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Fixed Mobile Convergence 2022

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Abstract: This report explores the state of Fixed Mobile Convergence in the European telecommunications market. The report provides a five-year forecast of the fixed and mobile broadband market, including service revenue, subscriber connections, fixed and mobile cost-per-GB, and pricing trends. In particular, we focus on the premium pricing for mobile services or the “mobility premium.”



MOBILE EXPERTS

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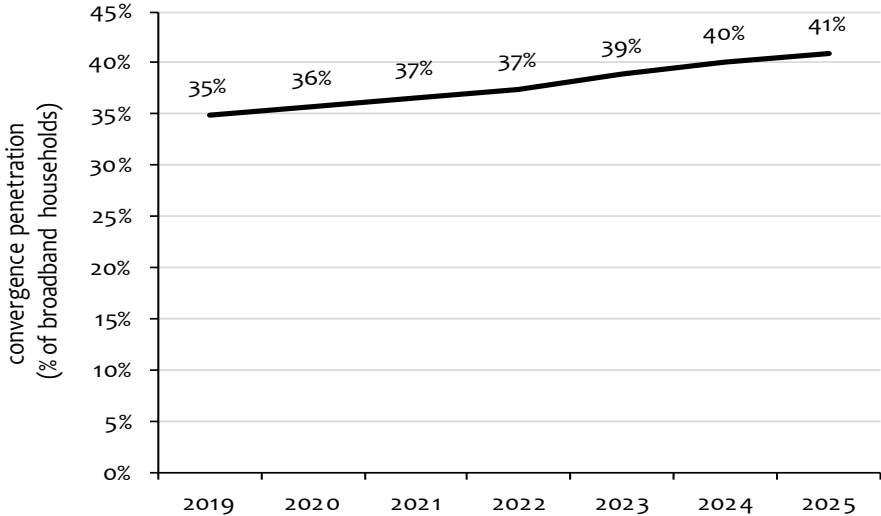
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EXECUTIVE SUMMARY

Following our 2021 *Fixed Mobile Convergence* report, which focused on the U.S. telecommunications market, we take a closer look at the fixed mobile convergence (FMC) dynamics in Europe in this report. In our 2020 market study, we noted that the FMC competitive dynamics are relatively tame despite a ton of public press about mobile operators’ fixed wireless access (FWA) threat to cable operators’ fixed broadband dominance and the growing threat of cable operators’ MVNO wireless business.

While the Broadband Forum and 3GPP had set an ambitious goal of aligning standards work to converge the core network and parts of the access network across wireline and wireless network elements, the architecture definition and specification work is a moving target. There is a general alignment that a cloud-native 5G core network will be the foundational platform to drive both wireless and wireline access networks. However, the architecture is an ongoing work in progress that will need to be worked out. The 3GPP technology roadmap will ultimately drive the definition of FMC architecture.



Note: reflects service-level convergence whereby a share of fixed broadband households that also get mobile services from a same operator

Source: Mobile Experts

Chart 1: Fixed Mobile Convergence Penetration¹

Based on our study of the six largest network operators with fixed and mobile operations across multiple European markets, the FMC customer base has gradually risen in Europe, which now stands at around 37% of retail broadband households. While the benefits of FMC are clear, it is only uniformly beneficial in some markets. In price-sensitive markets,

¹ Combined converged European customer base of Deutsche Telekom, Orange, Telefonica, Vodafone, British Telecom, and Telecom Italia

competition and value-seeking consumers drive some operators to pull back on convergence. Deutsche Telekom is most well-suited in Europe as the market-leading operator with a split share of fixed and mobile connections.

Based on European lessons, FMC requires an operator to have broad network assets across fixed and mobile services. FMC is a tool that operators can apply to retain existing customers in highly competitive environments. In a steadily growing U.S. telecommunications market, operators have further room to enhance their core positions in fixed and mobile network businesses, and don't have to worry about how FMC dynamics will play out -- just yet.

METHODOLOGY

Fixed and mobile broadband service revenue and subscriber figures from 2019-2021 are the reported numbers of the six major network operators in Europe. The 2022-2025 figures are estimated based on reported operator plans to the investor community. The 2023-2025 figures are estimates based on competitive dynamics in various European markets where the operators compete. We have limited our forecast to 3 years (2023-2025) because we believe this kind of service-oriented forecast cannot be reliably projected for a five-year cycle.

It should be noted that we have profiled major communication service providers in Europe and confined market metrics for operating units in Europe. Many of the operators noted in the report have international operations in other regions, such as Latin America and Asia. We have also relied upon our past research on *5G Business Cases*, *Private LTE*, and *5G*, and *EXP Insight* strategic papers focusing on “5G Dual Mandate,” “5G Fixed Wireless Access,” and others to formulate our forecast of the fixed and mobile broadband market trends.