

# **PwC view**

## Five trends to watch in South East Asian Telecoms in 2016



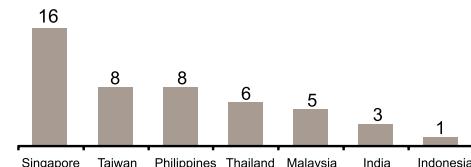
*South East Asia is a three-speed region containing the most advanced economies, middle-income ones and some of the least developed. So coming up with a list of 5 trends to look out for in 2016 is not easy. With so much that binds the region together, including shared political, economic and environmental interests, as well as trade, investment, people and cultural links, at PwC we have decided to give it a go. We plan to make Five Trends an annual feature in SE Asia, as we have elsewhere.*

## 1. Democratization of Data

In 2016 we expect to see smartphone usage to rise in a big way in the Philippines, Indonesia, Vietnam, and Myanmar. Early signs from the newest location for democratized data in Asia are promising: an astonishing 80% of Myanmar users are on smartphones, and rural data usage is almost 60% of urban. Go-Jek, Jakarta's bike-ride-to-beat-traffic app, is one example of how live location information bringing utility to the masses through data services. As usage shifts from SMS and voice towards messaging and VOIP, operators will be under more pressure to convince customers that there is value to paying for network-enriched services. Data prices will fall across the region as competition intensifies.

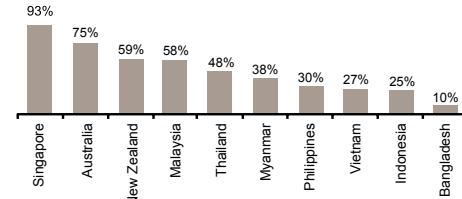
### SE Asia data prices are still on the high side

Data Price per GB - Selected Countries  
USD, 2014

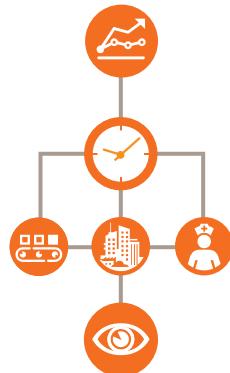


### Smartphone penetration lags AsiaPacific peers

Smartphone Penetration - Selected Countries  
%, 2014



Source: PwC Analysis



## 2. Decoding digital: the beginning

No business meeting seems complete without uttering the word “digital”, the fad that is has become. Every ASEAN country has a view: Singapore sees it as the new way to being a smart nation, and Malaysia as the mantra on which to base a much-needed phase of innovation and productivity growth. During 2016, we will see the emergence of more common views – where digital means many things from smart cities, remote monitoring of patients, to the automation of appliances and machines. Analytics and internet of things will start to come to life too. Digital will take time to mature, with enterprise-focused services scaling first.

### ***3. The spectre of competitive intensity***

The telecoms industry has never been shy of cut-throat competition. ASEAN needs look no further than India to see how competitive intensity can peak wildly in an Asian market. 2016 will see more competitive activity in markets across SE Asia, including new market entries in the Philippines, Singapore and possibly Myanmar, as well as consolidation where operators are not scaling as expected, Indonesia being a case in point. Acquisitions will happen across the value chain, ranging from takeovers of data center facilities to apps companies, while tower players will consolidate to create value view larger footprints with more tenancies.

### ***4. Hanging on to the customer's attention***

Competitive intensity will come from outside the telecoms industry as well: digital technology will enable more companies to develop a real-time relationship with the customer, from car manufacturers to banks to health care providers. Whilst today in SE Asia we see a fight for the customer's communications waged by telcos in 2016 we will see new challenges to the telco's intimacy with customers as others disrupt the model. The region's more emerging markets will see hybrid e-commerce models come up, such as cash-on-delivery where customers order with their phones but pay cash when the goods are delivered.



### ***5. Realizing the model can't just be fixed***

In 2016, investors will be clutching at the region's hitherto relatively benign regulators to be more active to protect their interests, promote fair interconnection and access, re-envision consumer rights and combat against the rising cost of cyber security breaches. With digital disruption, new regulatory skills and strategies will be critical. Enabling further infrastructure sharing will be important to helping industry cost reduction. Operators will increasingly realize that existing business models are not fit for growth. Some will explore operating and cost transformation to be agile enough to compete better in the digital world.

In 2016, we expect a rocky road as the industry begins to grapple with a whole host of new industry challenges, and we look forward to discussing these with you in the New Year!

Wishing you the best for the Season and the New Year ahead.

Telecom, Media and Technology Industry Team  
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