

The value of 100Mbps broadband markets

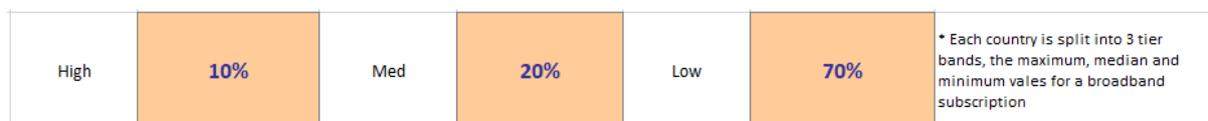
Being able to understand how much revenue can be generated from an area is an important input for anyone's business plans. As operators across the globe are increasingly focusing on deploying superfast broadband with download speeds of 100Mbps and higher, Point Topic has developed a model that allows to assess potential 100Mbps+ broadband subscription revenues that can be generated in a country – the so called revenue headroom.

The EU countries in particular are pursuing the Digital Agenda (DA) targets which focus on making 100Mbps broadband access available to the majority of population by 2020. Hence this version of the model is centred on the potential revenue that can be generated from 100Mbps+ broadband services, once the DA targets are achieved, in selected EU countries. In this instance we are focusing on residential broadband services. The model can be extended to the pan-European and global scale as well as adapted to other services (for example, business broadband, TV etc) and different time scales.

The model combines data from two of our services - Global Broadband Statistics and Broadband Operators and Tariffs - as well as other inputs such as the DA targets related to 100Mbps+ broadband and the estimated total households in 2020 in each country. The model is based on the split of broadband subscribers by tiers of tariffs they subscribe to (monthly subscriptions). It is assumed that the countries will achieve their broadband coverage targets on time and that the monthly subscriptions (tariffs) will remain at levels similar to the current ones. The calculations are based on Point Topic's tariff and subscriber data as of mid-2017. All tariffs used in this model are at USD\$ PPP rates.

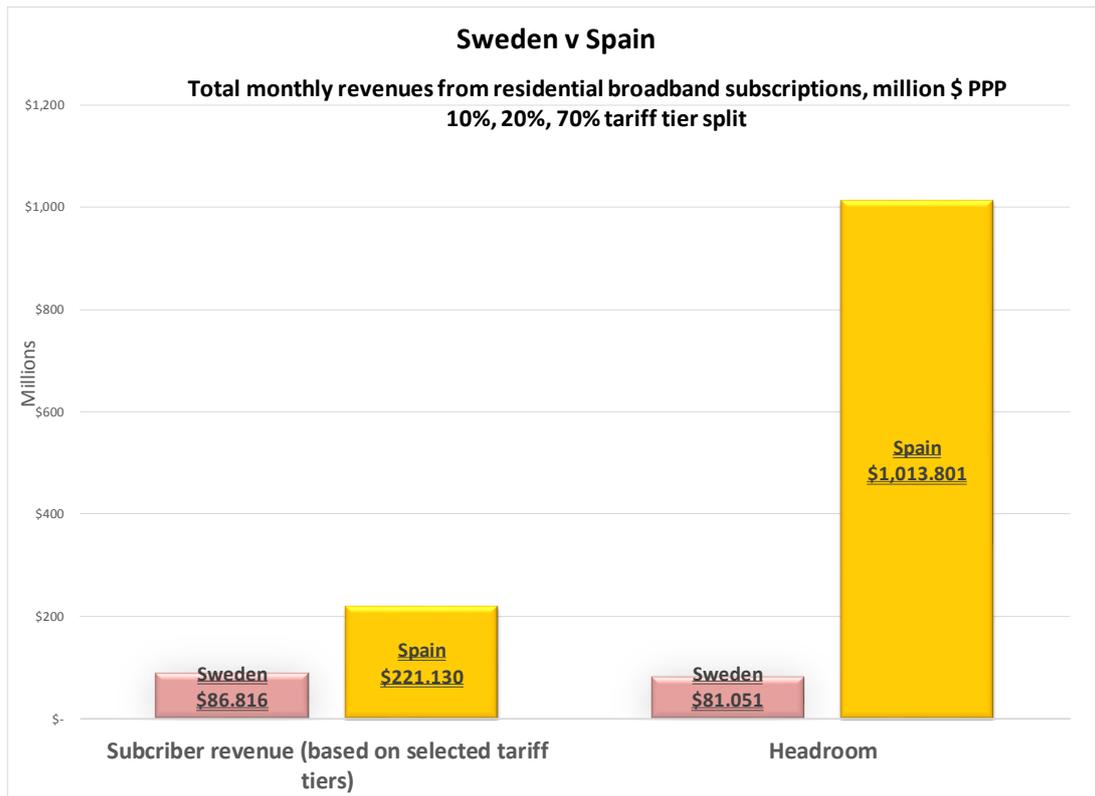
Tariff tier assumptions and the resulting revenue headroom

In this first example we set the tariff tier split as follows:



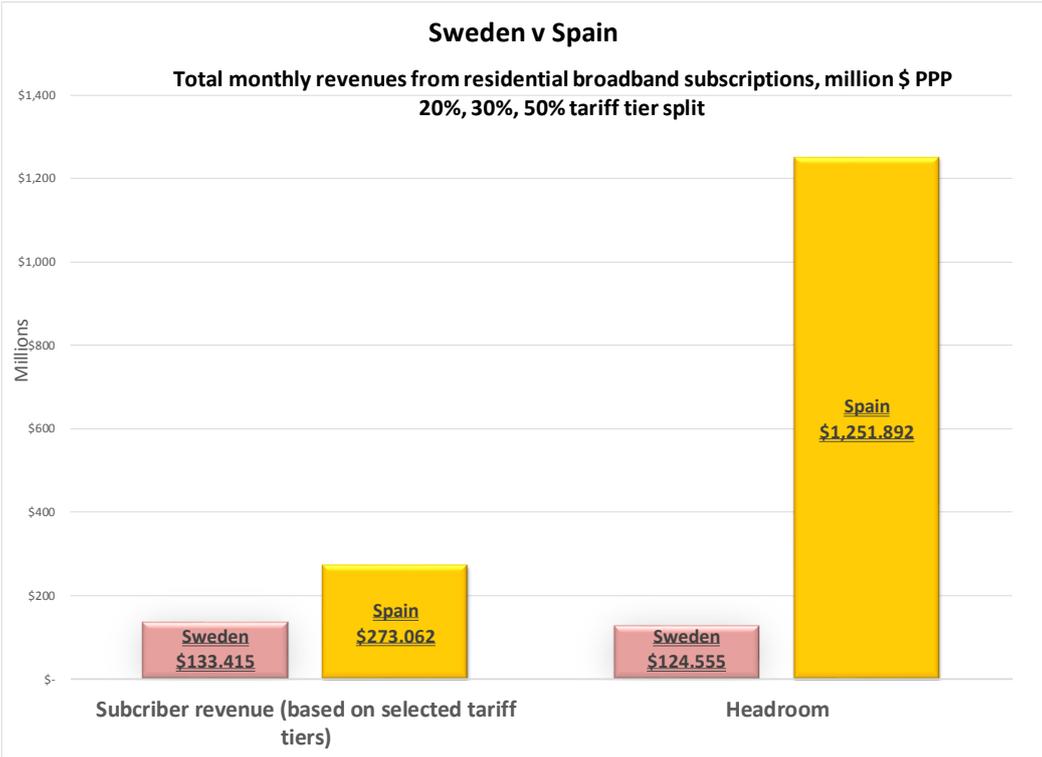
So, we assume that 10% of residential broadband subscribers take the most expensive 100Mbps+ services with 20% taking the mid-price ones and 70% go for the lowest monthly subscriptions.

In this example we compare two selected countries – Sweden and Spain.



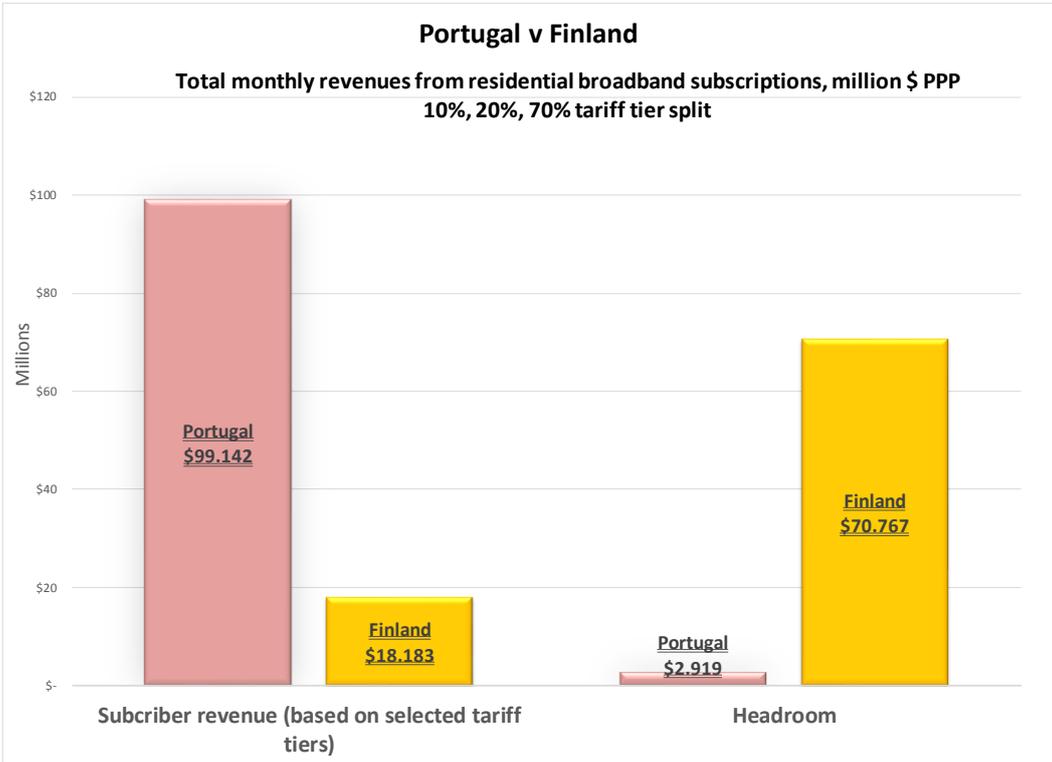
With the tariff tiers set as above, Spanish operators are generating nearly three times more revenue from 100Mbps+ residential broadband services compared to Sweden - \$221m and \$87m (PPP) respectively. Also, potential additional revenue that could be generated from such services once the DA targets are achieved is dramatically higher in Spain - \$1.014bn compared to Sweden's \$81m (PPP). The difference is caused by the much larger addressable market in Spain as well as the fact that only 18% of the total Spanish households targeted with 100Mbps+ services (100% by 2020 according to DA targets) were signed up to such services as of the end of Q2 2017. In Sweden, which aims to cover 95% of households with 100Mbps+ services by 2020, as many as 52% of households were already using such services as of Q2 2017. Hence the potential for additional revenue there is much lower.

If we adjust the tariff tiers to 20%, 30%, 50% for example, we get the following results.



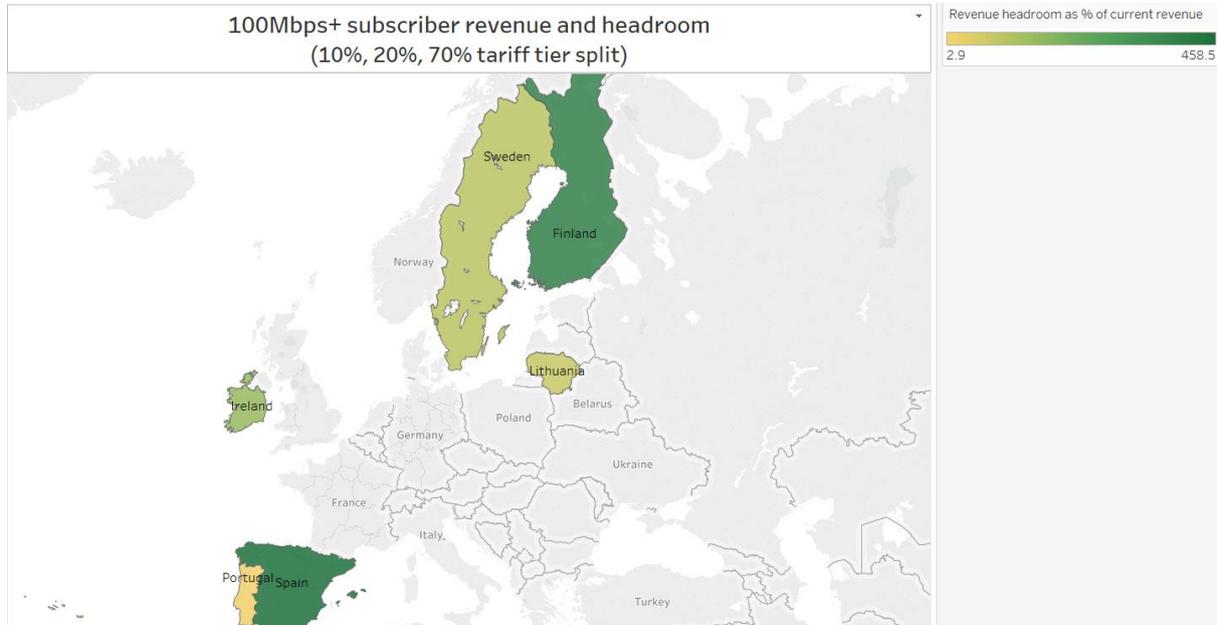
If Swedish operators were able to persuade 100Mbps+ subscribers to move up the subscription tier ladder they would increase their revenue relatively more - by 54% compared to 23% in Spain.

We also noticed some seemingly unexpected results.



With the tier splits set at 10%, 20% and 70% we can see that Finland has much more revenue headroom than Portugal, although current revenue in Portugal is much higher than in Finland. This is the case because Portugal's 100Mbps+ coverage target by 2020 is only 50% while Finland targets 99% of households, so there is more room for growth there. At the same time, 97% of targeted households in Portugal are already subscribing to 100Mbps+ services. In Finland, this figure is only 20% (Q2 2017).

The complete picture of the selected countries is shown in the map below.



The interactive version of the map can be accessed [here](#).

Of course, some countries will exceed or miss their DA targets which means the revenue headroom will increase or decrease. The model will be updated as new data becomes available. Another caveat is that the actual take-up of 100Mbps+ broadband services will likely be lower than the maximum households possible, at least by 2020. This model estimates the maximum revenue headroom possible. It is down to the operators to convince all eligible consumers to migrate to the superfast plans.

We have made this model available publicly to demonstrate how data from different Point Topic's services can be combined to produce interesting insights. Other countries and tariff tiers can be compared using the attached spreadsheet. We would welcome feedback on info@point-topic.com

An extended version of this model will be made available to Point Topic subscribers. It will provide more depth, ability to compare more countries and operators, updated coverage estimates and access to our estimates of addressable audience.