

## **Executive summary:**

### **Successful Service Strategies for FTTH Operators**

#### **Where's the demand? Right here!**

One of the arguments often used to defer or avoid deployment of fibre networks is that there is no evidence of demand for ultra-high-speed services and applications. But a study commissioned by the FTTH Council Europe shows that this perception does not match the reality.

Benoît Felten at Diffraction Analysis analysed the subscriber growth of a number of established FTTH service providers. The most significant factor influencing the take-up rate<sup>1</sup> was the length of time that the business had been in operation.

This can be explained by the simple fact that the service can only grow in places where the infrastructure has already been deployed. As the potential customer base expands, marketing becomes more effective, and the number of people taking the service increases accordingly. While demand builds up fairly gradually, the research shows that there is no inherent problem with demand.

Interestingly, this finding was independent of the strategy being pursued by the FTTH service provider. Essentially there are three strategies: Players following “acquisition” strategies aim to maximise the number of customers through aggressive pricing. At the opposite extreme are service providers following “premium” strategies, who position their products at premium end of the market. And there are service providers who fall somewhere in between, typically because their pricing is constrained by competition and the local market.

#### **Customers embrace new services over FTTH**

The study also showed that service providers offer a wider range of services over FTTH, with triple-play being standard. While most service portfolios centre on content, some enterprising service providers have expanded into home automation and security, and healthcare and education services are on the horizon. Others have formed partnerships with over-the-top service providers to speed up the introduction of new services.

The wider choice in services is one reason that FTTH subscribers purchase more services and add-ons, such as video on demand, than DSL customers do. The other reason is improved stability and instantaneous access, which makes the user experience more reliable and comfortable, and in turn leads to higher consumption.

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<sup>1</sup> Take-up is defined as the proportion of paying subscribers to the number of homes passed.

## **A significant revenue uplift can be expected from FTTH**

The increase in user activity typically translates into significantly higher average revenues per user (ARPU) for the service provider. Among the sample in the study, FTTH ARPUs were on average 47% higher than DSL ARPUs for the same service provider (or, where unavailable, in the same market); and can be much higher.

However, the chosen service strategy of the FTTH operator has a big effect on the ARPU. “Premium” FTTH service providers had ARPUs on average 280% higher than those following an “acquisition” strategy.

## **Incumbents generally take a more cautious approach**

The difference in revenues between competitive and incumbent service providers also turned out to be notable. Competitive players, on average, had ARPUs only 21% higher than the average DSL ARPUs whereas incumbents had ARPUs 71% higher. Competitive players are more likely to drive acquisition through aggressive pricing, whereas incumbents often take a cautious approach to the transition to fibre infrastructure – partly because they cannot offer the new, improved services to all customers simultaneously.

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### **About the FTTH Council Europe:**

The FTTH Council Europe is an industry organisation with a mission to accelerate the availability of fibre-based, ultra-high-speed access networks to consumers and businesses. The Council promotes this technology because it will deliver a flow of new services that enhance the quality of life, contribute to a better environment and increase economic competitiveness. The FTTH Council Europe consists of more than 150 member companies.

[www.ftthcouncil.eu](http://www.ftthcouncil.eu)