Summary

Executive summary

The European mobile broadband market is growing exponentially with demand fuelled by declining prices and improving performance. Berg Insight estimates that the total market value for devices and network services in EU23+2 reached € 1.1 billion in 2006, with shipments of PC-cards and USB-modems growing to 3.2 million units. Vendors' Q1-2007 financial data indicated an increase in shipments in the range of 40–50 percent and a general price reduction of 20 percent. Until 2011, the mobile broadband market is expected to increase at a compound annual growth rate of 22.9 percent to reach € 3.0 billion. Device revenues are forecasted to increase at a faster rate than network revenues. While the expected high demand from the PC-industry will lead to higher shipment volumes, the vast majority of new subscribers will only be occasional user generating lower network ARPU.

HSPA and legacy standards are expected to remain the dominant network access technology throughout the entire period with a market share well above 90 percent. At the end of 2006, there were about 3.3 million active WCDMA/HSPA mobile connections in EU23+2, compared to less than a quarter of a million for all other technologies combined. CDMA450 has achieved some penetration in the Czech Republic, Romania and Scandinavia and will remain an alternative in areas without HSPA coverage. Deployments of HSPA in lower frequency bands is however likely to reduce the traction of EVDO on the European market in the longer term.

HSPA evolves rapidly as a technology, having advanced from peak data rates of 1.8 Mbps for commercial networks in early 2006 to 7.2 Mbps downlink and 2.0 Mbps uplink in the first half of 2007. Berg Insight expects the first deployments of 14.4 Mbps network to take place on the European market in 2008. HSPA+ is anticipated to become available by 2009, doubling the maximum downloading speeds to 28.8 Mbps. Every upgrade diminishes the need for alternative high-speed mobile broadband technologies.

Berg Insight does not believe that Mobile WiMAX will have any major impact on the European market in the coming five years. Any successful alternative network service provider must overcome a number of formidable barriers. These include securing sufficient radio frequency spectrum, financing and constructing completely new infrastructure and finally gain a competitive edge against three to four established HSPA network operators, who by that time will offer network speeds of at least 14.4 Mbps at price points comparable to DSL. The prospects for FLASH-OFDM and other 802.20 standard technologies also appear relatively bleak. The technologies may penetrate a few countries, but will have a major disadvantage in lacking the international adoption of either HSPA, EVDO or even Mobile WiMAX.

The popularity of mobile broadband is starting to have an impact on the overall strategies of network operators in many parts of Europe. Having attracted 1.6 million subscribers to MCC, Vodafone and its affiliates have demonstrated the large commercial potential for PC Internet connectivity via mobile networks. Vodafone Germany was the largest provider of mobile broadband at the end of 2006 with 540,000 subscribers. Vodafone UK and Vodafone Italy also qualified among the top five networks with 220,000 and 140,000 subscribers respectively. T-Mobile Germany was estimated to be number two with approximately 240,000 subscribers. A1 Mobilkom also qualified for the top five with 140,000 subscribers – a very high figure considering the size of the Austrian market. In Q2-2007 the average monthly revenue for a customer using 400 MB per month was € 37.40 on the European market. High volume tariffs with data allowances of 3 GB or more were on average priced at € 48.20 per month. There are significant differences in pricing between operators, as well as markets. Greece, France and the UK have the highest overall price levels, while the lowest are found in Austria, Sweden, Hungary and Poland.