

The price per megabit per second of downstream bandwidth continues to decline

- The decline in fixed broadband pricing has slowed, but the price per megabit per second continues to decrease rapidly because of the similarly rapid increase in service speeds.
- The average price per megabit per second of downstream bandwidth had declined to EUR2.30 per month by the second quarter of 2009 – which is one tenth of its value five years ago.
- There is a significant disparity between the average price (EUR2.30 per month) and the least expensive (EUR0.17 per month for Lattelekom’s Internet 3 Optics service).
- Unsurprisingly, all services that offered the lowest price per megabit per second were based on next-generation access technologies with speeds of 100Mbit/s or higher. Forthcoming services, such as Portuguese cableco ZON’s proposed 1Gbit/s service, will drive the price down further.

Figure 5: Unweighted mean price per megabit per second for residential fixed broadband access, 2003–2Q 2009 [Source: Analysys Mason, 2009]

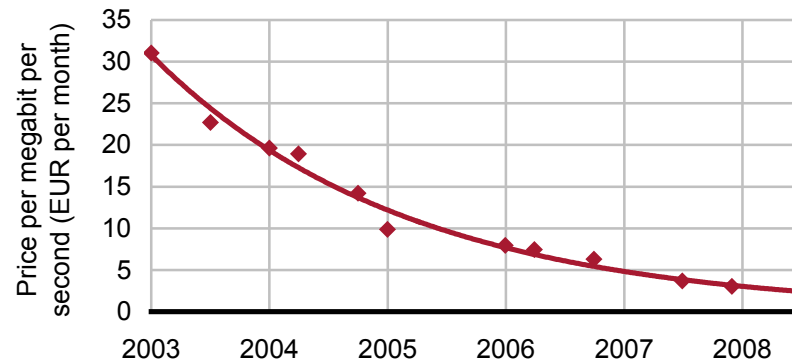
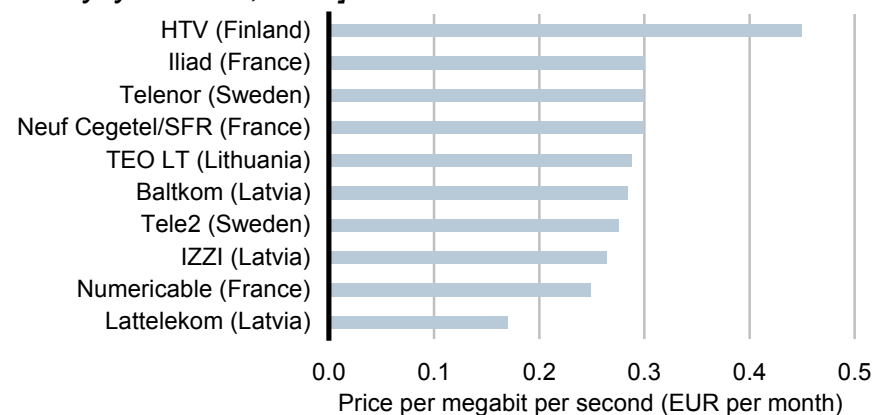


Figure 6: Price per megabit per second of the ten least-expensive services in Europe, 2Q 2009 [Source: Analysys Mason, 2009]



Fixed broadband promotions tend to have the features of one or more of the four basic types

Table 1: Types of fixed broadband promotion [Source: Analysys Mason, 2009]

Type	Description	Typical saving ¹	Attractiveness to consumers
Access	Service providers that offer a reduction to monthly access charges tend to do so by providing the first few months of service free of charge in order to increase net subscriber additions, even if they are not initially generating revenue. This type of promotion tends to be the most compelling to consumers because the savings are the most tangible and the largest overall, but it also has an impact on overall service profitability	~7%	●●●●●
Equipment	Rebates on CPE reduce a barrier to entry for subscriber acquisition and can act as a positive differentiator if the equipment includes additional features, such as Wi-Fi, DECT, or TV services. The savings are less tangible because there is no difference to the customer experience between owning the device free of charge and having free use of it	~6%	●●●○○
Activation	The activation and installation fees associated with commencing service are another potential barrier to entry that can be reduced or eradicated through promotional pricing. This saving is tangible, but has become so common that its impact has been reduced	~5%	●●○○○
Rebate or credit	The offer of a rebate when subscribers have retained a service for a certain amount of time is uncommon and has become even less popular between the fourth quarter of 2008 and the second quarter of 2009. Such promotions can be met with distrust by consumers, who may be wary of being 'locked in' to a particular provider's service	~1%	●●○○○

¹ Calculated as a proportion of all costs required to set up and maintain a residential fixed broadband service for 24 months.

² Key to attractiveness ratings: ●●●●● very attractive ○○○○○ not attractive.

Note: For the purposes of this report, offers of bundled voice or data minutes are not considered as promotions. Some price promotions may only be available online – these are part of service provider initiatives to reduce customer service and provisioning costs.