

Analysys Mason Comment: Have we seen an end to mobile broadband price wars?

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The Swedish daily Dagens Industri reported this week that Telia, the Swedish incumbent fixed and mobile operator, is planning to increase its mobile broadband subscription prices. According to Analysys Mason, the premier adviser to the telecoms, IT and media industries, the move highlights the operator's need to ensure a positive return on its investments – something Telia acknowledges that the current pricing models make difficult.

MNOs in Sweden, like those in many other European countries, are racing to sign up mobile broadband customers. This has inevitably resulted in price wars in Sweden and elsewhere. "Swedish MNOs seem to have gone slightly further than many of their European counterparts," says James Allen, Partner at Analysys Mason. "They have introduced unlimited usage subscription packages at low prices, thus essentially positioning mobile broadband as a substitute for fixed broadband."

Telia currently offers unlimited usage for a fixed monthly fee of SEK229 (EUR23.7), including VAT. Telia Mobilt bredband Fastpris offers 7.2Mbit/s downstream (1.4Mbit/s upstream) and access to 2200 hotspots in Sweden.

"These aggressively priced offerings have surely succeeded in driving growth in the market – during 2007, the number of mobile broadband subscribers increased from 92 000 to almost 376 000 – but there is a disadvantage to this approach. As a Telia representative put it: 'We need to find new models instead of fixed monthly fees, otherwise it will be difficult to run this business'," explains Allen.

Rupert Wood, Principal Analyst at Analysys Mason, says that many MNOs, facing saturated markets and limited opportunities to increase ARPU, have embraced mobile broadband as the new driver of growth. But, as Wood states in his recent report, Mobile broadband: another substitution threat for fixed operators?, MNOs are generally offering mobile broadband services for less than their fully allocated cost.

"It may make sense to fill networks with inexpensive mobile data traffic rather than leave them empty, but there will clearly be a point where the economics change. Telia seems to have foreseen this point and is taking steps to protect its investments. The reaction from consumers and competitors will be a critical factor in whether it succeeds," says Rupert Wood.

"It is worth noting that the mobile broadband market in Sweden is following a similar path to the country's fixed broadband market. Fixed broadband providers also went through price wars on flat tariff offerings, followed by a phase of price increases as the market matured. It will be interesting to see whether mobile broadband prices in other markets will also follow the Swedish example, or whether fixed broadband operators will move in a similar direction and start to introduce new types of broadband tariff that are more related to usage than peak speed," says Wood.

For further information or to arrange an interview with James Allen, Partner at Analysys Mason, or Rupert Wood, Principal Analyst, please contact Gina Ghensi press@analysismason.com or telephone.

About Analysys Mason (www.analysismason.com)

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