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Asian giants poised to set pace for telcos

By Suraj Raj

ASIA-based global telecommunications (telco) giants are set to influence the way telco players operate in mature markets.

This is the prediction of Ernst & Young global telecommunications markets leader and partner Marc Chaya.

He said more operators would consolidate and seek growth outside their markets as the penetration rates rise in India and China.

“We thought Asian telcos had a lot to learn from their developed counterparts but the operating models implemented in Asia are extremely different from the European and American markets,” he told StarBiz in a recent interview.

Chaya opined that European telcos could learn a great deal from Asian operators as the former had huge cost structures.



Marc Chaya

“Asian telcos can showcase their specific know how in terms of operating low cost business models and provide a fresh approach in dealing with consumers,” he said.

Ernst & Young risk and business solutions partner Susanna Lim said Malaysia's telco landscape was undergoing a transformation.

“The industry is exciting with Telekom Malaysia Bhd spinning off its mobile assets under TM International Bhd. We've also seen new players like FSBM Holdings Bhd's UNOS mobile phone software, which offers users competitive roaming charges,” she said.

Lim said it was necessary for existing operators to preserve margins and control costs, as their earnings could be impacted by new players and intense competition from existing operators. "Telco operators need to think of more innovative ways to earn their dollars," she said. Chaya concurred with Lim, citing the findings of the company's recent Strategic Business Risk Telecommunications 2008 report.

He said increased global competition in the telco space had caused fixed and mobile average revenue per user to decline.

"Revenues are going down significantly and the industry has to replace traditional revenue streams with new services such as data and value added services. This is a big challenge because so far most telco operators say that the killer application is still voice," he said.

Apart from decreasing costs structures and finding new revenue sources, Chaya said Malaysian operators should be mindful of their investments in technology.

"Telcos are betting on different technologies such as 3G, 3.5G, fibre optics and WiMAX but technology can also be disruptive. Operators will have to invest in the right technology and accurately forecast returns from infrastructure investments," he said, stressing that timing was an important factor when introducing new technologies.