

# FTTP operators should move quickly to increase their entry-level FTTP speeds

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Fibre operators must design attractive retail tariffs as FTTP coverage grows. FTTP operators must carefully consider what speeds to offer in their entry-level plans in order to maximise both take-up and return on investment. In this article, which accompanies Analysys Mason's *Fibre pricing benchmark*, we evaluate the entry-level speeds that incumbents and alternative operators are offering and highlight the most effective tariff strategies.

## FTTP operators must strike a balance with their entry-level speeds

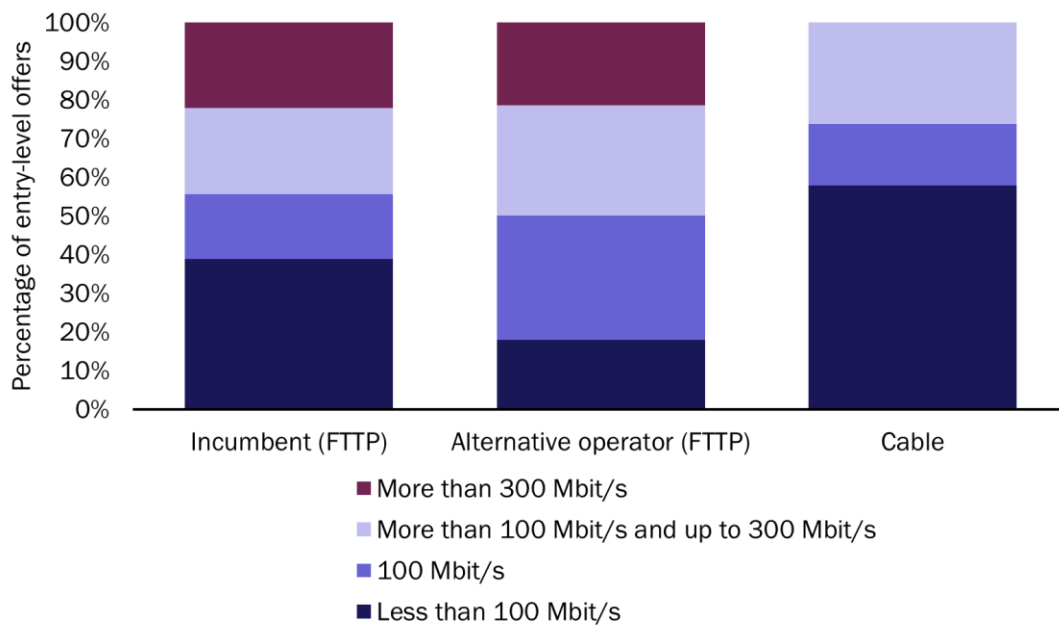
Driving subscriber take-up and fibre roll-out utilisation is a key objective for fibre operators. Operators that offer speeds that are too low in their entry-level retail FTTP broadband plans risk underselling the benefits of the technology and limiting the migration from DSL and cable.

On the other hand, it could be argued that offering speeds that are too high in entry-level packages limits future opportunities to upsell customers to higher-value plans with faster speeds. Offering high entry-level speeds may also impose constraints on the extent to which operators can continually migrate existing FTTP customers to higher speeds for no extra charge (an approach adopted by many operators). Furthermore, offering multi-gigabit access speeds in entry-level plans risks consumers believing that the operator is only targeting a technologically sophisticated demographic. Multi-gigabit access speeds (speeds of above 2.5 Gbit/s) also come at a higher cost to operators because they necessitate the deployment of next-generation PON technologies.

There is clearly a need to strike a balance, but in this article we argue that operators should prioritise increasing their entry-level retail FTTP speeds.

## Around half of the European FTTP operators in our tracker still offer entry-level speeds of 100 Mbit/s or less

Around half of all European FTTP providers in Analysys Mason's *Fibre pricing benchmark* (which consists of incumbents and the other largest fixed broadband players in each market) still offer entry-level FTTP speeds of 100 Mbit/s or less (see Figure 1). This is surprising because FTTP operators can offer speeds of at least 1 Gbit/s using existing GPON infrastructure. It should be noted that incumbents and alternative operators are already generally offering higher entry-level FTTP speeds than cable operators.

**Figure 1: Entry-level retail FTTP and cable speeds, selected operators, Europe, 2021**

Source: Analysys Mason, 2021

The proportion of alternative operators (this includes players with their own FTTP networks as well as those using passive and active wholesale offers) that offer entry-level FTTP speeds of 100 Mbit/s or less is lower than that for incumbents. Alternative operators that have built their own networks are likely to be under significant pressure to monetise these networks rapidly before incumbents can respond, which drives them to offer high speeds. Some incumbents with only partial FTTP coverage may be reluctant to push their entry-level FTTP speeds too high because doing so may result in dissatisfaction from customers that are still reliant on DSL in areas without incumbent FTTP coverage.

Overall, we believe that both incumbents and non-incumbents are highly incentivised to drive FTTP take-up, and offering higher entry-level speeds that provide greater differentiation from legacy retail DSL (ADSL and VDSL) and cable offers is logical. Maximising take-up is much more important in the early phase of FTTP roll-outs than any potential future ARPU gains from speed upselling, not least because offering higher speeds initially could help to reduce the risk of overbuild.

## Offering high entry-level retail FTTP speeds does not remove the opportunity to increase ARPU in the future

There is still potential for operators to tier their fibre plans for different customer segments, even if they have entry-level retail FTTP speeds that are much higher than 100 Mbit/s. Orange in France is a good example. It offers download speeds of 400 Mbit/s in its entry-level plan, but also has a higher-tier FTTP plan with download speeds of 2 Gbit/s. Orange has also experienced some ARPU uplift due to FTTP migration. It (and its competitors in France) has consistently charged a premium of EUR5 for FTTP access. This premium is easier to justify given the large uplift in speeds versus those available on its ADSL/VDSL plans.

## Passive wholesale FTTP offers will drive an increase in entry-level retail FTTP speeds

The development of wholesale markets in various countries will affect how entry-level retail FTTP speeds evolve. Italy has the fastest entry-level speeds out of all the European countries in our tracker. Incumbent TIM and challenger WIND Tre offer entry-level FTTP download speeds of 1 Gbit/s and alternative operators Fastweb and Vodafone both recently upgraded their entry-level retail FTTP download speeds to 2.5 Gbit/s. These high entry-level speeds are enabled by passive access wholesale offers that mean that access seekers do not pay extra wholesale fees for higher bandwidths (unlike in situations where they rely on bitstream).

Over time, this situation will be replicated elsewhere as competitive wholesale FTTP markets develop. Operators that can already use passive wholesale fibre access or those with their own FTTP networks could gain a competitive advantage by moving early to upgrade their entry-level speeds to at least 1 Gbit/s.

## There is potential for FTTP operators to increase their entry-level speeds

Both incumbents and alternative operators have the opportunity to increase their entry-level retail FTTP speeds. XGS-PON (and in the future, 25GS-PON and 50G-PON) will provide opportunities for them to continue to increase their retail speeds, even with entry-level speeds of hundreds of megabytes per second.<sup>1</sup> The ability of DOCSIS-based technologies to offer such speeds cost-effectively is more questionable, so increasing entry-level speeds could be a strategy for attracting cable churners.

Increasing download and upload speeds is always valued by subscribers because it allows them to download and upload large files more quickly, which in turn offers convenience for consumers. Operators should therefore not think too much about whether new applications that require very high bandwidths (such as advanced virtual reality) will gain traction. Even without such applications, FTTP operators can do more to showcase the benefits of fibre by increasing their entry-level speeds.

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<sup>1</sup> For more information, see Analysys Mason's [25G will be just one element in a new toolkit for fibre operators](#).