



The Commercial Value of Broadband

The Broadband Business Model

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BSG Conference

29 October 2003

Analysys

“Nothing less than the demolition of Japan's telecom industry”

– Wired Magazine, August 2003

YAHOO! BB
JAPAN Broadband

[Yahoo! JAPAN](#) - [入会案内](#) - [会員情報](#) - [ヘルプ](#)

ナンバー・ワンで、
ビービーしよう。

ヤフー BBは、会員数300万人の
No.1ブロードバンドです。*

[▶ Yahoo! BBの詳しい情報](#)

26M+無線LAN
3ヶ月無料 ラクして安心。
2003.8/1(金)~10/31(土) Yahoo! BBの入会キャンペーン。
[▶ キャンペーン詳細](#)

Analysys

Source: <http://bbpromo.yahoo.co.jp/>

Eye-watering pricing generating \$95 million per month

ご利用月額料金

[詳しくはこちら](#)

最大3か月間無料キャンペーン (NTT東日本エリア) 適用で、モデムをレンタルでご利用の場合

タイプ	月額合計	1か月目	2か月目	3か月目	4か月目以降
■Yahoo! BB 8M	£16.90	⇒ 0円	0円	0円	3,138円
■Yahoo! BB 12M	£19.05	⇒ 0円	0円	0円	3,538円
■Yahoo! BB 12M + 無線LANパック	£24.38	⇒ 0円	0円	0円	4,528円
■Yahoo! BB 26M	£20.67	⇒ 0円	0円	0円	3,838円
■Yahoo! BB 26M + 無線LANパック	£26.00	⇒ 0円	0円	0円	4,828円
■Yahoo! BB リーチDSL	£16.90	⇒ 0円	0円	0円	3,138円

Analysys

Source: <http://bbpromo.yahoo.co.jp/>

But how can the business model work?

✍ Costs:

- ✍ \$800 million backbone
- ✍ \$250 per customer acquired
- ✍ \$30 million for each of VoIP, VoD and Pay TV
- ✍ \$40 million/month for access

✍ Revenues (2.8 million subs):

- ✍ Flat rate access \$25–40 per month
- ✍ Pay TV & VoD \$21/month plus \$2.5 per title
- ✍ Phone (<2¢/min)
- ✍ BB games \$8–13 per title

It's a similar story in Sweden

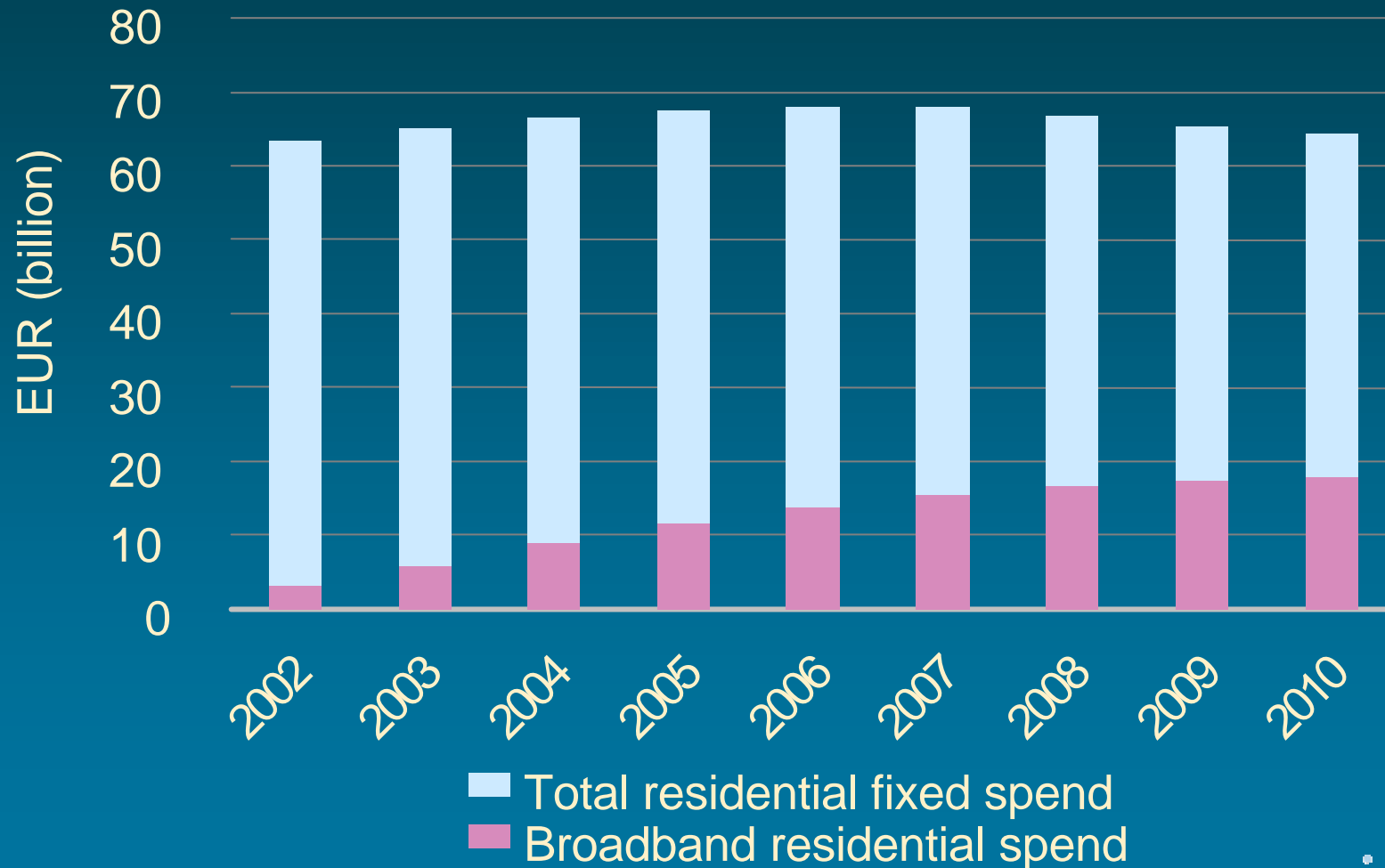


Stokab is a municipal duct utility which sells duct (or dark fibre) to telecoms operators at a long-run, cost-based price



Bredbandsbolaget B2 sells 2Mbit/s+ IP ethernet to multi-tenanted buildings via the landlord

But Western European incumbents face pressure on fixed revenues ...



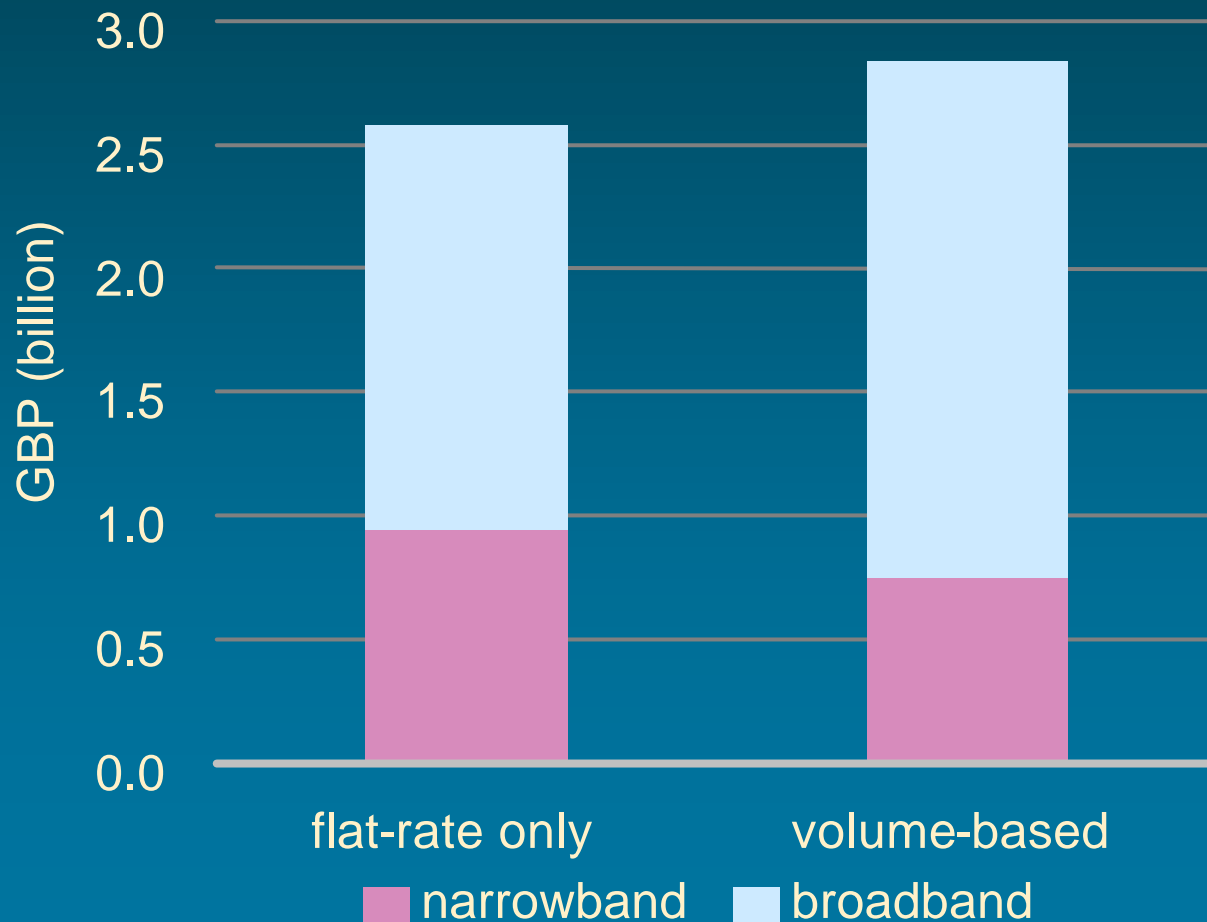
Source: Analysys

... and business models are not clear

- ✍ Cannibalisation
- ✍ Flat tariffs
- ✍ Peer-to-peer networking
- ✍ Unproven applications
- ✍ Disruptive technologies

So who could resist volume-based charging if it increased revenue by £460 million a year?

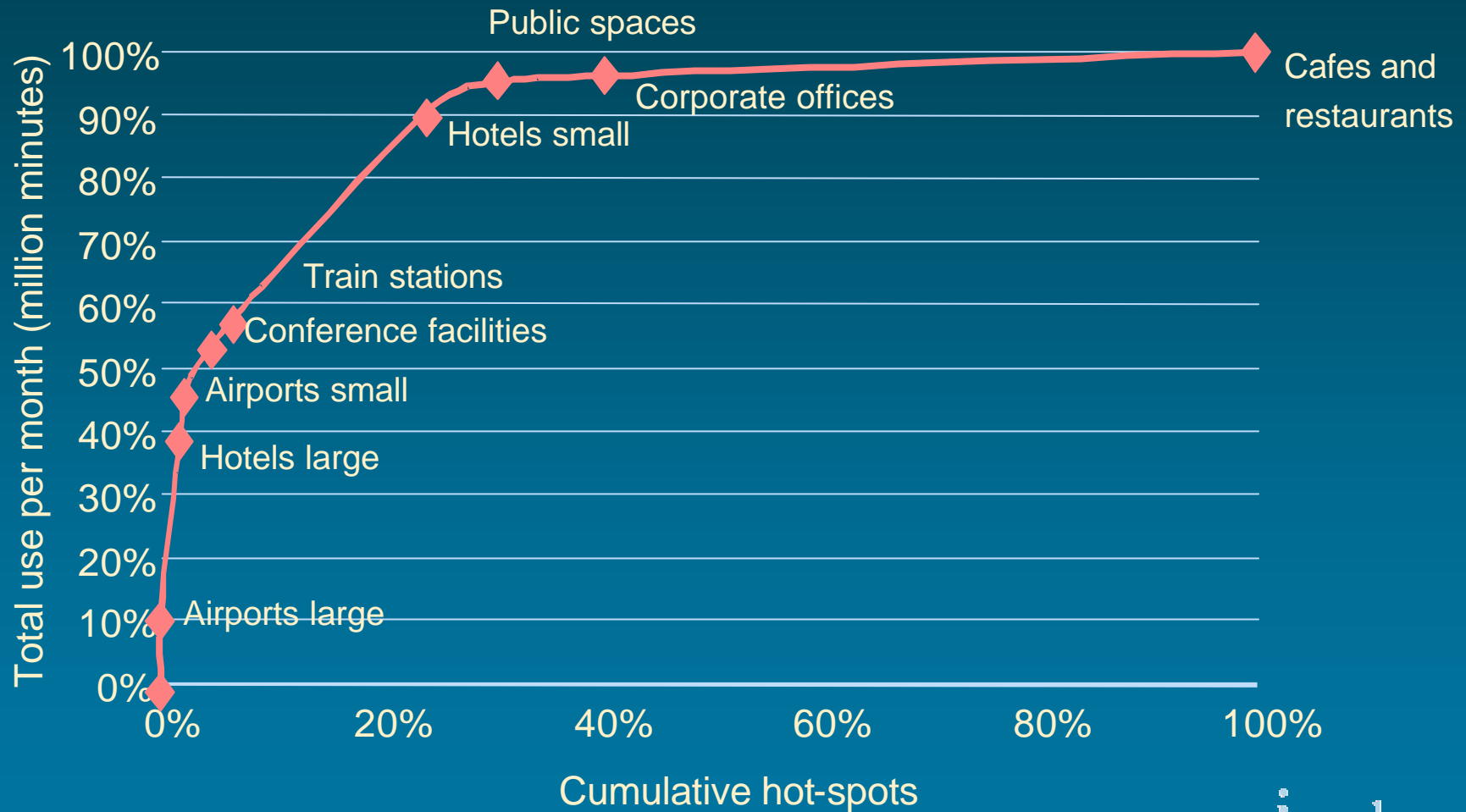
UK residential site Internet spend, 2008



Source: Analysys

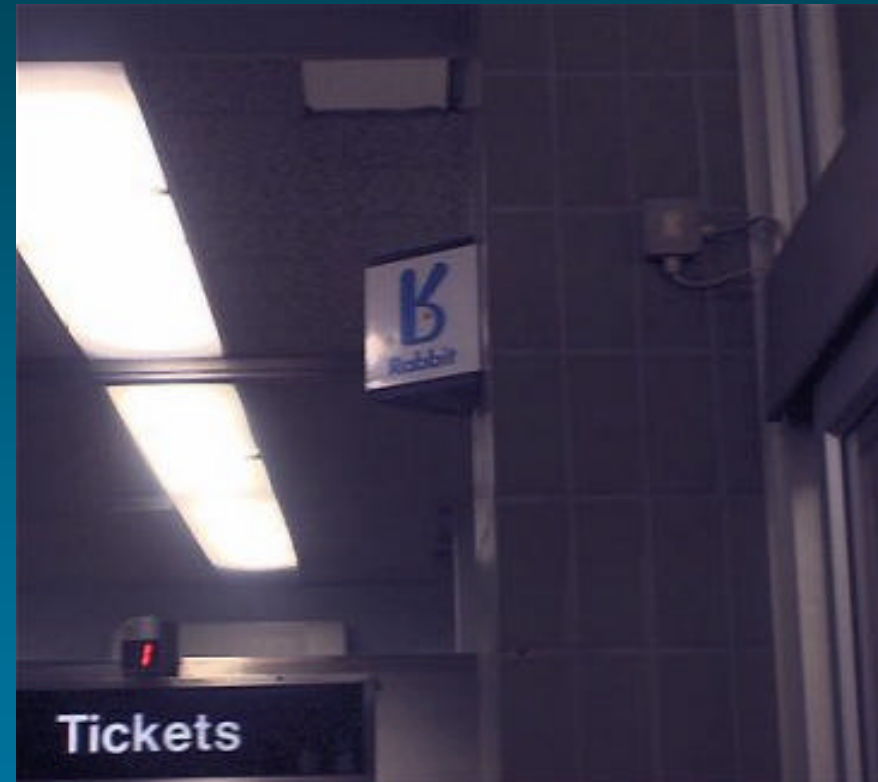
Is Wi-Fi the answer?

Expected traffic and hot-spot relationship



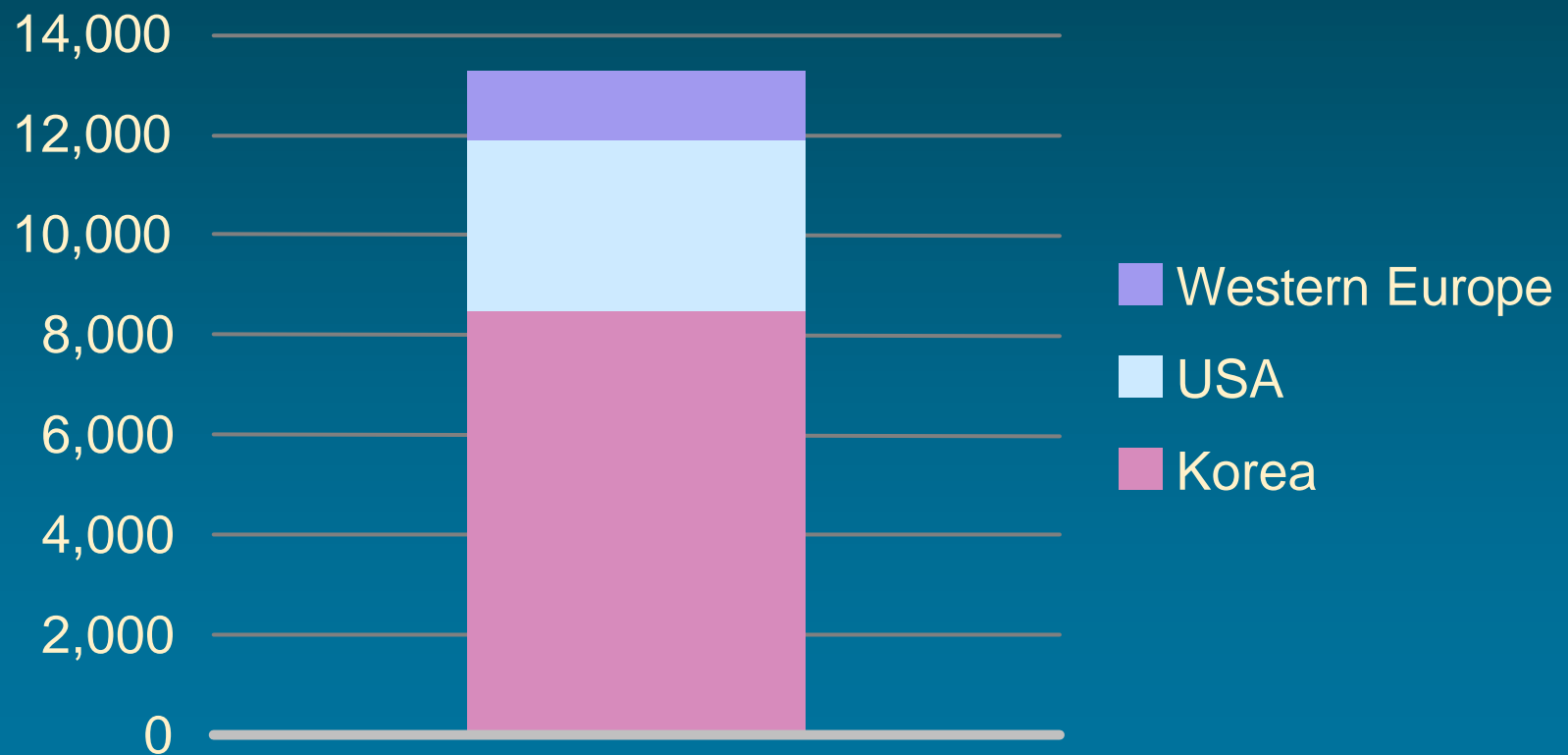
Source: Analysys Consulting project results (2003)

Not necessarily ...



... but watch Korea

WLAN hotspots as at January 2003



Telecoms is not one market ...

Content and applications

Services

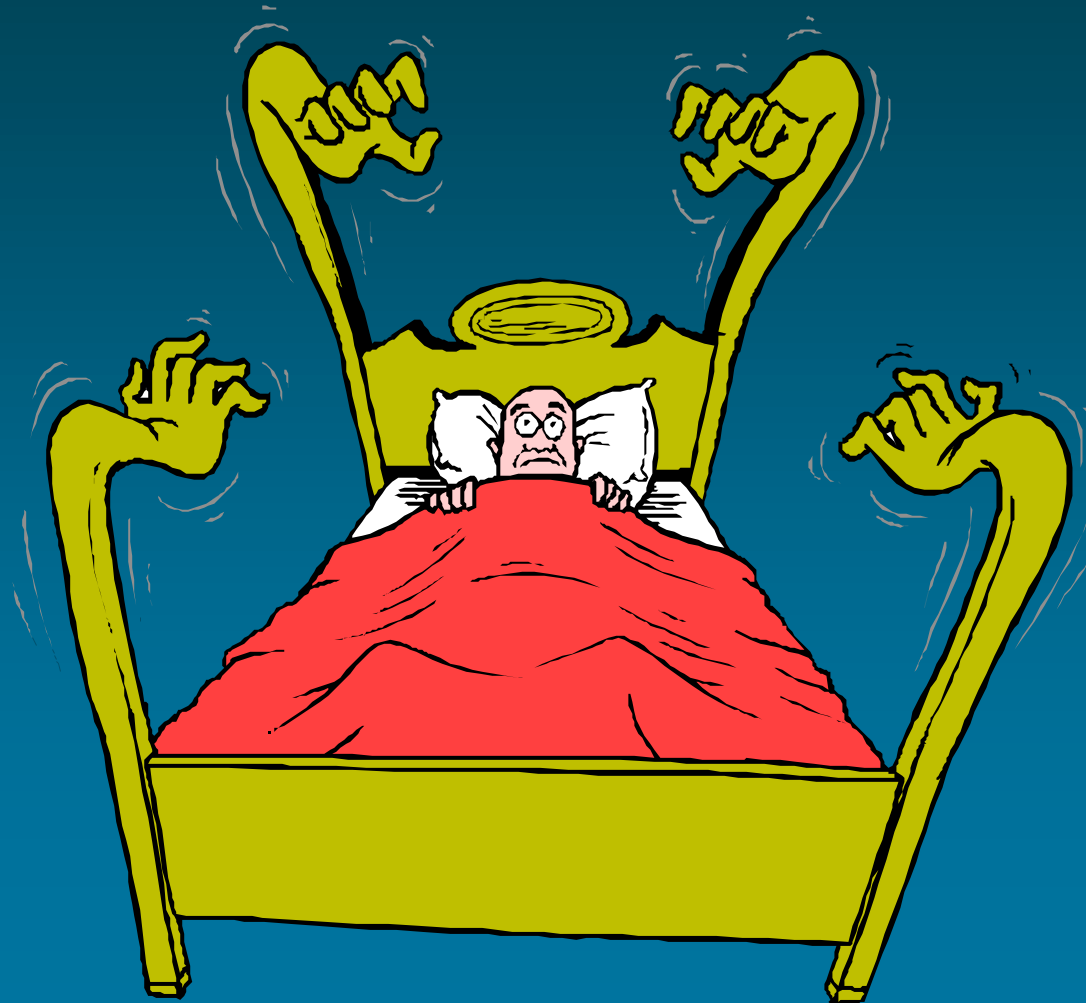
Network transmission

Cables

Ducts

- Lower barriers to entry and exit
- Larger markets
- More opportunities for specialisation and market segmentation
- From economies of density to economies of scale

...but does this unleash the regulators' nightmare?



Is dis-integration unusual?

Content and applications	Software and applications	Distribution
Services	Middleware/OS	Manufacture
Network transmission	Devices	Design
Cables	Integrated circuits	Components
Ducts	FAB plants	Raw materials

Some claim to have saved billions

HOW WE SAVED A BILLION DOLLARS

BY LARRY ELLISON

At the start of fiscal year 2000, we announced that Oracle would become an e-business, and in doing so, save one billion dollars. In other words, we would use our own application software—the Oracle E-Business Suite—to put every aspect of our business on the Internet. The success of our move into the 'new economy' would be measured the 'old economy' way. The question was—once Oracle became an e-business, would our margins improve enough for us to save a billion dollars? The answer turned out to be no. We're going to save a lot more.



LAWRENCE J. ELLISON

ORACLE CHAIRMAN & CEO

A billion dollars in annual savings translates to a 10-point improvement in our operating margin. We've already exceeded that goal. In the fourth quarter, our operating margin was up nearly 14

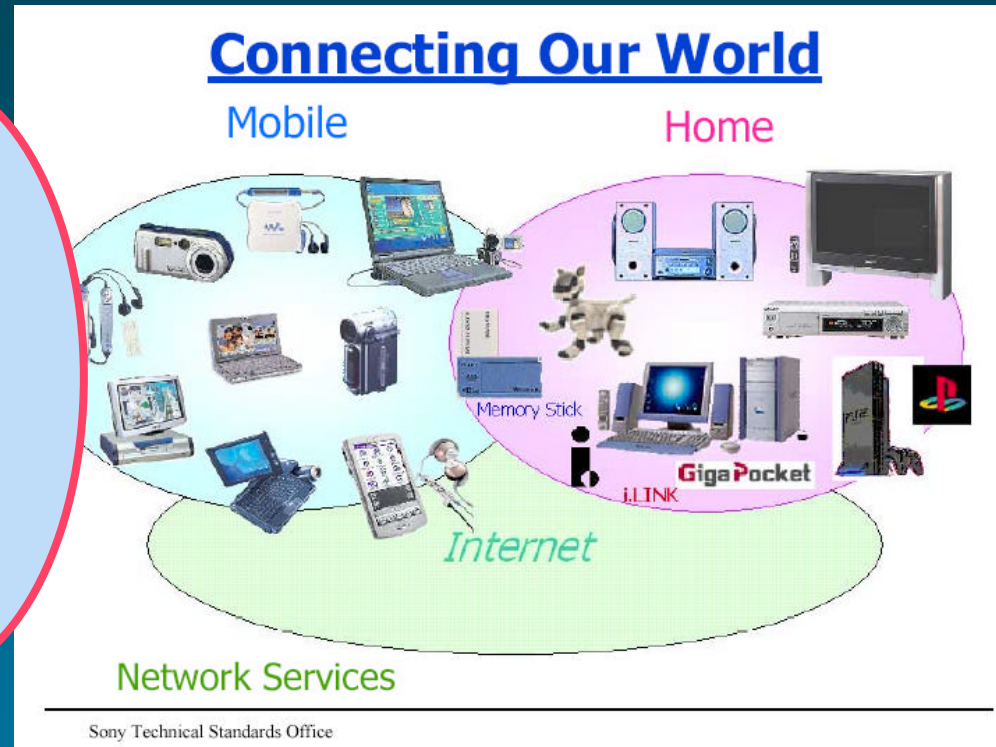
“We find the computer everywhere, except in the productivity statistics” – Robert Solow

- ✍ ICT has two components, and two effects:
 - ✍ software investment enables larger scale operations, increases the demand for skilled workers and improves labour and total productivity
 - ✍ telecoms investment positively affects the creation of new products and processes but negatively affects average labour productivity
- ✍ “Telecommunications investment [enables a] switch from a Fordist to a flexible network productive model”

The real struggle has just begun



or



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