

4G prices in Germany versus the UK, France and Italy – a universe apart!

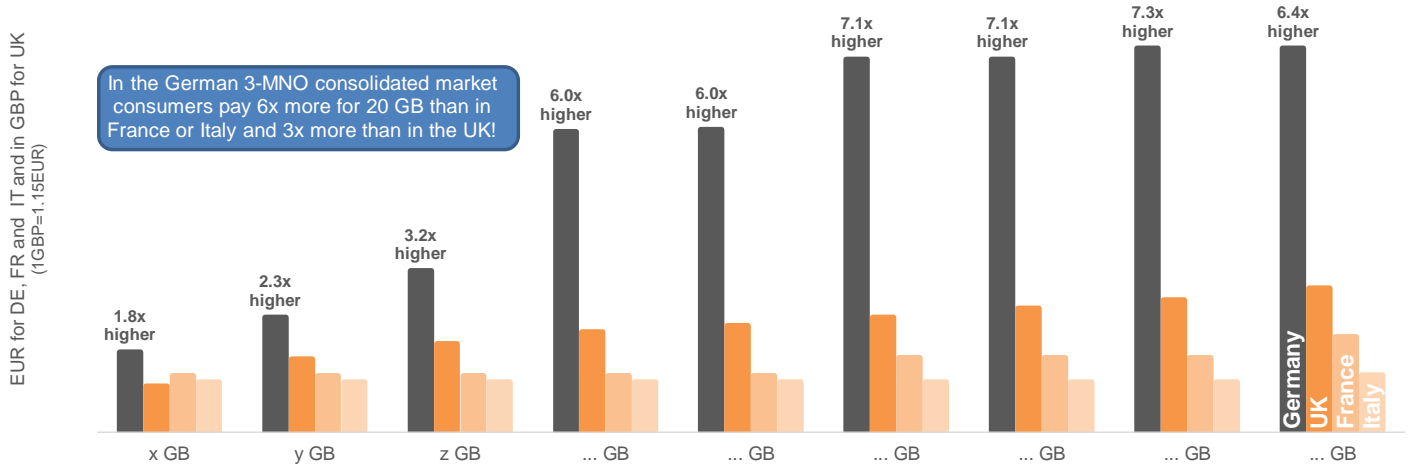
In-depth comparison of 4G prices and gigabytes in the 3-MNO consolidated German versus the 4-MNO UK, French and Italian markets – implications for the German 5G market

- Average prices in Germany are, for most GB allowances, 3 to 7x higher than in UK, France or Italy 😡
- French, Italians and British buy 5 to 19x more GB than Germans when they spend 20 to 30 EUR (or GBP)
- Is the merger mandated MVNO in the German consolidated market an effective competitor?
- Will a 5G wholesale roaming agreement turn 1&1 Drillisch from a retail-minus player to an effective competitor?

Rewheel research PRO study, 12th February 2019

4G prices in the 3-MNO German vs. the 4-MNO UK, French and Italian markets

Country weighted average of operators lowest price for a 4G plan¹ with x, y, z, ... GB



¹The bars depict the country weighted (by MNO subscriber share) average of the 4 operators lowest price 4G plan with at least 1,000 mins, x,y,z,... GB and 3 Mbps speed for HD video at all times. For every operator the lowest price among its main, sub-brands or MVNO was selected. The merger mandated MVNO in Germany 1&1 Drillisch was treated as a stand-alone operator. Country weighted average = MNO_1 price x MNO_1 sub share + MNO_2 price x MNO_2 sub share + ...

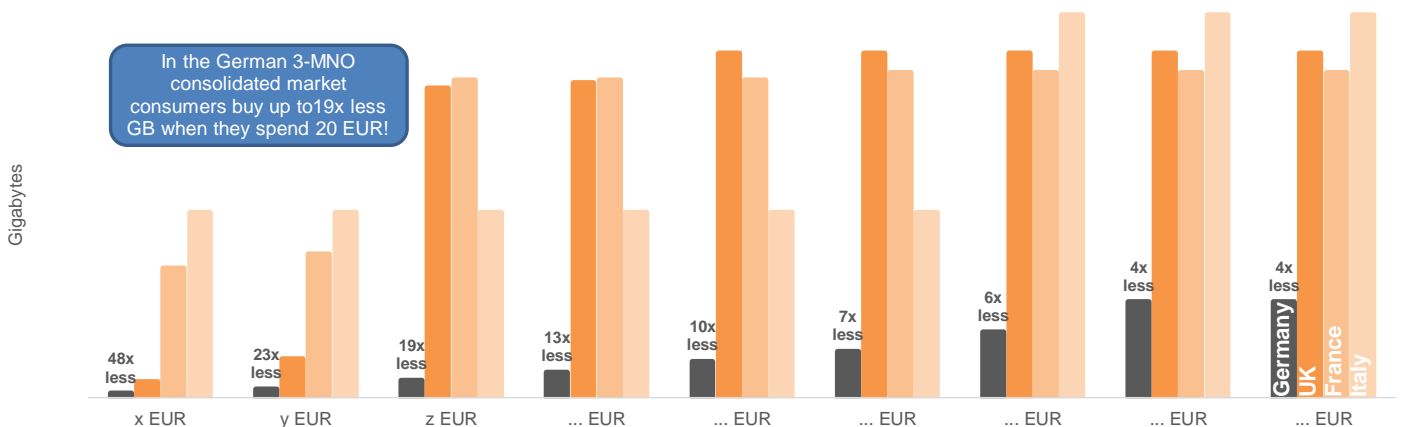
Prices 28th January 2019
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Other highlights & insights from operator pricing strategies in each market

- Do sub-brands of operators sell at significantly lower prices than main brands? Do they pack significantly more gigabytes for the same price? Is that true across all markets?
- What about MVNOs? Can they compete eye-to-eye with the operator sub-brands across the board? Or do their wholesale access agreements only allow them to address data-light segments?
- Has 1&1 Drillisch's data-light-low-price strategy in Germany run out of steam?
- 1&1 Drillisch gigabyte prices are much higher than 'commercial MVNO' prices in the UK, France or Italy. 🤔 Why?
- Is it because 1&1 Drillisch is in essence a retail-minus outfit despite the so-called merger mandated 'capacity access'?

4G gigabytes in the 3-MNO German vs. the 4-MNO UK, French and Italian markets

Country weighted average of operators highest gigabyte allowance sold in 4G plans¹ for x, y, z, ... EUR



¹The bars depict the country weighted (by MNO subscriber share) average of the 4 operators highest gigabyte allowance sold in 4G plans with at least 1,000 mins and 3 Mbps speed for HD video at all times. For every operator we selected the highest gigabyte allowance sold by its main brand, sub-brands or any of its MVNOs. The merger mandated MVNO in Germany 1&1 Drillisch was treated as a stand-alone operator. Country weighted average = MNO_1 gigabytes x MNO_1 sub share + MNO_2 gigabytes x MNO_2 sub share + ...

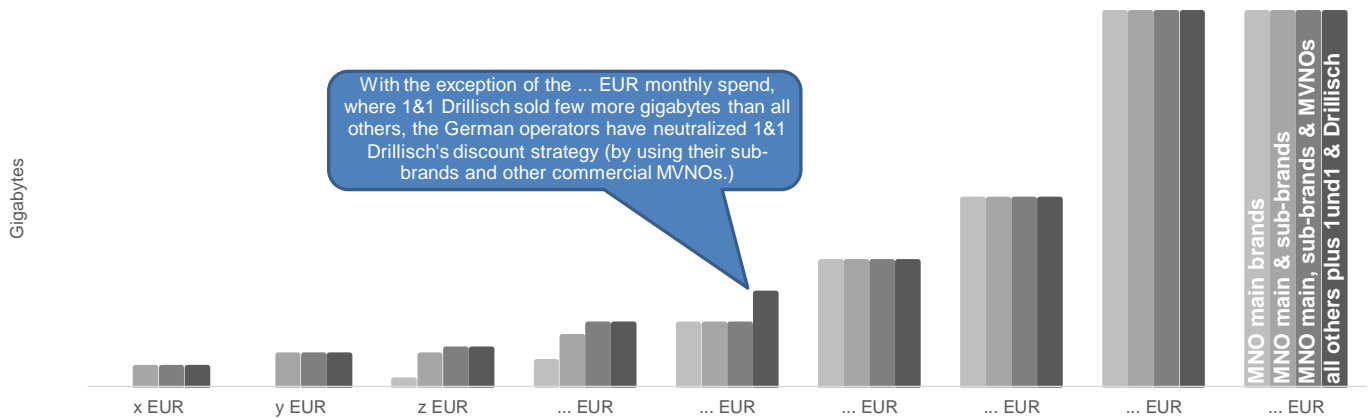
unlimited = 250 GB

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- 1&1 Drillisch's immaterial impact on the German 3-MNO market

4G gigabytes in the 3-MNO German market - 1und1 Drillisch tiny impact

Highest gigabyte allowance that consumers could buy in 4G plans¹ when they spend x, y, z, ... EUR



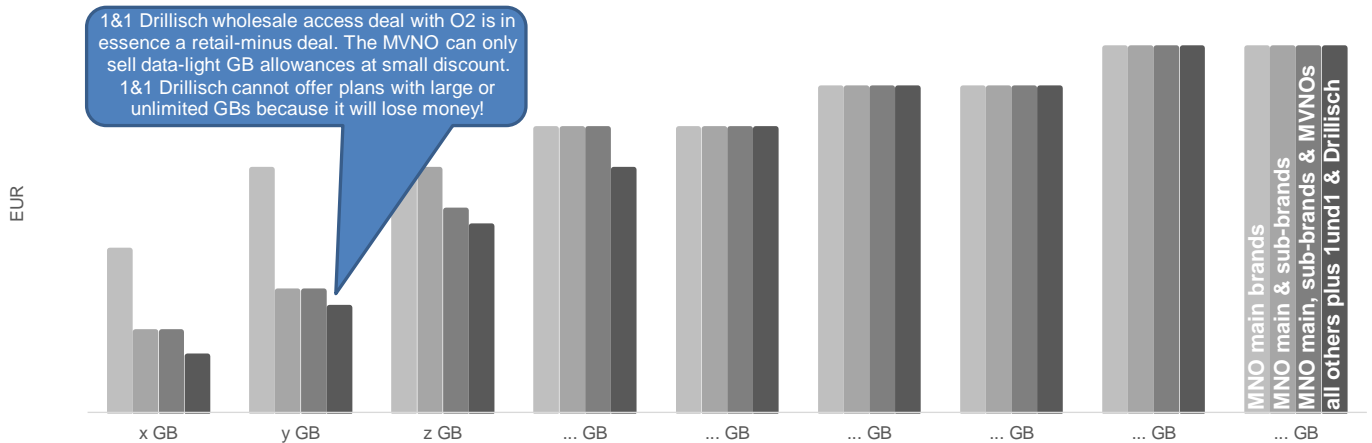
¹The bars depict the highest gigabyte allowance in 4G plans with at least 1,000 mins and 3 Mbps speed for HD video at all times that consumers could buy for x, y, z, ... EUR

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- 1&1 Drillisch's so called 'capacity wholesale access deal' is in essence a retail-minus deal for data-light plans only

4G prices in the 3-MNO German market - 1und1 Drillisch retail minus model

Lowest price for a 4G plan¹ with x, y, z, ... GB



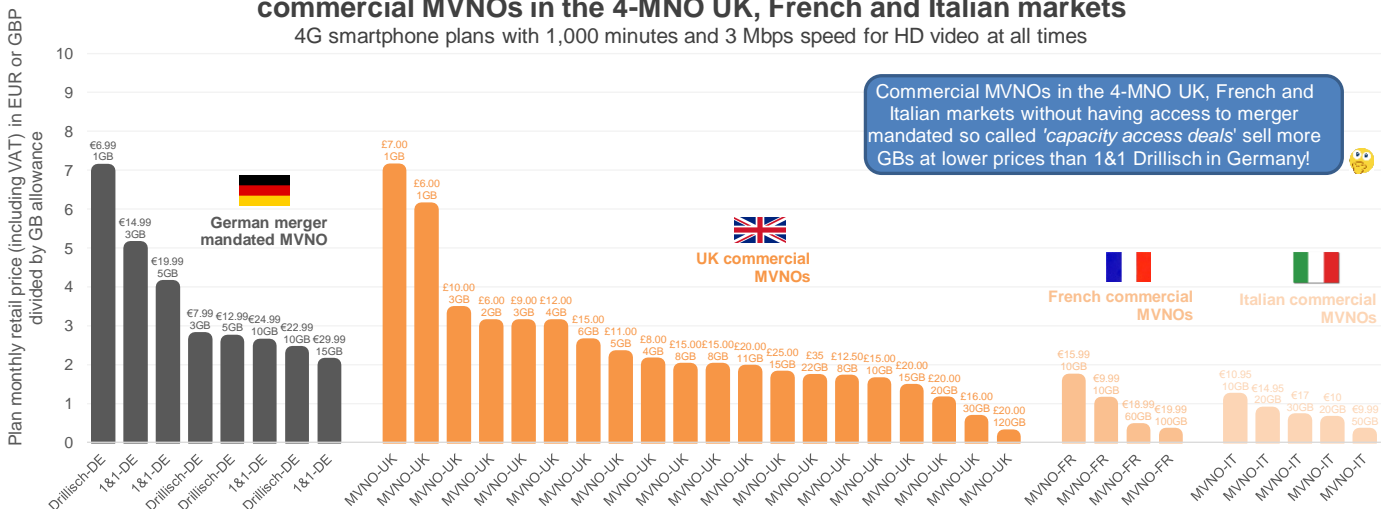
¹The bars depict the lowest priced 4G plan with at least 1,000 mins, 3 Mbps speed for HD video at all times and x, y, z, ... GB

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- 1&1 Drillisch gigabyte prices are much higher than 'commercial MVNO' prices in 4-MNO UK, France & Italian markets

Merger mandated MVNO in the consolidated German market versus commercial MVNOs in the 4-MNO UK, French and Italian markets

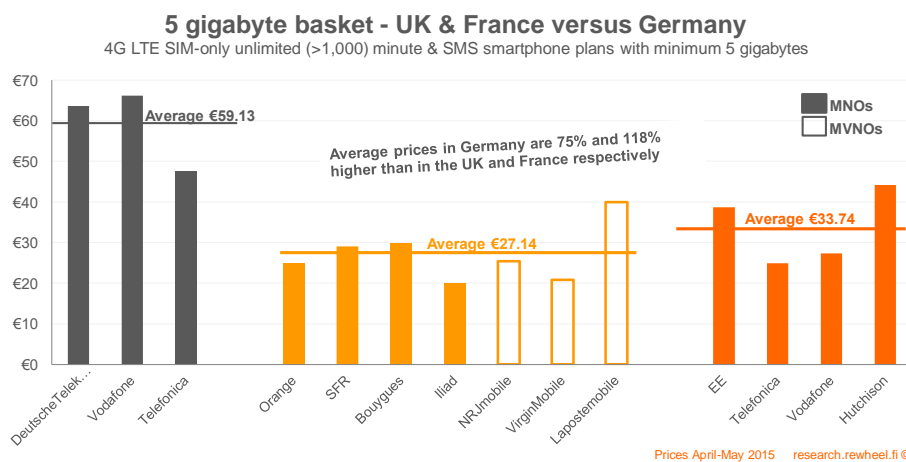
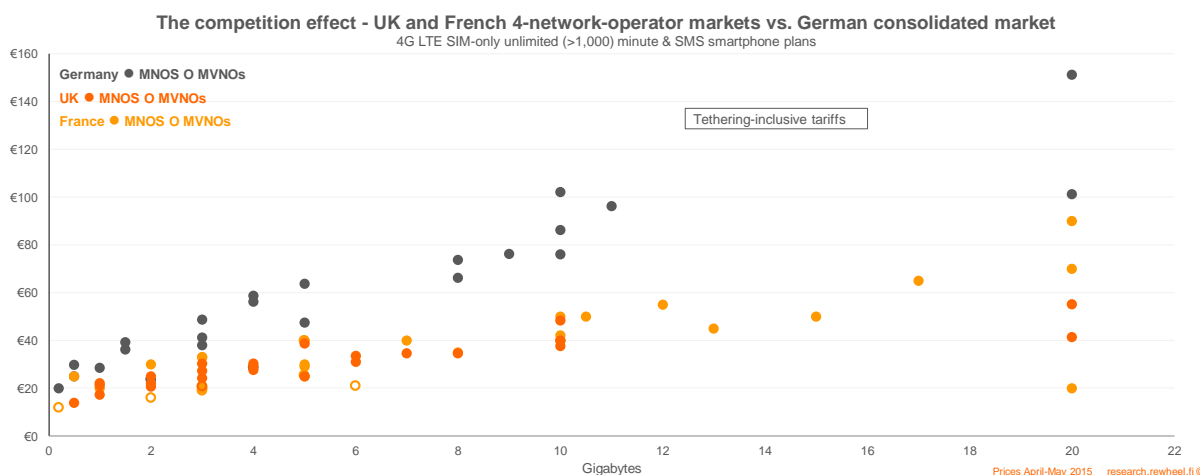
4G smartphone plans with 1,000 minutes and 3 Mbps speed for HD video at all times



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Context

Three and half years ago, in June 2015, few months after Hutchison had announced its planned acquisition of O2 in the UK and ahead of another 4-to-3 merger in Italy between Hutchison and WIND, using pricing data from DFMonitor’s 3rd release 1H2015 we placed under the microscope¹ the 4G prices in the UK and French 4-MNO mobile markets versus the consolidated (in 2014) 3-MNO German market. Our analysis showed that some 4G smartphone plan prices were up to 7 times cheaper in the UK and France compared to the German 3-MNO consolidated market. That was the case despite Drillisch’s entry as the merger mandated MVNO with the so-called ‘capacity access deal’. Back then we examined the prices of 4G plans that had at least 1,000 minutes & SMS and at least 2, 5, 10 or 20 gigabytes. The German average price for a 4G smartphone plan that had at least 2 GB was 53% higher than the UK price and 84% higher than the French price while for plans with at least 5 GB, as seen in the chart below, the German average prices were 75% higher than the UK prices and 118% higher than the French prices. The higher the gigabyte allowance the higher the price difference between the 3-MNO German market versus the 4-MNO UK and French markets.



The European Commission, under the helm of Magrethe Vestager, in May 2016 blocked² the UK 4 to 3 merger and conditionally approved³ the Italian merger few months later subject to Iliad becoming the new 4th mobile network operator.

In this study we take another in-depth look and compare the latest 4G prices (i.e. 28th January 2019 prices) in the 4-MNO UK, French, Italian markets and in the 3-MNO consolidated German market.

Our latest analysis shows that the differences, across all gigabyte (1, ..., 100 and unlimited) or EUR (10, ..., 70 and 80) baskets between the 3-MNO German and the 4-MNO UK, French and Italian markets have grown considerably. German 4G prices are a galaxy apart from the competitive UK and a universe apart from the ultra-competitive French and Italian prices.

¹http://research.rewheel.fi/downloads/UK_FR_4_operator_markets_vs_consolidated_DE_market_PUBLIC.pdf

²http://europa.eu/rapid/press-release_IP-16-1704_en.htm

³http://europa.eu/rapid/press-release_IP-16-2932_en.htm

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Get the full report

The full 33-pages report is available for purchase. Please contact us at research@rewheel.fi or +358 44 203 2339

About Rewheel

*New radio spectrum bands, 4.5G and 5G technology, unlimited mobile data plans and the Internet of Things radically change mobile network operators' cost, revenue and profitability dynamics. **Rewheel's mission is to help operators prepare for the paradigm shift in network and spectrum strategy, spectrum valuation, network sharing, M&A, MVNO economics and mobile data pricing.***

Founded in 2009, Rewheel is a Finland based boutique management consultancy. Our clients are mainly European mobile network operators, telco groups, MVNO groups, sector regulators, governments, global internet firms, mobile data-centric start ups, PE and VC investors.

We delivered management consultancy work for clients in the United Kingdom, United States, Ireland, Switzerland, Finland, Sweden, Belgium, Greece, Poland, Slovenia, Hungary, Russia, Romania. Buyers of our research reports and related strategic workshops include many companies and authorities across Europe and worldwide.

Since 2010 we have been supporting a number of European challenger mobile operators in multiband (700, 700 SDL, 800, 900, 1400 SDL, 1800, 2600, 3.5 GHz) auctions with spectrum valuation and strategic advisory services.

Network economics metrics

For comprehensive data usage, spectrum usage and capacity utilisation metrics in EU28 and OECD markets visit

⇒ <http://research.rewheel.fi/networkeconomics/>

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liad's 4th MNO venture into Italy – Will it pay off?

⇒ http://research.rewheel.fi/insights/2019_jan_pro_liad_italy/

T-Mobile and Tele2 4 to 3 mobile merger in the Netherlands – Competition concerns, efficiencies and effective remedies

⇒ http://research.rewheel.fi/insights/2018_nov_pro_tele2_t-mobile_nl/

The state of 4G pricing – 2H2018 – Digital Fuel Monitor 10th release

⇒ http://research.rewheel.fi/insights/2018_oct_pro_2h2018_release/

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⇒ http://research.rewheel.fi/insights/2018_sep_pro_capacity/

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⇒ http://research.rewheel.fi/insights/2018_july_pro_T-mobile-Tele2_Netherlands/

The state of 4G pricing – 1H2018 – Digital Fuel Monitor 9th release

⇒ http://research.rewheel.fi/insights/2018_may_pro_1h2018_release/

Gigabyte price development in 4 to 3 consolidated versus 4-MNO European markets – September 2013 to March 2018

⇒ http://research.rewheel.fi/insights/2018_apr_pro_4to3_consolidation_vs_4MNO/

The state of 4G pricing – 2H2017 – Digital Fuel Monitor 8th release

⇒ http://research.rewheel.fi/insights/2017_nov_pro_2h2017_release/

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⇒ http://research.rewheel.fi/insights/2017_sep_pro_near_zero_marginal_cost/

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⇒ http://research.rewheel.fi/insights/2017_apr_pro_o2_germany_turnaround/

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⇒ http://research.rewheel.fi/insights/2017_mar_pro_network_utilisation_mimo/

Effective structural remedies for Hutchison-WIND 4 to 3 Italian mobile merger

⇒ http://research.rewheel.fi/insights/2016_sept_premium_italy_hutch_wind_merger/

Telenor Denmark – Turnaround strategy

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