Global Bandwidth & IP Pricing Trends

PACIFIC OCEAN

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💻 🖉 TeleGeography

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Top Pricing Trends of 2016

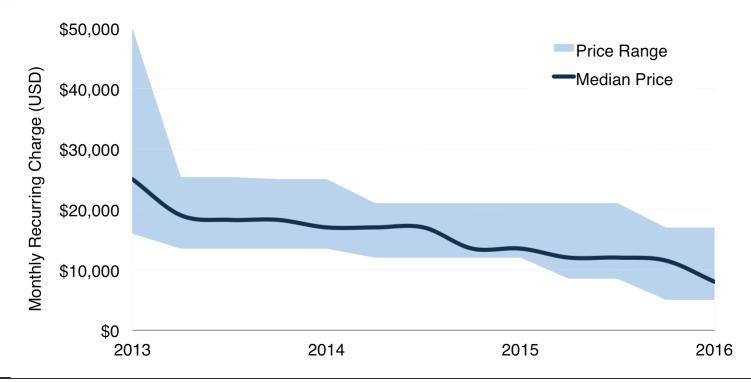
- What you pay, depends on how you buy
- Global bandwidth prices are converging
- Subsea capacity isn't always your largest cost
- 100G is the new 10G
- As transport goes, transit follows



What You Pay, Depends on How You Buy

Prices Vary in the Sales Channel

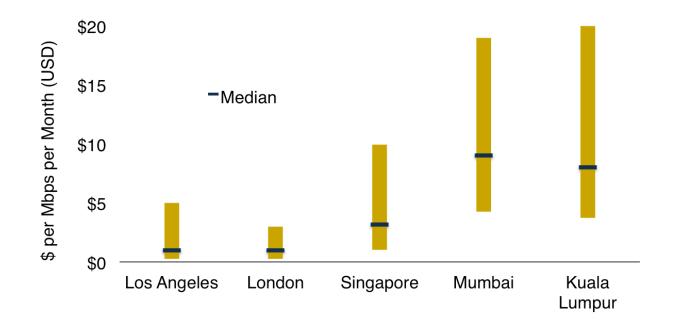
Median & Price Range for 10 Gbps Wavelength MRC on Los Angeles-Tokyo, 2013-16





For Transit Too

Median & Price Range for 10 GigE IP Transit in Key Cities, 2016





Global Bandwidth Prices are Converging

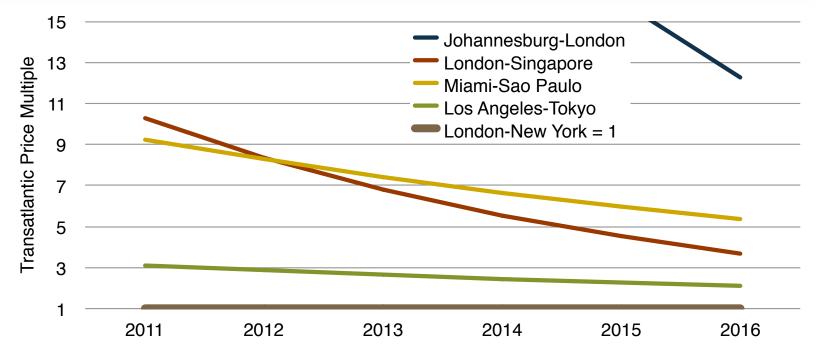
Geographic Differences Do Persist....





But Global Prices Are Converging

Price Relative to London–New York, 2011–2016





Why Have Prices Converged?

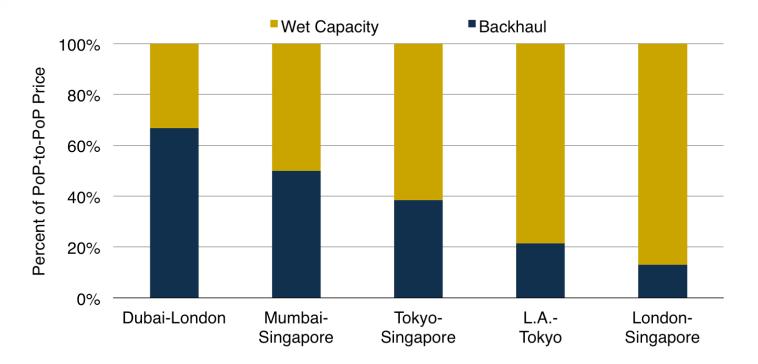
- Prices on high growth routes have declined more than established routes.
- More cables coming into service on underdeveloped routes fuel price erosion.
- Technology advancements lower unit costs.



Subsea Capacity isn't Always Your Biggest Cost

Backhaul Contributes to Cost

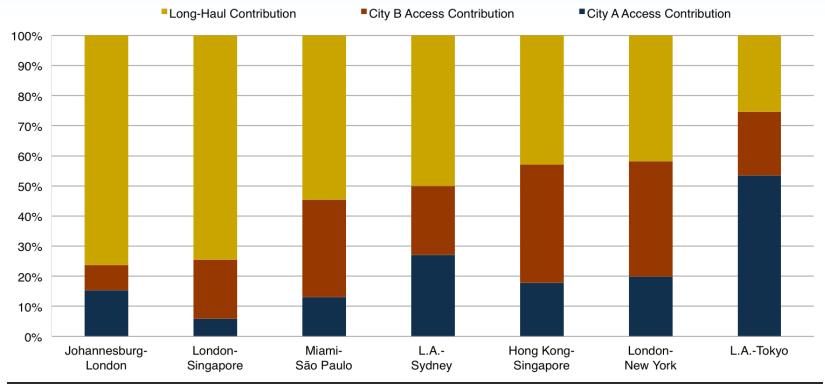
PoP-to-PoP 10 Gbps Price Components, 2016





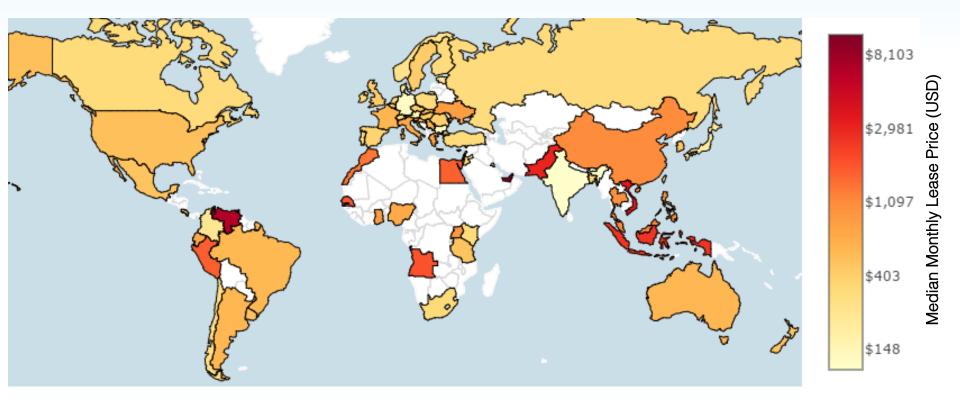
Local Access Can Contribute More

End-to-End T1/E-1 Leased Line Connection Cost Components, 2016





10 Mbps Local Access, 0-5 Km, Country Median Price, H2 2015

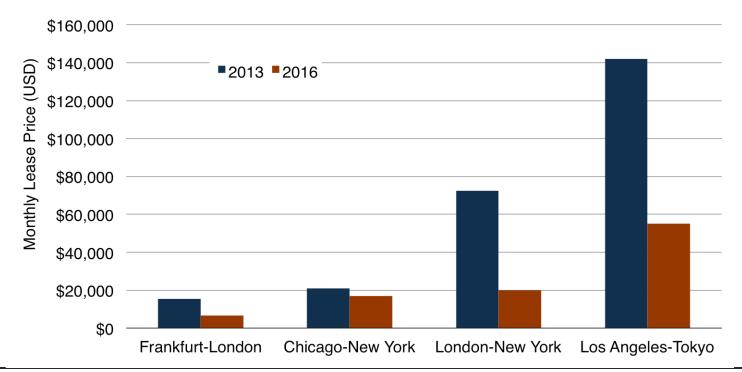




100G is the New 10G

100G Prices are Falling

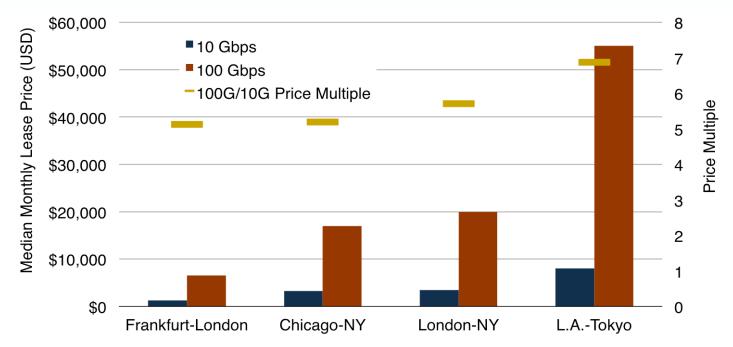
Median 100 Gbps Prices on Key International Routes, 2013-16





Providing More Value per Unit Cost

Median 10 Gbps and 100 Gbps Prices, 2016





As Transport Goes, Transit Follows

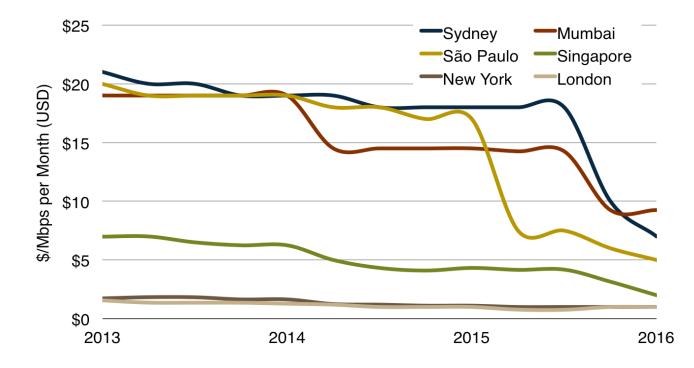
10 GigE Global IP Transit Prices Vary





IP Transit Prices Are Still Falling

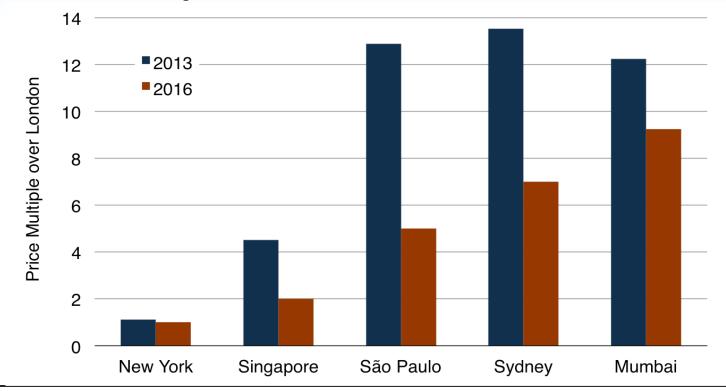
Median 10 GigE IP Transit Prices in Key Cities, 2013-16





Some Convergence Amongst Hubs

10 GigE IP Transit Prices Relative to London, 2013-16



Outlook: Bandwidth Market Anxiety

- Content buyers adamantly not reselling
 - But how do their investments affect the market?
- Incentive to buy big and buy early
 - Helps secure lowest price, but can lead to excess capacity
 - Risk of distressed selling "below cost"
- How to sustain abundant, cheap capacity *and* ROI?



Outlook: Bandwidth Market Optimism

- Demand growth is as reliable as price erosion
 - More content & new applications consuming more bandwidth
 - Growing penetration and bandwidth per user
 - Emerging markets opportunity for content and carrier
 - Lowest layers of the network benefit
- New technology, such as SDN, will enable more agile commercial models

