

## NGA services study

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**Fibre to the Home**  
Council **Europe**

# Methodology

- Goal : benchmark FTTH/B services in Europe to analyze trends and best practices
  - Highlight the **successful FTTH/B services and pricing strategies**,
  - **Compare to legacy broadband** strategies,
  - Understand the end-user proposed and perceived value.
- Approach: primary research
  - Fine-grain analysis of customer facing service offerings
  - Primary interviews with



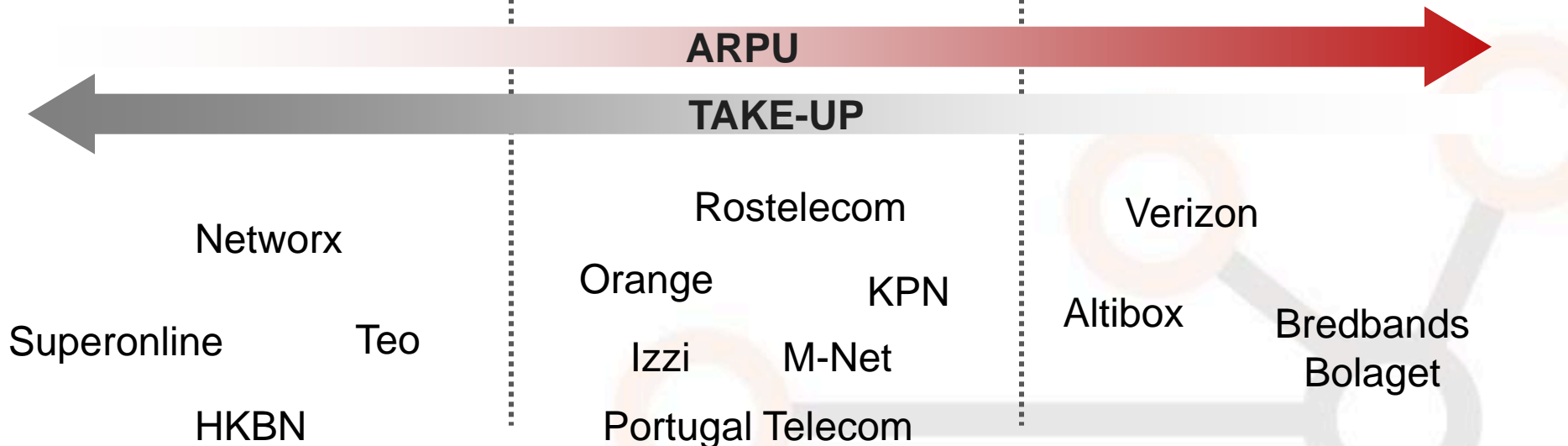
# Overall analysis of strategies

There are **three different strategies** at play on the market:

The **acquisition** strategy focuses on maximizing penetration. Offerings are generally no-frills and priced competitively to existing alternatives.

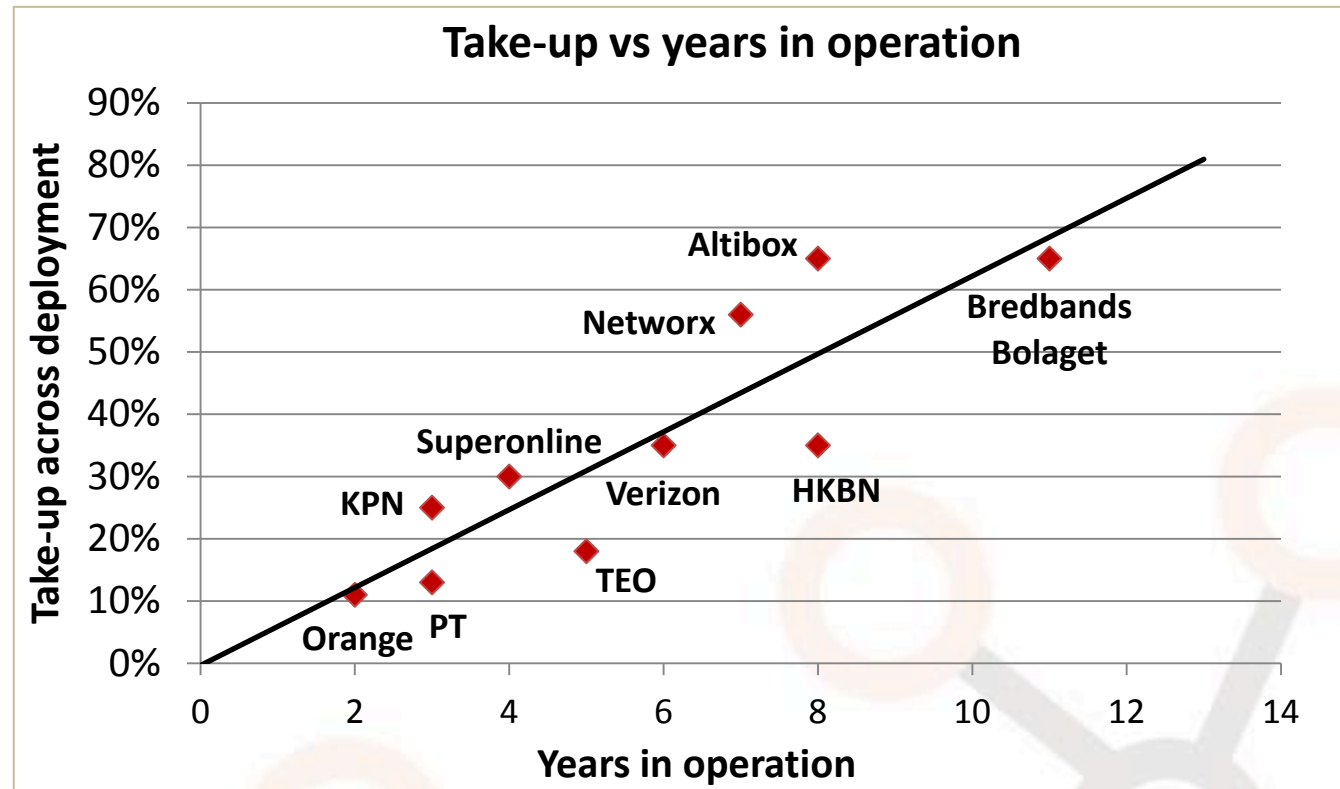
The **constrained** strategy is a mix of premium and acquisition, often dictated by market condition.

The **premium** strategy aims for sexy FTTH/B services at premium prices, to address a smaller customer base without cannibalising existing revenues.



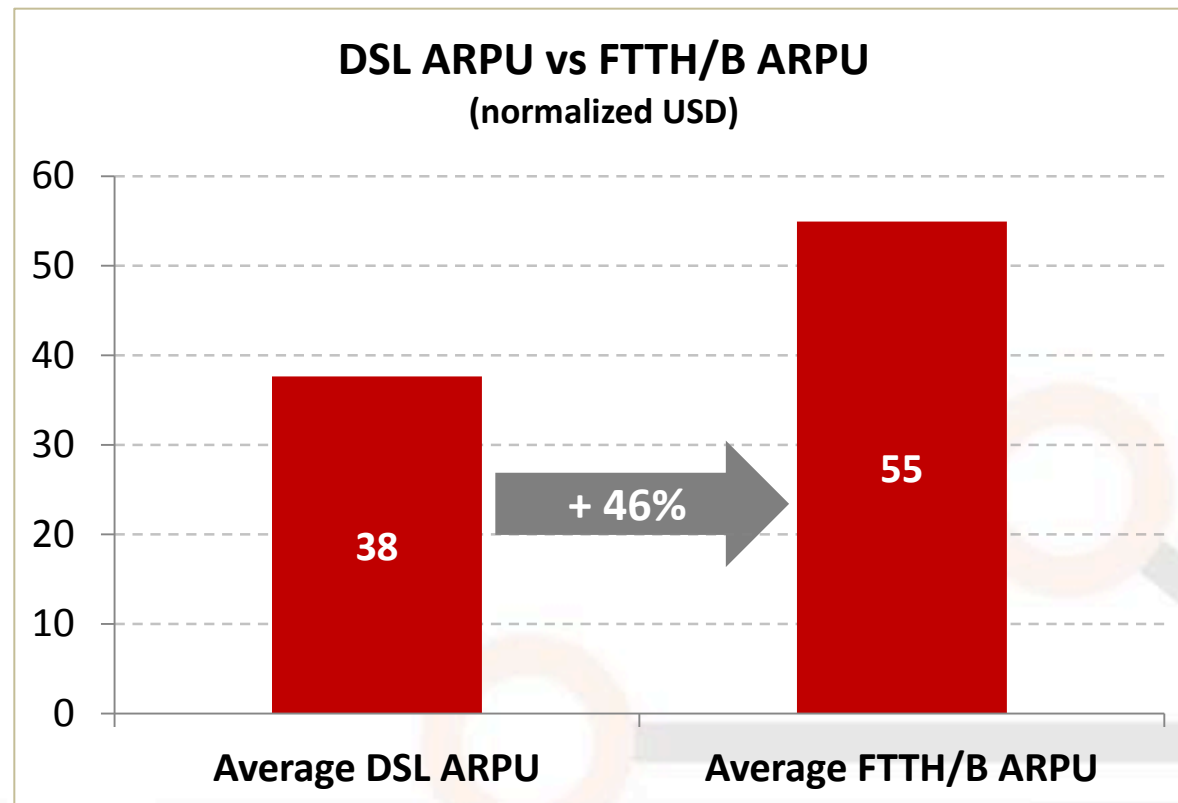
# There is no FTTH/B “demand issue”

- Despite some variation on a project by project basis, **take-up is generally a factor of time.**
- Acquisitions strategies aim to accelerate take-up
- Premium strategies tend to slow it down
- Larger projects and incumbents have generally lower take-up



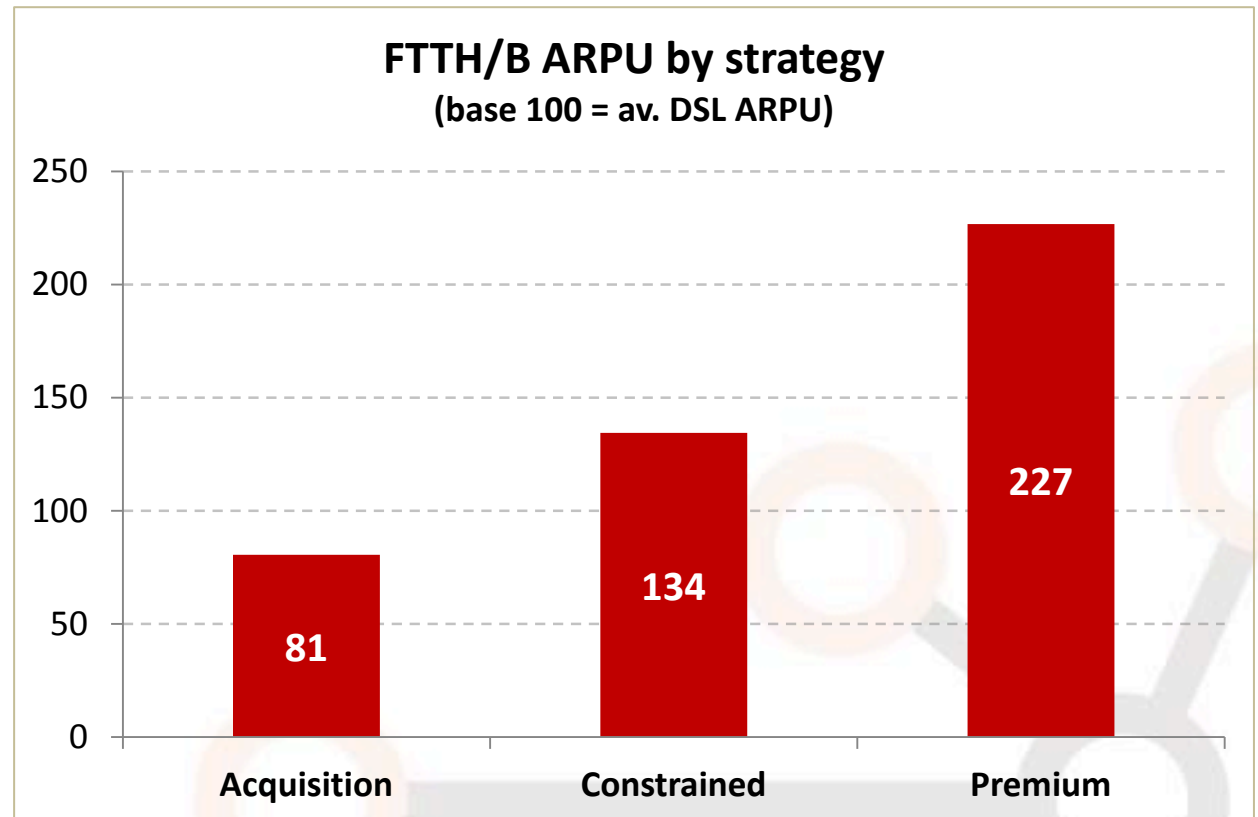
# FTTH/B ARPU on average is 46% higher than DSL

- When comparing FTTH/B Average Revenues Per User (ARPU) with DSL ARPU for the same player (or, in case of FTTH/B only players for the incumbent in the same market), across the sample we see that on average **FTTH/B ARPU is 46% higher**.



# FTTH/B ARPU varies widely by strategy

- Companies adopting FTTH/B strategies of **acquisition** have ARPUs that are on average **lower than DSL ARPUs**. This is unsurprising since these companies are never incumbents and since they have offers priced aggressively compared to DSL.
- Companies with Constrained and Premium strategies have **ARPUs significantly higher than DSLs**.



# Why FTTH/B ARPU is higher?

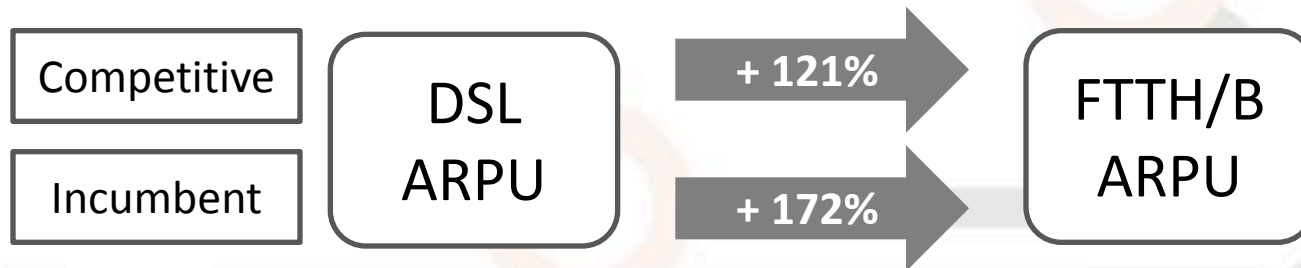
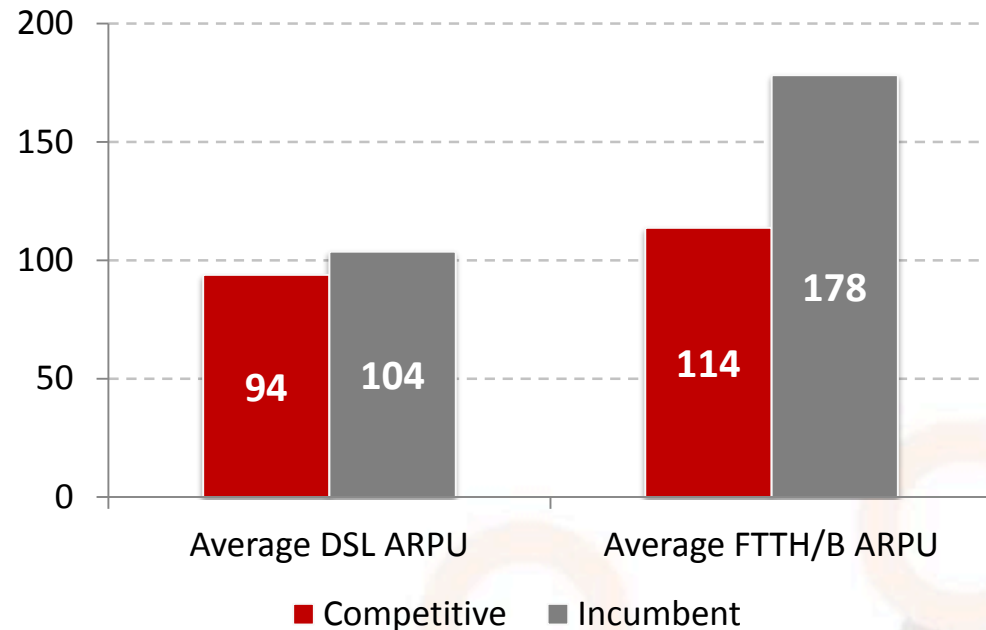
- Overall, FTTH/B prices are higher for equivalent service propositions (bandwidth excepted)
- FTTH/B customers tend to subscribe to more services (ie. more revenue generating units for the service provider)
- FTTH/B customers tend to buy more options and pay as you go services: premium channels, VoD movies, multi-screen options, etc.
- Examples:
  - On average 2.5 VoD per month on DSL and 7 on FTTH/B
  - 90% of FTTH/B customers have triple play vs. 15% on DSL



# Competitive ARPUs vs Incumbent ARPUs

- Incumbent operators tend to be more cautious regarding FTTH/B pricing strategies.
- Competitive operators have to reduce the gap with DSL ARPU to develop their customer base.
- Incumbent operators have lower incentives to sell aggressively due to the revenues from copper local loop. They call it “managing the transition”.

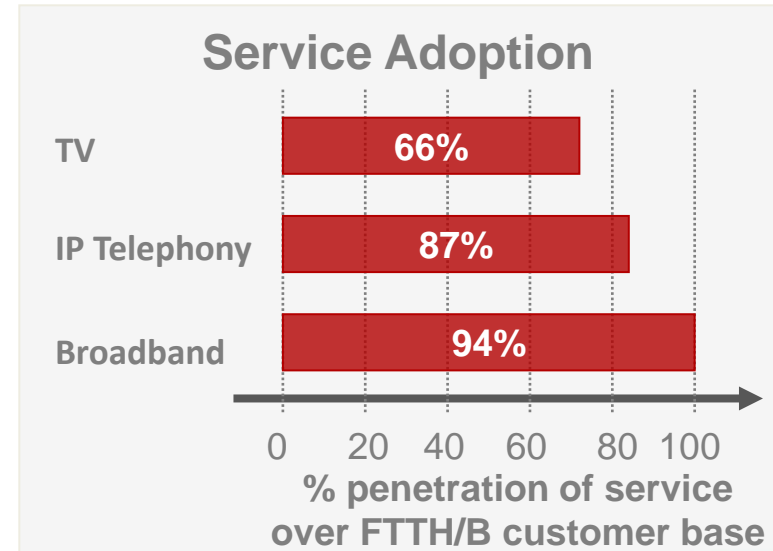
**Competitive ARPUs vs Incumbent ARPUs**  
(base 100 = average DSL ARPU)





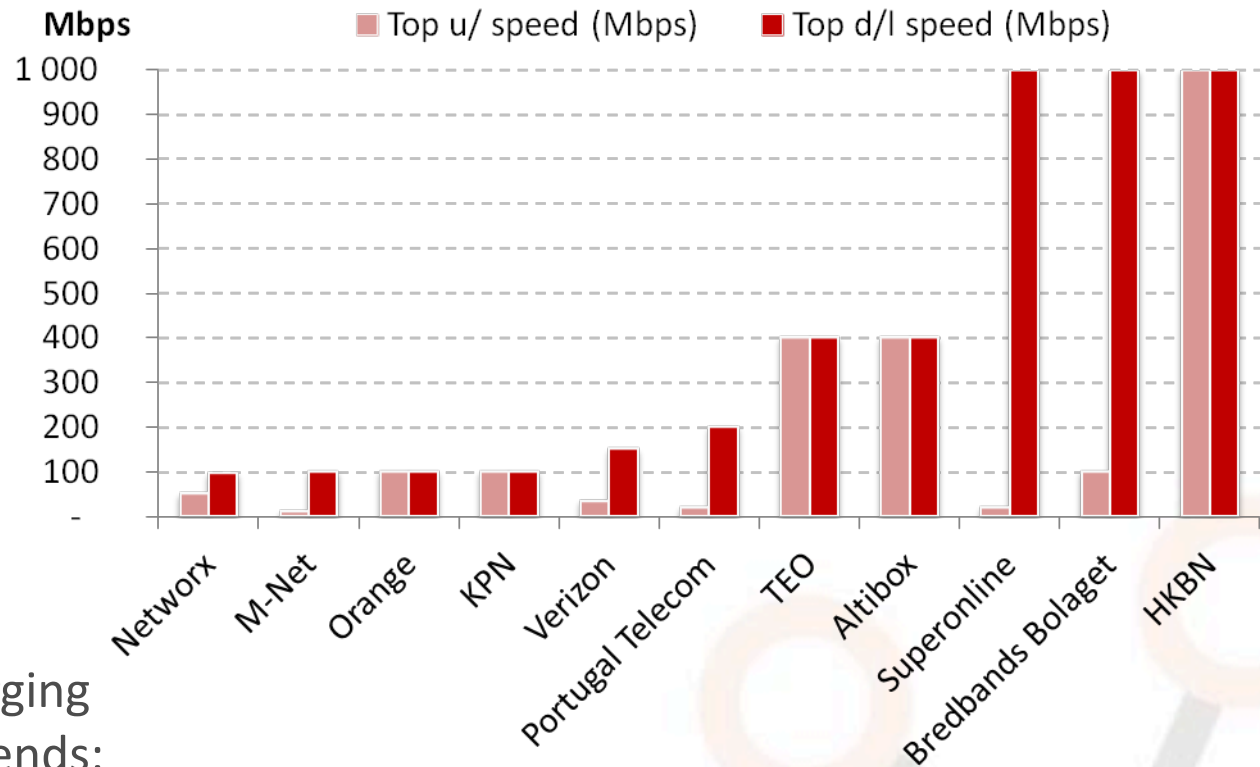
# Offers

- All service providers want their customers to subscribe to multiple services. How they achieve **multiple service penetration**, however, varies greatly.
- Most (but not all) service providers offer some form of discounted bundle.
- The majority of Service Providers studied did not impose an anchor product. For those who did, the anchor product was primarily broadband.
- On average, the discount for a triple play bundle over the same services purchased separately is 30% although in effect discounts range from 10 to 50%.



# Top upload and download speeds

- An increasing number of service providers offer bandwidth over 100Mbps download.
- Less than half of the top tier offers include symmetric bandwidth.
- Gigabit services are emerging driven by the following trends:
  - speed sells
  - Gigabit creates marketing differentiation
  - Real-time is addictive



# Over-the-top services

- Some service providers develop partnerships to **include over-the-top services** in their offers :
  - KPN and Bredbands Bolaget offer Spotify subscriptions to their customers, Orange offers premium Deezer subscriptions
  - Bredbands Bolaget partners with Voddler, the “Spotify for movies”
- Other SPs **develop their own “over-the-top” solutions**, especially for multi-screen delivery:
  - Altibox offers Chill-in and Chill-out (multi-screen live TV delivery inside and outside the home)
- By and large though, more Service Providers see **over-the-top as a threat** rather than an opportunity



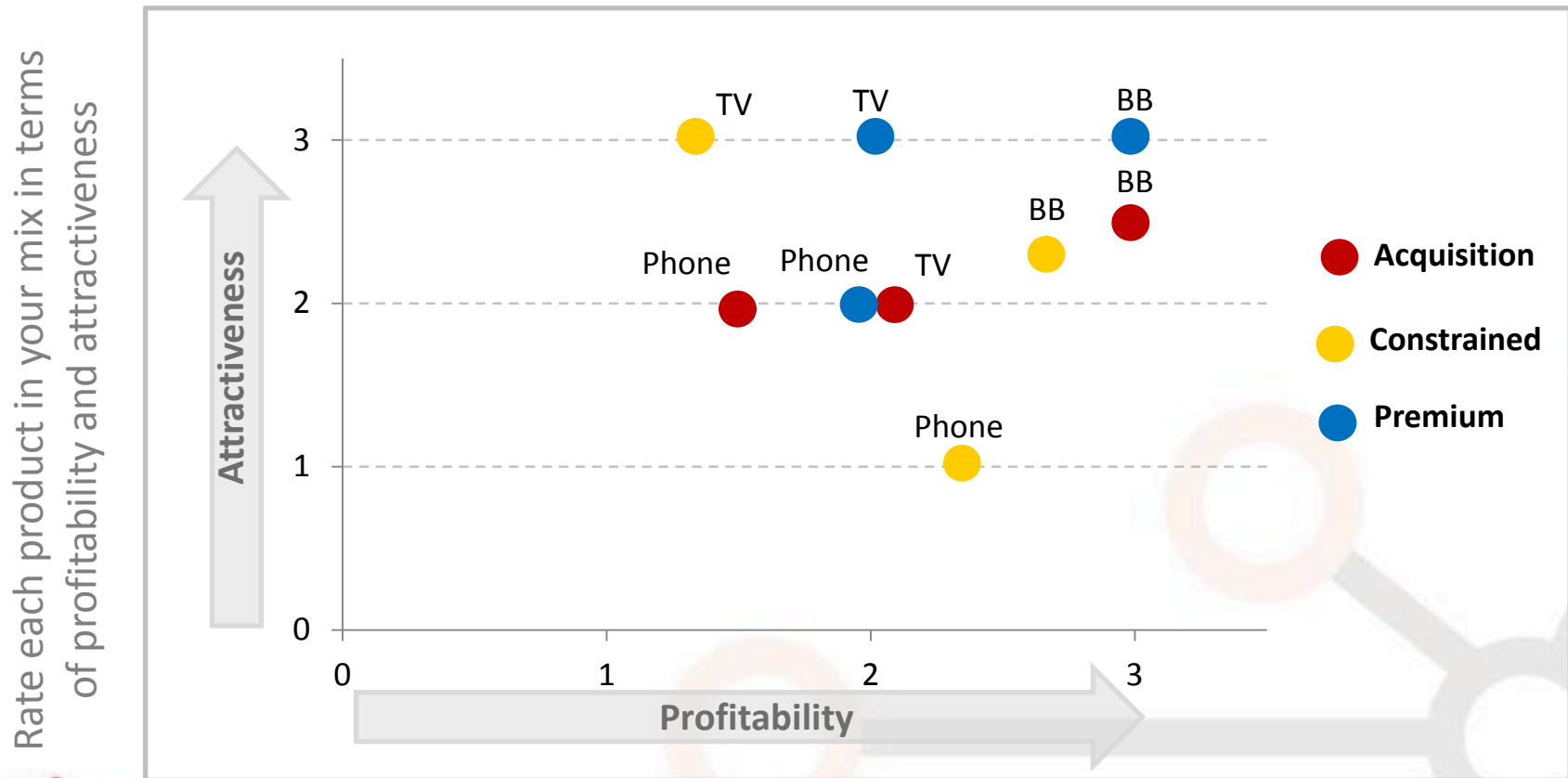
# Businesses

- Half of the service providers surveyed don't have a specific offer targeted at small businesses,
- Service Providers tend to target medium-sized to large businesses with bespoke fiber connections, but don't seize the opportunity to extend into the small business arena,
- Existing small business offers are rarely more than residential offerings with "business" stickers.



# Profitability vs Attractiveness

- Broadband is both the most attractive and the most profitable product in the mix.
- TV is attractive but less profitable. Telephony is less attractive and less profitable.



# Conclusion

- FTTH/B take-up is **essentially a factor of time**, with strategy affecting how fast profitable penetration is achieved.
- FTTH/B ARPU's are **significantly higher than DSL ARPU's**, 46% on average.
- Overall, service providers remain stuck between **unwillingness to invest in innovative services** and **distaste for over-the-top partnerships**.
- Most service portfolios are still **largely comparable with DSL/Cable** grade portfolios, with differentiation coming only from broadband speeds.
- Differentiation where it happens is centered mostly around **content delivery and consumption**, although other **home centered offerings** are starting to appear.
- The potentially lucrative **small business market remains largely untapped** with lackluster offers unlikely to encourage migration to fiber.