

3G growth stalls in Vietnam

Early 3G momentum in Vietnam fades forcing regulators to push back LTE auctions

Vietnam is expected to push back the award of LTE licences to 2018 amid concerns that 3G momentum in the country is flagging. According to local press reports, the Vietnamese regulator has expressed concerns that third-party content providers are not migrating to 3G services, while local operators are being forced to slash 3G tariffs in order to attract customers.

According to the latest Wireless Intelligence data, Vietnam had 15.5 million 3G connections in Q1 2012, up 14 percent year-on-year. However, the overall market has grown by 20 percent over the same period, reaching 141.6 million connections in Q1. 3G now accounts for 11 percent of the market, down 1 percentage point from a year earlier.

Vietnam's Ministry of Information and Communications (MIC) awarded four 3G licences in April 2009. Vinaphone, a subsidiary of state-owned incumbent VNPT, was the first off the blocks launching a commercial 3G service in October 2009, initially in key metro areas such as Hanoi. Mobifone launched 3G services two months later (December 2009), followed by Viettel in March 2010 and Vietnamobile in June 2010.

Early uptake of 3G services was encouraging, reaching almost 13 million by the end of 2010, but the rate of growth has slowed dramatically over the last 12 months.

This early momentum was enough to persuade the MIC to give the go-ahead for five state-owned operators to start testing LTE services in late 2010. However, according to reports, only two of the operators got as far as building test networks with some of the 12-month licences returned to the regulator without even being used. It was thought at one stage that LTE spectrum auctions could occur this year, though recent comments by the regulator suggest these may not now happen until 2018.

Vietnam's stalling 3G market means the country could fall behind its neighbours in the provision of high-speed mobile services. Even in Thailand, where successive governments have struggled to award 3G licences, there is recent evidence that 3G is gaining traction.

Market-leader AIS launched Thailand's first commercial WCDMA/HSPA network in July 2011 and now has 1.2 million 3G subscribers. Wireless Intelligence estimates that the country as a whole had clocked up 4.2 million 3G connections by year-end 2011, accounting for 5.5 percent of the total. This figure is forecast to rise to 13.5 million – 16 percent of the total and on a par with Vietnam – by the end of this year.

The fourth-placed Thai operator, True Move, has set a bullish target of quadrupling its HSPA customer base under its 'True Move H' brand to 4 million by the end of 2012, which would see it vying with the market leader (AIS) as the country's largest 3G player. True acquired Hutchison's Thai unit in Q1 2012 and is aiming to migrate 80 percent of Hutch's subscribers onto HSPA before its planned shutdown of the latter's legacy CDMA network later this year.

3G uptake in both Thailand and Vietnam is hampered by a large prepaid customer base, which accounts for about 90 percent of total connections in both countries, preventing operators from

signing up customers on lengthy data contracts. In Vietnam, the situation is complicated further by very high levels of multiple SIM ownership, which has led to an artificially high mobile penetration rate of almost 160 percent in Q1 2012. The regulator has undertaken various measures in recent years to limit the number of SIM cards per user and discourage churn, but inactive, prepaid SIMs are still thought to account for a significant proportion of the country's installed base.

On the plus side, Vietnam has been a major beneficiary of the availability of cheaper smartphones, particularly Android-based models, which has seen some local operators boasting smartphone penetration rates of almost 30 percent – on a par with operators in developed markets. But unlike elsewhere, the boom in smartphones in Vietnam has not led to a corresponding rise in 3G usage, suggesting that many smartphone users are using their devices with 2G SIMs.

Calum Dewar, Analyst, Wireless Intelligence:

The Vietnamese 3G operators had invested over VND1.7 trillion (US\$82 million) in their new networks by mid-2011, according to figures from the MIC, building-out more than 30,000 3G base stations nationwide, providing network coverage in most of the country's towns and cities. However, the quality of the networks is said to be poor and the regulator has also observed that a lack of awareness of 3G services is still a major challenge. The latter is partly due to an absence of third-party content providers in the 3G arena; the entrance of local mobile TV, music or online payment companies would probably go some way to stimulate the market. To date, revenue from 3G data services has been minimal with smartphone owners typically restricted to web browsing, and operators are being forced to offer data at increasingly lower tariffs to build up a 3G customer base; for example, last year Vinaphone's 'Golden Days' promotion encouraged smartphone owners on 2G networks to try 3G services at no extra cost. Meanwhile, weak economic conditions mean that prepaid customers using featurephones continue to make up the overwhelming majority of the country's subscriber base, providing a further barrier to mass 3G adoption. Indeed, aggressively-priced 2G offerings are proving more popular than 3G services. The 2G-only Beeline network, for example, was able to quickly grow its market share from 0.5 percent in Q2 2011 to around 3 percent in Q1 2012 by undercutting its rivals on both tariffs and handset prices.

Network	Parent	Total Connections (million)	% Share	% Prepaid	% 3G	3G Connections (million)
Viettel	Military Telecom	54.3	38%	91%	8%	4.4
Mobifone	VNPT	38.6	27%	85%	15%	5.8
Vinaphone	VNPT	38.1	27%	85%	8%	3.0
Vietnamobile	Hanoi Telecom / Hutchison	4.7	3%	99.9%	4%	0.2
Beeline	VimpelCom / GTEL	3.8	3%	90%	0%	n/a
S-Fone	S-Telecom	2.1 ¹	1%	90%	100%*	2.1 ¹
		141.6	100%	88%	11%	15.5

Vietnam mobile connections, Q1 2012

Source: Wireless Intelligence

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