declines to reveal his customer base beyond confirming that it has not hit one million subscribers.

The video shows, right outside his office, the kiosks of leading mobile network operators Digi and Maxis. In a carnival-like atmosphere, both are touting their IDD call rates to various countries in South Asia, especially Bangladesh, a market Merchantrade has painstakingly built over the last eight years.

Their rates are priced at the ridiculously artificial rate of three sen (less than one US cent) per 30 seconds. Ramasamy flinches just mentioning the amount.

"It has got to be unethical, selling for such a low price and definitely below costs," he says, suggesting that Digi and Maxis, including smaller player U Mobile, are desperate to increase their revenue. [In 2013, one of the 'Big Three' mobile players in Malaysia, Celcom Axiata, took a 20% stake in Merchantrade.]

Ramasamy claims that Merchantrade used to carry "huge amount of traffic to Bangladesh" until September 2014 when its competitors, led by U Mobile, dropped their rates from 12 sen per minute to eight sen, and then six sen and finally four sen for a short while. "They kept dropping prices because they could not hit us," he claims.

While he is optimistic that spiralling prices won't hurt Merchantrade revenue, he recognises that "we are in a war now and have to find a way to defend ourselves."

Fortunately, Merchantrade can also depend on its shareholder Sumitomo Corporation, which in January 2009 invested RM30 million in Merchantrade. At that time, Merchantrade only had around 94,000 active subscribers, but the Japanese giant obviously saw enough potential in Malaysia's first MVNO to become its investor.

In fighting this war he is in, Ramasamy does not want to drop Merchantrade's price per call to Bangladesh very much below the 16 sen it has been charging.

"We can offer them other incentives," he says, adding that while competitors can hurt its margins, "they cannot hurt our spirit. We know this market and will bounce back."

However, IDC Malaysia's Telecommunications research manager Alfie Amir feels the options are limited for Merchantrade.

"The prepaid segment, especially for migrants, is very cost-sensitive," he tells Digital News Asia (DNA) via email.

"And with the migrant market becoming one of the MNOs' (mobile network operators) key segments, any service provider is expected to lose market share if it takes passive action in a price war and retain rates," he adds.

This is where Ramasamy says Merchantrade is changing its way. "We are planning and changing our marketing and branding to be a stronger presence in the market," he says.

This includes being more structured in its marketing approach and not adopting so many of the 'guerilla techniques' it used to in the past. It also includes speaking to the press more often.

At the same time, Ramasamy feels Merchantrade is very lucky to be able to build a network with 65 branches throughout the country. "We cover practically each zone in the country." And this is not counting the 250 odd locations where it operates remittance services.

Alfie Amir

Indeed, Merchantrade has come a long way from when it started out selling calling cards to migrant workers in 2003. It slowly got into the MVNO space as well a few years ago when "nobody wanted to talk to us," he recalls.

Celcom gave it the break it needed when the telco giant recognised that Merchantrade could do a better job of targeting migrant workers, and leased its network capacity and billing systems to the latter.

Merchantrade's big break came when it received a 2007 licence to offer remittance services. It has since gradually started cross-selling remittance and mobile services.

Today, with the digital trend, Ramasamy can see how the world of the mobile phone is demanding that consumers change their behaviour. He speaks aloud of the possibility of Merchantrade offering its remittance system to money-changers, not as a standalone service but one where mobility and remittance are merged.

With an inhouse technical team, Ramasamy says that it can deliver strong technology-led services and products to the market, adding that "we feel we can do a better job building everything inhouse."

And if this happens, he will be less agitated when competitors drop prices irrationally.

GO TO CONTENT

Customer experience key to Maxis digital strategy

| by Karamjit Singh

AS the head of marketing services at Maxis, Sulin Lau sits on one of the largest corporate marketing budgets in Malaysia. It is also a budget that has, over the past few years, shifted its spending increasingly into the digital space.

- 21ST CENTURY BRAND IS WHAT CUSTOMERS SAY ABOUT YOU
- NET PROMOTER SCORE ADDED TO TOP LINE KPI FOR ALL STAFF

While Lau will not share any specific data, she says that Maxis has allocated a smaller A&P (advertising and promotions) budget – by the "low double digits" – in 2015 over last year.

A sign of cost cutting, one may presume. But she explains that this is simply because "Maxis has gotten much more efficient in how we spend it."

That statement has its roots in the fact that digital spending is cheaper than traditional forms of A&P such as TV, radio and print.

No surprise then when Lau points out that despite the lower 2015 budget, digital spend will increase. This already comes on the back of Maxis having more than doubled its digital ad spend over the past two years, to becoming among the largest digital advertisers in Malaysia.

What is interesting with Maxis is that its digital spend goes beyond being just an increasingly important tactical tool. It has become part of the strategy to drive alignment in the organisation around delivering 'world-class value' to its customers.

With consumers increasingly shifting leisure and work time from the physical world to the digital, Maxis has instilled 'Customer Experience' as a central tenet of its existence. This intensifies the role of digital as a two-way channel that becomes a mirror for Maxis to measure how it is doing on this score.

Which is why a tool called Net Promoter Score (NPS) is something everyone at Maxis, from the CEO (chief executive officer) down, are keenly aware of, as it has been included as one of their topline KPIs (key performance indicators).

NPS is based on the fundamental perspective that every company's customers can be divided into three categories: Promoters, Passives, and Detractors.

Management consultancy Bain & Co, in its analysis, has found that sustained value creators – companies that achieve long-term profitable growth – have NPS two times higher than the average company.

Lau says NPS is able to inform a company of whether its customers will recommend it to friends and family, based on a score of 8 to 10. A score of 6 and below indicates they are detractors.

The yardstick is high but "that is the best measure, at least we think so, of customer experience," she says.

And while brand proponents talk about brand experience, and how customer service and A&P work to reinforce a company's brand experience, Lau says that for Maxis, "Philosophically, what we believe a brand should be in the 21st century is not what you broadcast at your customers via ads – but what your customers say about you."

"We take the view that digital is the lead media for brand building, with social probably its most powerful element," she adds.

This circles back to Lau's earlier point about customer experience as the defining outcome that Maxis is aiming for.

Since customers will only talk about a brand through their experience with it, and with social becoming the

primary means for these conversations today, Maxis has invested in a stronger set of social listening tools from one of the leading vendors in the world.

These tools now give Maxis a different way of looking at its customers and how quickly it can react to things that can directly impact their experience.

"Today, with this stronger set of listening tools, we can almost pinpoint a hotspot of network activity [as when there is a spike in chatter about Maxis] and respond," she says.

This is done by setting an alert to be triggered when there is an unusual spike in conversations, say around its network.

"This allows us a honesty check on how our network is doing," she adds.

It also helps the entire organisation become more attuned to customer needs. For instance, the network team in Maxis now has a customer KPI and not just a throughput KPI, the traditional way for how engineers will defend their network quality.

This has made a huge difference as it is the customer's experience with the Maxis network that defines whether the network quality is good.

And as everyone knows, a happy customer is a quiet one. An unhappy customer is the noisy one, and today, that noise can easily get amplified on social media platforms.

Maxis had a taste of this last November when its unique idea of launching the iPhone 6 and iPhone 6 Plus involving staff personally delivering the phones to its customers backfired after logistics issues prevented many from getting their devices despite the company's promise.

Naturally, a number took to social media, with some resorting to crude language, to express their displeasure.

Reflecting on the episode and its subsequent aftermath, Lau quips how "things can punch you in the face" with even the best laid out plan.

"It was a super simple idea – customers get the iPhone hand-delivered by Maxis staff anywhere you are, home, cinema, mamak (hawker) stall – at the stroke of midnight [on Nov 1, 2014]," she says.

Maxis CEO, Morten Lundal (right), personally delivered an iPhone 6 Plus to customer Rastam Hadi Samsudin, at a cinema in Sunway

But as a result of the cited logistics issues, a fair number did not get their eagerly awaited phones, which resulted in many angry customers.

"It was a hard lesson but it sped up a lot of things we were supposed to do anyway," she says.

One of them was with stock visibility at its stores. "Before, we had no real-time stock visibility. But post-iPhone 6 launch, this got fast tracked and from February this year, Maxis can tell customers exactly which phone model, colour and size was in stock, in which store.

"We are the only telco able to do this," she proudly declares.

"Another aspect that was improved was our online store experience. It was just not good enough, and we overhauled it, starting from the point of view of the customer journey," she adds.

Looking back at the experience, Lau reflects, "In a way it is gratifying – we all make mistakes, but there's then the opportunity to trigger corporate willpower to change things."

While it is likely that the company would have taken post-remedial action even without its customers publicly expressing anger and displeasure, the fact that they took to social media where their expressions were amplified must have certainly accelerated Maxis' reaction to the experience.

No surprise then that for Maxis, social is the most powerful element for a brand in the 21st century.

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From telco to comco

| by Gerard K.M. Lim

OVER the past several years, mobile telecommunication companies have been experiencing steep declines in voice and SMS (short messaging service) revenues. It's no secret that telcos continue to be on a slippery slope where these revenues will continue to be under pressure.

On the one hand, it's fortunate that they have mobile data and broadband Internet services to supplement or replace this loss of revenue.

But on the other hand, it's this very offering of mobile data and broadband access services that allows OTT (Over-The-Top) applications to cannibalise telcos' voice and SMS revenues.

Applications like WhatsApp for messaging has caused a decline in SMS traffic and a drop in revenue for a number of telcos. It remains to be seen if WhatsApp will impact their voice revenue too, given that WhatsApp recently started offering voice calls, and that it can connect its user base that is well on track to reaching 1.1 billion globally in 2015.

Telcos are fast becoming purveyors of dumb pipes, and the 'traditional' business model of a telco needs a second and perhaps even a third option.

The diagram below shows the current or traditional Telco Business Model Canvas (BMC).

At same time, we need telcos because we can't connect to our Facebook, WhatsApp, Google and dollar industry in Malaysia, but profit margins will rationalise and come down (hopefully not crash!) to earth.

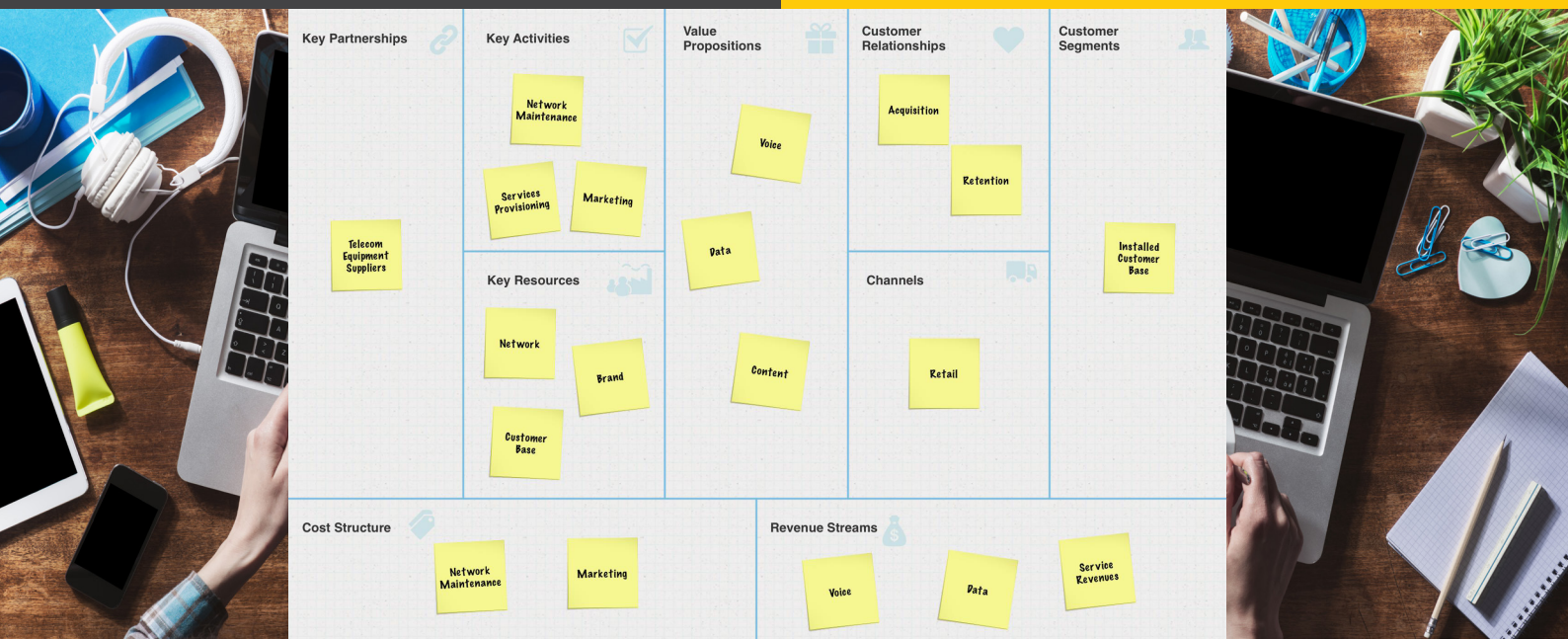
Telcos will need to be efficient machines in offering mobile data and broadband Internet services to their subscribers.

They will, therefore, also need to review what their core strengths and assets are, to turn their pipes into 'smart pipes' and leverage on the 'network effect' through the people-to-people, people-to-objects and even objects-to-objects connections they provide.

The telcos' key asset is no longer the physical network of base stations, switches and fibre-optic connections. It is their brand and their customer relationships.

Telcos' strengths are their billing relationship (in the case of postpaid), the vast reach of their sales and distribution touch points, as well as the fact that most customers have an affinity for, and trust in, their brands.

In a broad sense, telcos are in a unique position to offer Communications, Commerce and Community solutions, to serve their customers and therefore gain a better top-of-mind as well as share of time – which can lead to a larger 'share of wallet' from these customers.



So perhaps telcos should become what I call 'comcos,' or providers of Communications, Commerce, and Community solutions.

The question is, how does a telco get from being a pure-play telecoms company to being a comco? How does it get there?

Consider the following:

UNDERSTAND THE CUSTOMER DIGITAL LIFESTYLE AND USER JOURNEY

A telco/ comco needs to truly and thoroughly understand the customer digital lifestyle and user journey.

It sounds clichéd but it's really about gaining an understanding of the customer. The new telco/ comco needs to embrace service design and offer a total customer experience throughout the customer's journey, both online and offline.

- A TELCO'S KEY ASSET IS NO LONGER ITS PHYSICAL NETWORK
- IT IS ITS BRAND AND CUSTOMER RELATIONSHIPS

BEING DATA-DRIVEN, USING ACTIONABLE INSIGHTS

The rich customer engagement model described above can be achieved by being data-driven, through the implementation of deep customer intelligence analytics and by moving towards actionable insights.

Many telcos still do not know enough about their customers and users, or have simply not used what they know about their customers in full.

Notice how irrelevant advertisements (in terms of language and gender) are still being 'spammed' to you using 'old-school' SMS. Personalised and contextual relevance is non-existent. Even telco-branded mobile applications have vast room for improvement.

I've noticed how a telco-branded mobile application offering rewards has been overzealous in its use of location-based promotions, to the point of sending push notifications to alert you of offers around you, at intervals of every five to 10 kilometres.

This can get irritating when you are driving and get bombarded 10 times while on the highway.

There are a lot of ways telcos can improve by just placing the customer at the heart of the service or solution. Always remember that the service, solution or mobile application is serving a person at the end of it, not the other way around. This makes the customer experience key.

Research has also shown that personalisation and delivering contextually-relevant content has a strong commercial case, with those implementing personalisation reporting a 14% uplift in sales.

It can be achieved, and I look forward to the day when a telco-branded mobile application will be among the top 10 most used applications on our smartphones, to serve our daily needs.

PARTNERSHIPS FOR OUTSIDE-IN INNOVATION

For quick wins, telcos need to learn how to partner with other businesses, both online and offline.

And sometimes, these partnerships may be between partners which in the past would have been considered competitors. The new world out there makes for strange bedfellows.

Witness the recent collaboration between Telekom Malaysia (TM) and Digi on 'HyppTV Everywhere' as reported by Digital News Asia (DNA).

Though the article asked why TM didn't partner with Celcom, I was thinking that since TM owns fixed-wireless broadband telco Packet One Networks (P1), and is also about to make a major push to be a significant mobile operator as well as a convergence telco, TM would want to keep HyppTV as a telco-owned OTT service that it can bundle with its own offering when the opportunity presents itself.

So it's no surprise that TM says this collaboration between HyppTV and Digi is non-exclusive. And it also goes to show that even TM, more so in the case of HyppTV, needs the reach and distribution of another telco … in this case, Digi!

But then again, TM is no stranger to partnerships, given it launched a partnership with Ebizu Sdn Bhd in September 2014 to offer payment and GST-ready point-of-sale (POS) solutions for retailers.

[Disclosure: The writer is a former director at Ebizu]

Outside-in innovation needs to be practised and not paid lip service to only. Processes, people and platforms need to be made available for such partnerships to happen.

Many telcos' billing systems and customer service are not ready to support such partnerships. Imagine if the many startups which are coming up from the many accelerators and incubators, wished to partner with a telco.

How can the integration between startups' services and telcos' billing systems and customer services happen with as little pain as possible? Also consider the turnaround time – can it be done in weeks instead of months (or years)?

It is no wonder that not many startups partner with telcos. For telcos, this issue around processes, people and platforms needs fixing if more services are to be offered to their customers, in their move to become a comco.

If telcos can't do partnerships, then they will be nothing more than providers of 'dumb pipes.'

INSIDE-OUT INNOVATION

When we can marry 'being data-driven, using actionable insights' with 'partnerships for outside-in innovation,' then we can give birth to 'inside-out innovation.'

This is when the connection, network effect and (much talked-about but mostly elusive) data monetisation can occur.

TELCOS BECOMING COMCOS

Without a doubt, the 'infra' part of the telecommunications business will be around for many more years to come, but (perhaps) the business model will be optimised and fine-tuned.

However, as argued above, the new comco business can emerge and be built creating new services and relationships.

Comco essentially means being a provider of solutions for communications, commerce and to serve the community.

Commerce can be electronic and mobile commerce solutions including payment-enablement, especially when integrated with a telco's existing billing and charging system for either prepaid or postpaid.

Commerce can also include offering a rewards and loyalty platform that links the comco's business customers with its end-consumers.

Community includes serving our neighbourhoods, from big cities to rural communities, across the country. Healthcare, energy, transportation, education and the environment come to mind.

The emergence of the IoE (Internet of Everything) and IoT (Internet of Things) becomes relevant, where a comco can provide connectivity and knowledge services around the understanding of the data that can be captured from the vast array of IoE and IoT devices and sensors.

This new 'comco' can leverage on existing and established connections of the telco to create new businesses and opportunities that will see the rise of entire new industries, especially when partnerships and new connections are made along the way to better enable people to live, learn and play.

Gerard K.M. Lim has over 20 years' experience in interactive digital media consultancy, e-business, telecommunications, online ads and digital marketing. His most recent work involves digital retail, big data analytics, IoT, and mobile and social commerce.

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