

Usage of Telecommunication Services by Businesses in 2012

Research Summary for the
National Media and Infommunications Authority

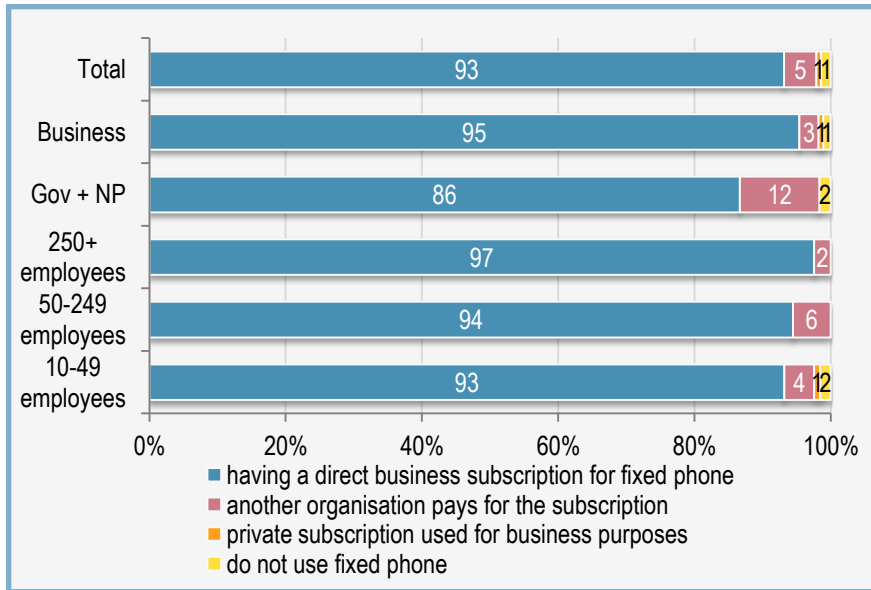
- Target groups: enterprises, public institutions, and NGOs employing at least 10 persons
- Sampling: proportionally stratified by regions, not proportionally stratified by number of employees, legal form, and LTO areas. Simple random selection from each sub-segment
- Fieldwork: face-to-face interviews after contacting the interviewees by phone
- Interviewees: technical or general decision-makers in the fields of Information Technology and Telecommunications
- Number of interviews: 1500
- Fieldwork: 10th September to 29th October 2012

	Population size	Sample size	Sampling error [$\pm\%$]*
Total [10+]	40 926	1500	$\pm 2,5\%$
Business [10+]	32 117	957	$\pm 3,1\%$
Government + nonprofit [10+]	8809	543	$\pm 4,1\%$
250+ employees	1327	244	$\pm 5,7\%$
50-249 employees	7675	534	$\pm 4,1\%$
10-49 employees	31 924	722	$\pm 3,6\%$

*at 95% confidence level and taking into account the worst distribution: 50%

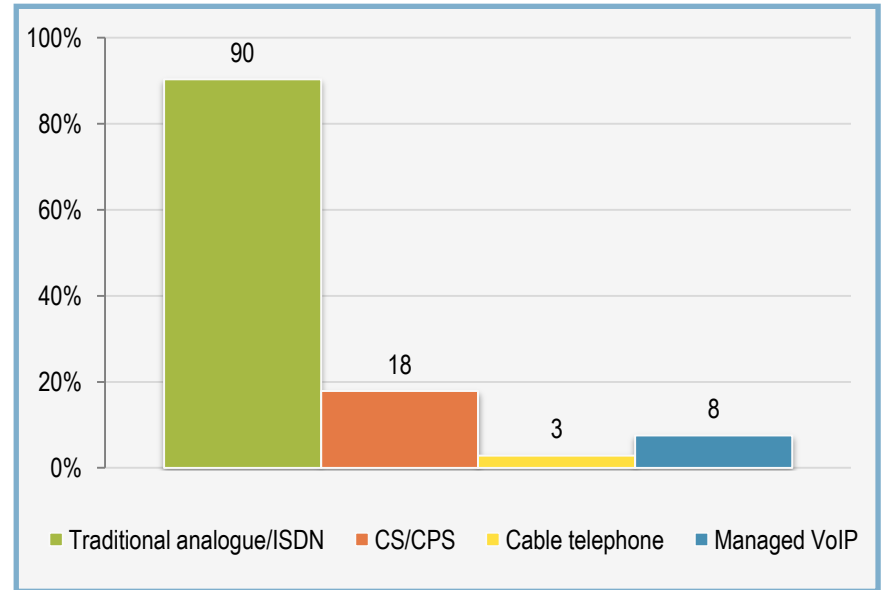
- Inaccuracies resulted from the disproportionate stratification and randomness of the fieldwork have been corrected by weighting, i.e. a mathematical-statistical procedure. Thus, our evidences represent the whole population regarding the number of employees, industry, regional distribution, LTO (incumbent operator) areas, and legal form.

Subscription and usage



Basis: all organisations, Total=40,926 [Business=32,117, Gov+NP=8809]
[250+ emp.=1327, 50-249 emp.=7675, 10-49 emp.=31,924]

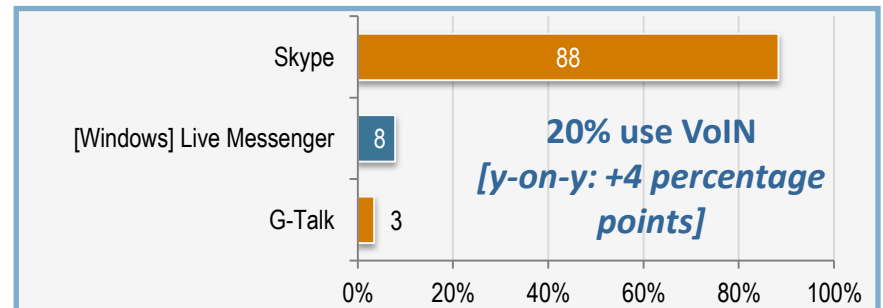
Penetration of fixed technologies [direct subscriptions]



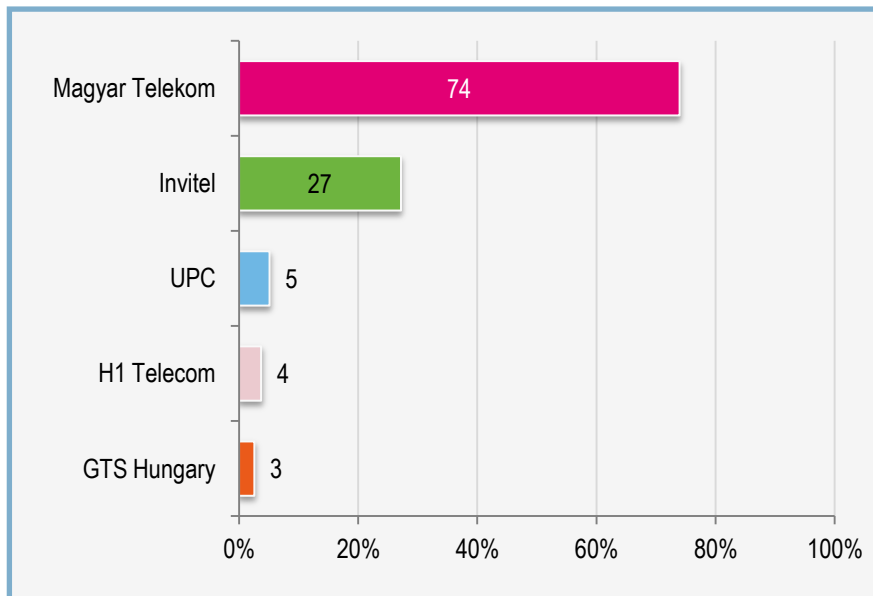
Basis: all organisations, Total=40,926 [Business=32,117, Gov+NP=8809]
[250+ emp.=1327, 50-249 emp.=7675, 10-49 emp.=31,924]

- Organisations maintain 12 PSTN lines on average which is 400 thousand in total. It means a decrease by 28 thousand PSTN lines compared to the previous year.
- Penetration of cable telephone and managed VoIP is only 3% and 8%, respectively. Although, the latter reaches 16% among organisations with 250 employees or more.

Most popular communications softwares for VoIN

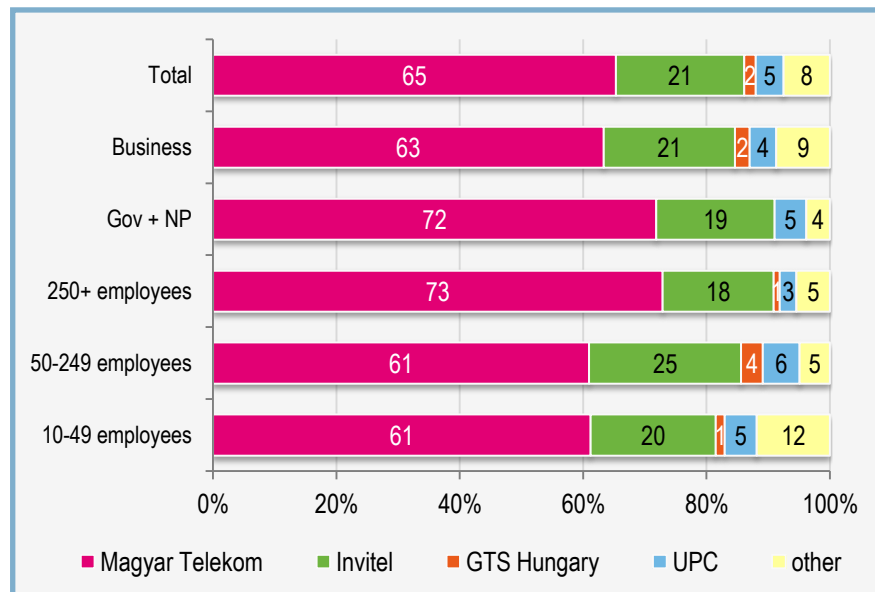


Number of direct subscriptions regardless of the technology [Top 5 service providers]



Basis: all organisations with direct subscription for fixed phone, Total=38,300 [Business=30,683, Gov+NP=7617] [250+ emp.=1292, 50-249 emp.=7220, 10-49 emp.=29,788]

Market share of service providers

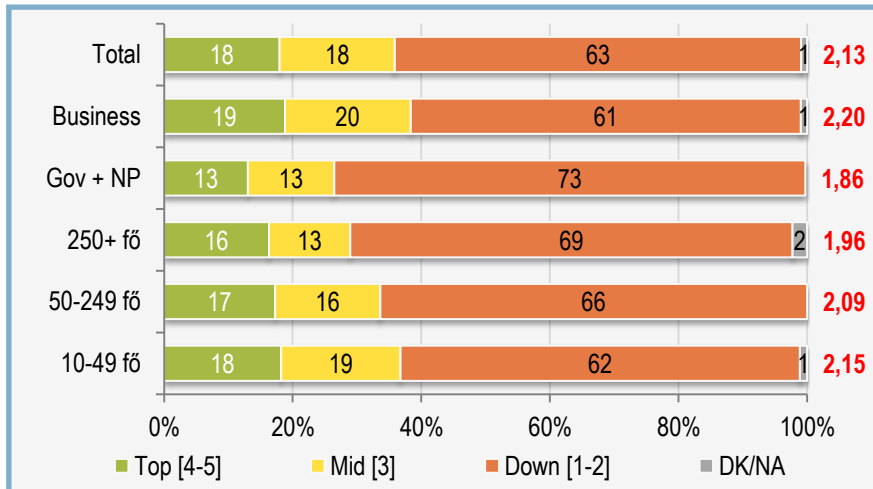


Basis: total fixed expenditures [m HUF], Total=2703 [Business=2052 Gov+NP=650] [250+ emp.=973, 50-249 emp.=789, 10-49 emp.=941]

- In case of fixed telephony service [and taking into account direct subscriptions only], Magyar Telekom (MT) is the the most significant SP: 74% of the organisations are its clients. Invitel is the second main service provider with 27% of the organisations. All in all, company relations to service providers have not changed since 2011.**
- On the traditional PSTN market [traditional fixed + CS/CPS], 69% of total revenue is realized by Magyar Telekom while 22% by Invitel. These proportions have not changed on a year-over-year basis.**
- On the VoIP-type services market [cable telephone + managed VoIP], MT remained the top service provider with 42% while Invitel has 13% market share. It is remarkable that small operators such as GTS and UPC have 12% market share altogether.**

Regarding your company/ institution, to what extent do you think mobile phones could fully substitute the use of fixed telephony?

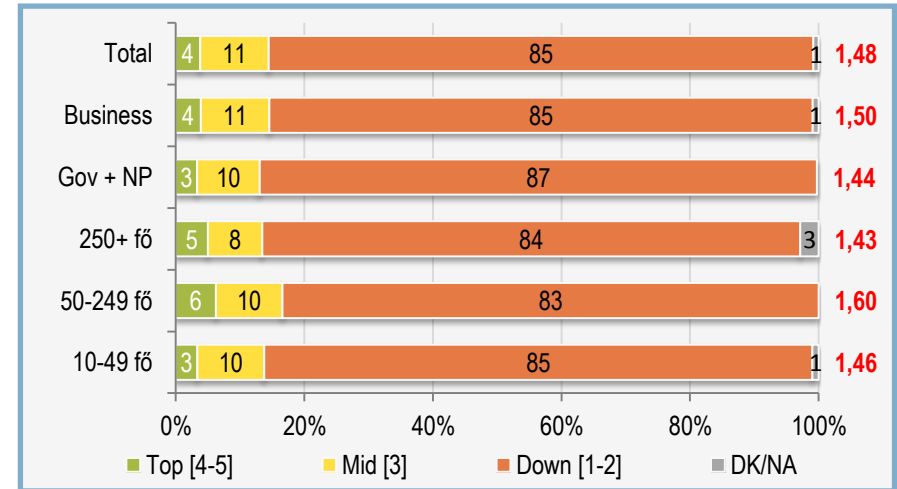
Answers on a 5-point scale, 1=not at all, 5=mobile could fully substitute it



Basis: all organisations with direct subscription for fixed phone, Total=38,300 [Business=30,683, Gov+NP=7617] [250+ emp.=1292, 50-249 emp.=7220, 10-49 emp.=29,788]

To what extent do you think all subscriptions of the company/ institution for fixed telephony could be replaced by subscriptions for mobile phones?

Answers on a 5-point scale, 1=not at all, 5=mobile subscriptions could fully replace the fixed ones



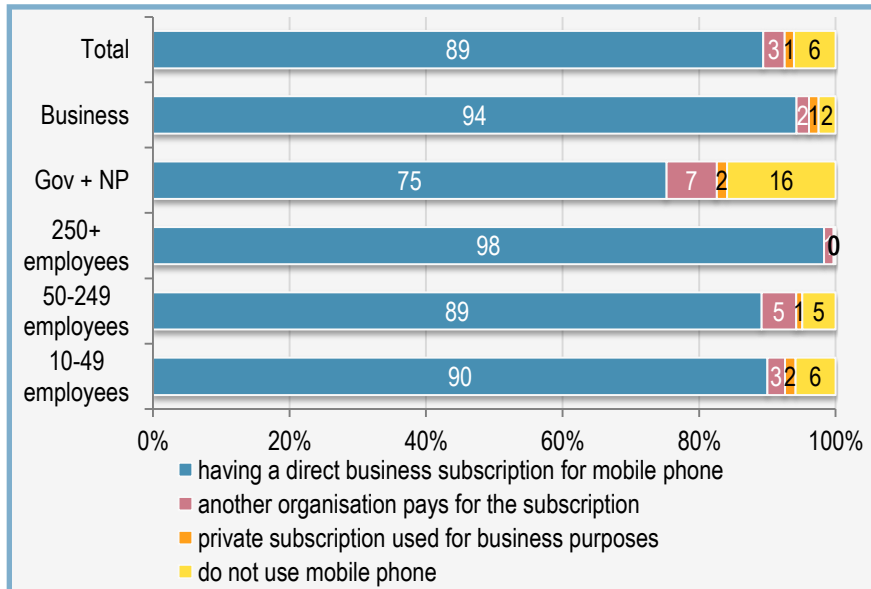
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- Compared to 2011, both the proportion of those representing the theoretical substitution and of those forecasting a full migration to mobile telephony decreased significantly [by -7 and -6 percentage points, respectively].

Restraining factors of substitution

- Fixed line is necessary for the technology used in the office [59%]
- Fixed line is necessary, our clients claim for it [35%]
- Because of the profile of the company/ institution [31%]
- It would be too expensive [26%]
- I cannot see any advantage of changing to mobile phones [20%]
- Mobile phones are less trustable [11%]
- Fixed telephone tariffs are more affordable [11%]

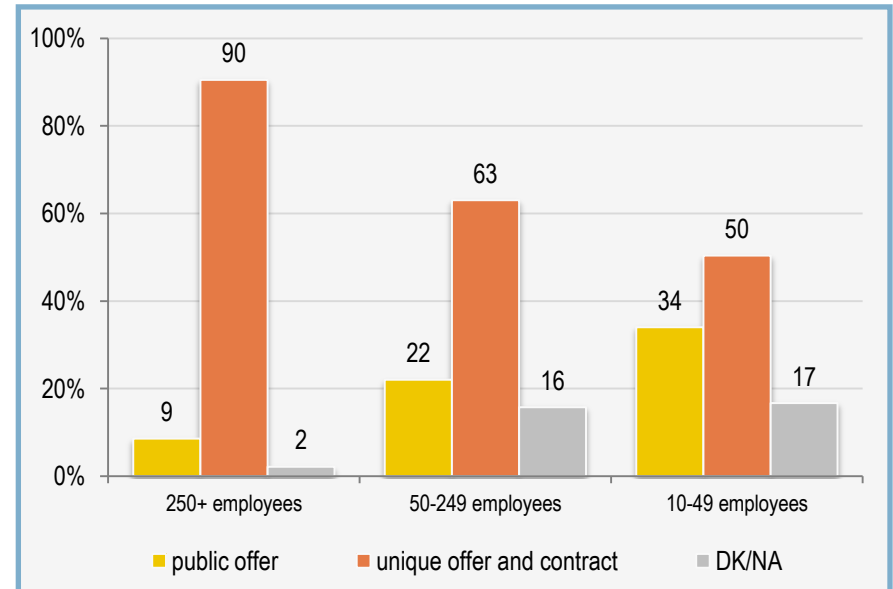
Subscription and usage



Basis: all organisations, Total=40,926 [Business=32,117, Gov+NP=8809]
[250+ emp.=1327, 50-249 emp.=7675, 10-49 emp.=31,924]

Subscriptions by public and individual offers

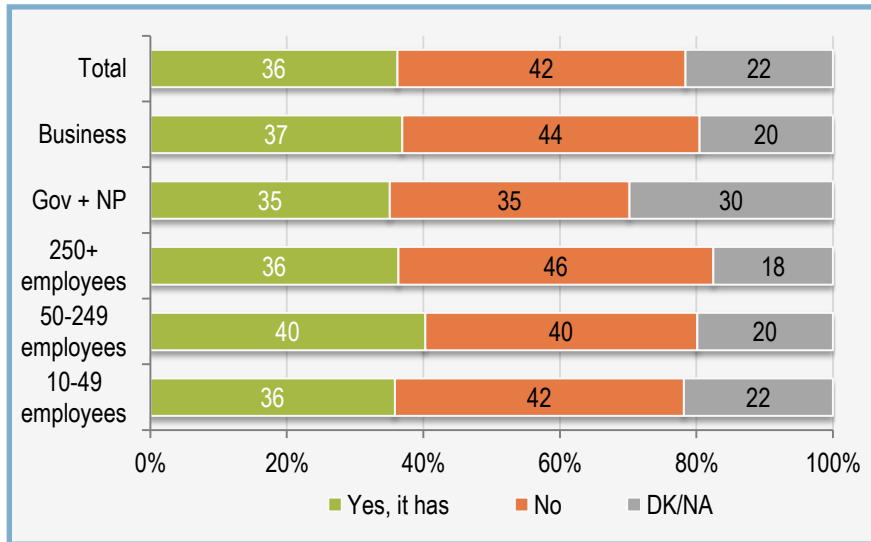
[according to respondents]



Basis: all organisations with direct subscription for mobile phone=36,939
[Business=30,312, Gov+NP=6627] [250+ emp.=1307, 50-249 emp.=6855, 10-49 emp.=28,777]

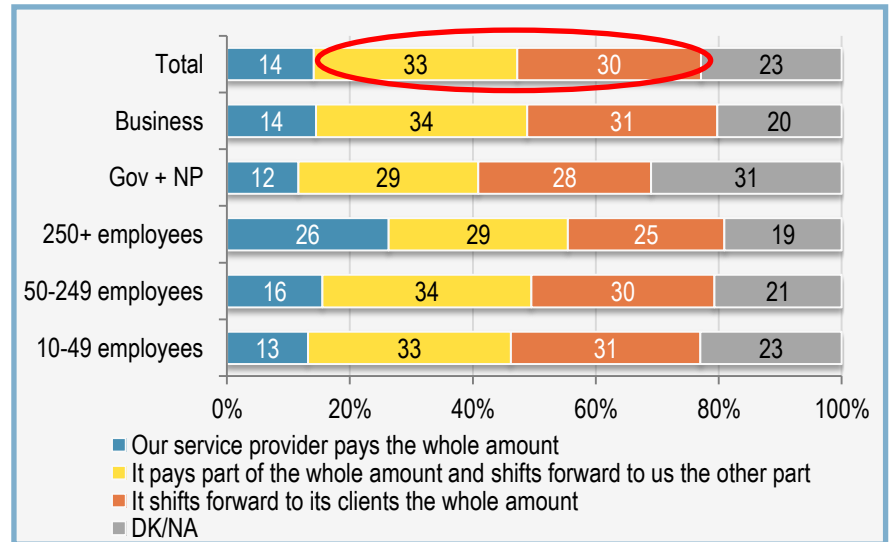
- The use of mobile phone is rather widespread in the population we focused on in the survey [public institutions and non-profit organisations are a bit exceptional as 16% of them do not use mobile voice service]. Penetration has not changed significantly since 2011.
- The most typical subscriptions are direct business subscriptions.
- More than half of the organisations think that they have had an individual offer from the service provider. In case of the organisations with at least 250 employees, it seems to be taken for granted.

Has your main mobile service provider increased prices so far or plans to increase prices in 2012, as a result of the introduction of the telecom tax in Hungary?



Basis: organisations heard about the introduction of telecom tax=37,113

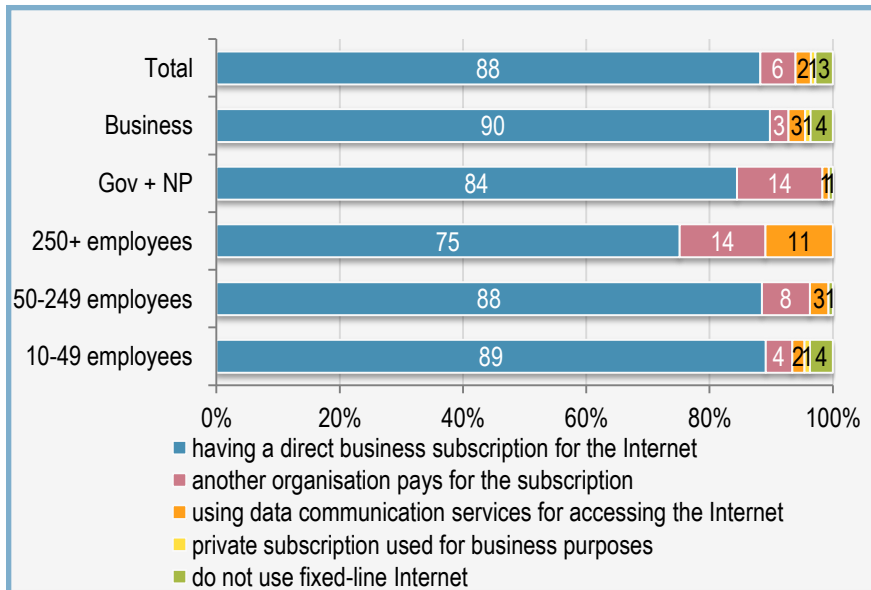
How did your main mobile service provider react to the introduction of this new tax?



Basis: organisations heard about the introduction of telecom tax=37,113

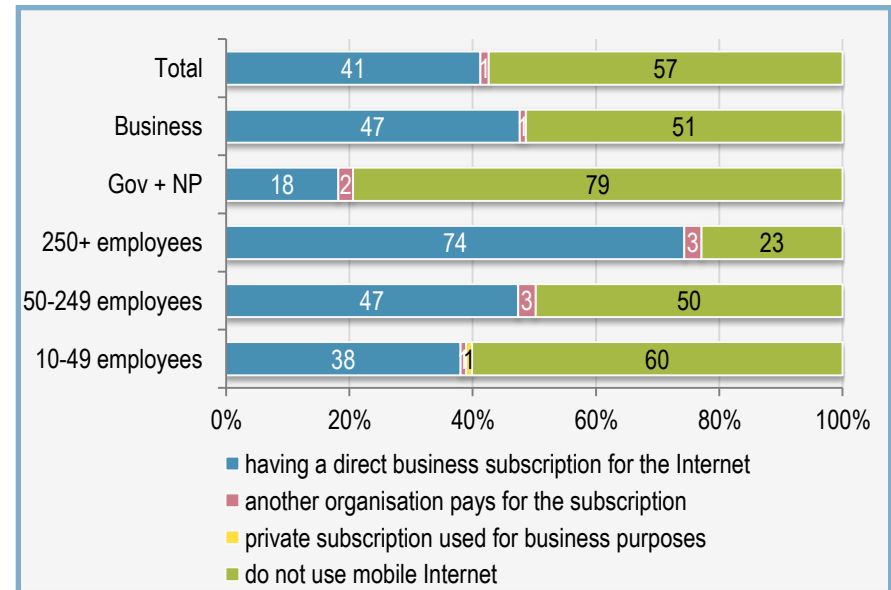
- In 2012, one third of the organisations experienced an increase in telecom prices as a result of the introduction of the telecom tax in Hungary. Even more, 41% expects an increase for 2013 because of the new tax [35% do not expect any price increase and 24% has no clear expectation]. By now, 63% of the organisations have the impression that their service provider passed on the new tax partly or fully to them.**
- It can be noted that organisations with 250+ employees feel the least that the tax is being passed to them. The main reason for that may be that big companies usually have a stronger bargaining position with service providers and on the other hand, they can obtain better conditions through their individual offers and contracts.**
- Use of mobile phones may not change significantly in the future because of the telecom tax: less than 1% plan to cut back significantly and another 13% would cut back slightly their use of mobile phones. The vast majority will not change their habits.**

Fixed-line Internet | Subscription and usage



Basis: all organisations, Total=40,926 [Business=32,117, Gov+NP=8809]
[250+ emp.=1327, 50-249 emp.=7678, 10-49 emp.=31,924]

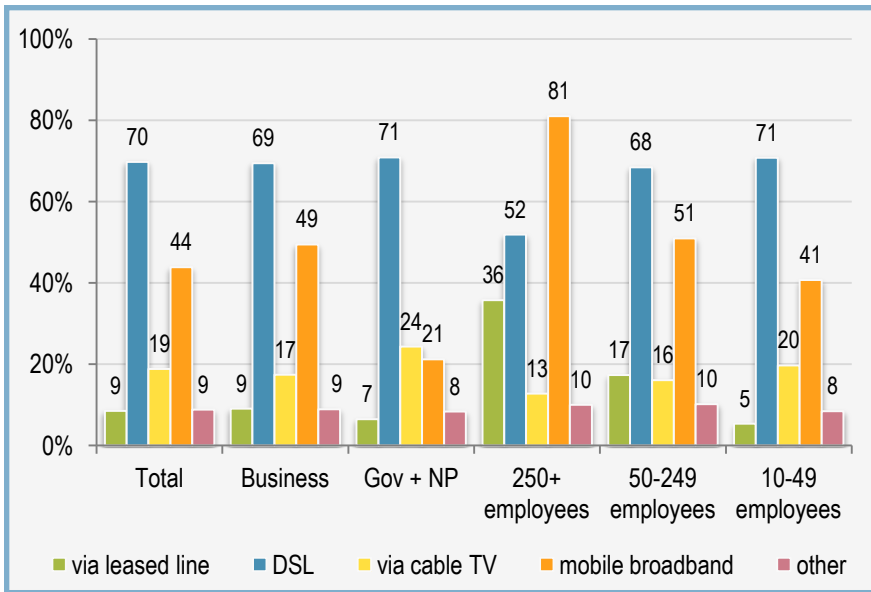
Mobile Internet | Subscription and usage



Basis: all organisations, Total=40,926 [Business=32,117, Gov+NP=8809]
[250+ emp.=1327, 50-249 emp.=7675, 10-49 emp.=31,924]

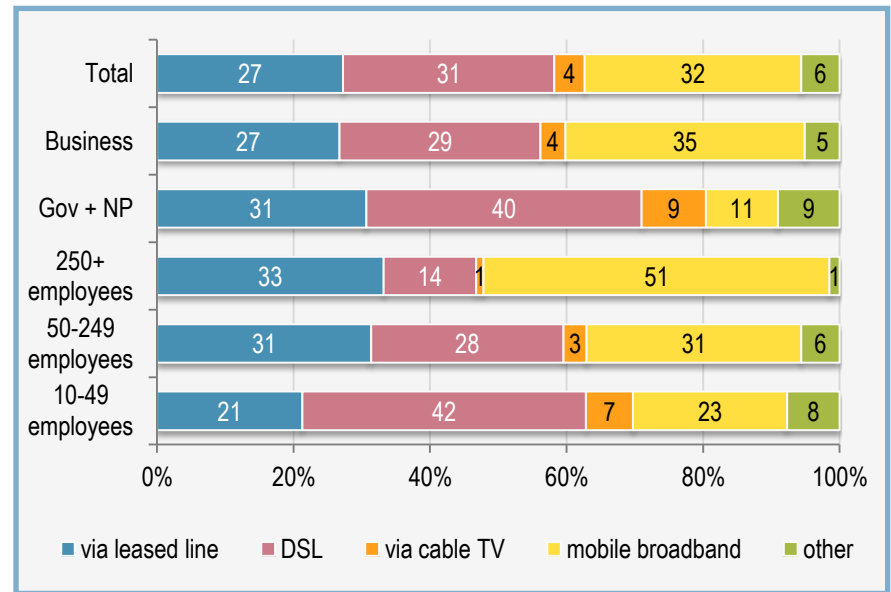
- **The vast majority [93%, c. 38 thousand] of organisations having at least ten employees have direct Internet access while the number of organisations using the Internet is about 41 thousand. Penetration has slightly increased compared to the previous year.**
- **Indirect subscriptions [e.g. using the subscription of the parent company/institution] are more likely in the public and non-profit sector, while the proportion of mobile Internet usage is only 20%.**
- **Indirect subscriptions [e.g. using the subscription of the parent company/institution] for fixed-line Internet and for data communication services to access the Internet are more likely among organisations with 250+ employees.**
- **Direct subscription for mobile broadband is rather widespread, nearly 75% among organisations with 250 or more employees.**

Penetration of Internet technologies



Basis: all organisations with direct subscription for the Internet, Total=38,322 [Business=30,766, Gov+NP=7555] [250+ emp.=1217, 50-249 emp.=7130, 10-49 emp.=29,975]

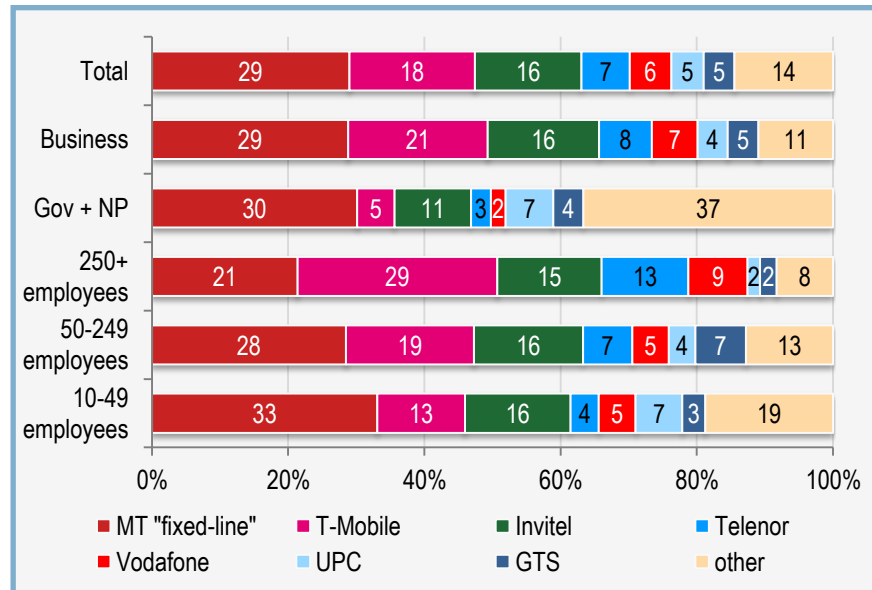
Market share by technology



Basis: total monthly expenditure [m HUF], Total=1 749 [Business=1 510, Gov+NP=239] [10-49 emp.=781, 50-249 emp.=583, 250+ emp.=385]

- **Alltogether, DSL still has been the most widespread direct access technology, but in case of organisations with more than 250 employees, penetration of mobile Internet has already been higher, although, the level of penetration has not increased since 2011.**
- **Organisations with at least 10 employees spend 48,000 HUF on average on direct Internet subscriptions per month. The proportion of mobile broadband costs has already reached 32%. Compared to 2011, market share of mobile broadband increased at the expense of DSL and leased line technologies.**

Market share of service providers by segments

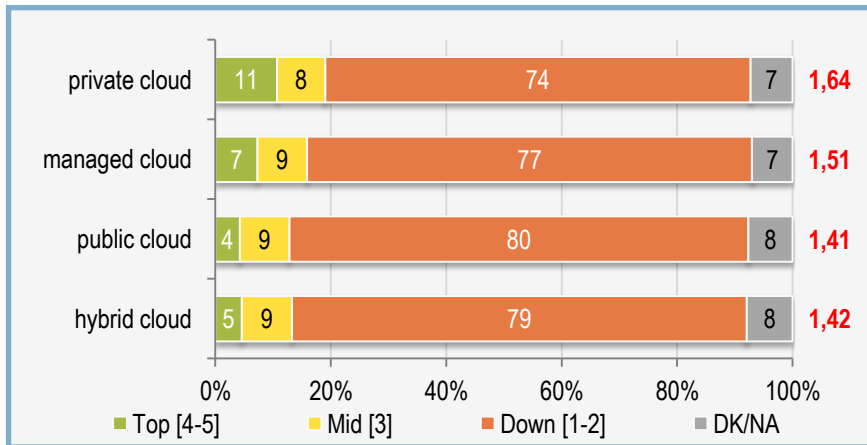


Basis: total Internet expenditure [m HUF], Total= 1749 [Business=1510, Gov+NP=239] [250+ emp.=385, 50-249 emp.=583, 10-49 emp.=781]

- Magyar Telekom has the largest market share [29%, and 47% together with T-Mobile] and Invitel has the second largest share [16%]. These proportions have not changed since 2011.**
- Regarding public and non-profit organisations, MT is the most significant service provider, although, small operators have the highest market share [37% altogether]. In the latter case, governmental telecom operators play the main role in Internet expenditures.**
- MT [33%] and Invitel [32%] are the most significant SPs on the market of leased line, while T-Mobile is the leading operator of the market of mobile broadband [58%].**
- UPC is the major operator on the cable market, but smaller operators have a high market share as well.**

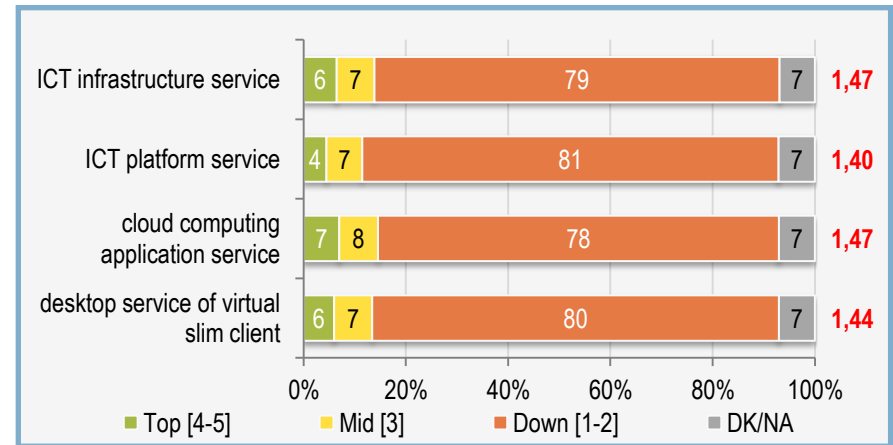
Attractivity of cloud technology solutions

Answers on a 5-point scale, 1=not at all; 5=very attractive



Attractivity of connected/ built-in services

Answers on a 5-point scale, 1=not at all; 5=very attractive



Basis: all organisations with subscription for the Internet, Total=40,655 [Business=31,879 Gov+NP=8777] [250+ emp.=1328, 50-249 emp.=7679, 10-49 emp.=31,649]

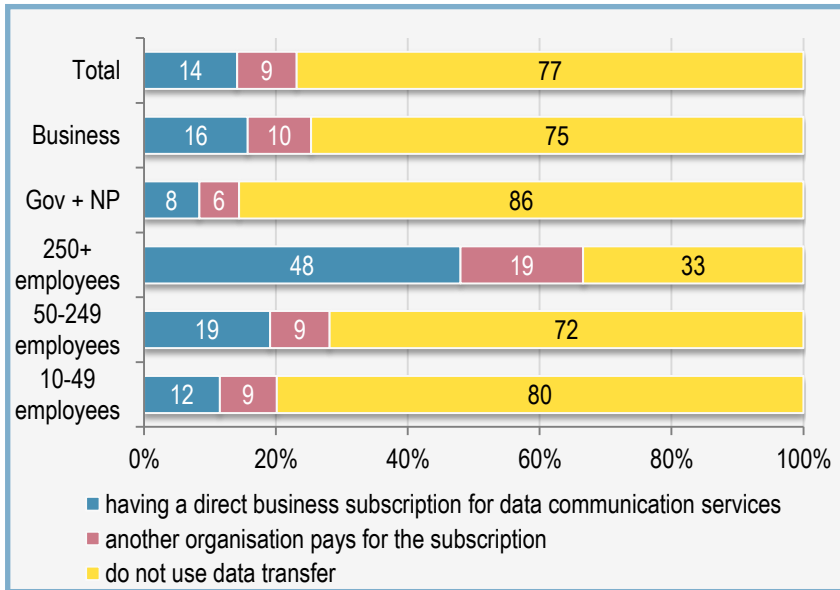
Advantages

- Save costs of investment [25%]
- Save costs of daily operation [21%]
- Service can be accessed regardless of location [16%]
- Servers provided by operators are stored in data centres with high-level security [15%]
- Equipments are updated and maintained regularly, and are up-to-date [15%]
- ...
- **No advantage [37%]**

Disadvantages

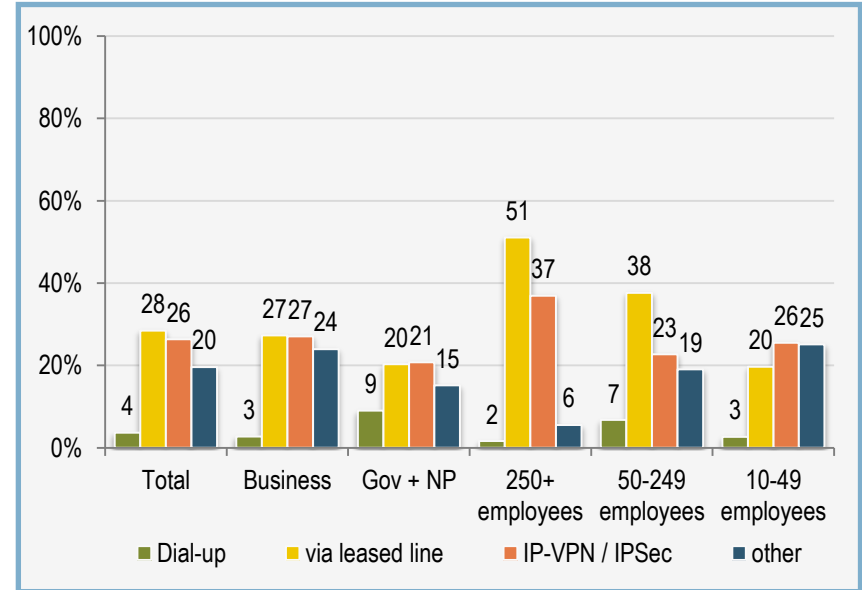
- Dependency on an external operator [41%]
- Satisfaction with the present, non-cloud computing solution [32%]
- Privacy concern about data management [31%]
- Services are not available without Internet connection [27%]
- No enough reference, experience [18%]
- ...
- **No disadvantage [22%]**

Subscription and usage



Basis: all organisations, Total=40,926 [Business=32,117, Gov+NP=8809] [250+ emp.=1327, 50-249 emp.=7675, 10-49 emp.=31,924]

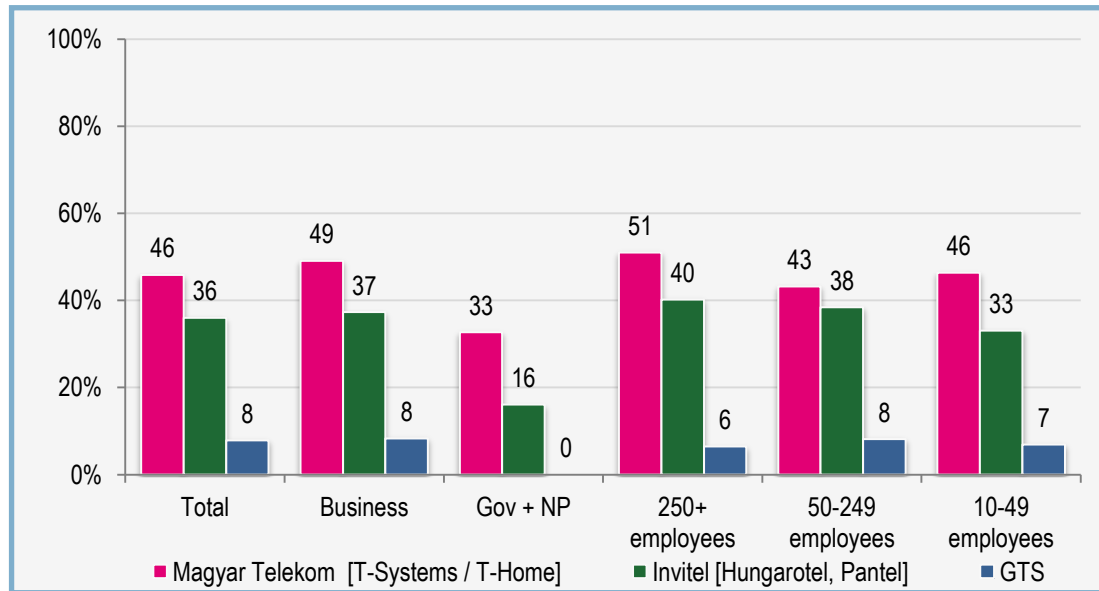
Penetration of technologies



Basis: organisations using data transfer, Total=9589 [Business=8283, Gov+NP=1305] [250+ emp.=891, 50-249 emp.=2178, 10-49 emp.=6520]

- 14%, i.e. about 7 thousand organisations use data transfer services with direct subscription.
- Larger organisations [with more than 50 employees] mainly use IP based data transfer via leased line while smaller ones rather use IP-VPN and other technologies.
- 44% of direct subscriptions for leased line are based on copper wire, one third on microwave, and another one fourth on fiber technology. Half [50%] of the subscriptions for leased line technology among organisations with 250+ employees are based on copper wire.
- In case of IP based solutions, terminal nodes access the network mainly through DSL [40%] or leased line [61%]. IP-VPNs used by the organisations are mainly IP-VPNs managed by an operator.

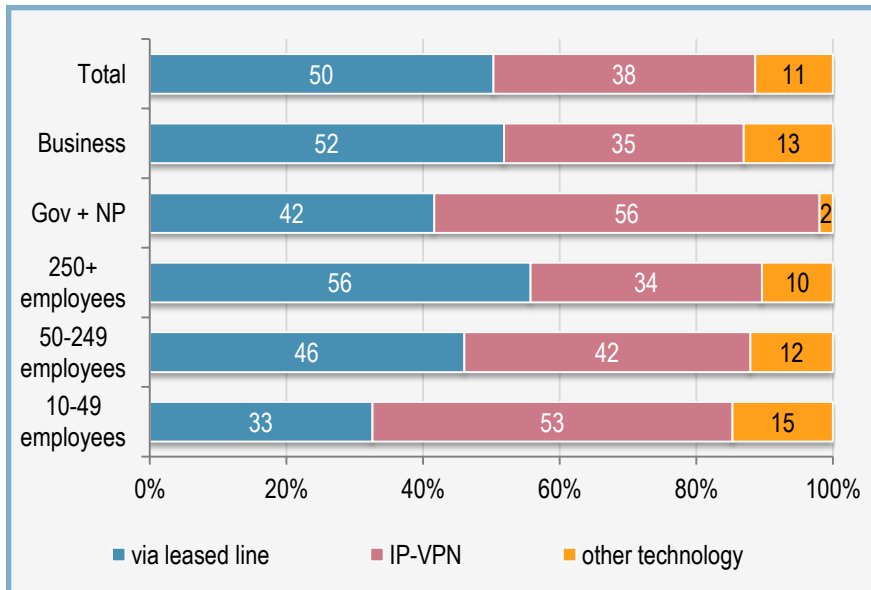
Relation to service providers [the 3 main operators]



Basis: all organisations with direct subscription for data transfer, Total=5957 [Business=5215, Gov+NP=742]
 [250+ emp.=657, 50-249 emp.=1513, 10-49 emp.=3788]

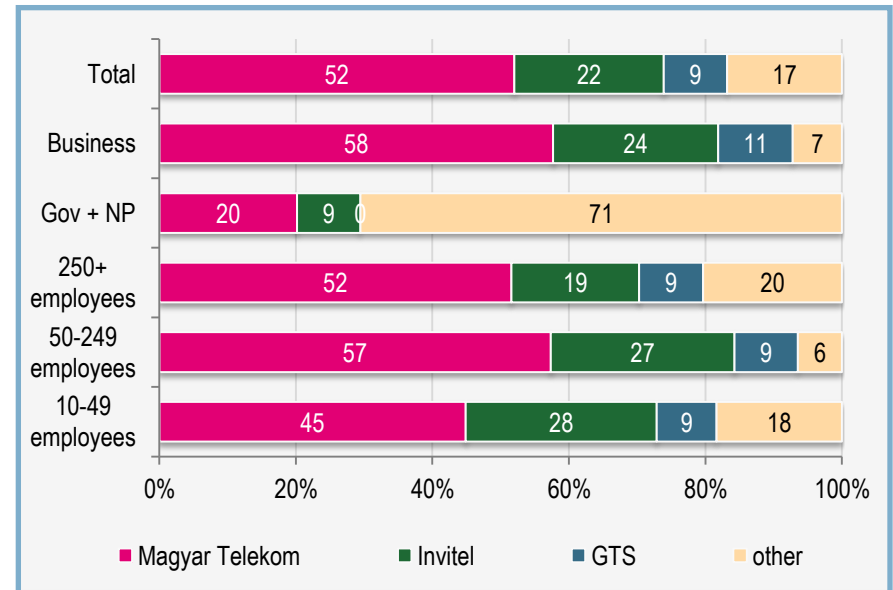
- 46% of the relevant organisations use direct data transfer services by Magyar Telekom compared to 52% in 2011 . This decrease of the share of MT can be noted in all segments. But still, MT has the strongest position among organisations with 250+ employees [51% of them using data transfer services are provided by Magyar Telekom].**
- Invitel has direct business relationship with 36%, i.e. 2,100 clients on the market of data transfer and business communication services.**

Structure of the market by technology



Basis: data transfer expenditures [m HUF], Total=2175
 [Business=1844, Gov+NP=330] [250+ emp.=1368, 50-249 emp.=507, 10-49 emp.=299]

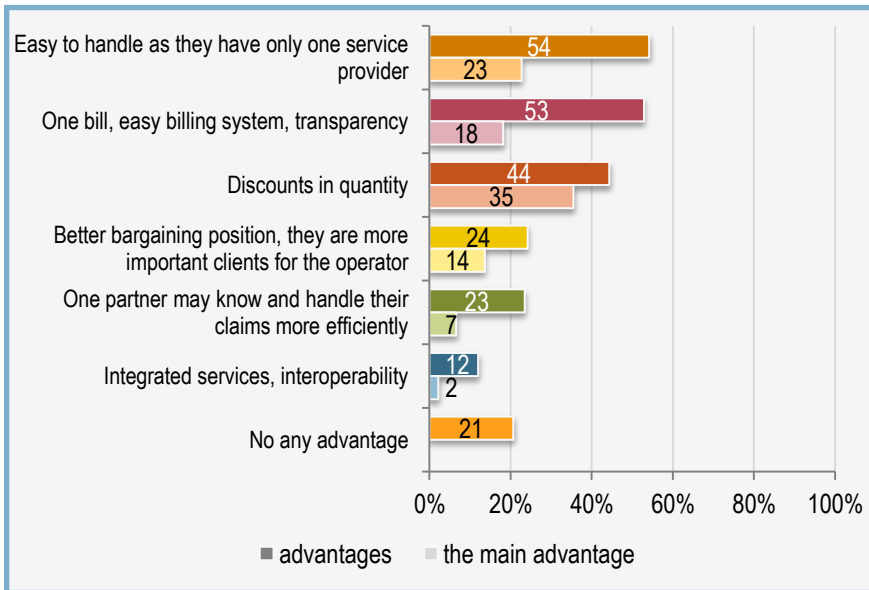
Market share of the main service providers



Basis: data transfer expenditures [m HUF], Total=2175
 [Business=1844, Gov+NP=330] [250+ emp.=1368, 50-249 emp.=507, 10-49 emp.=299]

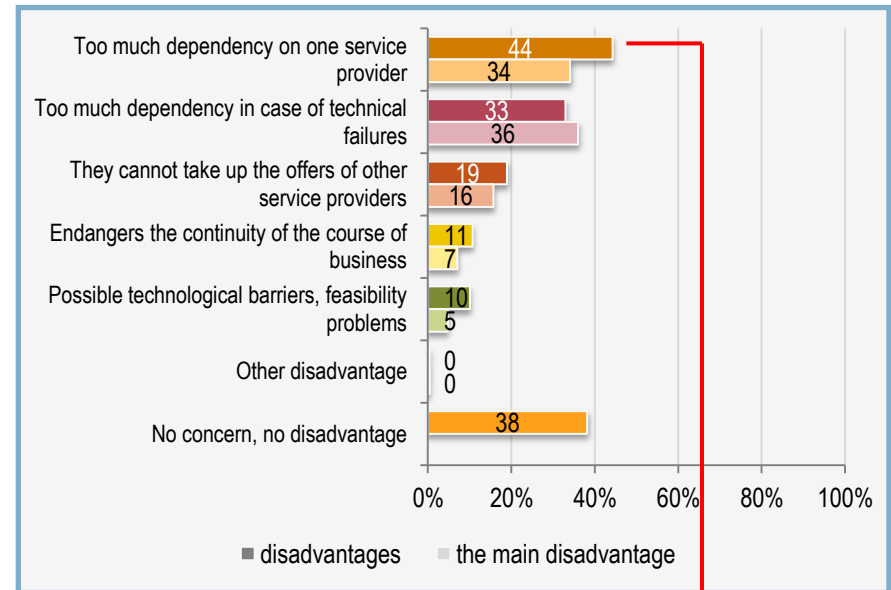
- Regarding the structure of the market, leased line technology is the most common: it takes 50% of all revenues. The market share of leased line technology is the highest among organisations with 250+ employees [56%].**
- Magyar Telekom is the most significant SP on the data transfer market with a market share of 52%. Invitel has a 22% share. The market share of small operators is of paramount high in the public and non-profit sector.**

Advantages of bundling



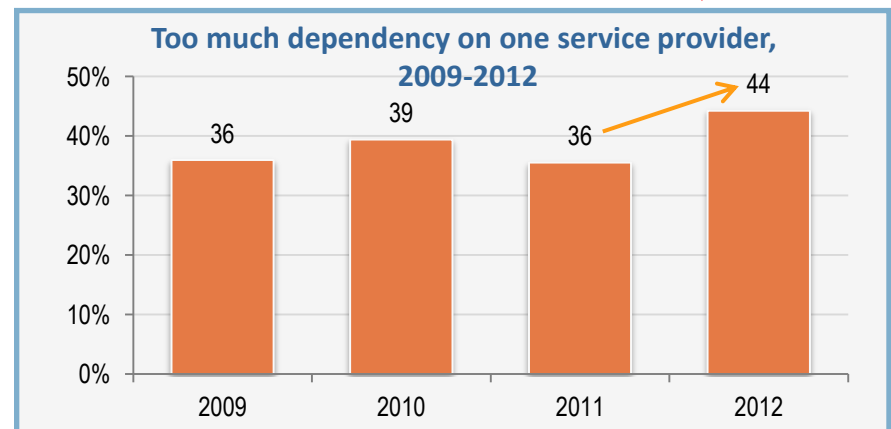
Basis: all organisations

Disadvantages of bundling

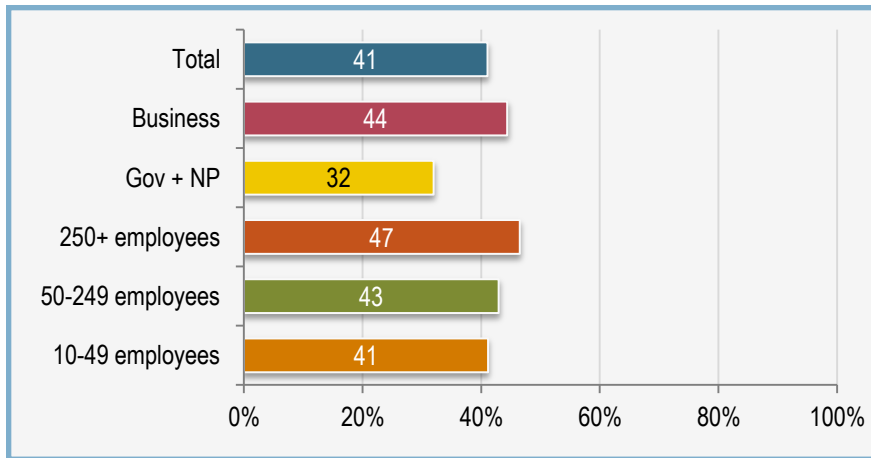


Basis: all organisations in the given year

- Too much dependency on one service provider is the main concern, and it was mentioned more often than in 2011 [2011: 36% → 2012: 44%]. Although, 38% of respondents do not see any disadvantage. The proportion of those not having any concern about bundling has decreased by 9 percentage points since 2011 [2011: 47% → 2012: 38%].**

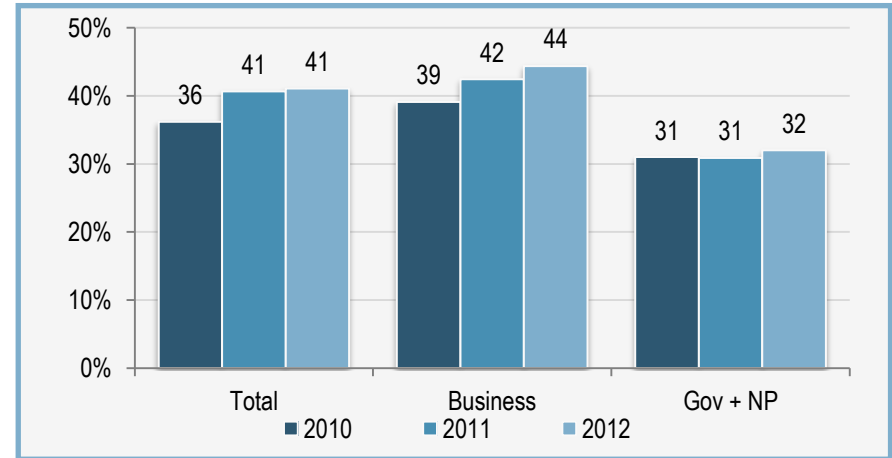


Bundle penetration



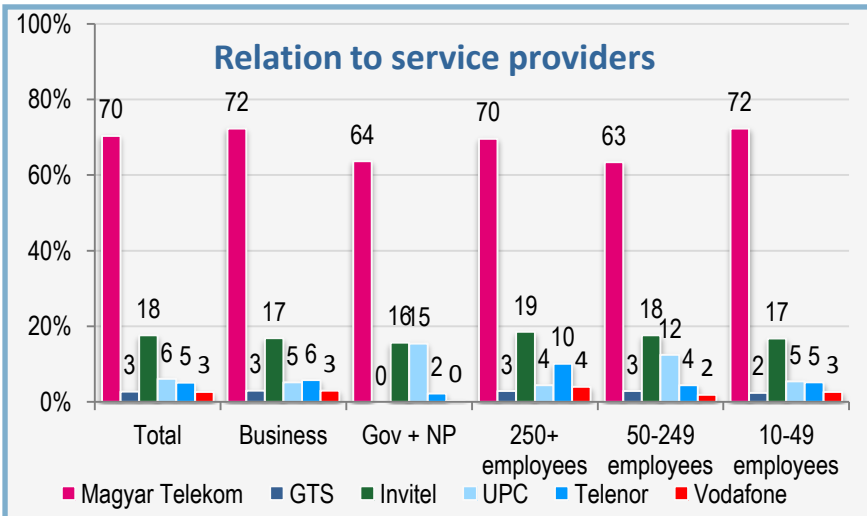
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Bundle penetration, 2010-2012



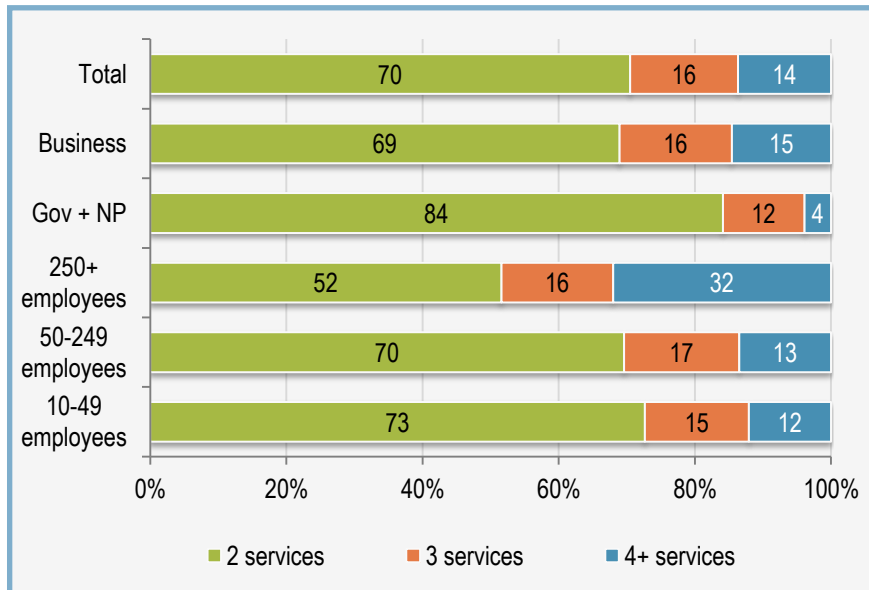
Basis: all organisations in the given year

Relation to service providers



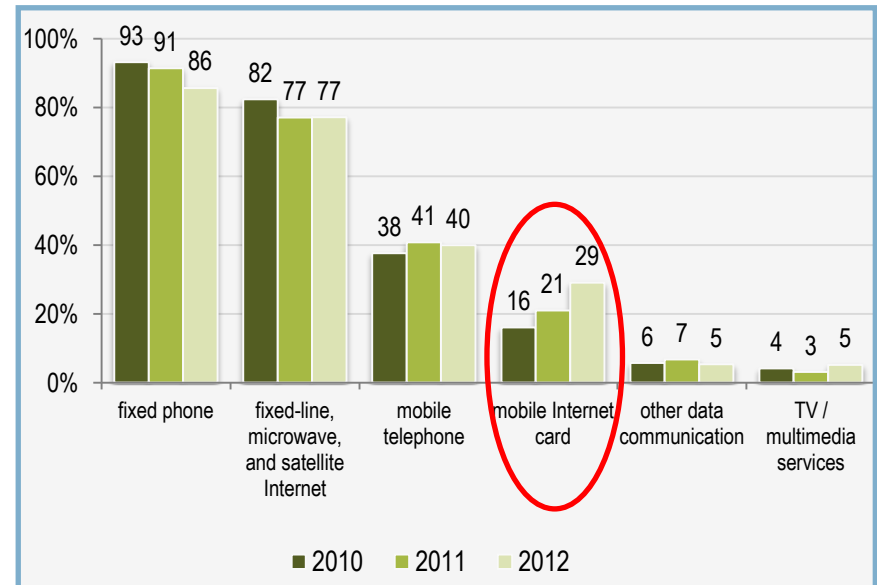
- A higher penetration of bundled services can be noticed in the business sector through the previous years, especially, among small companies.
- Seven out of ten organisations using bundled services are clients of Magyar Telekom. 18% subscribe for bundled services at Invitel.

Number of services used in bundles



Basis: organisations using bundled services, Total= 17,337 [Business=14,478, Gov+NP=2860] [250+ emp.=631, 50-249 emp.=3322, 10-49 emp.=13 384]

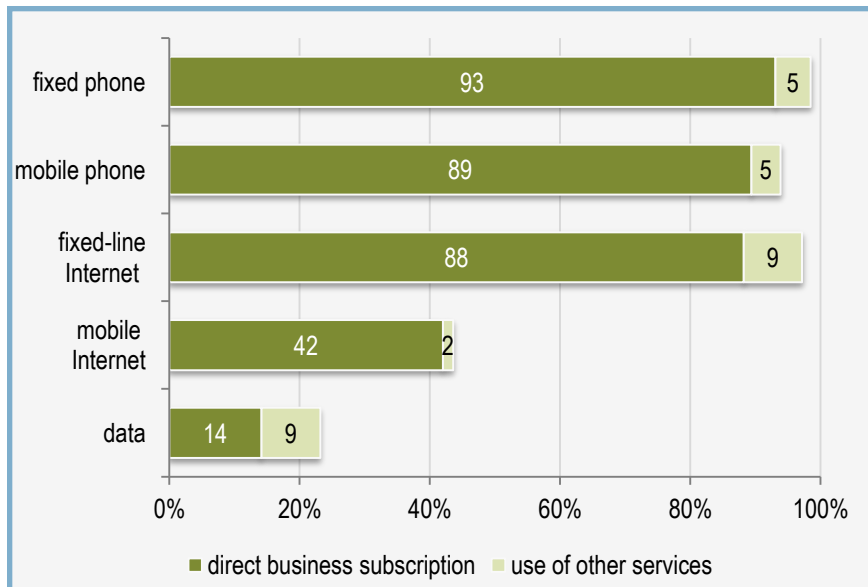
Services used in bundles



Basis: organisations using bundled services, Total= 17,337 [Business=14,478, Gov+NP=2860] [250+ emp.=631, 50-249 emp.=3322, 10-49 emp.=13,384]

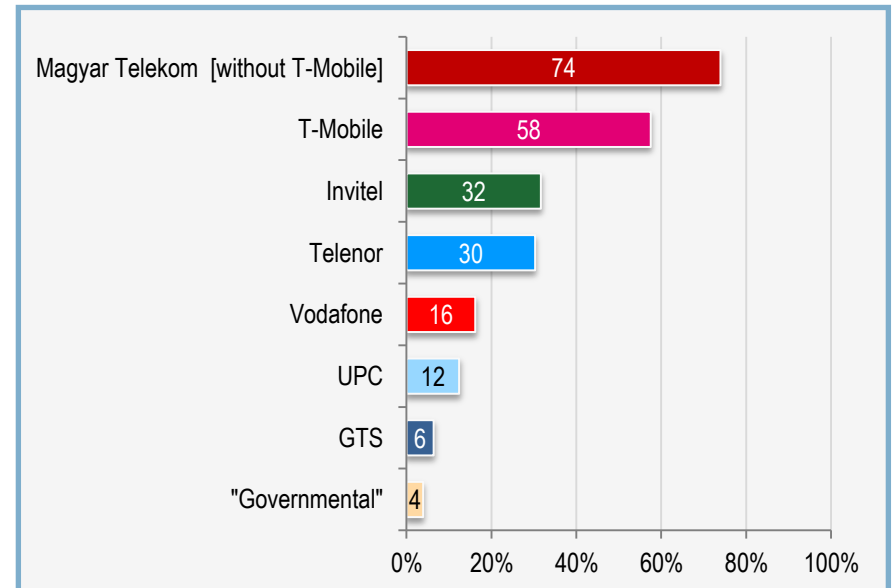
- 70% of organisations using bundled services subscribe for 2 services in a bundle. Another 16% use 3 services in a bundle.
- Organisations use fixed phone and the Internet in bundle the most often [56%]. 16% use the combination of mobile phone and mobile broadband. Some [9%] use fixed phone, fixed-line Internet, and mobile phone in a bundle. Another 7% of organisations use the combination of these three services supplemented with mobile broadband in a bundle.
- Besides telecommunication services, clients of Magyar Telekom can use gas and electricity services bundled into the telecom bundle, however, penetration is rather low yet [about 1-2%].

Penetration of telecommunications services



Basis: all organisations, Total=41,326

Direct business subscribers of all telecommunications services at the most significant service providers



Basis: all organisations, Total=41,326 [Business=31,726, Gov+NP=9600]
[250+ emp.=1356, 50-249 emp.=8041, 10-49 emp.=31,929]

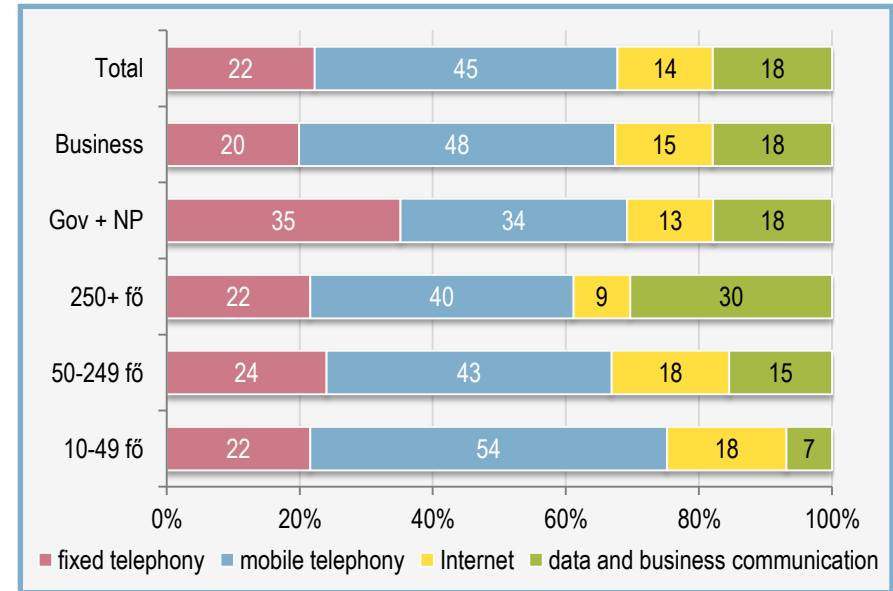
- Practically, all organisations with at least 10 employees use fixed phone and fixed-line Internet. The vast majority subscribe for mobile phone and 44% for mobile broadband as well. Only data communications services are less widespread: one quarter of enterprises, public institutions, and non-profit organisations use them.**
- Magyar Telekom [c. 28.5 thousand clients] and T-Mobile [c. 22 thousand clients] have the most favourable positions in the market regarding the proportion of subscribers. Telenor and Invitel share the third place with 12-12 thousand clients.**

The market of telecommunications services in 2012
[net sum, million HUF]

	Fixed telephony	Mobile telephony	Internet	Data and business communication	Total
Business	24 629	58 720	18 121	22 131	123 601
Gov + NP	7 803	7 563	2 870	3 964	22 201
250+ employees	11 680	21 410	4 608	16 415	54 113
50-249 employees	9 464	16 866	6 952	6 090	39 373
10-49 employees	11 287	28 007	9 371	3 591	52 257
Total	32 432	66 283	20 932	26 096	145 743

Basis: total telecommunication expenditures in 2012 [m HUF], Total=145,743
[Business=123,601, Gov+NP=22,201] [10-49 emp.=52,257, 50-249 emp.=39,373, 250+ emp.=54,113]

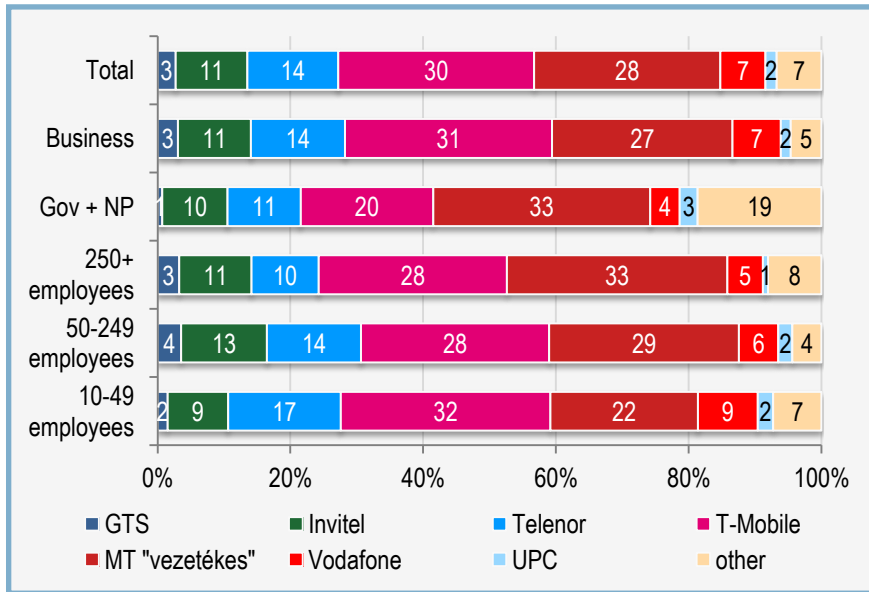
Structure of the market



Basis: total telecommunication expenditures in 2012 [m HUF], Total=145,743
[Business=123,601, Gov+NP=22,201] [10-49 emp.=52,257, 50-249 emp.=39,373, 250+ emp.=54,113]

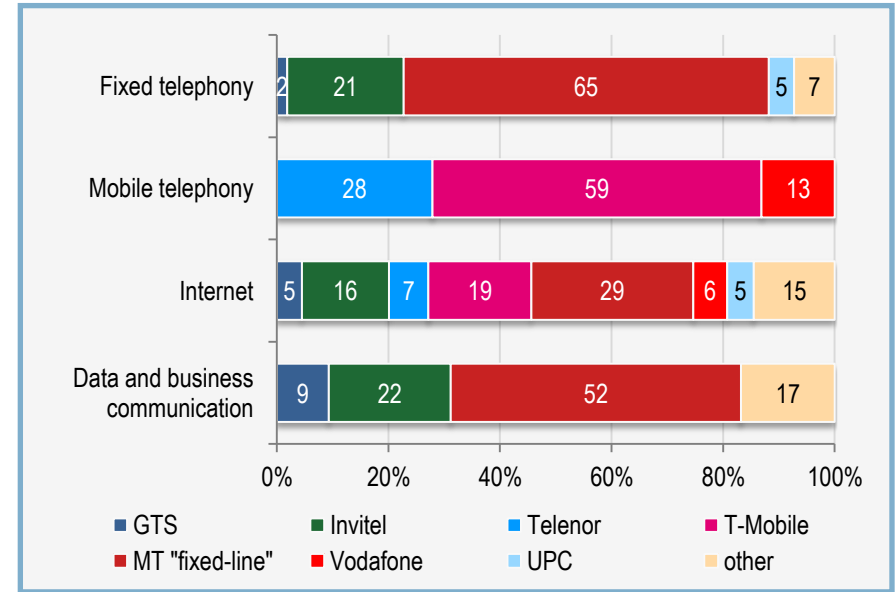
- **The whole market of telecommunications services can be estimated to be 145 billion HUF. Mobile telephony makes the largest part [45%] while fixed telephony makes up one quarter of the market.**
- **Expenditures on fixed-line services are overrepresented among public and non-profit organisations. In parallel, their expenditures on mobile services make up a lower market share.**
- **Expenditures on data communication services of organisations with 250+ employees contribute more than average to the whole market.**
- **The share of mobile telephony has increased since 2011, especially among large enterprises and public and non-profit organisations.**

Market revenue of service providers by segments



Basis: total telecommunication expenditures in 2012 [m HUF], Total=145,743
 [Business=123,601, Gov+NP=22,201] [10-49 emp.=52,257, 50-249 emp.=39,373, 250+ emp.=54,113]

Market revenue of service providers by markets



Basis: total telecommunication expenditures in 2012 [m HUF], Total=145,743

- The Magyar Telekom Group [MT “fixed-line” and T-Mobile] owns about three-fifths [58%] of the whole telecommunications market.**
- The MT Group covers two thirds of the market of fixed telephony, 59% of mobile telephony, and 52% of data communications. It’s market share is lower than 50% only in the Internet market. This submarket is much more fragmented than the others as both fixed-line and mobile service providers are taken into consideration.**