



Trends in U.S. Consumer Broadband Pricing

(January 2010 to December 2012)

*Broadband Unlimited
CES 2012*

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OVERVIEW / PURPOSE

- **Overview**

- Broadband Pricing Trends is a research project, started at the beginning of 2010, to identify key trends occurring in the US broadband market.
- Telogical Systems collected and analyzed data on:
 - The 7 leading broadband service providers
 - In 30 top markets which have been carefully selected so that key competitor matchups are represented (e.g., AT&T & Comcast or CenturyLink & Cox).

- **Purpose**

- To provide a greater visibility into broadband product, pricing and promotions trends
- To foster discussion
- To identify areas for additional analysis
- The project is meant to identify trends but not to explain them.

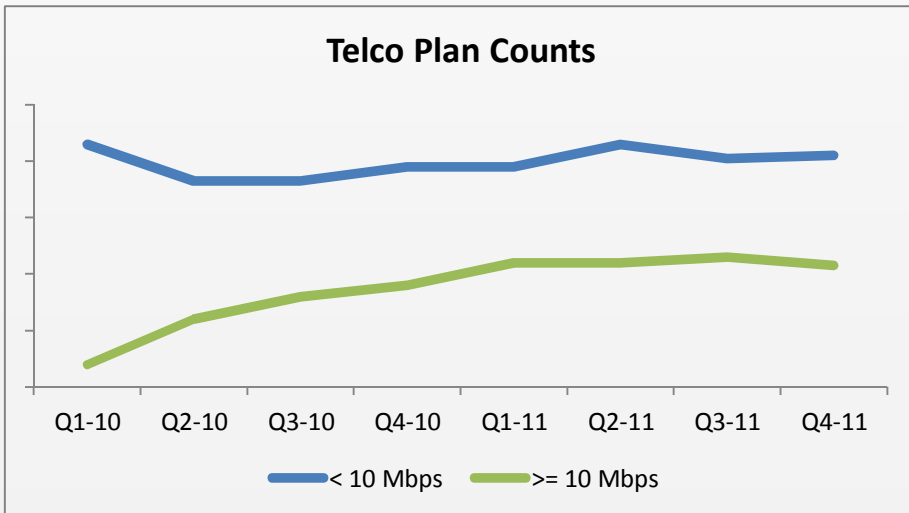
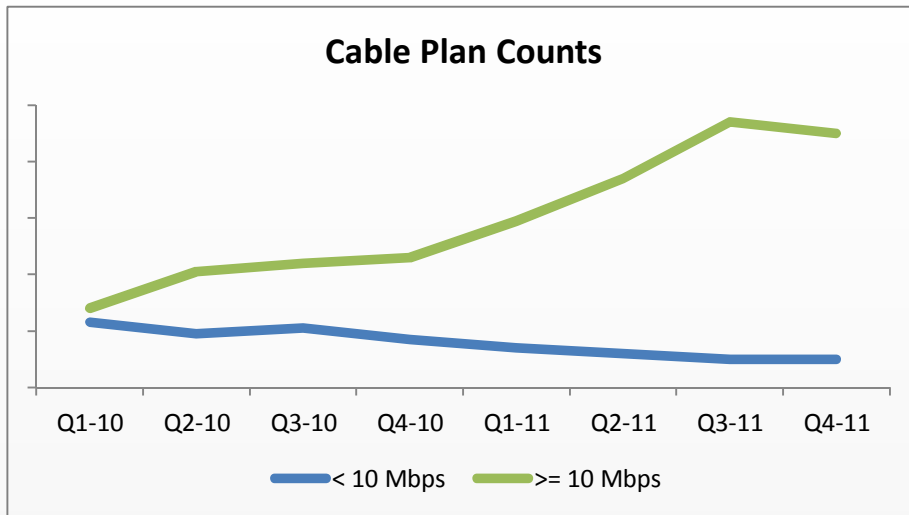
TRENDS

Summary of Trends

1. Downstream speeds continue to increase
 - Cable companies are leading this trend.
2. Data caps are becoming more important
 - Most of the top providers now have data caps.
 - Providers are handling caps in a variety of ways.
3. Standard prices are flattening
 - Economy speeds' prices are increasing.
 - Faster speeds' prices are decreasing.
4. Promotional discounts are increasing in all speed ranges
 - 6 – 12 Mbps speeds are being discounted most intensely.
 - Discounts are being offered over a longer period of time.

DOWNSTREAM SPEEDS

Plans Above vs. Below 10Mbps

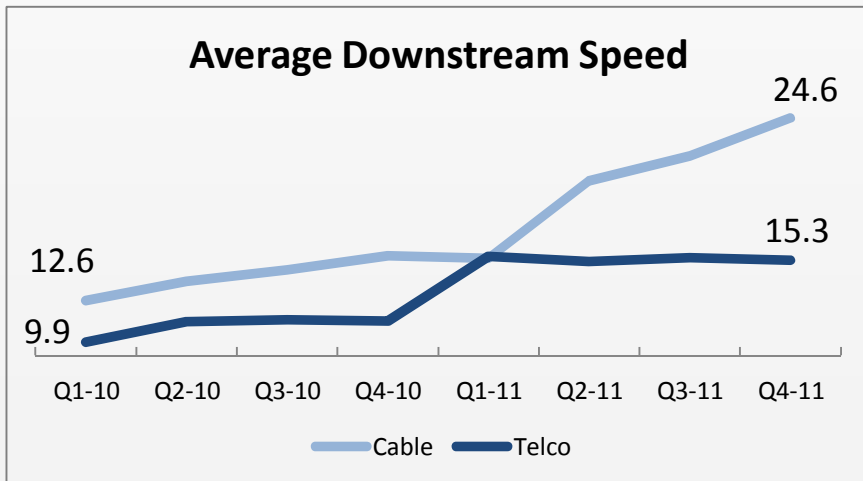
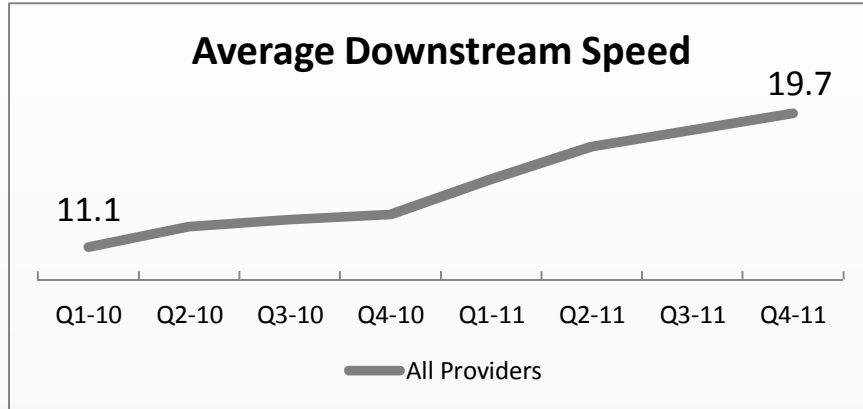


Observations

- Our data set included 455 plans in Q1 of 2010, and 505 plans in Q4 of 2011.
- Cable
 - Plans offered below 10 Mbps decreased by **14%**.
 - Plans offered at 10 Mbps and above increased by **63%**. Currently, **67%** of cable plans have maximum speeds of 10Mbps or greater.
- Telcos
 - Plans offered below 10 Mbps decreased by **3%**.
 - Plans offered at 10 Mbps & above increased **45%**, though most of the additions happened in 2010.
 - Currently, **43%** of Telco plans have maximum speeds of 10Mbps or greater.

**See appendix for details on how plans are defined.*

Average Downstream Speed



Observations

- Advertised downstream speeds have increased **77%** over the past 2 years.
- Cable providers are driving this:
 - The average Telco downstream speed increased by **55%**.
 - The average Cable speed increased by **95%**.
 - At the close of 2011, the average Cable speed is 61% faster than the average Telco speed
- Apart from the addition of AT&T's 24 Mbps Uverse in Q2 of 2010, and Verizon's addition of 15 Mbps DSL in Q4 of 2010, there has been little movement from Telcos.
- Cable companies have been increasing speeds across the board.

USAGE CAPS

Monthly Usage Caps

Which providers currently have usage caps?

AT&T	
• All DSL	150 GB
• All Uverse	250 GB
Charter	
• 3 - 15 Mbps	100 GB
• 30 Mbps	250 GB
• 100 Mbps	500 GB
Cox	
• 1Mbps	30 GB
• 3Mbps	50 GB
• 12 – 16 Mbps	200 GB
• 20 – 28 Mbps	250 GB
• 50 Mbps	400 GB
Comcast	
• All plans	250 GB

Coming in February

CenturyLink	
• <= 1.5 Mbps	150 GB
• > 1.5 Mbps	250 GB

Observations

- 5 out of the 7 top Internet Service Providers already have, or will soon have, data usage caps.
- There is not yet a clear standard for setting caps:
 - AT&T, CenturyLink and Comcast have caps that have little to do with the plan speed.
 - Charter and Cox have caps which correspond to plan speed.
- Penalties for exceeding caps also vary:
 - AT&T charges \$10 per 50 GB of data used over the initial limit.
 - CenturyLink, Charter, Cox and Comcast have stated policies of suspending service for repeat offenders.
- TWC and Verizon have not yet announced plans to implement usage caps.



Monthly Usage Caps

Usage Caps in GB

Plan Speed	< 3	3	6 - 7	10 - 18	20-30	>= 40
ATT DSL	150	150	150			
ATT Uverse		250	250	250	250	
CenturyLink*	150		250	250	250	250
Charter		100		100	250	500
Comcast	250		250	250		250
Cox	30	50		200	250	400
Average	145	137.5	225	210	250	350

of HD movies that can be downloaded*

Plan Speed	< 3	3	6 - 7	10 - 18	20-30	>= 40
ATT DSL	18	18	18			
ATT Uverse		31	31	31	31	
CenturyLink*	18		31	31	31	31
Charter		12		12	31	62
Comcast	31		31	31		31
Cox	3	6		24	31	49
Average	17.5	16.75	27.75	25.8	31	43.25

*If the Internet connection were used for very little else

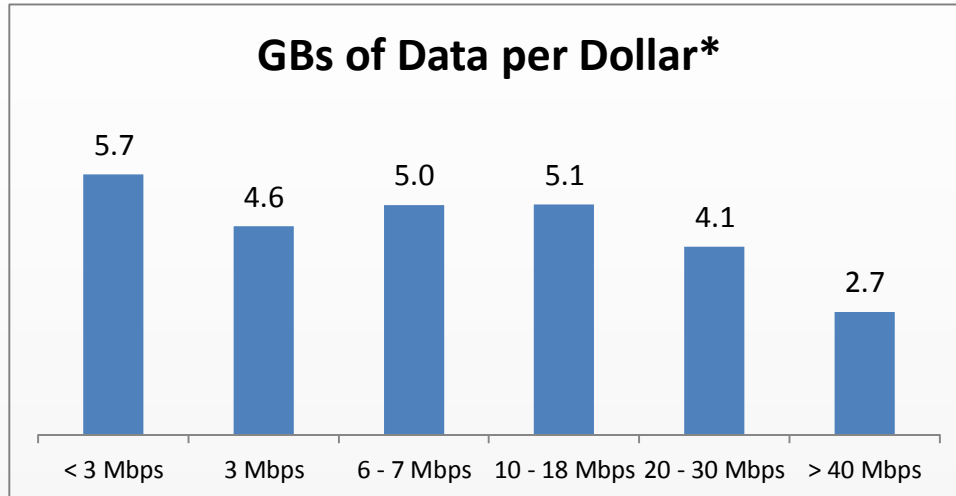
Observations

- 250 GB is the most common cap.
- Caps are not necessarily proportionate to max downstream speed.
- For the most part, caps today should be high enough for typical users.

For reference, 100GB =

- 20,000 emails (at 20KB each),
- 35 standard-definition movies (at 2GB each),
- 12 high-definition movies (at 8GB each)
- and 5,000 songs (at 5MB each)

Monthly Usage Caps



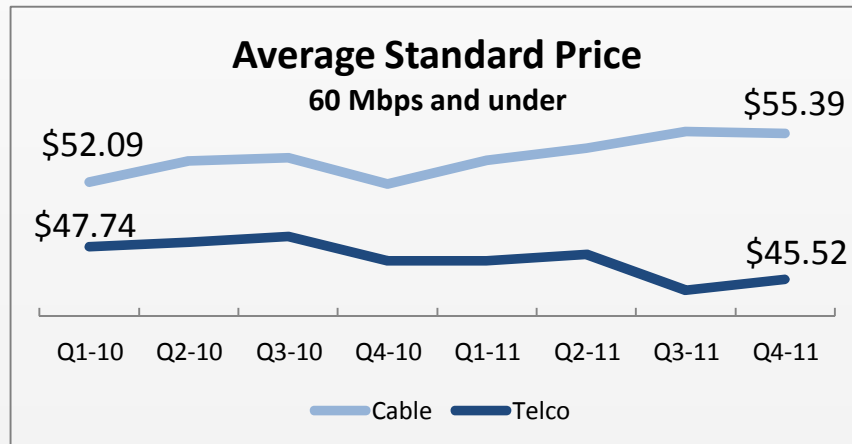
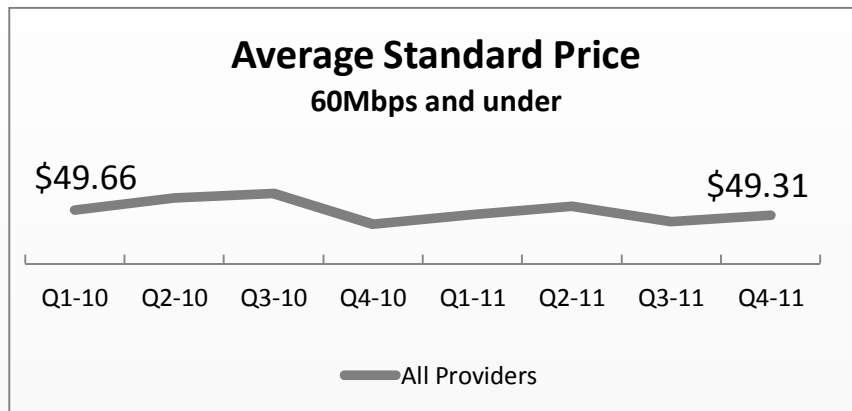
*Based on standard price.

Observations

- Users with high-end plans are paying for speed, not the allowed usage.
- The best value for speed and allowed usage are plans in the 10 – 18 Mbps range.
- AT&T's charge of \$10 for 50 GB of additional usage is in line with what users pay for included usage with speeds in the 6 – 18 Mbps range (5 GB per \$1).

STANDARD PRICES

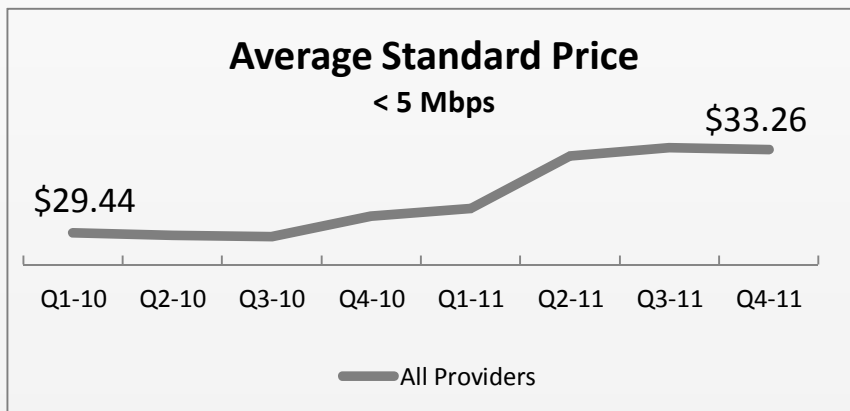
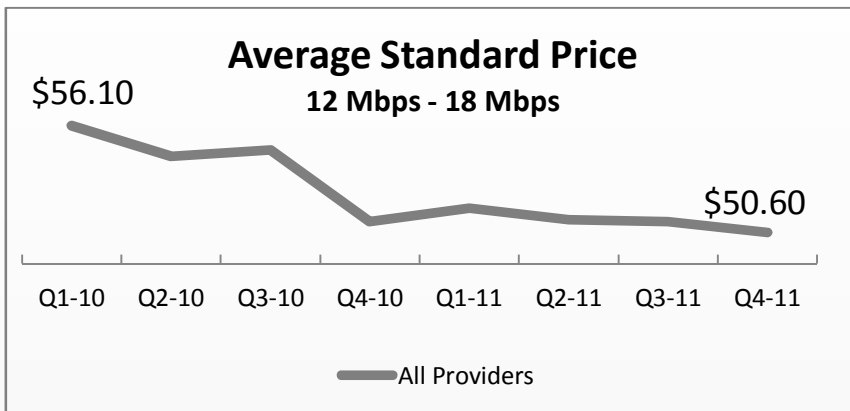
Standard Price



Observations

- Excluding the very fastest speeds, (over 60Mbps), we find that:
 - The average standard price has decreased slightly (less than **1%**).
 - The average Telco price decreased by **5%**, the average Cable price increased by **6%**.
 - On average, Cable plans are now **\$9.87** more expensive than Telco plans; they were **\$4.35** more expensive in the first quarter of 2010.

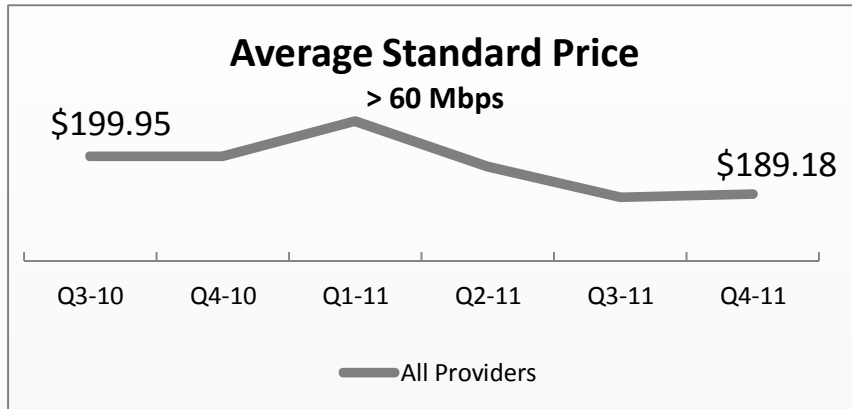
Standard Price



Observations

- Midrange plans with speeds of 12 Mbps to 18 Mbps have decreased in price by almost **10%**.
- Plans with speeds of 5Mbps or less, “economy” speeds, are getting more expensive. Their average standard price increased **13%** over the last 2 years.
- Increasingly, plan prices are falling within a narrower range.
- For all plans of 60Mbps or under, the standard deviation in price for Q1 of 2010 was \$25.38. In Q4 of 2011 it had dropped to \$20.60

Standard Price

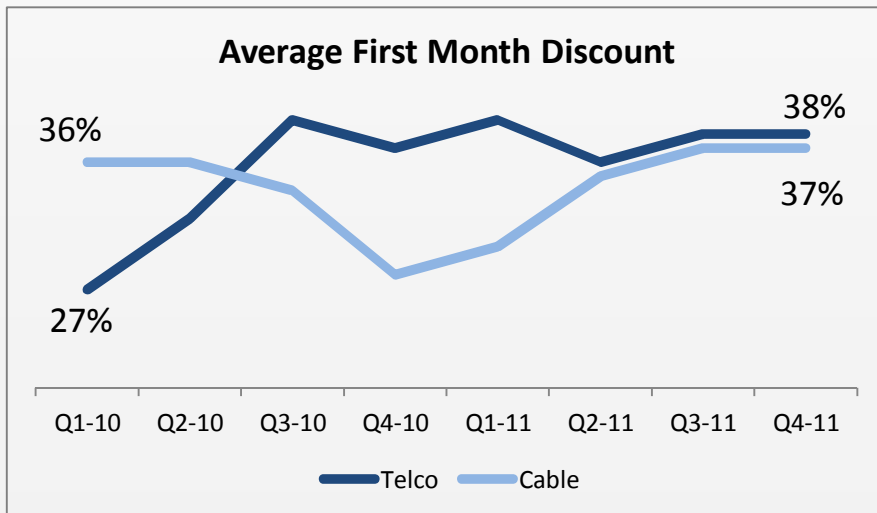
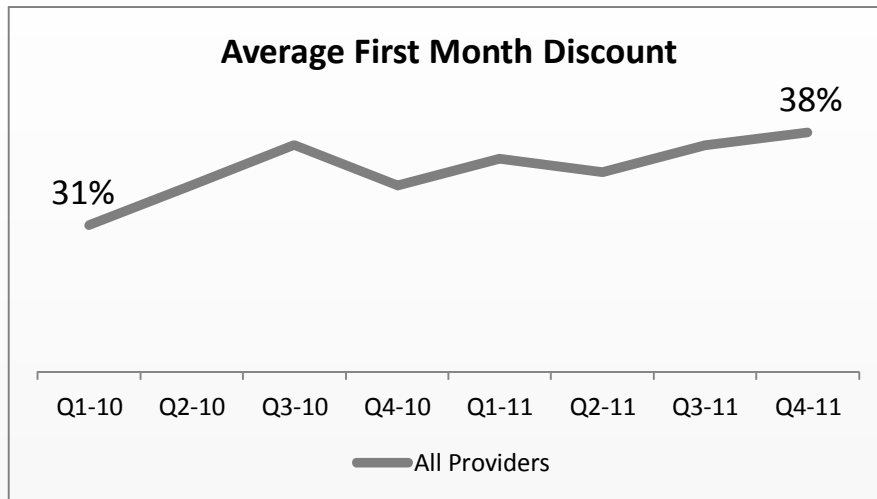


Observations

- Plans with speeds over 60 Mbps are decreasing in price, but not as fast as plans with lower speeds.
 - The average standard price has decreased by **5%**. (Compare to the **10%** decrease in price for plans in the 12 – 18 Mbps range.)
 - Prices are still very expensive.

PROMOTIONAL DISCOUNTS

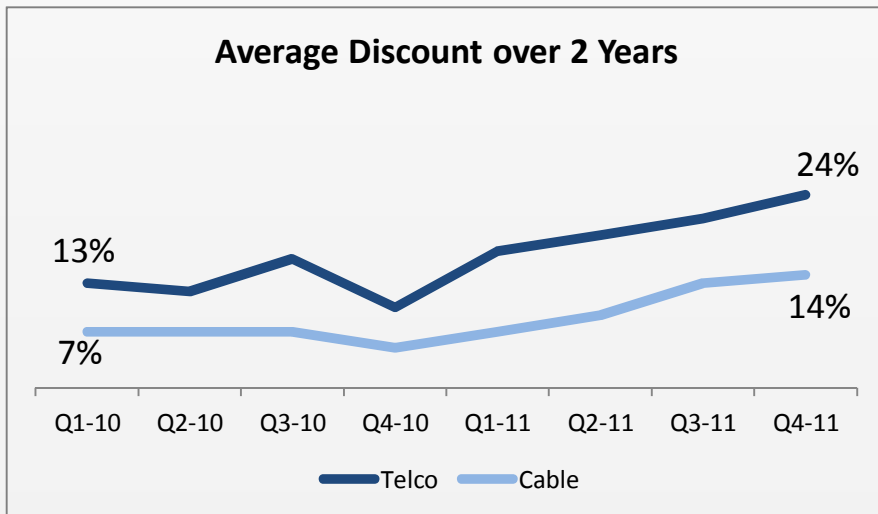
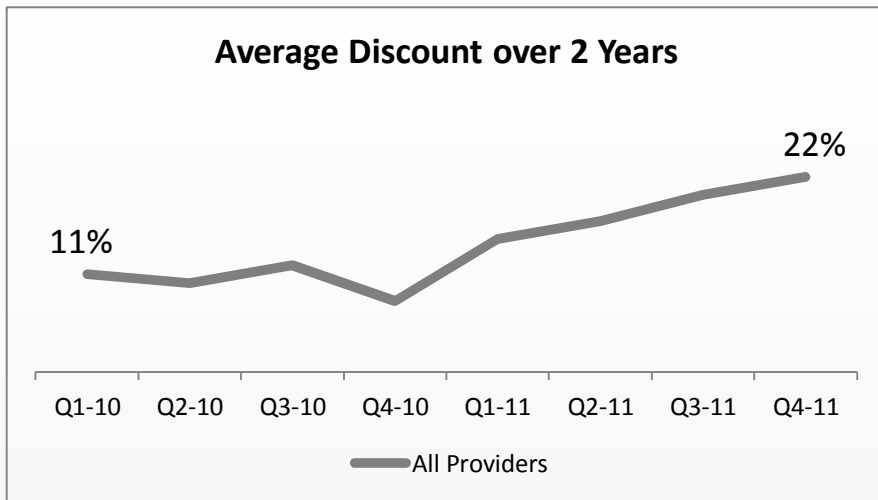
First Month Discounts



Observations

- The average first month discount in Q4 of 2011 is up slightly, **3%**, compared to what it was two years ago.
- Cable companies previously gave bigger discounts, than Telcos, in the first month, **36%** vs. **27%**.
- Telcos have increased their first month discounts to bring them in line with Cable companies.

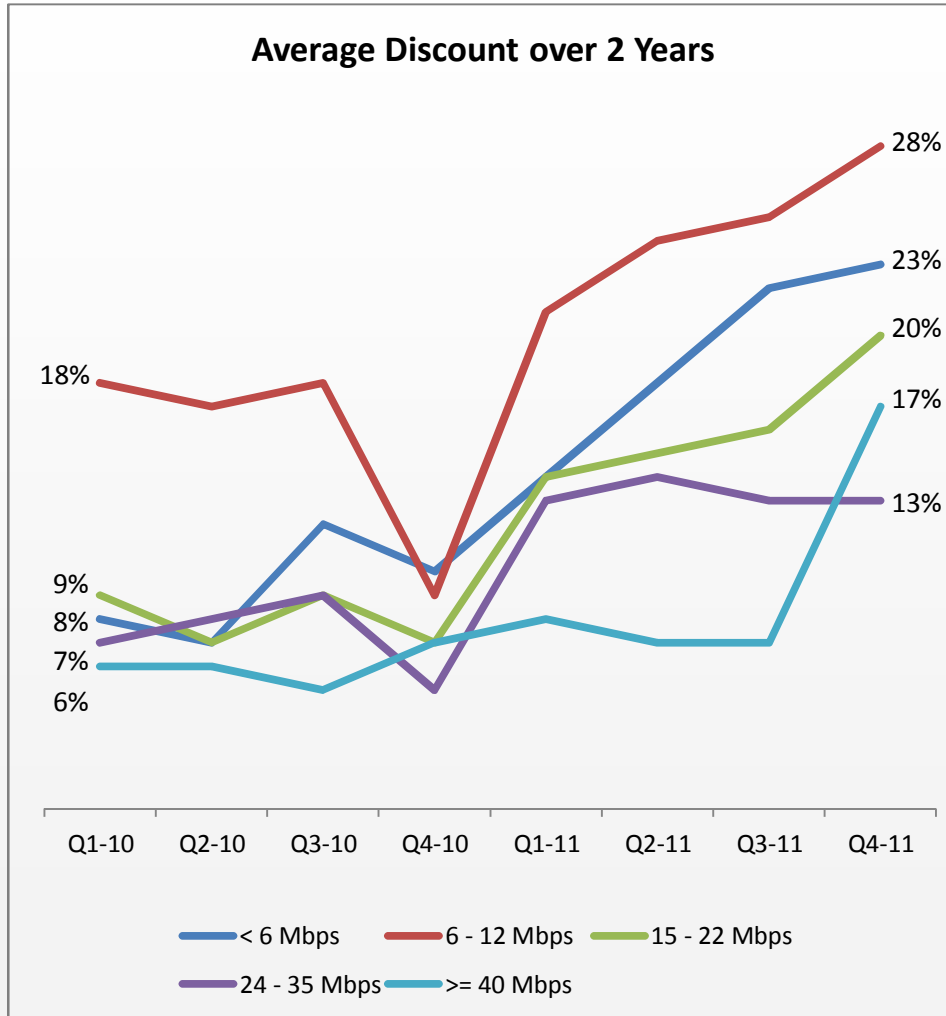
Discounts over 2 Years of Service



Observations

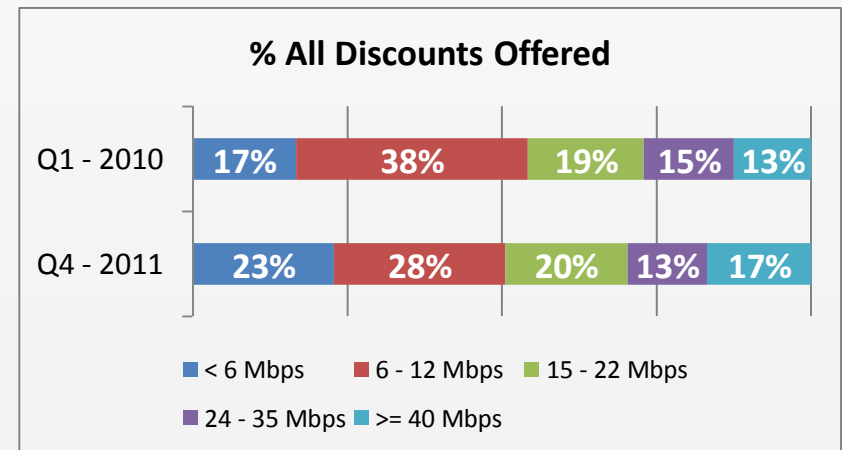
- The average promotional discount in Q4 of 2011 is double, a **100%** increase, from what it was two years ago.
- Increasingly, discounts are being spread out across a greater time period.
- Overall, Telcos have offered higher promotional discounts than Cable companies—between **10%** and **24%**.
- Cable companies' discounts have averaged between **5%** and **14%**.

Discounts over 2 Years of Service



Observations

- Across all providers, the greatest discounts are being offered in the 6 – 12 Mbps range: **28%** on average, up from **18%** in Q1 of 2010.
- Greater discounts are being offered in other speed ranges as well.
- The 6 – 12 Mbps range now accounts for a smaller portion of all discounts offered than it did 2 years ago.



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APPENDIX A: SCOPE OF RESEARCH



Scope of Research

Markets

Atlanta, GA	Minneapolis, MN
Baltimore, MD	New Orleans, LA
Boston, MA	New York, NY
Buffalo, NY	Oklahoma City, OK
Charlotte, NC	Omaha, NE
Chicago, IL	Philadelphia, PA
Cincinnati, OH	Phoenix, AZ
Cleveland, OH	Portland, ME
Dallas, TX	Raleigh, NC
Denver, CO	San Antonio, TX
Detroit, MI	San Diego, CA
Green Bay, WI	Seattle, WA
Kansas City, KS	Shreveport, LA
Los Angeles, CA	St. Louis, MO
Miami, FL	Washington DC

Broadband Providers

AT&T
Charter
Comcast
Cox
CenturyLink (Qwest)
Time Warner Cable
Verizon

Competitive Match-ups

AT&T (in 18 markets)

- v. Comcast – 6 Markets
- v. Cox – 6 Markets
- v. Charter – 9 Markets
- v. Time Warner Cable – 10 Markets

CenturyLink (in 5 markets)

- v. Charter – 2 Market
- v. Comcast – 3 Markets
- v. Cox – 2 Markets
- v. Time Warner Cable – 1 Market

Verizon (in 8 markets)

- v. Charter – 2 Markets
- v. Comcast – 4 Markets
- v. Cox – 2 Markets
- v. Time Warner Cable – 4 Markets

Charter (in 11 markets)

- v. AT&T – 9 Markets
- v. CenturyLink – 2 Market
- v. Verizon – 2 Markets

Comcast (in 14 markets)

- v. AT&T – 6 Markets
- v. CenturyLink – 3 Markets
- v. Verizon – 4 Markets

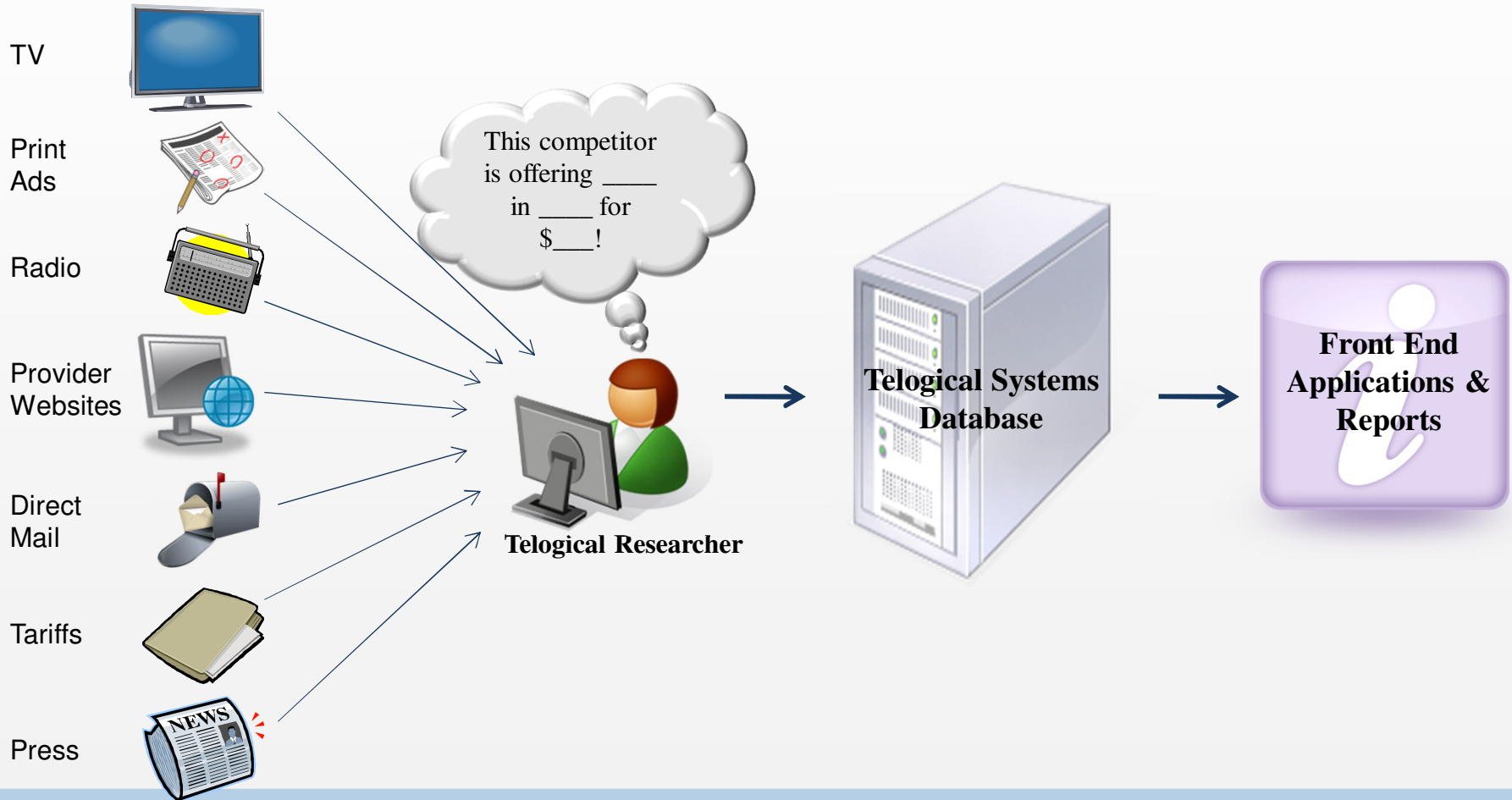
Cox (in 9 markets)

- v. AT&T – 6 Markets
- v. CenturyLink – 2 Markets
- v. Verizon – 2 Markets

Time Warner Cable (in 14 markets)

- v. AT&T – 10 Markets
- v. CenturyLink – 1 Market
- v. Verizon – 4 Markets

APPENDIX B: METHODOLOGY





Broadband Research Methodology

Plan selection:

- For each service provider, we selected one plan per market, speed and transport type that gives the best representation of what a typical customer would receive. For example, there is one representative plan for AT&T 6Mbps DSL in Chicago; and there is one plan representing AT&T 6 Mbps Uverse in Chicago.
- Where available, multi-product discounts have been included.

Data points analyzed:

- **Standard Monthly Price:** The list price after all promotions have expired. Taxes, fees and equipment charges are not included.
- **First Month Discount:** The percentage difference between the standard monthly price and the price for the first month of service with available promotions.
- **Total Promotional Discount over 2 Years:** The percentage difference between the 2-year total-cost-of-ownership without promotions and the 2-year total-cost-of-ownership with promotions. Setup fees and cash back promotions are included. Taxes, fees and equipment charges are not included.
- **Downstream Speed:** The advertised downstream speed for each plan, excluding burstable speeds.
- **Data Cap:** The amount of data a user is allowed to download / upload per month.



APPENDIX C: ABOUT TELOGICAL



About Telogical Systems

Value Proposition:	We provide the world's best solutions for monitoring, analyzing and comparing telecom service offerings.
Core Competencies:	Software Design & Development, Data Model Design, Web Scraping, Telecom Offer Research
Founded:	August, 2000
Locations:	McLean, VA (HQ) Oklahoma City, OK Charleston, SC
Ownership:	Privately held partnership
Managing Partners:	<ul style="list-style-type: none">➤ Andrew Woessner, President & CEO➤ Gray Somerville, Co-Founder and VP of Client Services➤ Ken Archer, Co-Founder and CTO
Employees:	60+ F/T; 20+ P/T
Clients:	The "Who's Who" of the telecom and cable industry, including 9 of the top 10 U.S. communications companies.



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