VoIP Statistics – Market Analysis

Q2 2012

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Point Topic Ltd
73 Farringdon Road
London EC1M 3JQ, UK
Tel. +44 (0) 20 3301 3305
Email laura.kell@point-topic.com

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1 Introduction

At the start of the year, VoIP subscriptions reported healthy quarterly growth. However growth in VoIP subscriptions has dropped significantly within this quarter and is line with the decline in growth reported throughout 2011.

Considering all VoIP operators tracked by Point Topic around the globe, global VoIP subscriber numbers at the end of June 2012 were 143.2 million. Net additions so far in 2012 are 7.4 million.

Our VoIP subscriber market is dominated by subscriptions in six lead countries – the United States, Japan, France, South Korea, Germany and China. These countries have nearly 80% of our reported global VoIP market share. Smaller players are posting more rapid growth, but overall these markets have very little impact on the global trends reported.

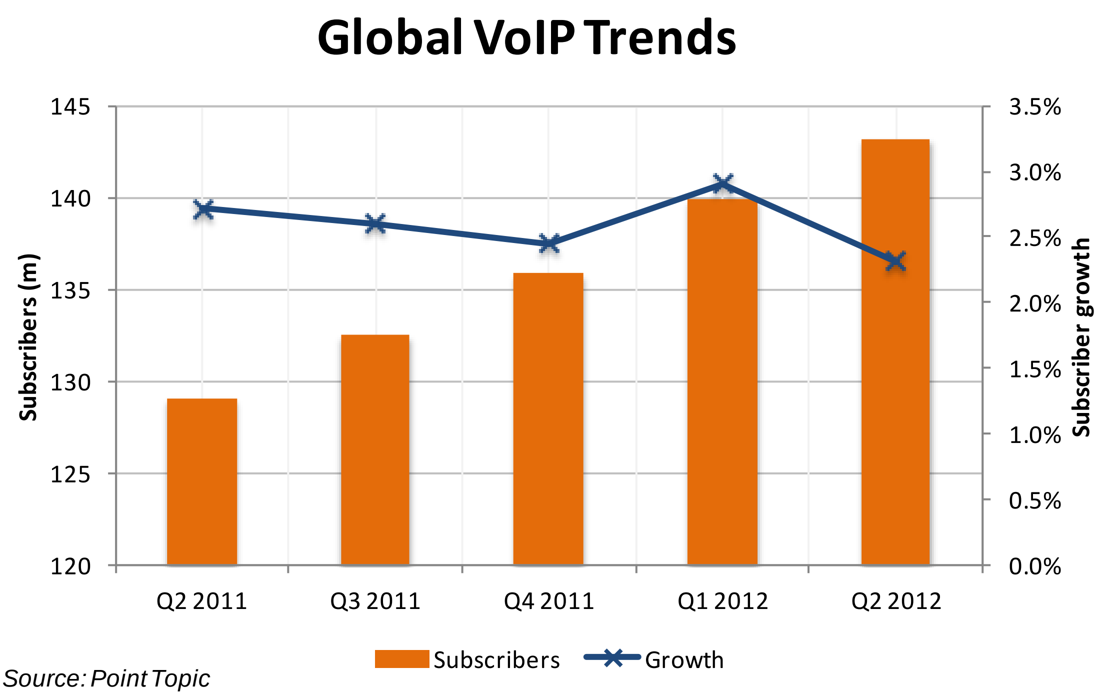
Point Topic defines VoIP in this report as a subscription service that does not require a PC to operate. For this reason, Skype services are not included in the figures for subscribers, although we discuss them in this report. PSTN-style services are included.

2 Global and regional perspective

2.1 Overall growth

Considering all VoIP operators tracked by Point topic around the globe, at the end of June 2012 Point Topic reported 143.2m global VoIP subscribers. Growth in this quarter was down compared to the same period last year – with VoIP subscriber growth of 2.3% in Q2 2012 compared with 2.7% in Q2 2011. We tend to see strongest growth in the first quarter of the year, so the decline in growth relative to Q1 2012 was expected.

Net additions for the operators being examined totalled 3.3 million for the quarter. In the first half of 2012, 7.4 million new VoIP subscribers were reported.



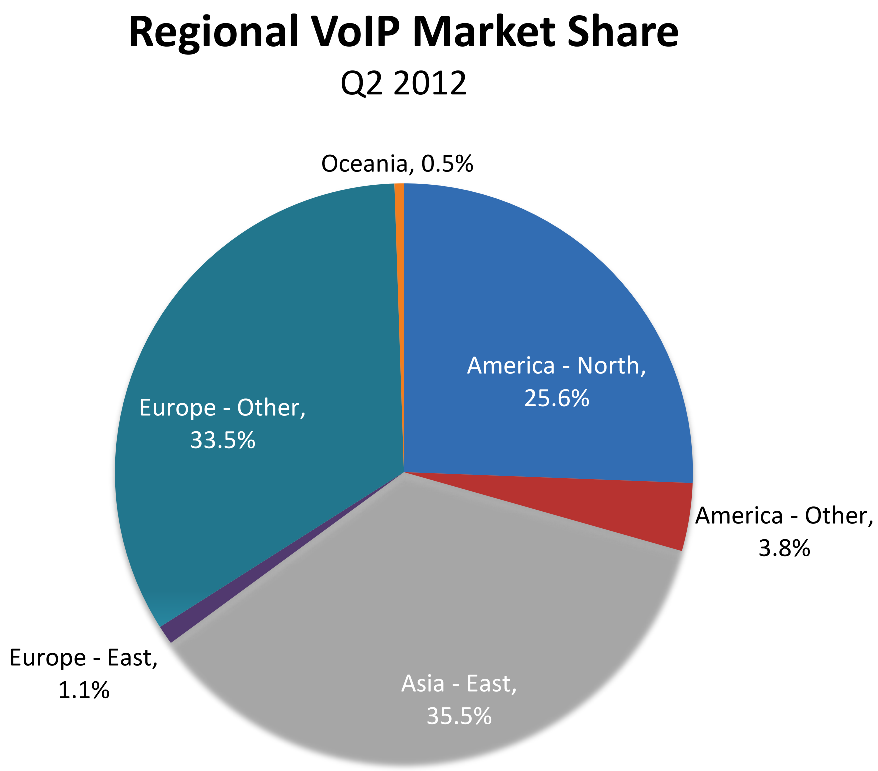
Source: Point Topic

Quarter	Subscribers	Net adds (qtr)	Growth
Q2 2011	129,027,509	3,507,388	2.7%
Q3 2011	132,479,282	3,451,773	2.6%
Q4 2011	135,809,530	3,330,248	2.5%
Q1 2012	139,875,875	4,066,345	2.9%
Q2 2012	143,192,213	3,316,338	2.3%

Figure 1: World VoIP subscriber numbers with growth. Source – Point Topic

2.2 Regional trends

We have explored how regional trends account for the reported global VoIP subscriber trends:



Region	Population (millions)	Subscribers (Q2 2012)	Net adds (Q12012 to Q22012)	Growth (Q12012 to Q22012)
America – North	349.7	36,657,683	858,864	2.4%
America – Other	358.6	5,444,000	145,461	2.7%
Asia – East	1,558.2	50,880,017	1,376,330	2.8%
Europe – East	75.8	1,520,104	89,614	6.3%
Europe – Other	380.4	47,939,409	805,069	1.7%
Oceania	22.9	751,000	41,000	5.8%
Total VoIP	**2,745.5**	**143,192,213**	**3,316,338**	**2.4%**

Figure 2: subscriber numbers, net additions and growth by region. Source – Point Topic.

Statistics for each regional marketplace tend to be dominated by the performance of one or two dominant VoIP markets – as indeed are the overall global trends.

There is a fairly even split between the VoIP market share in East Asia, Europe and the Americas. However, East Asia has taken the highest share of net additions within the quarter, adding 1.4 million new subscribers and 41.5% of all reported net additions. Out of the six key VoIP countries tracked, China has posted the strongest growth within the quarter, which accounts for its greater share of net additions in the quarter.

Eastern Europe continues to report strong growth, although growth has slowed down compared to recent quarters. Oceania has also posted very strong growth, due to strong performance from the Australian operator iiNet.

Note that we have changed our regional definitions within this quarter to align with the UN classification for regions. Please get in touch if this affects your reporting. Definitions have all been updated within the Global Broadband Statistics new service.

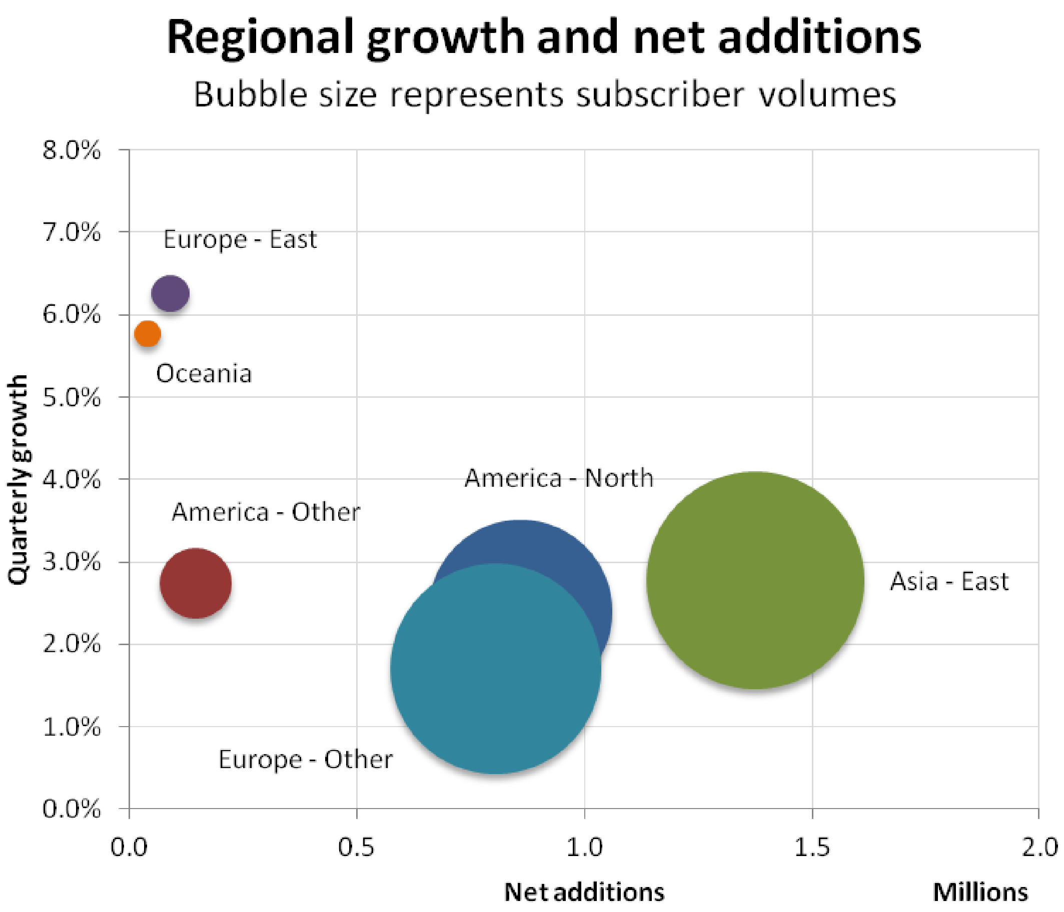


Figure 3: **penetration and quarterly growth by region – area represents subscriber volume in Q2 2012. Source – Point Topic**

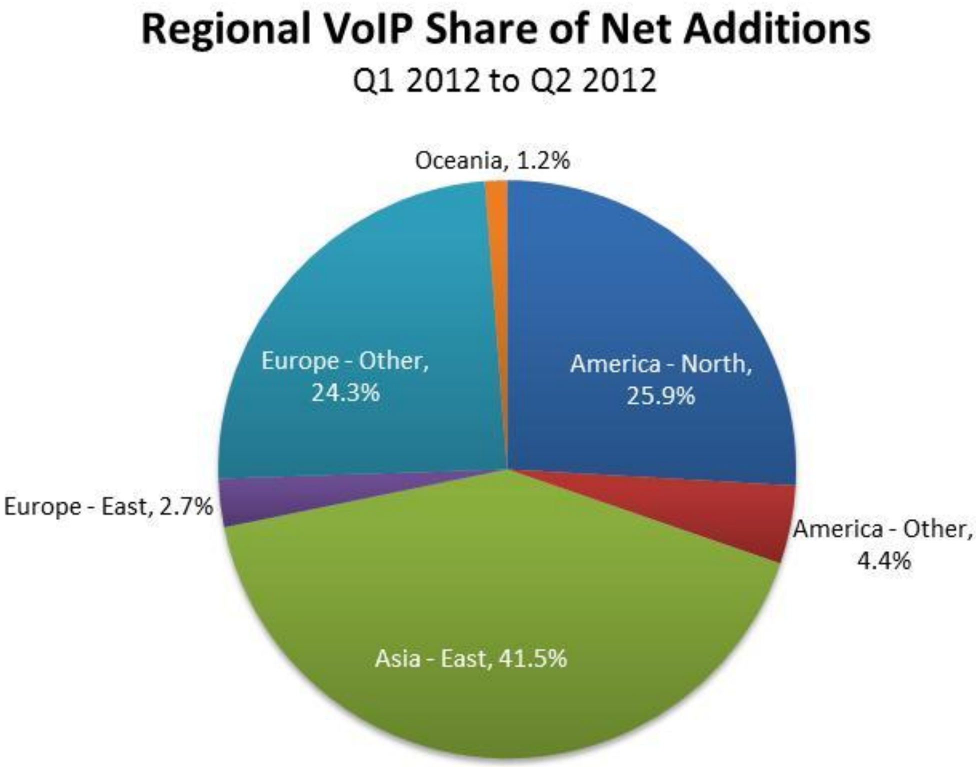


Figure 4: % of net additions delivered by each region. Source – Point Topic

3 Top VoIP countries

3.1 Number of subscribers

Overall the top 10 VoIP countries looks similar to what Point Topic reported in Q4 2011.

Germany has now overtaken China in the league table. This is only because of a change in the countries included in China's total. Tawian is no longer included in the China country total, which means that in this quarter Germany posts higher subscriber numbers.

The top six VoIP countries account for 80% of the total VoIP subscribers tracked by Point Topic.

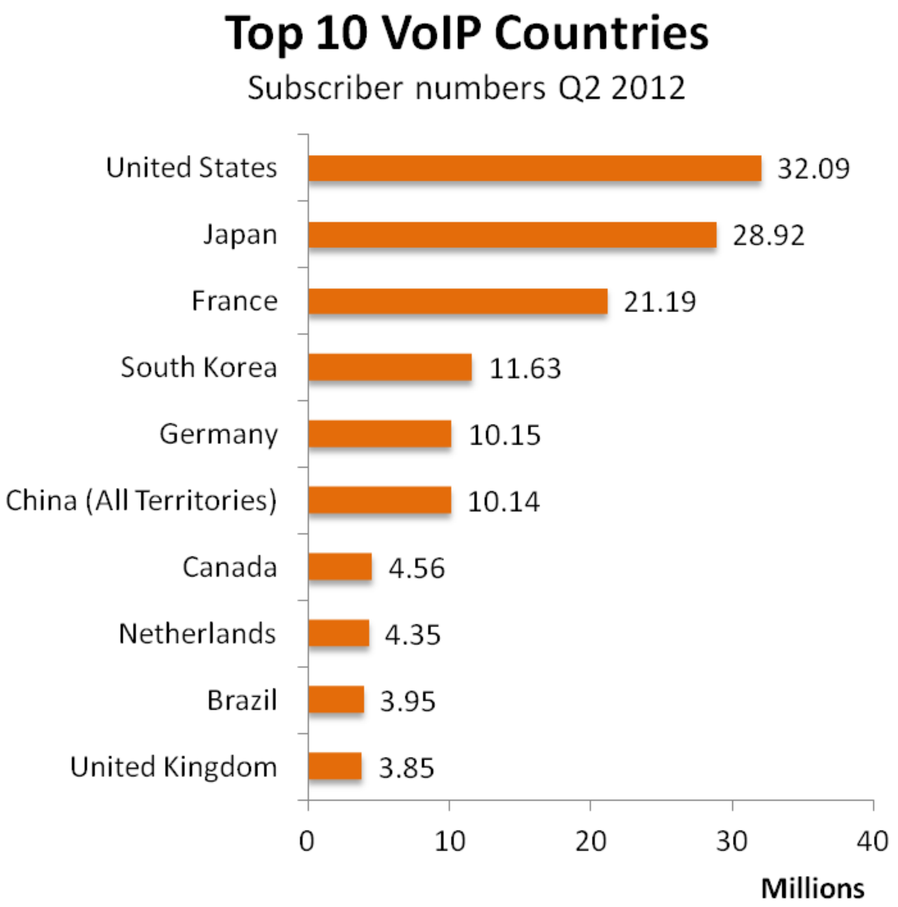


Figure 5: VoIP subscribers in Q2 2012. Source – Point Topic

3.2 VoIP subscribers added

The combination of net additions in Japan, China and South Korea mean that overall, East Asia accounts for more than 40% of all net additions within the quarter.

Whilst Poland is not in the top ten countries in terms of subscriber numbers, it is in the top ten for net additions – knocking Canada out of the top ten.

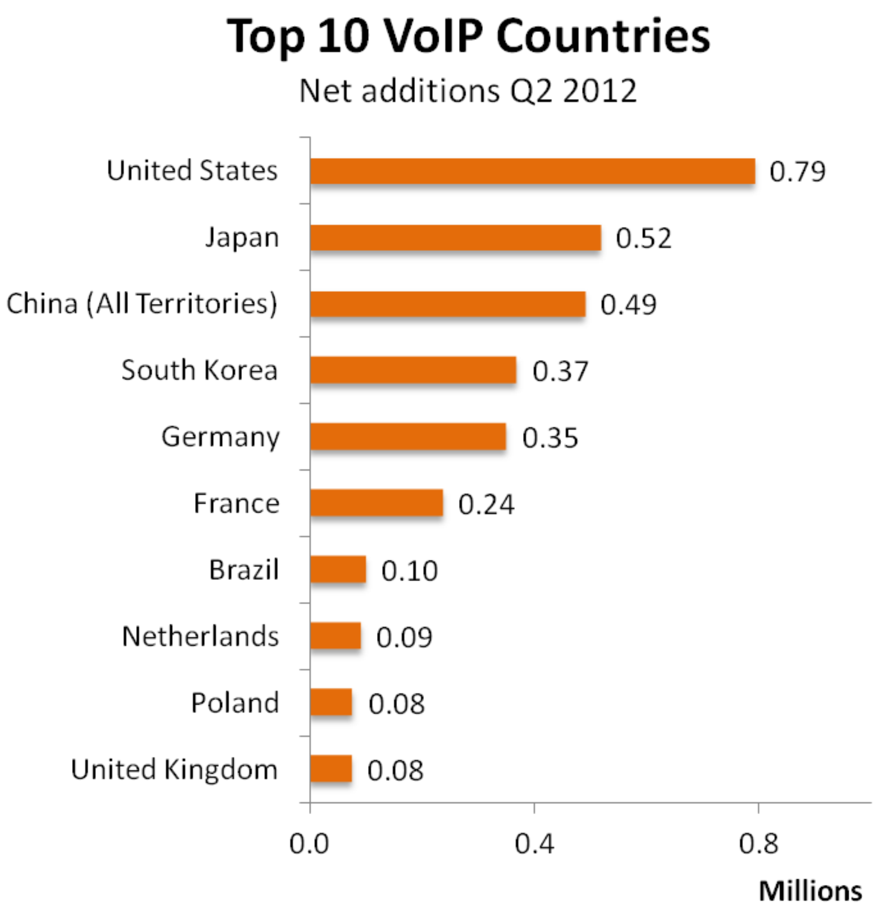


Figure 6: **VoIP subscribers added in Q2 2012. Source – Point Topic**

3.3 Percentage growth

Out of our top VoIP countries, only China, Germany and South Korea are posting strongest growth in the quarter.

Note that most of the countries reporting high growth within the quarter are only adding a small number of subscribers to their base. Estonia, Ireland and Poland have all had a strong quarter due to the performance of Elion, UPC Ireland (Chorus / NTL) and Orange Poland, respectively.

Often the growth reported is due to a single operator within the country – we suggest that you use the full statistics database to fully understand the results.

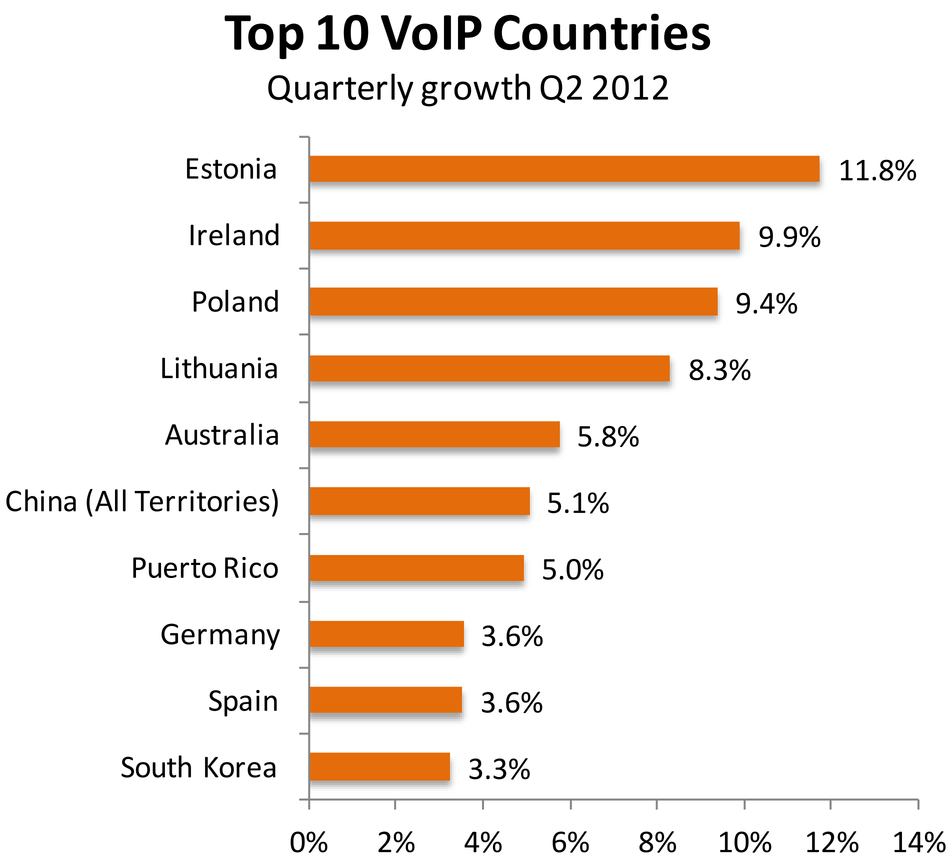


Figure 7: VoIP growth between Q1 2012 and Q2 2012. Source – Point Topic

3.4 Share of fixed broadband market

Here we look at the number of VoIP subscribers as a percentage of the overall number of fixed broadband lines. This gives an indication which countries are showing a high propensity to take up VoIP services.

High adoption is driven by availability and price. In France, VoIP has enabled new entrant operators such as Free to use unbundling or bitstream access to offer consumers an all-IP triple play for a low pr ice. Incumbent France Telecom was relatively quick to launch its own VoIP products. The results have been a rapid shift away from PSTN.

It follows that France has a very high penetration of VoIP services. Half way through 2012, over 90% of broadband subscribers in France also had a VoIP service. This is higher than both the USA and Japan.

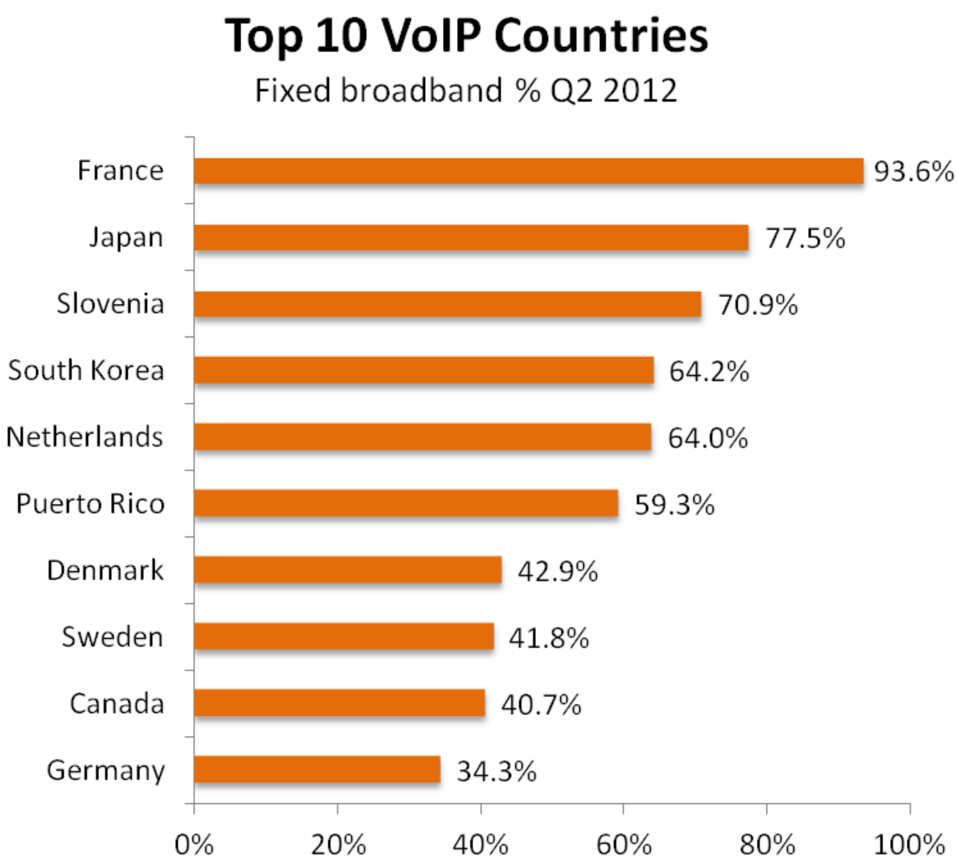


Figure 8: **VoIP subscribers as a percentage of all fixed broadband lines in Q2 2012. Source – Point Topic**

4 The impact of internet telephony

All of the VoIP services that Point Topic has been tracking use IP technology to provide a PSTN-like service. In other words, the customer can simply pick up a telephone handset to make a call, and will receive a bill from their service provider.

But any discussion of VoIP needs to include Internet telephony. Luxembourg-registered Skype is by far the most widespread of these services, although some IM platforms and online gaming networks support IP voice traffic. Initially, the majority of calls via Skype were made and received from the PC. For non-technical users, Skype still remains more complex to use.

Calls can now be made via a mobile, connecting to the Internet using WiFi (usually free) or 3G (could be expensive depending on the tariff). Skype phones are also available, which plug directly into a router and do not require the home PC to be switched on. But these have seen relatively low rate of uptake.

In 2011 Skype provided some operational data for 2010, in an amendment to an S1 filing with the SEC. An S1 filing is a general registration, which is the first step towards an initial public offering (IPO).

Skype said that it had 663 million registered users at the end of 2010 (up 89 million over the year), with 145 million registrants using Skype at least once a month. However, only 8.8 million Skype registrants paid any money for the services, generating revenues of $859.8 million. That represents an ARPU of just over $8 per user per month assuming a constant rate of ARPU growth. Skype also said that 42% of its minutes in Q4 2010 were video telephony. Skype also planned to launch advertising on its services, perhaps to make up for the revenue it is not earning from telephony. Adverts were due to run in the USA, UK and Germany initially.

What these numbers suggest is that the number of regular Skype users is at around the same level as the number of ‘full-service VoIP’ users (135 million). ARPU is considerably lower, as only 8.8 million Skype subscribers were paying anything at the end of 2010.

The other obvious point to be made from the Skype data is that there is demand for video calls. But Skype has created an expectation that this is a free service. This makes monetising video calls difficult for other operators in the consumer video telephony space, and even for operators looking at the low end business video telephony market.