

# To Prevent 15% of Customers from Cord-Cutting, Fixed Broadband SPs Consider WiFi Solutions to Deliver the Mobility Customers Seek.

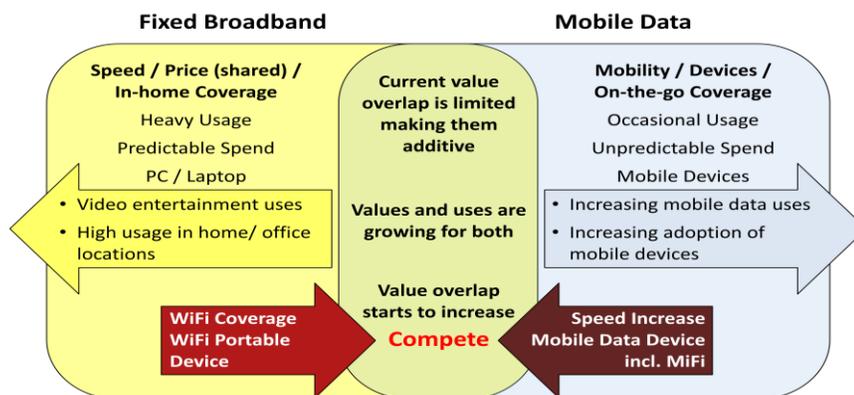
IBSG Service Provider FastFacts

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Mobile data in most developed countries is viewed as a supplement or complement to fixed broadband rather than a replacement. While consumers value their fixed broadband connections significantly, mobile data has become more integral to the average consumer's life. Mobile data users continue to expand and to emulate the activities traditionally performed over fixed connections. Cisco IBSG estimates that by 2016, up to 15% of US consumers could cut their broadband cord in favor of a mobile data connection, given certain conditions. The proliferation of connected portable devices and the deployment of faster mobile networks will likely accelerate this trend, driving consumers to perceive increasing value from their mobile data connections. And – in some situations, mobile data can offer a value proposition which could justify replacing rather than complementing the fixed broadband subscription:

- Mobile data satisfies the needs in the home, providing all the benefits of fixed broadband such as speed and in-home coverage
- Mobile data offers additional value of reliable connectivity on the go
- Mobile data comes at a price that consumers can justify - same or slightly higher cost than fixed broadband (with shared nature of fixed broadband in consideration)

To protect core broadband revenue against the potential disruption from wireless substitution, SPs could focus on expanding the functionality and value of fixed broadband by adding a degree of mobility or location ubiquity to their current offerings. Wi-Fi deployment extends the fixed broadband mobility proposition to address that need.



## Consumers see fixed broadband and mobile data as distinct and separate services

Currently, consumers see fixed broadband and mobile data services as two different products. While fixed broadband is seen as critical and mobile data is perceived as discretionary, each provides unique and distinct value. One sign of this separation is that the amount of time consumers spend using mobile data has no correlation with – and importantly doesn't substitute or cannibalize their fixed broadband time spend. Another sign of this separation is that devices currently tend to have a primary connection type (e.g., Smartphones – mobile data; Computer – fixed broadband) and these devices have unique characteristics. However, this value separation can change over time.

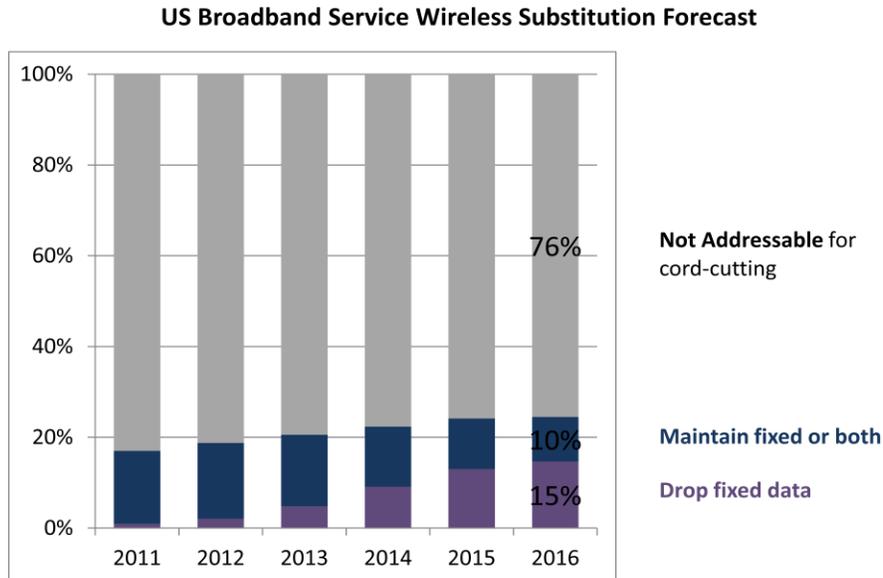
## Cord cutting can occur once consumers perceive mobile data as a similar service with a stronger value proposition than fixed broadband

In North America, mobile data subscribers exceeded fixed broadband subscribers in 2009 for the first time, partly driven by the individual nature of mobile data subscription vs. household subscription model for fixed broadband. Mobile devices drive data growth as smartphones already outpace notebooks and desktops. Also, more devices are mobile-data ready and are no longer tied to one connection type. Over 14 million WWAN devices (tablets, netbooks, notebooks, eBooks) were sold in 2010 and adoption of such devices is expected to grow at a 37% CAGR for the next 5 years. Mobile data card subscription is expected to increase to 74 M by 2014.

Cisco IBSG estimates that cord cutting could impact fixed broadband base by as much as 15% in 2016 as mobile data takes on more of the attributes that make fixed broadband valuable. Mobile data connectivity is becoming increasingly faster, reliable and affordable. Expanding further into time- and location-sensitive activities makes mobile data a competitive substitution candidate for fixed broadband. As the services become more similar in terms of the value that they provide, the more incentive a consumer has to select mobile data as the exclusive service.

In estimating the potential for fixed broadband cord cutting, Cisco IBSG assumed that:

- 75% of fixed broadband subscribers were assumed NOT addressable for cord cutting
  - Families with kids (shared nature)
  - High broadband usage at home (unlimited usage pricing)
  - Poor cellular coverage at home (in-home coverage)
  - Use applications requiring fixed broadband speed (faster speed)
- For the remaining 25% that could potentially consider cutting their broadband cord, we assumed that broadband-cutting would mimic voice-cutting dynamics: where 40% of the addressable 'cutters' will choose to stay with both and 60% of them will choose to cut their fixed services.
- Overall projection:
  - 75% not addressable for cord cutting (high value in fixed broadband)
  - 10% maintain fixed or both (no additional value in mobile or want both)
  - 15% choose mobile broadband only



**Figure 1.** US broadband service wireless substitution 2011 – 2016, Source: Cisco IBSG, 2011

## SPs can protect against cord-cutting by extending mobility with WiFi

While consumers use broadband for a plethora of activities, four drivers determine fixed vs. mobile: Speed, coverage, device and price. More devices are becoming able to handle both fixed and mobile connectivity. Mobile data price structure continues to evolve including introduction of MiFi. For various content and application types, speed is important to some and mobility is important to others. While fixed broadband will likely remain faster than mobile data, 4G will potentially close much of the speed gap and make the two services appear more similar in performance.

To protect its business from cord-cutting, fixed broadband SPs should expand its value proposition to the consumer. Other than maintaining faster speed and lower prices, fixed broadband could also add a level of mobility through WiFi. WiFi allows fixed broadband to respond to the unique value that mobile data offers – ubiquitous availability. A number of WiFi deployment options could extend fixed broadband mobility proposition to cover different aspect of coverage.

- In-home WiFi with secondary SSID (Dual SSID)
- WiFi access points in public venue (Public Hotspots)
- Outdoor WiFi mesh (Metro Mesh)

Cisco IBSG has found that 80% of mobile usage can be covered with a combination of in-home/office WiFi and public WiFi hot spots. 60% of US mobile Internet usage takes place in home or office and another 20% is in a fixed location outside of the home/office. When looking at video-usage, a full 84% of mobile usage can be covered via WiFi.

There are a number of different approaches SPs can adopt, that have different degrees of coverage and therefore varying levels of impact and also different cost implications for fixed

broadband SPs. Fixed broadband SPs need to carefully consider their strategy for WiFi deployment by understanding the benefits of incremental coverage vs. the associated cost.

## Consumers are moving to a semi-mobile world

Wireless pundits like to portend a future that is completely mobile. IBSG analysis shows that they are partly right. Consumers want to have the speed and price advantages of fixed broadband combined with an element of mobility for convenience and flexibility. Consumers increasingly want the ‘anywhere’ experience and WiFi could directly address the majority of this need while neutralizing the collective benefits of a mobile-only broadband solution. Also, SPs have the opportunity to extend into new services with the augmentation of WiFi to deliver an appropriate level of mobility to match evolving consumer needs.

For a more in-depth look at opportunities associated with WiFi, read: “What Do Consumers Want from Wi-Fi?” at [http://www.cisco.com/web/about/ac79/docs/sp/SP\\_Wi-Fi\\_Consumers.pdf](http://www.cisco.com/web/about/ac79/docs/sp/SP_Wi-Fi_Consumers.pdf) and “Profiting from the Rise of Wi-Fi – New, Innovative Business Models for Service Providers” at [http://www.cisco.com/web/about/ac79/docs/sp/SP\\_Wi-Fi\\_PoV.pdf](http://www.cisco.com/web/about/ac79/docs/sp/SP_Wi-Fi_PoV.pdf)

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