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DIAGNOSING TELKOMSEL MOBILE REVENUE UNDERPERFORMANCE FOLLOWING FIXED-MOBILE CONVERGENCE INTEGRATION

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Abstract

In July 2023, Telkom merged the B2C business of IndiHome into Telkomsel, creating the largest Fixed-Mobile Convergence (FMC) operator in Indonesia and is expected to drive growth through convergence synergies. However, despite the increase in consolidated revenue after the merger, the performance of Telkomsel's core mobile business was deteriorating. Mobile revenue fell, ARPU was flat and RPMB declined, even as the customer base expanded and data consumption grew. This study investigates whether the decline was caused by industry-wide circumstances or a company-specific execution gap. The analysis is based on a qualitative case study approach, using publicly available data from 2021-2024, combining PESTEL, Porter's Five Forces, competitor benchmarking, revenue driver performance diagnostic, Marketing Mix analysis, Kepner-Tregoe Problem Analysis and Cause Mapping. The results show that the fall was mainly due to internal monetization problems rather than declining demand or network competitiveness. The three root causes were: Pricing strategy prioritizing traffic growth over value capture; Revenue dilution from OTT substitution and revenue sharing business scheme; and FMC monetization gap limiting synergy realization. The study concludes that recovery depends on monetization discipline, better execution of convergence and better capture of value from digital services, not pursuing new sources of competitive advantage.

Keywords: Fixed-Mobile Convergence, Post-Merger Integration, Telecommunications Industry, Revenue Performance, Root Cause Analysis.

INTRODUCTION

Indonesia's telecommunications industry has a structural monetization challenge. Payload consumption still growing rapidly but revenue growth has lagged. The price war has intensified and, together with increased dependence on big volume data packages and the growing power of over-the-top (OTT) platforms, has reduced the capability of operators to convert traffic growth into revenue growth. Meanwhile, the difference in network coverage between the main operators has narrowed, which makes it more difficult to differentiate connectivity and raises competition on the pricing (EY, 2023; GSMA Intelligence, 2023). To adapt to these industry dynamics, operators have adopted increasingly Fixed-Mobile Convergence (FMC) strategies. FMC combines fixed broadband and mobile services into a single customer proposition, aiming to increase the lifetime value of the customer, improve retention and create cross-selling opportunities (Analysys Mason, 2023; OECD, 2007).

In July 2023, Telkom Group accelerated its FMC strategy by merging the consumer business of IndiHome into Telkomsel through a conditional spin-off transaction valued at approximately IDR 58 trillion. The transaction positioned Telkomsel as the largest FMC operator in Indonesia and was expected to enhance market leadership and unlock revenue and operational synergies (Telkomsel, 2024). But eighteen months after the integration, the results were mixed. Telkomsel's consolidated revenue is up with the addition of fixed broadband revenue, although its core mobile business is showing signs of deterioration. We had mobile revenue down, ARPU flat and RPMB continued to decline despite the growth in payload consumption and stable customer base.

Such a performance gap begs the managerial question. If traffic is growing, if the customer base is scaling, if network leadership is intact, why is mobile revenue lagging? More importantly, is the decline due to the industry pressures affecting all the operators or is it a company-specific execution problem post-integration? This is an important question to address not only for Telkomsel but also for other telecommunications operators pursuing convergence strategies in emerging markets. FMC is often positioned as a growth platform but it's the quality of execution and the effectiveness of monetization, not integration, that will drive value creation ultimately. Hence, this

study aims to assess the mobile business performance of Telkomsel post-IndiHome integration, uncover the external and internal factors behind the decline, and suggest strategies to improve revenue performance. The analysis is based on publicly disclosed indicators: revenue, ARPU, Customer base, payload and RPMB for the period 2022-2024.

LITERATURE REVIEW

Telecommunications Revenue Metrics

Five main indicators are commonly used to assess business performance by telecommunications operators: revenue, ARPU (Average Revenue per User), customer base, payload and RPMB (Revenue per Megabyte) (Balasubramanian & Bhardwaj, 2020). Revenue is the overall business performance, ARPU is the monetization per customer, customer base is the market size, and payload is the network usage. RPMB ties traffic growth to revenue generation, and is an important indicator of pricing and monetization efficiency (ITU, 2022). One of the recurrent problems in the developed telecommunications markets is the divergence between traffic growth and revenue growth. Operators are typically hit by pricing pressure, increasing commoditization, or decreasing willingness of the customer to pay for incremental usage when payload increases and RPMB declines (Malik & De Giovanni, 2019).

Fixed-Mobile Convergence and Post-Merger Integration

Fixed-Mobile Convergence (FMC) has emerged as a key strategic response to the slowing growth of traditional telecommunications services. Operators want to increase household penetration, improve customer retention and boost monetization opportunities by integrating fixed and mobile connectivity into a single customer proposition (Analysys Mason, 2023). Many FMC initiatives are possible due to mergers, acquisitions or organizational restructuring that bring together previously separate fixed and mobile businesses. Synergies can be found in the deployment of convergence strategies, however research suggests that the potential benefits are often contingent on effective post-merger integration and implementation. Strategic initiatives alone does not ensure value creation, the quality of execution determines whether the expected synergies will be realized (Deloitte, 2025).

Diagnostic and Root-Cause Analysis Frameworks

This study combines strategic analysis frameworks with structured root-cause methodologies to distinguish between external market pressures and internal execution issues. Porter's Five Forces assess the attractiveness of the industry and competitive intensity (Porter, 1980; 2008) and PESTEL analysis is used to evaluate macro-environmental factors affecting the performance of the industry. The Marketing Mix framework is used to evaluate commercial execution, especially product and pricing decisions (Kotler & Keller, 2016). The study uses Kepner-Tregoe Problem Analysis (KTPA) to find the root causes. KTPA is a systematic method of problem analysis that focuses on what, where, when, and extent (Kepner & Tregoe, 2013). Cause Mapping complements KTPA by demonstrating the connection between symptoms, contributing factors, and root causes, thus reducing the risk of concentrating on symptoms rather than root causes (Doggett, 2005). Lastly, the SWOT analysis summarizes the findings and the Ansoff Matrix offers a framework to prioritize growth and recovery strategies (Ansoff, 1957).

METHOD

This study uses a qualitative case study approach with the support of descriptive analysis of secondary quantitative data. The case is on Telkomsel's mobile business during the 2022–2024 period, the period just before and after the integration of IndiHome's consumer fixed-broadband business. Performance trends are benchmarked to 2021 as the base year and compared with the two closest peers in the industry, Indosat Ooredoo Hutchison and XL Axiata. The analysis is based only on publicly available sources, including annual reports of Telkomsel, Indosat Ooredoo Hutchison and XL Axiata, publications from government and regulatory bodies such as BPS, Komdigi and KPPU, industry reports, equity research and reputable market publications. Key operating indicators are: Mobile Revenue, Average Revenue Per User (ARPU), Customer Base, Data Payload, Revenue Per Megabyte (RPMB). RPMB was calculated by dividing the reported mobile revenue by the total mobile payload.

The analytical process was carried out in three stages. We first looked at the external conditions through a PESTEL analysis and Porter's five forces to see if the industry dynamics could explain the drop in mobile performance. Secondly, competitor benchmarking and revenue-driver analysis were conducted to benchmark Telkomsel's performance against industry peers and identify possible internal performance gaps. Then a marketing mix assessment reviewed product and pricing execution. Third, the results of external and internal analysis were integrated using Kepner-Tregoe Problem Analysis (KTPA) and cause mapping to identify the most probable root causes. Each finding was evaluated according to KTPA's what, where, when and extent dimensions to distinguish

root causes from contributing factors and external drivers. The final diagnosis was synthesized using SWOT analysis and translated into strategic recommendations using the Ansoff matrix.

RESULTS AND DISCUSSION

External Environment Analysis

The external analysis shows that during the period of the study, Telkomsel was in an industry environment that was tough. The information and communication sector experienced recurring deflation, constraining operators' ability to pass through cost increases as inflation declined from 5.51% in 2022 to 1.57% in 2024, while telecom pricing remained under pressure (BPS, 2025). At the same time, the share of telecommunications in household expenditure decreased from 3.76% in 2021 to 3.52% in 2024 (BPS, 2024) despite the growth of overall consumer spending.

The industry also continued its structural shift from legacy services to data connectivity. Declining Telkomsel's voice traffic, from 123 billion minutes in 2021 to 41 billion minutes in 2024, will reduce the contribution of legacy services to total revenue. Simultaneously, the growth of OTT platforms has diverted a growing share of digital value creation from network operators (DataReportal, 2024; Gultom, 2020). The appearance of alternative options like fixed wireless access (FWA), satellite broadband (like Starlink) and WiFi offloading further increased the substitution risk. The intensity of industry rivalry is high according to Porter's Five Forces analysis. Competition is essentially based on price, customer switching costs are low, and network coverage and quality have become increasingly a minimum requirement rather than a source of pricing premium. Crucially, these were across all the major operators and thus do not explain Telkomsel's relative underperformance.

Competitor Benchmarking

Benchmarking results show that external market conditions can not explain the gap of Telkomsel's performance. Indosat Ooredoo Hutchison and XL Axiata both grew mobile revenue and ARPU during the same period. Telkomsel's mobile revenue declined despite having the largest Customer base, the strongest network position, and the highest organic payload growth. Indosat's higher payload is in part a function of its 2022 merger with Hutchinson Tri, rather than organic demand. The main difference is monetization efficiency. Telkomsel's data payload increased by 47.3% between 2021 and 2024. However, RPMB fell 14.6% in 2024 alone, decreasing by Rp-1.9/MB (from Rp6.0 to Rp4.1). This decline was roughly three times larger than the average for peers. The results show that higher traffic volume has not led to a proportional increase in revenue.

Table 1. Mobile Business Performance Comparison, Big-3 Operators, 2021-2024

Indicator	Telkomsel	IoH	XL Axiata	Peer Average
Consolidated Revenue Growth (YoY, 2024)	10.7%	9.1%	6.4%	7.7%
Mobile Revenue Growth (YoY, 2024)	-2.7%	7.5%	4.3%	5.9%
ARPU (Rp. Thousand, 2024)	44.4	38.0	42.6	40.3
ARPU Increment (Rp. Thousand, 2021 - 2024)	+0.7	+3.6	+6.6	+5.1
RPMB (YoY, 2024)	-14.6%	-4.1%	-4.7%	-4.4%
RPMB Increment (Rp. , 2021 - 2024)	-2.0	-0.9	-0.8	-0.9
Customer Base (Million, 2024)	159	95	59	77
Payload Growth (Cumulative, 2021 - 2024)	47.3%	146.8%	61.0%	103.9%
Payload Growth (YoY, 2024)	13.9%	12.2%	9.4%	10.8%

Source: Author's analysis based on Telkomsel, IOH, and XL Axiata Annual Reports (2021-2024). IOH's 2021 figures reflects pre-merger Indosat only; the Indosat Ooredoo-Hutchison 3 Indonesia merger completed in January 2022 making IOH' 2021-2024 growth partly inorganic.

Monetization Constraints and Pricing Dynamics

Monetization is the primary challenge, not demand generation, according to the analysis of revenue and operational drivers. Stable customer base numbers, strong network performance, and payload growth in excess of organic industry averages. Mobile revenue declined nonetheless and ARPU was broadly flat. The structural constraint is compounded by the fact that Telkomsel is the highest ARPU operator in the market. In a highly price

sensitive prepaid market, the room to increase prices across the board is limited with ARPU already around Rp44 thousand. Competitors entering well below that Rp44 thousand, by contrast, have pricing uplift opportunity below Telkomsel (Image 1) and they lifted ARPU, Indosat Ooredoo Hutchison Rp3.6 thousand, XL Axiata Rp6.6 thousand. As a result, Telkomsel's revenue growth is increasingly driven by improving customer mix, product design and value capture, rather than traditional tariff hikes. But the company's response was focused on traffic growth and customer retention, which in turn led to bigger data allocations and discounted bundles that drove usage faster than revenue growth.

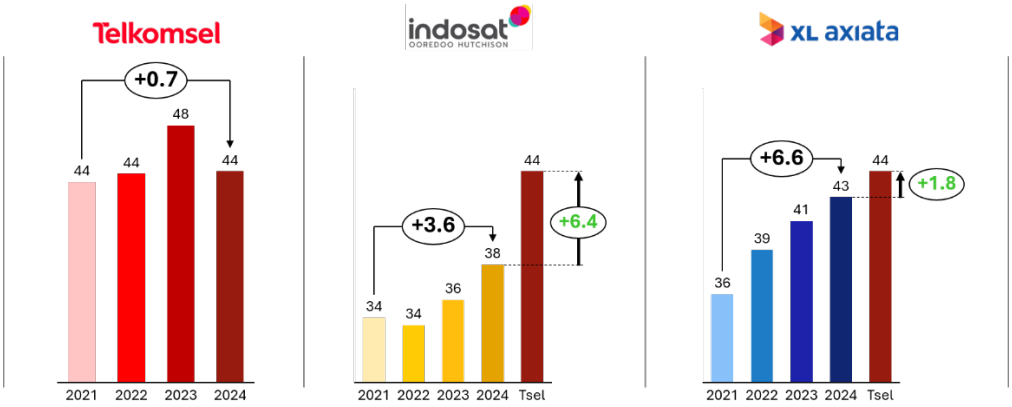

Image 1: ARPU Positioning and Monetization Ceiling, Big–3 Operators, 2021-2024
Source: Author's analysis based on Telkomsel, IOH, and XL Axiata Annual Reports (2021-2024).

Root-Cause Diagnosis

We used the Kepner-Tregoe Problem Analysis (KTPA) to differentiate root causes from symptoms. Throughout the analysis various possible explanations were discarded. The customer base was stable, so the customer base was not shrinking. Telkomsel retained network leadership so network deterioration was ruled out. Peer operators were able to grow revenue during the same period, too, so industry-wide weakness was dismissed. But the analysis has found three major root causes. First, volume-oriented pricing strategy caused growth in package size to outpace growth in revenue leading to sustained RPMB compression and stagnant ARPU. Second, Fixed Mobile Convergence's expected monetization benefits were not fully realized. FMC penetration was below benchmark levels and the bundle structures were more value expansion oriented through additional quota than revenue uplift. Third, there was revenue dilution through the increasing role of OTT platforms and revenue sharing business scheme, reducing the proportion of digital revenue directly captured by Telkomsel. The Combo Sakti case is an example of this dynamic. Adding OTT content only increased the price of the package by Rp10,000, but increased the quota by 20 GB, which reduced the effective price per gigabyte by about 23%. The bundle improved the perceived value to the customer, but further reduced monetization efficiency.

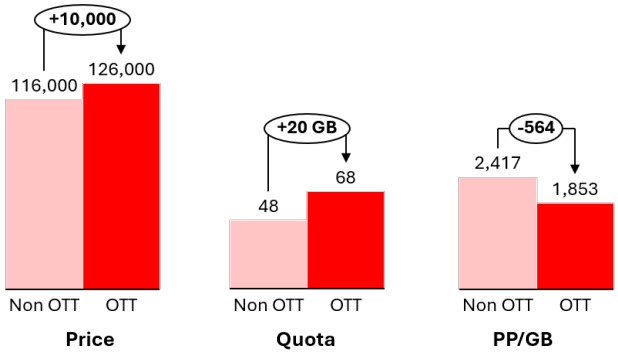

Image 2: Telkomsel OTT Bundling Pricing Comparison - 2024
Source: Telkomsel commercial package data (2024).

CONCLUSION

The study showed that Telkomsel's mobile revenue underperformance following IndiHome's integration was mainly due to internal monetization challenges, rather than external market conditions. Industry-wide pressures such as commoditization, OTT substitution and price war affected all operators but do not explain the underperformance of Telkomsel relative to IOH and XL Axiata. We identified the main drivers of the performance gap to be volume-oriented pricing, which lowered monetization efficiency, FMC monetization model that grew customer value faster than revenue realization, and revenue dilution associated with OTT ecosystems and revenue sharing business scheme. The results imply that future growth will be less dependent on growth in traffic volume and more dependent on better monetization effectiveness. Strategic priorities include strengthening pricing discipline, simplifying product portfolios, increasing FMC value capture, expanding proprietary digital services and improving customer mix through higher value segments. More generally, the case shows the need to look beyond revenue growth in consolidated terms in evaluating the success of a post-merger integration. A strong topline performance can mask weaknesses in core business segments and therefore the quality of monetization and realization of synergies are key measures of the effectiveness of integration.

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