Telecom in the Middle East
The Competitive Mandate After the Downturn
Contact Information

Beirut
Mohamad Mourad
Principal
+961-1-985-655
mohamad.mourad@booz.com

Dubai
Karim Sabbagh
Partner
+971-4-390-0260
karim.sabbagh@booz.com

David Tusa
Principal
+971-4-390-0260
david.tusa@booz.com

Amr Goussous
Senior Associate
+971-4-390-0260
amr.goussous@booz.com
EXECUTIVE SUMMARY

In 2010, as the recession begins to lift in earnest, telecom operators in the Middle East will face a very different world. New business models, new strategies, new technologies, stronger competitors, more demanding customers—all will pose real challenges. The winners will be those with the vision and agility to respond quickly and flexibly to rapidly changing market conditions, developing the capabilities needed to respond to four strategic imperatives:

1. The Middle East and surrounding emerging markets are continuing to grow, and the region’s operators must reestablish the momentum they had before the recession if they are to capture their fair share of that growth. In developed markets, they must develop new value-added services that can differentiate them from competitors. In emerging markets, they must continue to gain share as quickly as possible.

2. As large sections of the telecom value chain become commoditized, operators must work to derive value through innovation. Simply copying competitors’ services and pricing plans will not work. Instead, operators must look outside their markets—and even their industries—for ideas, and create the means and the culture to promote internal innovation.

3. Demand for high-speed broadband is increasing all over the world, and the Middle East is no exception.

4. The changes taking place in all Middle East markets will force every operator to become more efficient, managing costs not just to attain short-term financial stability but also to free up investment capital and become more focused and innovative. To that end, operators should take a strategic approach to cutting costs: investing in the capabilities that differentiate them, spinning off or selling less-productive assets, and outsourcing noncore operations.
THE COMING RECOVERY

The recession of 2008–09 appears to be lifting, and the global telecom sector—with the notable exception of equipment and handset manufacturers—has escaped the worst of its effects. Last year, revenues among operators worldwide remained steady, for the most part, and ongoing cost-cutting efforts have enabled operators to maintain profitability. In many ways, it has been a picture of tense status quo.

We believe that 2010 will be different, particularly in the Middle East and in the Asian and African markets where Middle East telecom companies operate, as the industry enters a period of significant structural change. This year, Middle East operators will have to manage a greater variety of new business models and strategies than ever before, as they balance human and economic capital across geographies in hopes of countering diverse challenges, in both developed and developing markets. They will face new breeds of competitors and increasing demands from savvier customers. And they will encounter a proliferation of new technologies, especially in terms of mobility and convergence. Meanwhile, governments and regulators will play an active role in driving sector development and, hence, stimulating economic growth. Operators with the foresight and the speed to drive change and embrace these opportunities will emerge as the winners. Others will be considerably challenged.

In looking across these issues, we believe that four imperatives will come into even greater focus in 2010:

1. Revive growth momentum.
2. Accelerate innovation in services.
3. Harvest broadband potential.
4. Transform cost structures.

Operators will need to develop the right capabilities to address these imperatives if they are to continue growing in all their markets.
REVIVE GROWTH MOMENTUM

Recent developments in both mature and emerging economies indicate that the recessionary influences over the global economy are subsiding. In general, the recession has been less severe for Middle East operators than for their global peers, with the majority managing to grow revenues in the past year (see Exhibit 1). As the dust settles, most operators will realize that while they were worried about how to deal with the effects of the crisis, their markets continued to grow: Between the third quarter of 2008 and the third quarter of 2009, the Gulf Cooperation Council incumbents added a total of 62 million mobile subscribers—compelling evidence that demand increased across most markets and geographies.

Since the beginning of the recession in late 2008, operators have been slashing their strategic investments in both organic and inorganic growth. In some cases, this was the result of scarcity of funds, but in most cases it was self-inflicted, as operators hoarded their cash in anticipation of worse conditions to come. With a wait-and-see strategy dominating the regional scene, many investment opportunities were lost. Mergers and acquisitions activity in the region reached a six-year low, declining 83 percent from a peak of US$20.6 billion in 2007 to just $3.4 billion.

Exhibit 1
Middle East Operators’ Revenue Grew Even During the Recession

Selected Middle East Operators’ Revenue Growth (Percentage Growth, September 2008–September 2009)

<table>
<thead>
<tr>
<th>Operator</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qtel</td>
<td>22%</td>
</tr>
<tr>
<td>Etisalat</td>
<td>16%</td>
</tr>
<tr>
<td>Zain</td>
<td>15%</td>
</tr>
<tr>
<td>STC</td>
<td>8%</td>
</tr>
<tr>
<td>Batelco</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Bloomberg; operators’ annual reports; Booz & Company analysis
in 2009 (see Exhibit 2). Operators completed eight deals in 2009, a relatively high number, but they were mostly small-scale, with none exceeding the $1 billion mark—a clear indication of caution.

Investment in infrastructure deployment, a key driver of organic growth in emerging markets, also slowed. The aggressive network rollouts that characterized the earlier days of excess liquidity were by no means the order of the day in 2009, as operators struggled to optimize their deployment plans, shared networks with competitors, and squeezed vendors into even more lenient payment terms and innovative financing models.

Customers, however, continued to sign up, especially in emerging markets in Africa and Asia, where Middle East operators have been heavily expanding in order to secure their medium- to long-term growth. Current estimates indicate that in 2009, India added 167 million net mobile subscribers and sub-Saharan Africa added 49 million, while the Middle East added just 36 million.

This year, Middle East operators will again be actively seeking growth. However, they will not take the same approach they took before the recession, when growth was secured mainly through deal making—primarily acquisitions and new licenses. Operators will surely resume their inorganic growth through acquisitions, but this time they will simultaneously focus on mastering operations in their promising emerging markets to secure the hoped-for growth. Some operators may have to build the skills and management capabilities necessary to manage effectively across borders and in new and challenging business environments, such as those in many emerging markets.

Because there is a clear dichotomy between the operational approach needed for developing markets such as Africa, India, and Southeast Asia and that needed for more developed

---

**Exhibit 2**
Operators’ Investment Activity Subsided During the Recession

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquisitions (in US$ billions)</th>
<th>New Licenses (in US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>5.0</td>
<td>1.4</td>
</tr>
<tr>
<td>2005</td>
<td>12.8</td>
<td>3.3</td>
</tr>
<tr>
<td>2006</td>
<td>13.3</td>
<td>10.0</td>
</tr>
<tr>
<td>2007</td>
<td>7.8</td>
<td>12.8</td>
</tr>
<tr>
<td>2008</td>
<td>10.4</td>
<td>2.3</td>
</tr>
<tr>
<td>2009</td>
<td>3.4</td>
<td>0.4</td>
</tr>
</tbody>
</table>

---

1 Includes transactions made by Middle East operators in other regions.
Source: Regulators’ and operators’ websites; Booz & Company analysis.
markets in the Middle East, most operators will be working to find the right balance in their efforts to extract value from their extended footprint.

In their emerging markets, Middle East–based operators will focus on capturing volume while the entire market is growing. Markets tend to go through growth spurts when the combination of inexpensive handsets, expanding network coverage, and falling prices creates strong network effects and exceptional momentum. These growth spurts typically last for three or four years and then fade. Operators that adopt the right strategies and invest up front during such finite periods of opportunity will create long-term sustainable advantage through scale, securing financial performance superior to that of their more reluctant competitors.

Today, mobile markets including India, Sudan, Tanzania, Libya, and Indonesia are all going through this stage, warranting exceptional efforts and investments by operators to win new customers. Successful competitors in these markets should monitor share of volume as their most critical metric. While investing aggressively in network expansion, savvy operators should also focus on building ever-larger customer communities by encouraging customers to leverage highly attractive on-net prices between carefully identified community members. Operators should work to build strong brands and support them with heavy media coverage and an extensive retail and distribution presence. The resulting network effect will allow the larger operators to build momentum and gravity, making smaller operators less and less attractive to consumers.

In their developed markets, Middle East operators must search for pockets of growth by addressing new market segments, focusing on share of value as the only meaningful indicator of success. Operators will soon realize that basic segmentation techniques will no longer yield the granularity needed for targeted marketing. Instead, they should work to further increase segmentation, yielding large numbers of targetable microsegments, by using advanced analysis of traffic patterns and customer actions to improve their understanding of segment behavior. Such approaches will become crucial as companies look for insights into the identities of their customers and their unique requirements and needs. Operators will need to target specific offerings to each segment if they hope to acquire and retain high-value customers and particular user groups. Segments could be as specific as a certain expatriate community in a given country, a group with common roaming preferences, or even the fans of a sports club or a popular celebrity.

Although Middle East operators currently face different sets of challenges in their developed markets and in their emerging markets, these concerns are increasingly converging. A number of items, such as the need to launch Web-based mobile services, are on the agenda in most operators’ markets. More and more, operators will be addressing the same issues across their global footprint.
Much of the telecom world is rapidly being commoditized, in areas as varied as connectivity, basic services, low-end handsets, and networking equipment—leaving virtually every player in the sector to seek out new sources of value. The clear answer to the problem: services. Everyone is moving up the value chain. Equipment manufacturers are offering networking and field operations services, handset manufacturers are building high-end smartphones complete with added services and fully stocked “app stores,” and operators are providing customers with more and more online applications, including content deals. Meanwhile, Internet and technology players such as Google and Skype continue to stretch their wings into the telecom space. Expect more media and consumer electronics companies to jump in as well.

Everyone wants to win the race to “own” the customer; telecom operators are no longer all alone in this privileged position. Having the billing relationship is not enough. While operators worried about the effects of the recession, the world continued to rapidly change around them, and it is quickly moving toward an “all digital, all the time” model. Consumers are coming to expect the digital experience—texting, social networking, immediate news and information, high-definition movies, and so on—to be available anywhere, anytime. This trend will affect every aspect of the telecom industry—from the high-speed networks consumers will insist on, to the variety of new devices through which they will expect to be able to get connected, to the ever-expanding kinds of applications they will be willing to pay for. And the coming generation of “digital natives,” those young enough to know no world other than always-on connectivity, will only grow more demanding. Today, consumers spend more time visiting social networking sites such as Facebook than they do reading e-mail. According to one study, the average Facebook user is connected to the site for more than six hours per day.2

Although a focus on service innovation is clearly a priority for operators, the trend is still in its infancy. Thus, this area offers
the most innovative players many opportunities for growth—as well as the capacity to be tremendously disruptive to those that can’t keep up.

Operators will focus on developing innovative applications on fixed, mobile, and converged platforms to combat two primary threats. One, the likes of Apple, Google, BlackBerry, and Nokia are trying to disintermediate telecom operators by offering applications directly to users through their own or third-party handsets. Two, social networking sites such as Facebook, YouTube, and Twitter are drawing users across the globe by the millions, including the Middle East, Africa, and emerging Asia. In the Middle East, for example, YouTube and Facebook rank among the three most visited sites in many markets, dramatically demonstrating their global reach and brand power (see Exhibit 3).

The goal of both these new breeds of competitors is to reduce the role of operators to a dumb pipe with limited room for differentiation. Operators must counter these threats by fostering innovation and drawing independent applications developers

Exhibit 3
Global Internet Players Dominate Traffic in the Middle East and North Africa

THE THREE MOST VISITED WEBSITES IN EACH COUNTRY IN THE MENA REGION (JANUARY 2010)

Source: Alexa Internet Inc. (www.alexa.com); Booz & Company analysis
to their side. They have an advantage over global players in this regard thanks to their deep knowledge of local consumers and their ability to offer Arabic content. Open source applications are the best option for telecom operators: Proprietary applications, if successful, create disproportionate monopoly rents for their platform owners—potentially at the expense of telecom operators.

The dominance of Apple’s iTunes and other applications has spawned the nickname EBA (“Everybody But Apple”) for the large number of players seeking ways to disrupt the remarkably successful Apple model.

Convergence will also be a key theme driving service innovation in 2010—and this will no longer be mere hype. We define convergence as the increased blurring of boundaries between telecom technologies and between telecom and other industries. Intra-telecom industry convergence will drive seamless communications and user experiences through both mobile and fixed-line technologies and across various end-user devices. Enabling technologies such as femtocells, which are maturing rapidly, will help drive this trend forward. Examples of cross-industry convergence include mobile banking, telemedicine, e-learning, digital content, and mobile advertising.

In addition, operators with widespread geographic coverage will focus on cross-border services such as unified roaming services and m-payments remittance services to differentiate themselves. Cross-border competition will intensify at the expense of single-market operators. These operators, in turn, must quickly find winnable niches as their lack of economies of scale starts to undermine their competitive advantage.

A number of operators are still stuck in the traditional “tit-for-tat” game of service development. In 2010 and beyond, those operators that simply benchmark their product portfolios against those of their competitors may see their services quickly become irrelevant. Operators playing this game will soon find themselves in a reactive, short-term, price-based battle with their direct competitors, oblivious to the shifts in user behaviors that may eventually render the whole traditional telecom model irrelevant. In such an environment, it is very hard for operators to build and sustain true long-term service differentiation and thus secure their right to win in their markets.

To counter this tendency, operators must look beyond their direct competitors for ideas—to other markets, other industries, or even subsidiaries within their group. Still, although “copying with pride” may remain a common slogan in the industry, driving true innovation will be the real sustainable differentiator. This is by no means an easy feat. For most operators, instilling the desired culture of innovation will require major changes touching on many aspects of the organization, including structure, incentives, business processes, and potentially business model revision.
Broadband demand is exploding globally, in terms of both subscriber uptake and bandwidth requirements. Worldwide broadband connections were expected to reach about 500 million by the end of 2009, up by 18 percent from 2008, representing 7 percent of the population of the globe. For Middle East operators, the broadband growth story is even more compelling. Broadband subscriptions in the Middle East region were expected, by the end of 2009, to grow by about 44 percent over the prior year, although penetration remains low, at 2.4 percent of the region's population (see Exhibit 4). In emerging markets such as India, Indonesia, and Nigeria, penetration stands at a mere 0.6 percent, 0.3 percent, and 0.1 percent, respectively. Wireless broadband will play a central role in these markets, given their limited fixed-line infrastructures, their difficult geographic terrains, and the wide geographic spread of their populations. In India, for instance, the licensing of 3G bandwidth, expected in 2010, will trigger a new phase of broadband growth.

For Middle East operators, these numbers suggest the great potential for broadband growth in the short to medium term. The proliferation of mobile broadband technologies

---

**Exhibit 4**

*Broadband Subscription Has Significant Growth Potential in the MENA Region*

<table>
<thead>
<tr>
<th>Year</th>
<th>Population Penetration</th>
<th>Subscriber Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0.0%</td>
<td>68</td>
</tr>
<tr>
<td>2004</td>
<td>0.1%</td>
<td>219</td>
</tr>
<tr>
<td>2005</td>
<td>0.3%</td>
<td>687</td>
</tr>
<tr>
<td>2006</td>
<td>0.6%</td>
<td>1,475</td>
</tr>
<tr>
<td>2007</td>
<td>1.0%</td>
<td>2,625</td>
</tr>
<tr>
<td>2008</td>
<td>1.7%</td>
<td>4,396</td>
</tr>
<tr>
<td>2009E</td>
<td>2.4%</td>
<td>6,310</td>
</tr>
</tbody>
</table>

Source: Informa; Booz & Company analysis
such as HSPA has greatly aided the trend, and the advent of new technologies such as LTE, which promises to provide high bandwidth at lower costs than current mobile technologies, will help sustain it in the long term (see Exhibit 5).

Broadband users—both consumers and businesses—in the more developed markets within the Middle East are not just looking for a fast Internet connection, but also want to experience the many bandwidth-hungry applications and value-added services that are emerging. Applications such as videoconferencing, telepresence, telecommuting, and teleworking, all of which require high bandwidth, are starting to gain momentum in the region. This in turn is shifting broadband demand in favor of high speeds, in line with the rest of the globe. Today, about 40 percent of worldwide broadband subscribers experience speeds of less than 2 Mbps, a proportion that is expected to decline only 20 percent or less in the next five years. In addition, more and more applications are demanding nearly symmetrical upload and download speeds, given their increasingly interactive nature. ADSL already promises this capability; hence it is already being addressed in next-generation broadband networks, both fixed and wireless. FTTH promises up to 2.5 Gbps download speeds and 1.25 Gbps upload, whereas LTE promises speeds on wireless that exceed 300 Mbps and 80 Mbps for download and upload, respectively.

In emerging markets, operators will service increasing broadband demand through wireless connectivity, and the lack of PC penetration will no longer be a major hindrance for consumers. Helped by the proliferation of low-cost netbooks and the falling prices of mobile handsets, users—especially the young—will find ways to jump on the

---

**Exhibit 5**

*The Evolution of Mobile Technologies Will Sustain Broadband Growth*

**MOBILE TECHNOLOGY EVOLUTION OVERVIEW**

<table>
<thead>
<tr>
<th>Theoretical Peak Data Rate</th>
<th>Download: 326 Mbps</th>
<th>Upload: 86 Mbps</th>
<th>LTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Download: 28/42 Mbps</td>
<td>12 Mbps</td>
<td>HSPA EVOLUTION</td>
<td></td>
</tr>
<tr>
<td>Download: 14 Mbps</td>
<td>6 Mbps</td>
<td>ENHANCED UPLINK/HSUPA</td>
<td></td>
</tr>
<tr>
<td>Download: 14 Mbps</td>
<td>0.384 Mbps</td>
<td>HSDPA</td>
<td></td>
</tr>
<tr>
<td>Download: 0.384 Mbps</td>
<td>0.064 Mbps</td>
<td>WCDMA/UMTS</td>
<td></td>
</tr>
</tbody>
</table>

|-------------------------|------|------|------|------|------|------|

Source: Booz & Company analysis
bandwagon for broadband, even in remote and underdeveloped regions in Africa and Asia.

Still, the economics of next-generation broadband remain challenging, hindering deployment in both developed and emerging markets as operators struggle to generate returns that can justify the enormous cost of a broadband rollout. This tension is creating an imbalance between supply and demand, and prompting governments and policymakers around the world to actively support deployment efforts. Governments, having come to realize the beneficial effects of national broadband networks on social and economic development in established and emerging markets alike, are letting go of their laissez-faire attitudes toward telecom market regulation. Instead, they are becoming more prescriptive and more interventionist as they look to support economic growth through large-scale broadband network deployment—in some cases even engaging directly in those investments. In markets such as Sweden and Singapore, regulators are driving new business models that accelerate infrastructure sharing and open access. In other markets, including Australia and Malaysia, governments are stimulating supply through direct investment, either alone or through public–private partnerships. Finally, some countries, including Canada, South Korea, and Japan, have opted to stimulate demand rather than supply by raising awareness and education and by providing financial incentives and subsidies. In fact, most of the above-mentioned countries have opted for more than one of the three methods to drive the development of their national broadband networks.

Middle East operators must not let this trend pass them by. Rather, they must engage early on with governments and policymakers to ensure they have a voice in the next-generation broadband programs in all of their markets. Otherwise, they run the risk of being marginalized in the next phase of the broadband game. Managing the interplay between the continued deregulation of retail and wholesale telecom services and the renewed regulation of national networks will require a critical strategic capability for industry players that hope to succeed in this more highly regulated future.

Middle East operators must engage early on with governments and policymakers to ensure they have a voice in the next-generation broadband programs in all of their markets.
During the recession, operators around the world rushed to take a broad-brush approach to cutting costs. Middle East operators, despite their relative resilience to the economic downturn, did not react much differently. Operators first targeted the largest cost items and meticulously aimed to bring them down to “best-in-class” benchmarks. Often these measures would yield only short-term results, and they could lead to detrimental results if not done well.

Operators instead must bring a strategic perspective to their cost-cutting programs, ideally through a capability-driven strategy: Essentially, operators must identify the core capabilities that generate their competitive advantage and avoid cutting related costs, while they ruthlessly focus on cutting other expenses. Operators must ask themselves not what costs to cut, but what costs to keep in order to sustain their competitive advantage.

This targeted approach will become critical as the commoditization of multiple links in the telecom value chain forces all players in the industry to create the most efficient operations they possibly can—not just to survive in the near term but to prepare for a future in which they must be more focused, agile, and innovative.

Operators are looking to release cash tied up in nonproductive assets, such as real estate, for investment elsewhere. Players in front of this curve are already considering the long-term rightsizing of their organizations, outsourcing noncore functions such as network and field services operations and engineering—even spinning off entire passive infrastructures that
are no longer central to creating real value—and completely overhauling their business processes. Many carriers are driving large-scale transformations in supply chain and end-user devices management as well.

The goal, ultimately, is to free up cash and resources for further investment in strategic assets, such as new services, new technologies, and new business models that will truly differentiate players from their competitors. This will become an increasingly critical capability as telecom companies look to move up the value chain.

In 2010, operational efficiency will be a top imperative for Middle East operators in their established and emerging markets alike, albeit for varying reasons. In established markets, the main goal will be to drive sustainable profitability levels as growth prospects diminish. In developing markets, the uncertainty of future performance will call for prudence in spending. It will also demand variable cost structures, underpinned by the outsourcing of nonstrategic activities and the adoption of innovative procurement terms such as pay-as-you-grow models, which are becoming very common in emerging African and Asian markets.

Having held center stage in Europe and North America for the last decade, outsourcing will come into fashion for Middle East operators in 2010, as falling margins force operators to look hard at the long-term rightsizing of their organizations. Most will revisit their value chains, jettisoning those elements that have become commoditized in favor of those that are critical to their success. Such core elements are those that allow operators to own the customer experience and to support

**In 2010, operational efficiency will be a top imperative for Middle East operators in their established and emerging markets alike, albeit for varying reasons.**
the innovation that will create long-term differentiation. Candidates for outsourcing in emerging markets are similar to those in developed markets: call centers, IT support, network infrastructure construction, and network operations and maintenance. Over time, that list will also include more back-office administrative functions such as payroll and accounting. For operators with footprints in more than one geography, the similarity in execution of such programs from market to market will leave room for coordination or centralization in order to maximize effectiveness and share knowledge across geographies.

Although there is no doubt about the benefits of outsourcing, operators must take care in its execution. This applies to choosing both the right business model and the right partnership model, as well as to selecting the right partner. Operators will need new capabilities to effectively manage outsourcing transition programs as well as service-level agreements with their providers. Just as is the case in more-developed markets, call centers in emerging markets are a prime candidate for outsourcing. Over the years, operators in these markets have sought to position customer service as a way to differentiate themselves; hence, they have invested in building their call centers, designing interactive voice response systems and hiring youth by the hundreds or thousands to handle customer inquiries and complaints. Consequently, contact centers have become one of the largest employers

**Operators will need new capabilities to effectively manage outsourcing transition programs as well as service-level agreements with their providers.**
within operators’ businesses, and a substantial cost center.

Every operator should examine this issue closely. Philippine Long Distance Telephone Company (PLDT), a mobile operator in the Philippines, recently identified its call center as a candidate for change, and accordingly has spun off the center into a separate entity. The entity is now the prime vendor for PLDT and many other companies globally. Not only did PLDT reduce its costs significantly and free up its resources to focus on its true mandate, but it also transformed one of its cost centers into a profit center. The key challenge in undertaking such transformational projects is to ensure that the operator is ceding control under the right setup. In PLDT’s case, the company chose to maintain control through equity ownership in the spun-off entity; other operators might prefer to simply ensure a thorough and carefully negotiated service-level agreement that is periodically renewable.

Finally, operators must also revisit their balance sheets to gain a holistic view of their fixed assets, assess their productivity, and determine how they can better release value. Many operators, for example, have substantial real estate assets on their balance sheets, either inherited from their postal, telephone, and telegraph predecessors or simply accumulated over time. Such holdings are little more than capital tied up in nonproductive assets that could be sold or securitized to release cash. A standout example was France Telecom’s sale and leaseback of its real estate assets, in which it managed to release €2.8 billion (US$4 billion) by selling 473 buildings against leases of six to nine years. BT Group PLC was able to release €2.3 billion (US$3.3 billion) from its balance sheet by undertaking a similar transaction. Such transactions are equally feasible in emerging markets—even if they are executed on a smaller scale. Indeed, West African operators have already explored these structures with their local banking partners.
CONCLUSION

This year will be a telling one for Middle East telecom operators, especially those with a global presence. As the recovery gathers steam, all players will be looking to recapture the momentum they lost during the downturn. In reestablishing their strategies for growth, however, they must take into account real changes in all their markets, both developed and emerging. Rates of growth will continue to vary considerably in different markets, and will be triggered in part by rapidly increasing demand for broadband access at ever-higher speeds. Successful competitors must play a “land grab” game in their emerging markets, while learning to offer innovative value-added services in developed markets. And they must get their cost structures in order in either market, both to ensure financial strength in the short term and to free up capital for longer-term strategic investments.

In order to meet these priorities, and to succeed in an increasingly competitive telecom arena, Middle East operators in every market have two overarching tasks ahead of them. First, they must look carefully at all their operations in all their markets, no matter how big or how small, and reassess and reorganize their strategic priorities in each. Second, they must tighten up their execution now in order to be ready for the changes coming to all their markets, especially as issues in developed and emerging markets begin to converge.

For Middle East operators, maintaining the status quo is no longer an option. Only those with the capabilities to generate true and differentiated value will continue on their trajectories of growth.
Endnotes

1 The GCC consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.


3 TeleGeography Research 2009; Ovum; Booz & Company analysis.

4 Informa; Booz & Company analysis.

About the Authors

Karim Sabbagh is a partner with Booz & Company in Dubai and Riyadh. He leads the firm’s communications, media, and technology global practice. He specializes in sector-level development strategies, institutional and regulatory reforms, large-scale privatization programs, and strategy-based transformations focused on strategic planning, partnerships and alliances, marketing, and business process redesign.

David Tusa is a principal with Booz & Company based in Dubai. He specializes in operational improvement and operations strategies in fixed, mobile, and space communications in developing markets.

Mohamad Mourad is a principal with Booz & Company based in Beirut. He focuses on globalization, investment strategies, mergers and acquisitions, due diligence, corporate strategy, business development, new business models, partnerships and alliances, market entry strategies, postmerger integration, group organization and governance, and portfolio management.

Amr Goussous is a senior associate with Booz & Company based in Dubai. He specializes in investment strategies, globalization, mergers and acquisitions, portfolio management, and business development within the telecommunications sector.
Booz & Company is a leading global management consulting firm, helping the world’s top businesses, governments, and organizations.

Our founder, Edwin Booz, defined the profession when he established the first management consulting firm in 1914.

Today, with more than 3,300 people in 60 offices around the world, we bring foresight and knowledge, deep functional expertise, and a practical approach to building capabilities and delivering real impact. We work closely with our clients to create and deliver essential advantage.

For our management magazine *strategy+business*, visit www.strategy-business.com.

Visit www.booz.com to learn more about Booz & Company.