Fixed mobile substitution biggest trend in voice market

Africa's leading ICT Market Research and Analysis firm, BMI-TechKnowledge has announced the publication of its latest report entitled SA Voice Services Market Forecast and Analysis. The report reveals that during the period 2007 to 2012, combined fixed and mobile revenues are forecast to grow at an average annual rate of 4.5% with the individual fixed and mobile segments growing at -1.9% and 7.2% respectively.

Minutes of use (MOU) as reported by operators are forecast to grow at a CAGR of -3% for fixed-line and 20.3% for mobile. Despite the negative growth rate mentioned for out-of-bundle fixed line MOU, overall fixed line MOU will continue to grow, due to the ongoing shift towards packaged subscriptions, which include bundled minutes, and are not counted in the above-mentioned growth rates.

The higher forecast growth rate for mobile minutes of use, compared to the revenue growth rate, reflects the expectation of cellular voice tariffs falling in future.

Fezekile Mashinini, Telecoms analyst at BMI-T and co-author of the report says that the negative growth rates of the fixed-line market are mainly attributed to the ongoing fixed-mobile substitution trend, which has resulted in a steady erosion of fixed-line connections. Also, the growing shift from dial-up to broadband internet services has negatively affected the volume of fixed line local-calls.

New growth in the mobile segment is being driven by innovative products that the operators are introducing, with associated discounts on both on-net and off-net calling. As the market matures, the net growth rate of mobile subscribers is now being limited to single digits. Competition in the mobile market is hotting up, and these players are moving aggressively into internet services and enterprise fixed line data markets.

The alternative voice services market, which includes traditional least cost routing, VoIP, and Hybrid VoIP / LCR is also slated to grow. BMI-T has sketched three scenarios for the LCR market. In the most likely scenario, BMI-T forecasts an overall average annual growth rate of 15% in minutes and 7% CAGR for revenues. Within this market, end-to-end VoIP promises the highest growth, but this growth comes off a very small base.

The market's appetite for alternative voice services is mainly attributed to companies' desire to cut communications costs, and is also being facilitated by improvements in the quality of VoIP services, resulting in VoIP becoming more mainstream. BMI-T's base scenario assumes heavy-touch regulatory intervention on the mobile termination rate, which will result in a decline of between 30% and 50% on fixed-to-mobile interconnection fees by 2010. This will impact the LCR market but not to such an extent that will result in LCR service providers being pushed out of the market. An alternative scenario paints a gloomier picture for traditional LCR, and could include further competition from the mobile operators themselves, including the possibility of them providing hosted voice services to enterprise customers.

In either event, Neotel and Telkom are expected to remain strong competitors in the fixed line space, and respond aggressively to any threats from emerging alternative voice providers.