

The state of 4G pricing – 2H2018

Digital Fuel Monitor 10th release, October 2018

With a special focus on US prices ahead of the planned 4 to 3 consolidation

Rewheel research PRO study, 26th October 2018

Unlimited mobile data and fixed-to-mobile broadband substitution

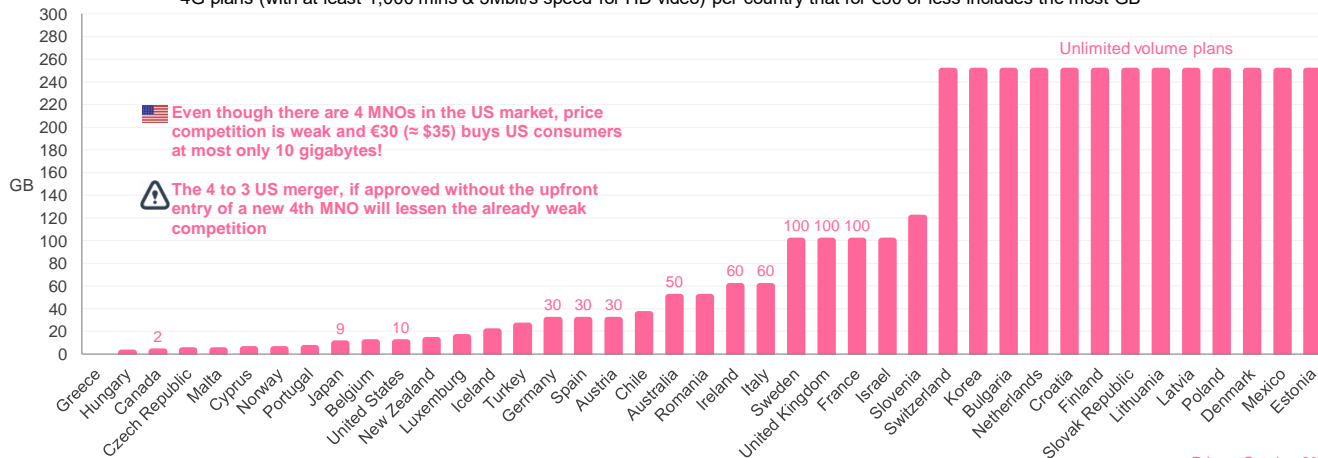
- It is all about unlimited mobile internet: in smartphones, portable MiFi's or 4G wireless home broadband.

How many gigabytes €30 (~ \$35) buys in 4G smartphone plans?

- In October 2018 €30 bought a 4G smartphone plan with truly¹ unlimited volume in 13 countries (up from 10 in April 2018) while €20 bought a 4G smartphone plan with truly unlimited volume in 8 countries (up from 4 in April 2018).

How many 4G gigabytes €30 buys (smartphones) - October 2018

4G plans (with at least 1,000 mins & 3Mbit/s speed for HD video) per country that for €30 or less includes the most GB



🇺🇸 Even though there are 4 MNOs in the US market, price competition is weak and €30 (~ \$35) buys US consumers at most only 10 gigabytes!

⚠️ The 4 to 3 US merger, if approved without the upfront entry of a new 4th MNO will lessen the already weak competition

Unlimited volume plans were assigned 250 GB finite volume. Operator main, sub-brands and MVNOs included.

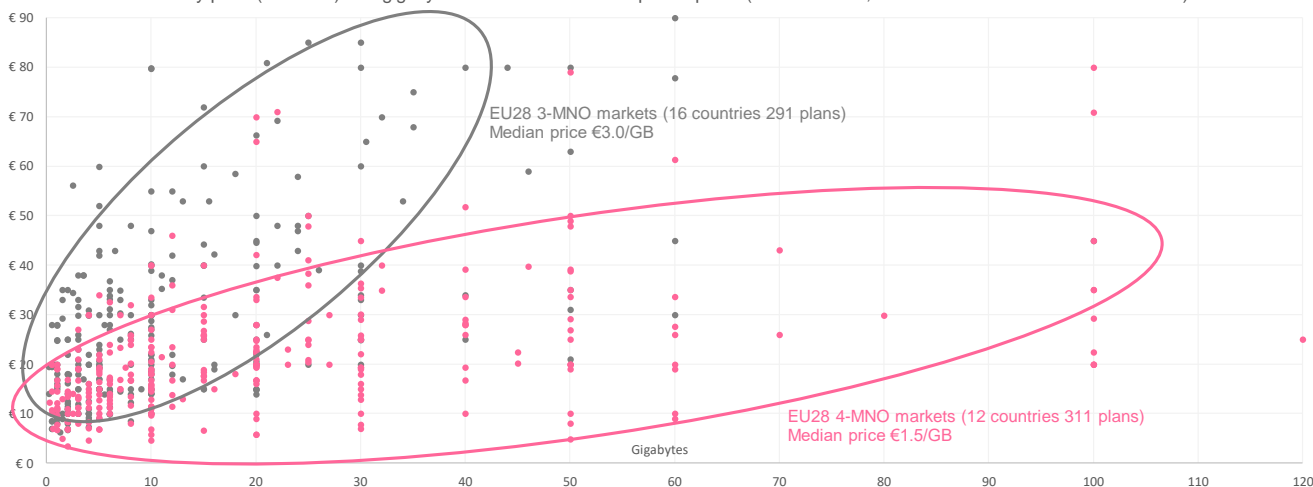
Prices: October 2018
Source: research.rewheel.fi ©

Median gigabyte prices in 4 versus 3-MNO markets

- Gigabyte prices in 3-MNO European markets are 2x higher than in 4-MNO markets.
- Gigabyte prices in 3-MNO EU28 & OECD markets are 81% higher than in 4-MNO markets.

The median gigabyte price in 3-MNO markets is 2x higher than in 4-MNO markets

Monthly price (incl. VAT) and gigabytes included in 4G smartphone plans (with at least 1,000 minutes and 3Mbit/s for HD video)



Fully allocated GB price: tariff retail monthly price (incl. VAT) divided by included gigabyte allowance.
Median price of all eligible plans logged in the database for group of countries. Unlimited plans were assigned 250 GB finite volume.

Prices: October 2018
Source: research.rewheel.fi ©

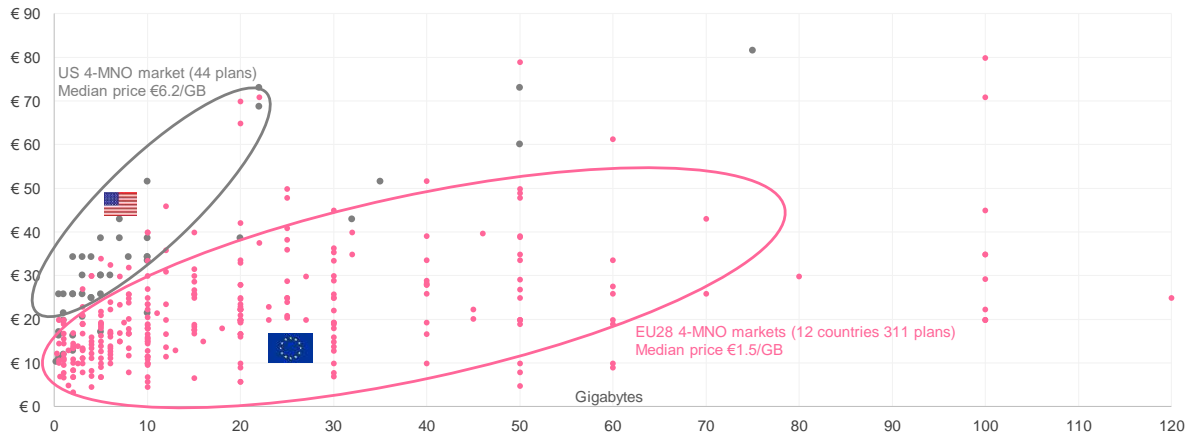
¹According to the DFMonitor methodology truly unlimited mobile data volume plans are plans without a named finite volume after which the speed is throttle below 3 Mbps or where the traffic is de-prioritized e.g. US unlimited volume plans

Are US gigabyte prices much higher than in European 4-MNO markets?

- The median gigabyte price of smartphone plans in the US is 4x higher than in EU's 4-MNO markets
- The median gigabyte price in US is 16x higher than in a competitive 4-MNO large European market
- The US market is considerably less competitive than the 4 to 3 consolidated Austrian, Irish and German markets and a universe apart from the competitive Danish, French, UK, Dutch, Swedish and Italian 4-MNO markets.
- The US is an outlier 4-MNO market with much higher prices, that are typical to 3-MNO tight oligopoly markets.

The median gigabyte price in US is 4x higher than in EU's 4-MNO markets

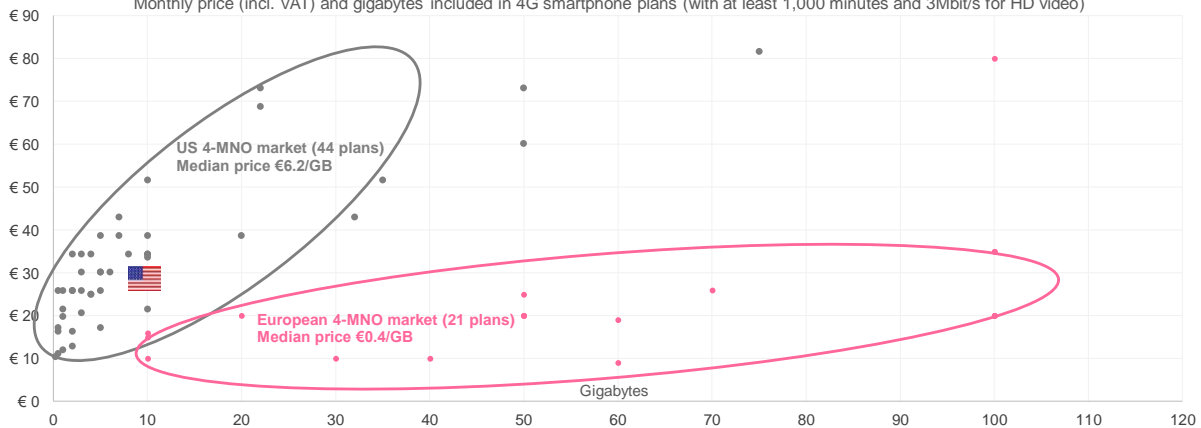
Monthly price (incl. VAT) and gigabytes included in 4G smartphone plans (with at least 1,000 minutes and 3Mbit/s for HD video)



Fully allocated GB price: tariff retail monthly price (incl. VAT) divided by included gigabyte allowance. Median price of all eligible plans logged in the database for country or group of countries. Unlimited plans were assigned 250 GB finite volume. Prices: October 2018 Source: research.rewheel.fi ©

The median gigabyte price in US is 16x higher than in a truly competitive 4-MNO large European market

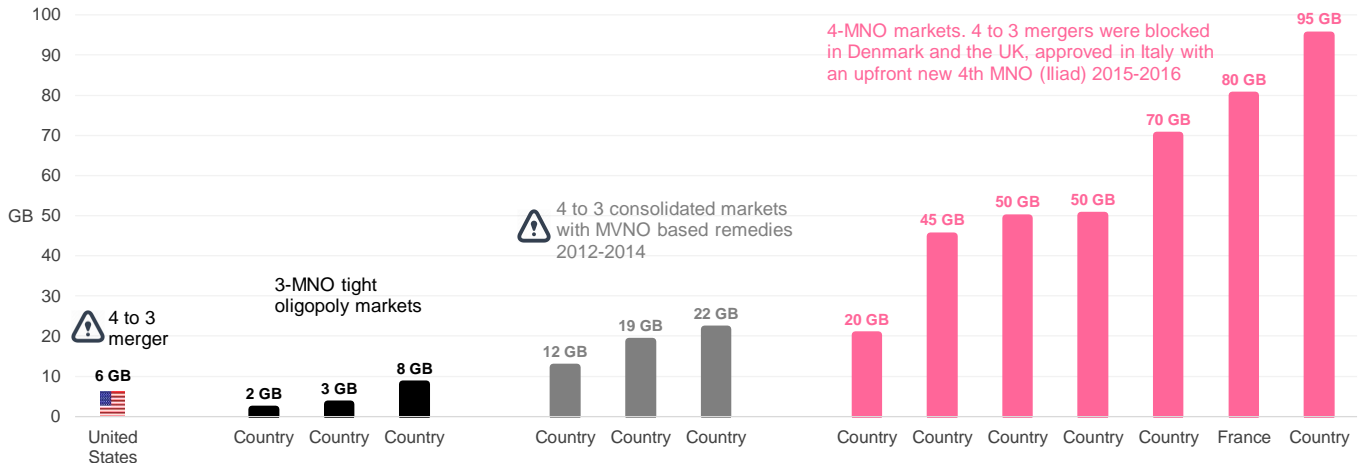
Monthly price (incl. VAT) and gigabytes included in 4G smartphone plans (with at least 1,000 minutes and 3Mbit/s for HD video)



Fully allocated GB price: tariff retail monthly price (incl. VAT) divided by included gigabyte allowance. Median price of all eligible plans logged in the database for country. Unlimited plans were assigned 250 GB finite volume. Prices: October 2018 Source: research.rewheel.fi ©

Gigabytes that 30 EUR (40 USD for US) buys in the 4-MNO US market versus 3-MNO, 4 to 3 consolidated and 4-MNO European markets – October 2018

4G smartphone plans (with at least 1,000 minutes and 3Mbit/s for HD video)

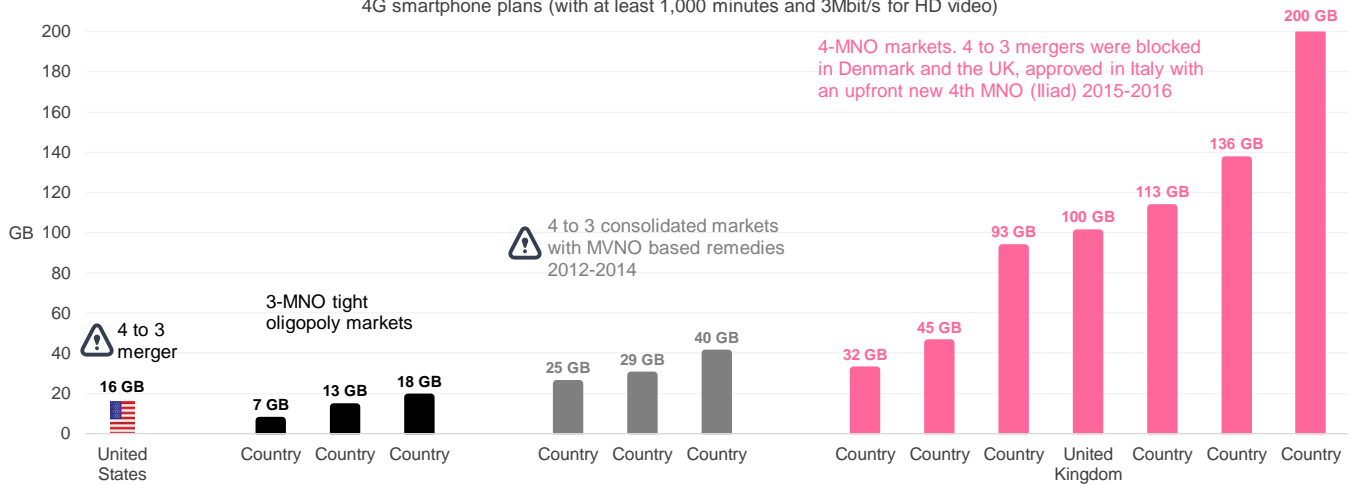


Average among the maximum GB sold by MNOs and merger mandated MVNOs in Germany, Ireland, Austria. Four values were averaged in 4-MNO and 4 to 3 consolidated markets while 3 values in 3-MNO markets. Unlimited plans were assigned 250 GB finite volume.

Prices: October 2018 Source: research.rewheel.fi ©

Gigabytes that 50 EUR (60 USD for US) buys in the 4-MNO US market versus 3-MNO, 4 to 3 consolidated and 4-MNO European markets – October 2018

4G smartphone plans (with at least 1,000 minutes and 3Mbit/s for HD video)



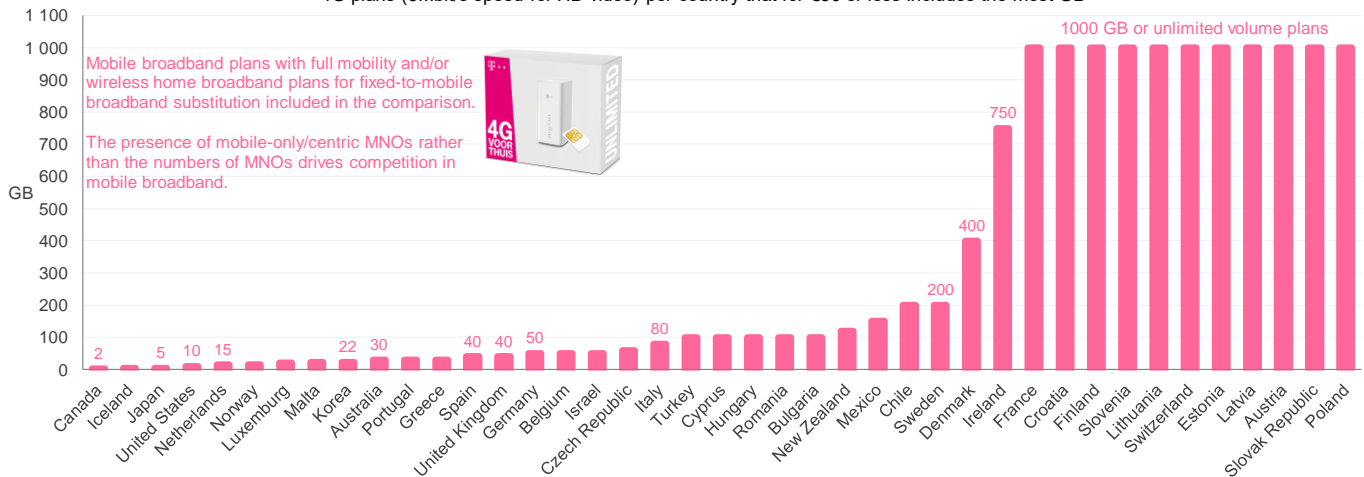
Average among the maximum GB sold by MNOs and merger mandated MVNOs in Germany, Ireland, Austria. Four values were averaged in 4-MNO and 4 to 3 consolidated markets while 3 values in 3-MNO markets. Unlimited plans were assigned 250 GB finite volume. Prices: October 2018 Source: research.rewheel.fi ©

How many gigabytes €30 buys in 4G mobile and wireless home broadband plans?

- Unlimited mobile broadband plans for fixed-to-mobile home broadband substitution (FMS) are now available for less than €30 in 11 countries (up from 9 countries in April 2018) and for less than €20 in 9 countries including Switzerland, Austria and Finland (up from 8 countries in April 2018).
- Judging from the excessive gigabyte prices, US operators are charging today for 4G mobile broadband (see Verizon’s striking \$710 100 gigabyte hotspot plan², in Europe 100 gigabyte mobile broadband typically costs between €10 and €20) merger promises concerning affordable 5G home broadband should be critically reviewed and if verified must be made binding.

How many 4G gigabytes €30 buys (wireless home broadband) - October 2018

4G plans (3Mbit/s speed for HD video) per country that for €30 or less includes the most GB



Unlimited plans were assigned 1000 GB finite volume. Operator main, sub-brands and MVNOs included. Prices: October 2018 Source: research.rewheel.fi ©

²<https://www.verizonwireless.com/plans/connected-device-plans/>

Context

Rewheel's Digital Fuel Monitor bi-annual releases have been tracking mobile data prices in the EU28 & OECD mobile markets since 2014. In this Digital Fuel Monitor 10th release 2H2018 we tracked and analysed the state of 4G pricing during the second half of 2018 (October 2018) and reported the main price developments compared to the first half of 2018 (April 2018).

As with every release, in this 10th release we have collected and analysed thousands of eligible smartphone, mobile broadband and wireless home broadband plans suitable for fixed-to-mobile broadband substitution from 41 markets in accordance with Digital Fuel Monitor's methodology³.

In this 10th release we analysed the gigabyte prices and ranked the EU28 & OECD countries using the maximum gigabytes for €30 price metric, as we have done in the 2016 and 2017 releases, but as well using many more EUR baskets. We have ranked the EU28 & OECD countries using the maximum gigabytes that €5, €10, €15, €20, €25, €30, €40, €50, €60, €70 and €80 could buy. Similarly, to the 2016 and 2017 releases, we have as well calculated the fully allocated country median gigabyte prices and ranked the EU28 & OECD countries also based on this metric.

In earlier releases, when calculating the fully allocated gigabyte prices (i.e. monthly reoccurring fee including VAT divided by the included gigabyte allowance) we assigned to plans with truly unlimited volume a finite volume that was determined by the maximum finite gigabyte volume that €30 bought in any of the EU28 & OECD countries. In DFMonitor's 8th release 2H2017 the finite volume assigned in smartphone plans with unlimited volume was 100 gigabytes.

In DFMonitor's 9th release 1H2018 the finite volume assigned in smartphone plans with unlimited volume was 200 gigabytes. 200 gigabyte volume was the maximum finite gigabyte volume that €80 bought across the 41 markets. The reason for this adjustment was the fact that while €30 bought during April 2018 at most a finite volume of 120 gigabytes in smartphone plans across all EU28 & OECD countries €80 bought a higher finite volume of 200 gigabytes. Hence, if we were to stick to the €30 rule we would have created an artefact whereby truly unlimited volume plans that cost considerably less than €80 (e.g. €50) could end up having a higher fully allocated gigabyte price than more expensive plans with a large finite volume. This rule modification ensures that cheaper plans with a truly (i.e. 3 Mbps speed at all time for HD video) unlimited volume are always ranked higher than more expensive plans with large finite gigabyte volumes.

In this 10th release we assigned to plans with unlimited volume the maximum finite gigabyte volume that €80 bought i.e. 250 gigabytes. We apply the same principle for mobile broadband and/or wireless home broadband plans. 1000 gigabyte volume was the maximum finite gigabyte volume that €80 bought and was the finite volume we assigned to both unlimited volume mobile broadband and wireless home broadband plans.

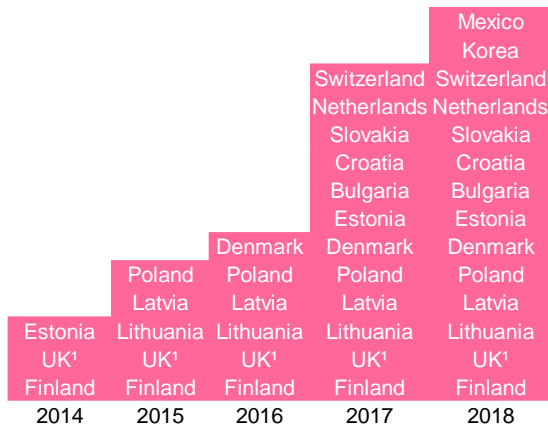
In Digital Fuel Monitor 10th 2H2018 any plan that was marketed as '*unlimited*' where the operator named a finite volume and reserved the right to throttle the speed below 3 Mbps or deprioritize the traffic, has been designated as a finite volume plan with a volume equal to the named de-prioritization/throttling volume (e.g. 22, 32, 35, 50 or 75 GB for US operator unlimited plans). Unlimited plans in Digital Fuel Monitor 10th 2H2018 release are plans without a named finite volume and a speed of at least 3 Mbps at all times. TDC, Telia and Hutchison in Denmark sold smartphone plans with unlimited volume and a fair usage limit of 1000 gigabytes (one thousand). These plans were considered unlimited plans in our methodology due to their extremely high (practically unlimited for normal use) fair usage limit.

In the schematic below, we present year by year as far back as 2014, the EU28 & OECD countries where €30 bought 4G smartphone plans with truly unlimited data volume (and at least 1,000 mins) and as well the countries where €30 bought mobile broadband or wireless home broadband plans with truly unlimited data volume. Please note that for the chart below we made an exception and included in the list the UK even though in some years the price of Hutchison's 4G smartphone plan with unlimited data volume was a bit higher than €30 (e.g. in 2018).

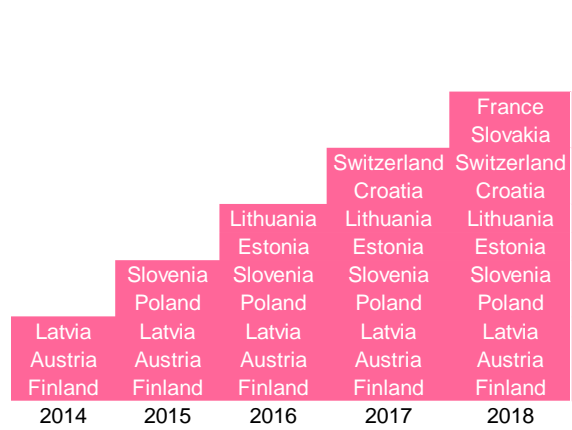
4G plans with truly unlimited data volume (for any price) have now spread to 22 out of the 41 EU28 & OECD countries

³http://research.rewheel.fi/downloads/Methodology_DFMonitor_10th_release_2H2018.pdf

EU28 & OECD countries where €30 bought a 4G smartphone plan (with at least 1,000 mins) with truly unlimited data volume



EU28 & OECD countries where €30 bought a 4G mobile or wireless home broadband plan with truly unlimited data volume



¹Hutchison-3 in the UK has been selling a 4G smartphone plan with unlimited data volume for £18, £25-£27 or ≈£30 pounds which depending on the exchange rate is a bit above or below €30

Table of Contents

1	4G smartphone plans with at least 1,000 minutes and 3 Mbps speed for HD video	10
1.1	Low-end pricing points – how many 4G gigabytes €5, €10 and €15 buys?	12
1.2	Mid-range pricing points – how many 4G gigabytes €20, €25 and €30 buys?	13
1.3	High-end pricing points – how many 4G gigabytes €40, €50, €60, €70 and €80 buys?	17
1.4	Country median gigabyte prices	19
2	4G mobile broadband and wireless home broadband plans with at least 3 Mbps speed for HD video	22
2.1	Low end pricing points – how many 4G gigabytes €5, €10 and €15 buys?	22
2.2	Mid-range pricing points – how many 4G gigabytes €20, €25 and €30 buys?	25
2.3	High-end pricing points – how many 4G gigabytes €40, €50, €60, €70 and €80 buys?	29
2.4	Country median gigabyte price	31
3	How much lower are gigabyte prices in 4 versus 3-MNO markets and is the US a competitive market? ..	33
3.1	Gigabyte prices in 4 versus 3-MNO markets	34
3.2	Are gigabyte prices in the 4-MNO US market competitive?	37
3.3	Are US gigabyte prices much higher than in European 4-MNO markets?	38

Get the full report

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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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⇒ 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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