

Romania: fast and faster

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Internet access has boomed in Romania in recent years. Broadband has become ubiquitous in the cities and is now extending to many rural areas. The high penetration of fixed broadband represented a challenge for the mobile sector when mobile broadband was launched but now Romanians are addicted to mobile communications. Many opportunities remain for the development of Internet-connected services, however, as there is still plenty of room for growth, especially in the business sector.



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When Romania ranked third in the Akamai worldwide country rankings - and first in Europe - in terms of average peak connection speeds in the second quarter¹ of 2011, it wasn't really a surprise. The country recorded a boost in Internet development in recent years, with broadband being ubiquitous in the cities and now extending to many of the rural areas as well. Fixed connections are known for their ever higher speeds, constantly advertised by all the big providers in this field, independently of whether they are offered via an xDSL or fibre connection.

For the incumbent, who is the second company in the Internet market, it has become standard to offer a WiFi modem/router as a package with fixed broadband. This ensures a high mobility and comfort in usage within a limited space, like the home or the office, and is very popular with customers. High-end Wi-Fi only enabled devices, recently introduced in the market,

also gave an additional boost to the demand for services offering wireless access options.

From a different perspective, the high penetration of good quality fixed broadband represented a challenge for the mobile sector when mobile broadband was launched in 2005.

Mobile broadband

The mobile telephony market in Romania is extremely competitive, characterised by a penetration rate of over 100 per cent for mobile services. Although the number of users decreased by 3.2 per cent during the first half of 2011, to 23.6 million, voice traffic rose by 7.8 per cent compared with the previous semester, to 28.6 billion minutes - due to better offers from operators, better adapted to the requirements of users in a time of economic crisis.

Mobile broadband was, in this context, a new and promising source of growth. According to the last data released by ANCOM (*National Authority for Management and Regulation in Communications*), the total number of active connections to mobile broadband has reached 3.53 million, up by 18 per cent compared to the end of 2010. They report 2.56 million active broadband connections through mobile phones and 0.97 million active connections through USB modems or data cards. Compared to the large number of mobile telephony users, over 25 million active subscriptions, the number using mobile Internet is pretty small. However, the figures show that this is the segment that registered significant growth.

In 2010, the third company in the mobile market, which recorded strong and constant growth in recent years, introduced video calls in its portfolio, building on its existing proposition of 3G mobile broadband services

at affordable tariffs. At market level, the number of video call minutes has increased by 85 per cent in the first half of 2011, compared to the second semester of 2010, according to the ANCOM² market report released on December 6, 2011, highlighting the high interest of Romanians in such advanced services. In H2 2010, the increase was 49.5 per cent compared to H1 2010.

There are many more facts illustrating the extraordinary boom of mobile communications in Romania but I'll stick to just one, which says it all. The mobile phone is here quite a status symbol. Moreover, considering the purchasing power and the number of active mobile users, I guess we can say that Romanians are amongst those end-users most addicted to mobile communications in Europe.

Growth opportunities

Growth of the new mobile services has to be maintained and stimulated, which is difficult in the intensely competitive Romanian market with some of the smallest ARPU's in Europe, requiring a high degree of creativity for mobile operators to capture additional market share and revenues. The challenger in the mobile market had several such initiatives during 2011, launching new brands and loyalty campaigns and reshuffling their product portfolio. All these translated into steady growth even under adverse economic conditions; in fact it was the only telecom operator on the local market to record growing numbers. This last achievement in particular was done with the help of the largest telecom retail chain in Romania, which is also part of the same group and contributed to the operator's success. At least 17 million consumers passed through the retail chain's stores since 2007, a figure that speaks for itself.

For the future, Romania may be one of the early adopters of 4G, due to the high degree of competition here. There are already commercial offers with 100Mbps terrestrial Internet and it should be only a matter of time until this speed is available to mobile users. The technology is under consideration and the commercial aspects are being evaluated to determine when to roll it out. It's a matter of 'when', not 'if'.

And there are still so many things to be done, as Romania is still a land of opportunity for the development of Internet-connected services: from a total population of 19.6 million (according to the provisional results of the

October 2011 census), close to eight million³ are estimated Internet users. The users here have a healthy appetite for online information and entertainment, around or beyond 70 per cent⁴ of them stating that they are using the Internet for information, communication (email), reading, socialising, listening to music and watching movies. If we look at social networks, Facebook is by far the most popular, with close to four million Romanians using Facebook services at the end of 2011, of which however 45 per cent are coming from the four top cities of the country.

Trends

The same trend is readily seen in the business market as well, where the incumbent successfully positioned itself as a leader with various offers to provide mobility over the fixed broadband connection, from Wi-Fi modems to hotspots. Such solutions are enabling companies to better serve their customers and are becoming more and more attractive. In Romania the current trend is for such companies to offer their end-users free access to hotspots. Despite an increase in the usage of fixed Internet by enterprises from 49 per cent in 2010 to 54 per cent in 2011, as a Eurostat report⁵ shows, there is still huge room for growth in the business sector. Overall only 79 per cent of the enterprises in Romania are using the Internet, which is one of the lowest numbers in the EU, but the trend shows a high interest of business people for adopting new communication tools and in the end all they need is a suitable proposition at an appropriate time.

So there is still room to grow, in broadband offerings or entertainment-connected ones and telecom carriers are testing different approaches to benefit from these opportunities. As Romanians are 'intensive' TV consumers, 59 per cent⁶ spending more than three hours in front of their TV sets and 92 per cent watching TV daily, Romtelecom took advantage of this high interest in TV consumption and expanded its communication portfolio with an entertainment part, the TV offering via satellite, cable, IPTV and OTT. This opened the way for a bundled approach offering all the services a household needs, which brings the additional advantage of only one bill and one provider relationship to manage.

This is also a sign of what will be the main trend of the future: convergence of communications and entertainment, independent of the infrastructure. In Romania we see it now every day, with the quad-play

approach proposed to our clients: mobile and fixed telephony, mobile and fixed Internet, television. This translates to unlimited communication and entertainment without any technological barriers. For example, customers of Cosmote and Romtelecom have been enjoying the same tariffs for calls into the two networks for more than a year. And this is only the beginning. The future has in store access-agnostic networks, where there will be no difference between fixed and mobile telephony and Internet.

For the immediate future, 2012, it is worth making a final note: mobile or not, all operators will have to keep in mind the complex economic environment in Romania. Statistically, there has been a tremendous economic growth during Q3, of 4.4 per cent year on year, but according to the National Institute of Statistics, agriculture made 12.4 per cent of the GDP during the summer⁷, adding 2.74 per cent to the quarterly growth. So, removing agriculture, the economy grew in Q3 by only 1.66 per cent. This economic context, the interdependencies with the international situation, together with the purchasing power and behaviour of customers, will be decisive factors in any decision taken by the telecom operators in 2012. ●

¹ *The State of the Internet, 2nd quarter, AKAMAI 2011 Report* (http://www.akamai.com/html/awe/loginreg.html?WT.mc_id=F-MC-12105-1&curl=/dl/whitepapers/akamai_soti_q211.pdf&solcheck=1&)

² *ANCOM (regulatory body in Romania) Half-Yearly Report on Telecom Market* (http://www.ancom.org.ro/uploads/links_files/date_statistic_raport_sem_I_2011.pdf)

³ *Internet World Stats, 2nd quarter* (<http://www.internetworldstats.com/europa.htm#ro>)

⁴ *Romanii si Internetul, a study of IRES, March 2011* (http://www.ires.com.ro/uploads/articole/ires_romanii_si_Internetul_2011.pdf)

⁵ *Eurostat report* (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-11-065/EN/KS-SF-11-065-EN.PDF)

⁶ *CURS National Survey, 2009*

⁷ *Businessday.ro* (<http://businessday.ro/12/2011/produsul-intern-brut-in-t3-11-evolutia-pe-sectoare>)

