

# Emirates Telecommunications Industry analysis: Opportunities & Challenges

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## *Case of Du Telecom*



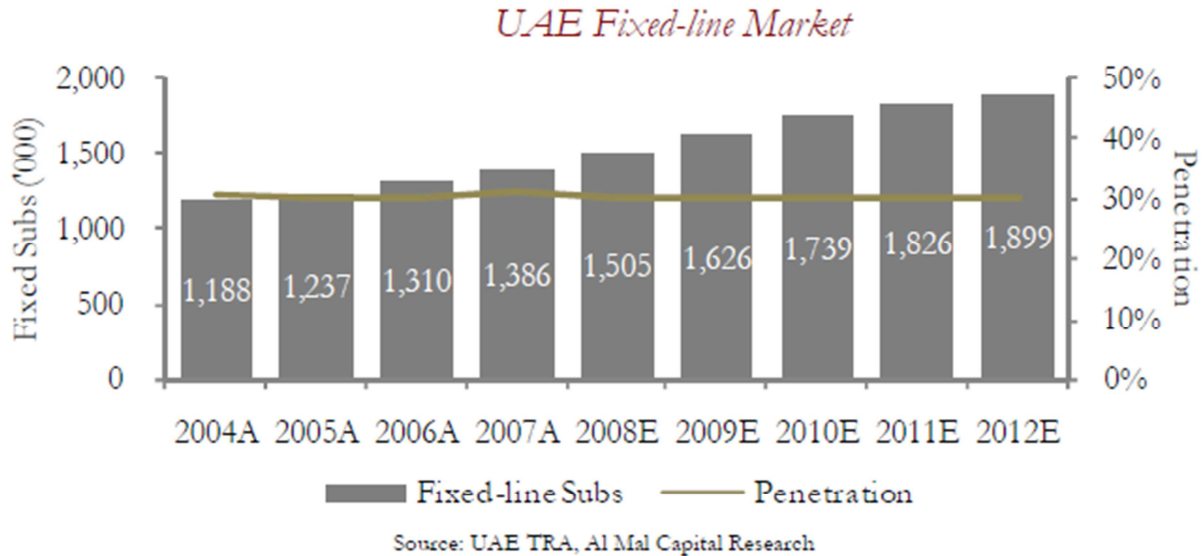
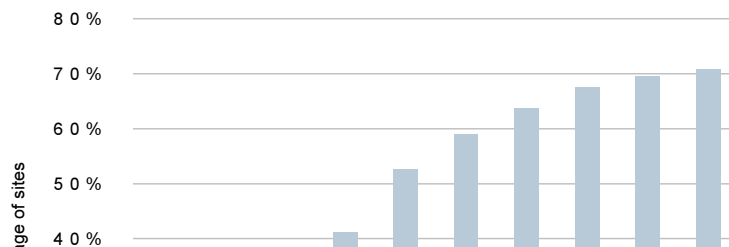


Figure: Trends in Fixed line Subscriber numbers and Fixed line Penetration in UAE

### Broadband Services

Broadband services market of UAE is well developed and is the most advanced in the MENA region. Moreover, it's very low compared to Western countries and hence there is a huge scope of growth. Broadband connection penetration crossed 50% in 2008 and is expected to be at 71% in 2013. The slow growth in the broadband sector is due to high prices and the fact that dial up services are still an offering. But decreasing prices and the need for higher speed for accessing media rich internet applications, broadband will continue to grow. The Figure given below shows the broadband penetration growth in UAE.



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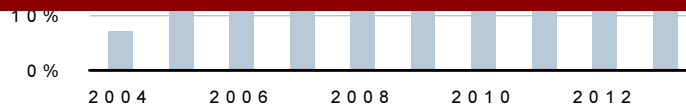


Figure: Broadband penetration growth in UAE

operations only in 16 countries and is dependent solely on UAE for its revenue stream, making it over reliant on one country as opposed to Etisalat. Hence, Du has a long way to go in terms of expanding its operations.

### **Low Capital investments**

Due to its low capital investments so far, Du is not able to offer fixed line services and so far is limited to areas of New Dubai. Etisalat on the other hand is quite aggressive with its nationwide rollout of Fiber to home (FTTH) services.

### **Network infrastructure expansion roadblocks**

Although Du has a license to operate through the UAE, it needs to negotiate with local governments and municipal corporations to create the infrastructure. This process can be very slow and requires a lot of political will power.

### **Opportunities for Du Telecom**

UAE Telecom sector offers a great deal of opportunities for Du Telecom. The major ones are mentioned below –

#### **Growth in Mobile Internet and Broadband**

Du through its bundled offering has got a huge potential as Mobile and Broadband have been identified two key segments of growth in the UAE Telecom sector. The business sector is a huge opportunity for Du to offer high speed data services.

#### **Digital Content**

Creating relevant Digital content for the customers is a great opportunity for Du and it has already made headways into it. Du has launched a social networking service for called Anayou, aimed at streaming premium digital content. Du took advantage of the fact that only about 1% of internet content is in Arabic, whilst there is a huge demand for it. Moreover, there is a need for a platform that is both safe and culturally sensitive for Arabic people. Du has also combined its offering with Internet Tv in order to reach a wider audience. It has a wide variety of content plus it also offers content sharing among users. Thus, Du aims to break the existing boundaries of connection in the Arab world by bringing forward a platform that could become a major digital content destination in the future.

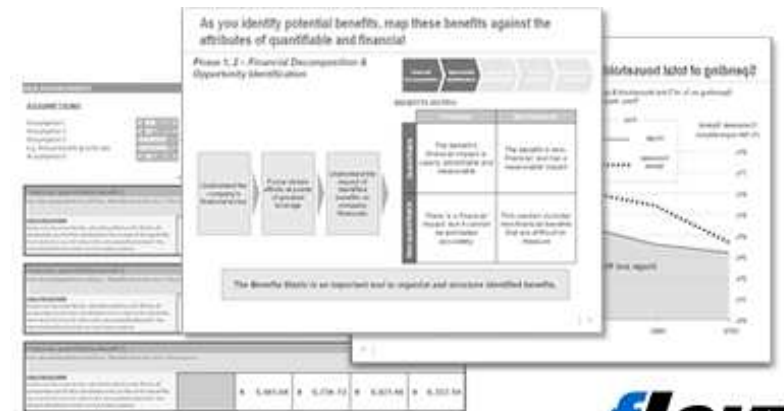
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#### **Threat of increased competition**

With the liberalization of the Telecom sector set to be completed in 2015, there is a high chance of a 3<sup>rd</sup> or probably more entrants in the highly penetrated UAE market. This would further saturate the market and impact the ARPUs and eventually the bottom line of Du Telecom. Already Etisalat has countered Du's strategy of offering pay per second rather than pay per minute by introducing their own version of the former strategy. Finally, competing on

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