

**Broadband indicators: comments on the
comparison of prices /tariffs in BB
services**

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Fixed BB tariff comparisons:

In contrast to mobile BB, tariffs for fixed BB are mostly “flat rates”/ unlimited offers and the majority of them are bundles (double, triple...).

This implies that USAGE when comparing fixed BB tariffs are not that relevant. The factors driving price discrimination are:

- **degree of bundling** (number of services included): each country/ region may be in a different development stage of bundling and comparisons may be difficult
- **geography**
- **speed** (download, nominal speed)

-An additional difficulty when comparing fixed BB prices is the degree of **product differentiation**- when TV services are included-

-The methodology followed by several institutions relies on “standard price packages”, whereby the main dimensions of price discrimination are controlled for (separate comparisons for stand-alone, double, triple packs, split by speeds,...)

-BEREC produced a report on suggestions to the European Commission on aspects to take into account when comparing fixed BB prices across the EU (“Methodology on the proposal for comparison of broadband retail prices, based on the analysis of strengths and weaknesses of existing approaches” ERG, 2008).

Mobile BB price comparisons:

USAGE matters because most of the offers/tariffs are limited in volume (Gb) downloaded, or time of usage. It matters for recurrent-fee as well as for pay-as-you-go subscriptions

Tariff (Euros/month), only **post-paid subscriptions for mobile BB via modem/USB/ dongles** in EU(17), 2010

| | Average price | Std deviation | Proportion of offers (%) |
|---|---------------|---------------|--------------------------|
| Unlimited offers | 43,1 | 22 | 5,4 |
| Volume metered offers with money penalty | 29,6 | 25,7 | 35,6 |
| Volume metered offers with speed penalty | 31,5 | 18,4 | 42,3 |
| Time metered offers with money penalty | | | 10,1 |
| Other (unclassified) | | | 6,7 |
| All volume metered or unlimited offers | 31,1 | 25,3 | 83,2 |

Source: based on T- Connect, Teligen, 2010

- relatively few unlimited offers (5,4%), although situation varies across countries
- huge variety of offers and big variance among seemingly similar offers
- download (nominal) speeds do not vary that much (concentrate on two- three values)
- volume caps with average value 7,4 Gb /month (though big variance)

Since huge variety of offers, some filters are needed. From simple regression analysis some conclusions:

- volume metered offers are clearly cheaper than unlimited ones
- type of penalty once the data cap has been reached (whether money or speed reduction penalty), does not seem to influence much the final (ex- ante) price level
- the main drivers of price levels are: **speed**, **maximum data cap allowed** and **bundling** (if with voice or with any complementary service- as the PC)

Price comparisons:

- a) Baskets approach:** define patterns of usage by individuals and apply all tariffs. Select the minimum expenditure tariff thereafter.
- Problem of biases if patterns of usage (i.e, baskets) do not fit the average (or median) consumer in each country/ region.
 - Need demand side micro level data from consumers side to get representative patterns of usage (that differ as well if “big screen” subscription or smartphone/ “small screen” type)

Consumption patterns of Spanish individuals on mobile BB (per month), 2010

| | USB/ dongle with flat rate | smartphone with flat rate |
|------------------------------|----------------------------|---------------------------|
| Volume downloaded (GB) | 1,12 | 0,09 |
| Number of connections/ month | 98,8 | 27,8 |
| Expenditure (Euros/month) | 32,1 | 9,9 |

Source: Household Panel CMT- Red.es

b) Standard offers approach: select types of tariffs that are more “common” and compare only similar tariffs with each other (similar to fixed BB comparisons).

→ Problem with comparability over time, and among countries that differ widely in terms of tariffs available.