WiMAX in Emerging Markets: A Niche Rather than Mass Market

MELBOURNE, Austrailia -- WiMAX has struggled to establish a foothold in the mature broadband markets of Europe, North America and Asia. There is both hope and expectation that the emerging markets, with their low fixed-line penetration, will be key hunting ground for WiMAX. But is there really a big market for WiMAX in the emerging markets?

In Ovum's newly published report 'WiMAX in emerging markets: the opportunity assessed', Ovum finds that the confluence of several factors including technology cost, coverage, vendor support and service provider choices will limit WiMAX to only a niche technology in the emerging markets, forming part of established fixed and mobile operators' broader broadband access portfolios.

Angel Dobardziev, Practice Leader stresses that there will be lots of WiMAX networks, however low uptake. "Two thirds of the 300+ WiMAX networks globally are in the emerging markets of Africa, Asia, Eastern Europe, Middle East and Latin America". Yet, most emerging market WiMAX operators currently have thousands, or tens of thousands of subscribers, rather than the hundreds of thousands of subscribers that they planned to have at this stage.

Scartel in Russia is the first WiMAX operator in the emerging markets to reach the 100,000 subscriber mark, closely followed by Packet One in Malaysia with 80,000, both announced in August 2009.

Most emerging market WiMAX players are behind their initial rollout and subscriber targets. The global financial crisis has also made access to finance difficult for greenfield WiMAX players.

Dobardziev, based in London pointed out that WiMAX is not competitive against both fixed and/or mobile broadband alternatives in most urban areas of emerging markets (where virtually all existing WiMAX rollouts are) on either coverage or price; and remains unaffordable to the mass market.

He adds, "On a non-subsidised basis, it is currently priced and positioned as a broadband option only for businesses or wealthy consumers". "The cost of customer equipment (CE) remains the key stumbling block for WiMAX operators, where both DSL and HSPA outperform WiMAX with significantly greater economies of scale".

Ovum predict that WiMAX will remain a niche broadband technology in emerging markets, as it is in mature markets, concludes Angel Dobardziev. "We forecast that WiMAX will account for less than 5% of the 1.5bn fixed and mobile broadband access connections in the emerging markets by 2014".

He points out, “WiMAX coverage will remain mostly in large urban centres where it will compete against DSL, HSPA/EV-DO and in some cases fibre (FTTx) services”. Cost and population coverage constraints will lead to very few WiMAX rollouts in rural areas, and most of these will be with public subsidies.

“We expect DSL and HSPA/EV-DO to remain more cost and price competitive against WiMAX in the next five years in terms of infrastructure, and particularly CE”, concludes Mr. Dobardziev. “In turn, coverage and cost issues will result in WiMAX appealing only to a relatively small user base of wealthy consumers and SMEs based in urban areas. This is a small and intensely competitive customer segment in every market”.

Ovum expects the growth, funding and margins pressures to lead to large-scale consolidation among WiMAX service providers in the next 2–3 years. Most independent WiMAX players will either be acquired by an established fixed or mobile player, or will go out of business. Fixed and mobile players with legacy or newly acquired WiMAX assets will manage these as part of a portfolio in addressing customer reach, coverage, and capacity issues within their existing access-network portfolios.

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