

## Usage-Based Billing Strategies for Fixed Broadband Can Enable SPs to Align Customer Value Perception with Network Investments

IBSG Service Provider FastFacts

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In the past five years, consumer monthly Internet usage has grown nearly three-fold, but they spend no more than they did in 2006. According to Cisco's Visual Networking Index Global Forecast, 2011 consumption per U.S. user grew 278 percent from 4.2 GB to 15.9 GB. In that same time frame, according to Infonetics' Worldwide Service Provider Update (09/10), the monthly U.S. cable broadband ARPU has remained flat, growing only from \$41.10 to \$41.90.

As consumers increasingly rely on their broadband access for more of the basic everyday needs including Internet access, social interaction, video entertainment, music and radio services, video and voice calls and more, broadband has become the most important core Service Provider (SP) service when compared to pay TV, mobile voice, landline phone and mobile data. However, even as a flood of new usage traverses their pipes, these broadband service providers are struggling to get consumers to equate the value of their online experiences with the value of their broadband service. To that end, SPs are actively considering usage-based billing strategies as a tool to align consumer value perceptions with their underlying network. Anecdotal evidence from non-U.S. SPs that have introduced usage-based billing indicates that usage-based billing can drive new value creation.

To help explore consumers' perspectives on usage-based billing, Cisco's Internet Business Solutions Group (IBSG) conducted a survey of broadband users in the United States, Canada, France, and Italy to determine current consumer views on usage-based billing policies and approaches.

### Top Research Findings

Our findings highlight consumer perceptions around the fairness and equity of usage-based billing policies, based on an examination of both the average consumer as well as those who may be more impacted by usage-based policies. We also compare markets such as Canada and the United Kingdom, where usage-based billing has been in place for some time, with the United States, where usage-based billing is in the experimental phase. Key highlights include:

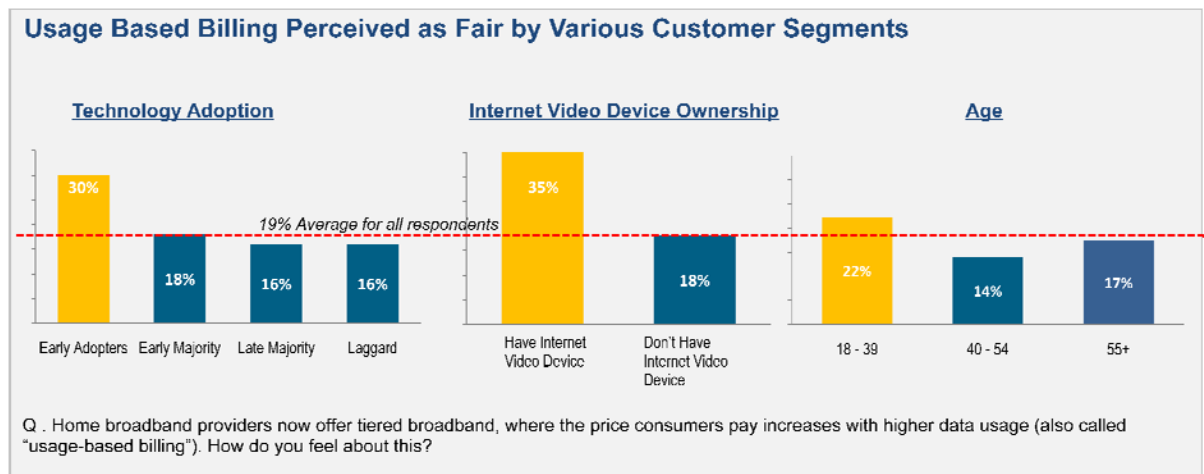
1. **Consumers believe usage-based billing is unfair:** Most consumers in the United States (71%), Canada (72%), Italy (74%) and France (86%) find usage-based billing for fixed broadband to be unfair.

(Continued...)



2. **Despite perceived unfairness, the majority of consumers are unaffected:** In Canada, where usage-based billing has been in place for several years with most major broadband providers, 58 percent of **consumers never think about it, as it does not affect their bill.**
3. **Approximately 31 percent of users in Canada reduce general online usage to avoid additional charges and 56 percent reduce online video usage:** Perhaps because of this sensitive group of users, Netflix has reduced the default setting for stream quality in Canada. Due to this change, 30 hours of Netflix viewing in Canada consumes only 9 GB, whereas the default setting in the United States consumes 31 GB for the same 30 hours.
4. **Usage-based billing may drive ARPU, as 41 percent of U.S. users say they would pay more for unlimited broadband access if usage-based billing were introduced in the United States:** When asked more specifically about unlimited broadband for online video usage, 26 percent of users in the United States and 22 percent in Canada say they would pay more for unlimited broadband.
5. **Consumers who are likely to use more broadband are more likely to view usage-based billing as fair** (however, even within these segments, most still feel it unfair): Early adopters, consumers with Internet video devices, and younger consumers are all more likely to see usage-based billing as fair (See Figure 1). Twenty-two to 35 percent of these groups indicate that usage-based billing is fair, which demonstrates that SPs do have the potential to monetize increased traffic.

Figure 1. Usage Based Billing Perceived as Fair by Various Consumer Segments in Canada.



Source: Cisco IBSG, March 2011

6. **Internet video device owners act very differently from average users:** Internet video device owners are more likely to get new unlimited broadband plans, are less likely to reduce usage, are more likely to keep the same amount of usage and are less likely to react negatively to usage-based billing by unsubscribing than general users.

While SPs must consider consumer and public reception, usage-based billing provides SPs with a critical tool they can use effectively to align the consumers' perceived value of their connected experiences with the underlying broadband network.

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Learn more about the Usage Based Billing opportunity by visiting the power-hour site for a recent presentation and listen to the replay at: [http://sjc-filer20b-web/wg-u/us\\_sp\\_power\\_hour/Published/Archive/Topic1\\_thankyou/](http://sjc-filer20b-web/wg-u/us_sp_power_hour/Published/Archive/Topic1_thankyou/)

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### More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.

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