

An aerial photograph of a city skyline at dusk, featuring several prominent skyscrapers. A large, white, stylized letter 'K' is superimposed over the image, acting as a background for the title text. The city lights are visible, and the sky is a mix of orange and blue.

Best practices for monetizing Gigabit services

NOKIA

Introduction

The first Gigabit broadband offers appeared more than 10 years ago and have now become a norm. It is estimated that there are close to 500 networks offering Gigabit broadband in the world today, and close to 100 with multi-Gigabit broadband services. Gigabit helps operators to offer unprecedented customer experiences and compete more effectively.

There are many misconceptions about Gigabit broadband:

- It is expensive to deploy.
- It is a luxury product and needs a (very) premium price.
- There is nothing to sell after Gigabit.

Let's explore them.



Cost to deliver

The marginal cost to deliver Gigabit broadband to a customer who is already connected on fiber but at a lower speed is close to zero. A decade ago, issues with ONT compatibility did mean that there were some CAPEX implications to upgrading a customer to Gigabit speeds. If the existing ONT wasn't Gigabit-ready, an upgrade was necessary which, in turn, could mean a truck roll and the associated cost. This was by no means a deal-breaker when it came to profitability, but it did mean that these costs had to be offset from a higher profit from the Gigabit subscription.

These days, nearly all ONTs deployed in the field are Gigabit-ready out of the box. The only marginal cost of Gigabit over a slower speed tier is the additional bandwidth consumption driven by Gigabit customers. And since bandwidth consumption for most operators is around 1 euro a month, even a significant increase in those costs is unlikely to cost more than a few cents extra. Which would be more than offset by even a 5 euro price differential on the Gigabit offer.



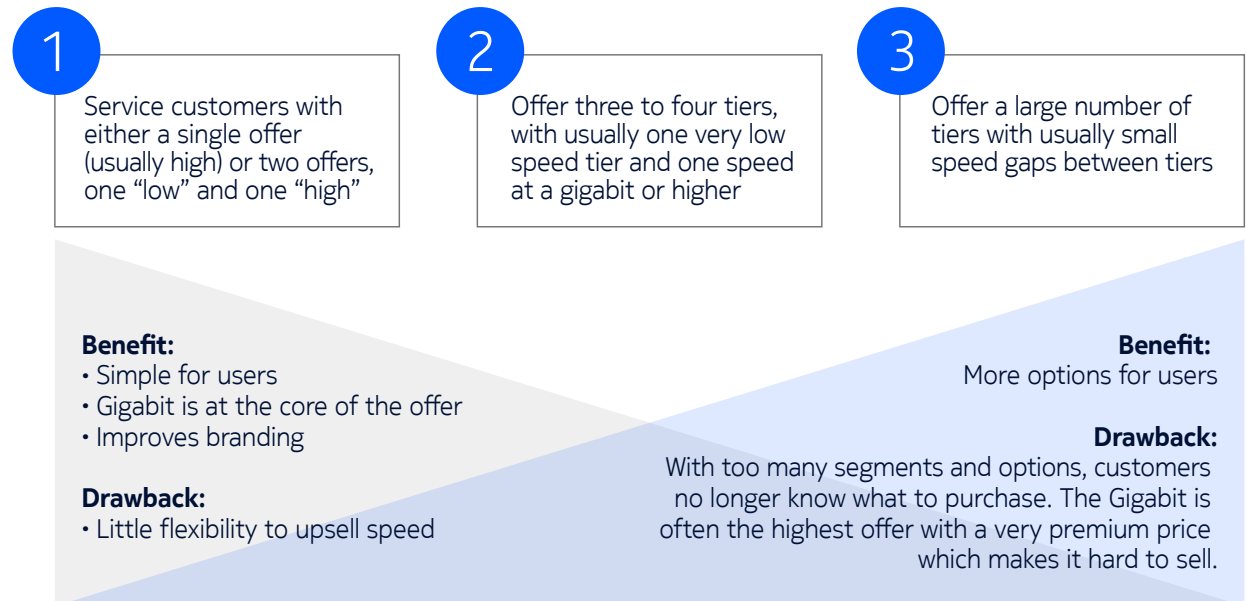
Marketing principles of Gigabit

To deploy Gigabit services is one thing; to promote and drive adoption is another. The Gigabit opportunity (or success) depends on a thoughtful marketing strategy that will increase its appeal and increase revenue per user (ARPU). The strategy is spread across different domains: service segmentation, additional services in a package, pricing, advertising, etc.

Service packaging, service segmentation, subscription plans

Download speeds are still the dominant feature in broadband marketing and advertising, and still the one best understood by customers when making a purchasing decision. However, especially since the COVID-19 lockdowns of 2020, upload speeds are increasingly important as customers understand that applications like video calling and remote working actually involve significant upstream data.

For subscription plans, Gigabit operators have 3 distinct strategies:



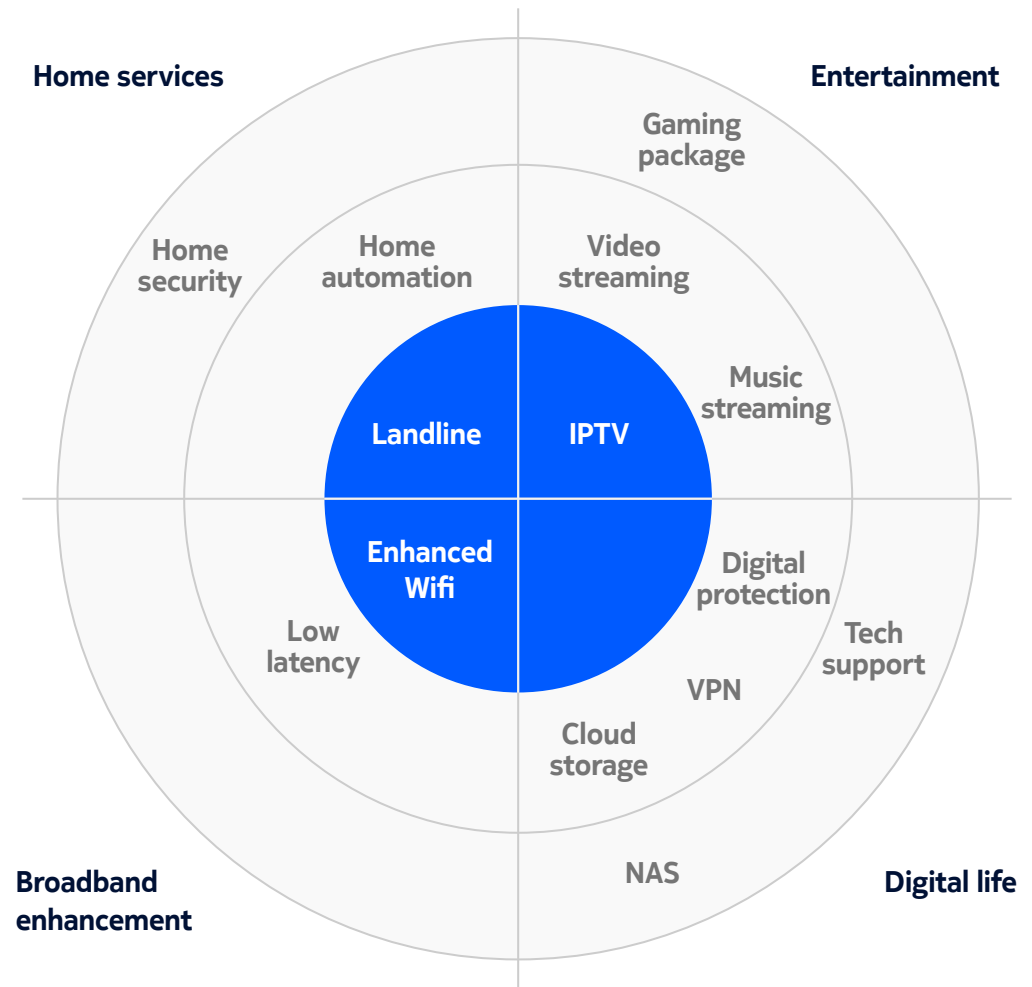
In choosing your segmentation strategy, consider the following:

- Is Gigabit considered a luxury product or a norm in your market?
- What is your Gigabit competitive landscape, now and in the future?
- Would multiple service tiers help you upsell?
- Is your Gigabit offer going to be “just another tier” or a tier with a clear focus?
- How is the number of service plans affecting your pricing strategy?
- With a multiplicity of speed tiers, will the customers who upgrade the service experience a difference?

Additional services

Gigabit is often bundled with a number of other services perceived as premium, which make the service package more attractive. These additional services fall roughly into four categories:

- **Broadband enhancement:** services or options that make the broadband experience better.
- **Digital life:** various digital or online services not directly related to broadband.
- **Entertainment services:** various forms of streamed media.
- **Home services:** services that rely on broadband to offer real-life enhancements in the home.



Pricing

Price and pricing schemes are the most important component of adoption and the price gaps between speed tiers can make or break upsell when it comes to encouraging customers towards higher speed tiers.

There is typically a direct correlation between the number of subscription plans and the price gap between entry level and Gigabit. While broadband service tiers may not be highly differentiated on actual speed, they have to be differentiated on price, so mechanically the higher the number of tiers in the portfolio, the higher the gap.

When it comes to charging for extra services and add-on, there are two philosophies that often coexist in the portfolio of a given operator:

- Charge for additional services as separate, “low-price”, monthly add-ons.
- Include additional services for “free” in premium packages.

In the early days of fiber broadband, when the name of the game was customer acquisition, many offers had many free options, but this no longer seems to be the case. Most

options are either charged directly or included only for premium tiers.

When considering the pricing strategy, what would work better for your business case: a Gigabit package at a lower premium price aiming for massive adoption; or a Gigabit package at a very high premium price targeting “power” users?



Advertising

Advertising leads your customer to your offer and online advertising is a growing medium, as it's both targetable and more in line with the subject matter. In addition, operators use billboards, local flyers, TV, radio, etc.

Adverts, whatever form they take, can be broadly categorized into three phases that evolve over time and with maturity of a fiber project:

- **Awareness** ads come when the network is being deployed or put in service with the aim of exciting and educating consumers to the benefits of fiber broadband.
- **Performance** ads come next, giving more product details and focused on concepts like power and speed to differentiate. This is where Gigabit is often mentioned.
- **Lifestyle** ads come last, when brands are established and a customer base is already in place, to reach beyond power users and early adopters to show the benefits of fiber broadband to all. They show what the service enables, and are often the only ones where customer service is used as a differentiator.

Promotion

Promotions are commonly used to encourage consumers to purchase. The common forms are as follows:

- **Temporary discounts on purchase.**
A discount on the monthly service fee, systematically in exchange for a contractual commitment over time. The goal is to maximize customer loyalty and minimize churn.
- **Temporary free services.**
Services offered for a short period (usually a few months), often access to specific TV content. The goal is to cross-sell an option down the line (customer actually likes the “free” service and keeps it, or forgets to unsubscribe and keeps it).
- **Free devices.**
Devices offered upon subscription, either around the smart home or Wi-Fi (KPN offers free Wi-Fi repeaters, for example). This does not include routers, which are necessary for operation but not always included, depending on the market.

Conclusion

The reasons why your Gigabit offer matters:

- In mature markets where fiber has been present for a long time, it's an easy upsell opportunity that can generate additional margin with very little effort.
- For newcomers, it is a way to disrupt the market,
- You don't want to be the last one on the bandwagon, especially after all the fiber investment you have made.

Gigabit is not the future: it is the present both in terms of customers' wants and needs, and technology capabilities. The pandemic has demonstrated that thinking in terms of single service usage and single user profiles makes no sense. Gigabit is necessary today to ensure the development of the home digital economy. It's time for operators to recognize that and act upon it.

Download

Download the complete study by Benoît Felten, Chief Research Officer with Diffraction Analysis.

<https://pages.nokia.com/T007PJ-Making-Gigabit-a-Success.html>



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