Global Bandwidth & IP Pricing Trends

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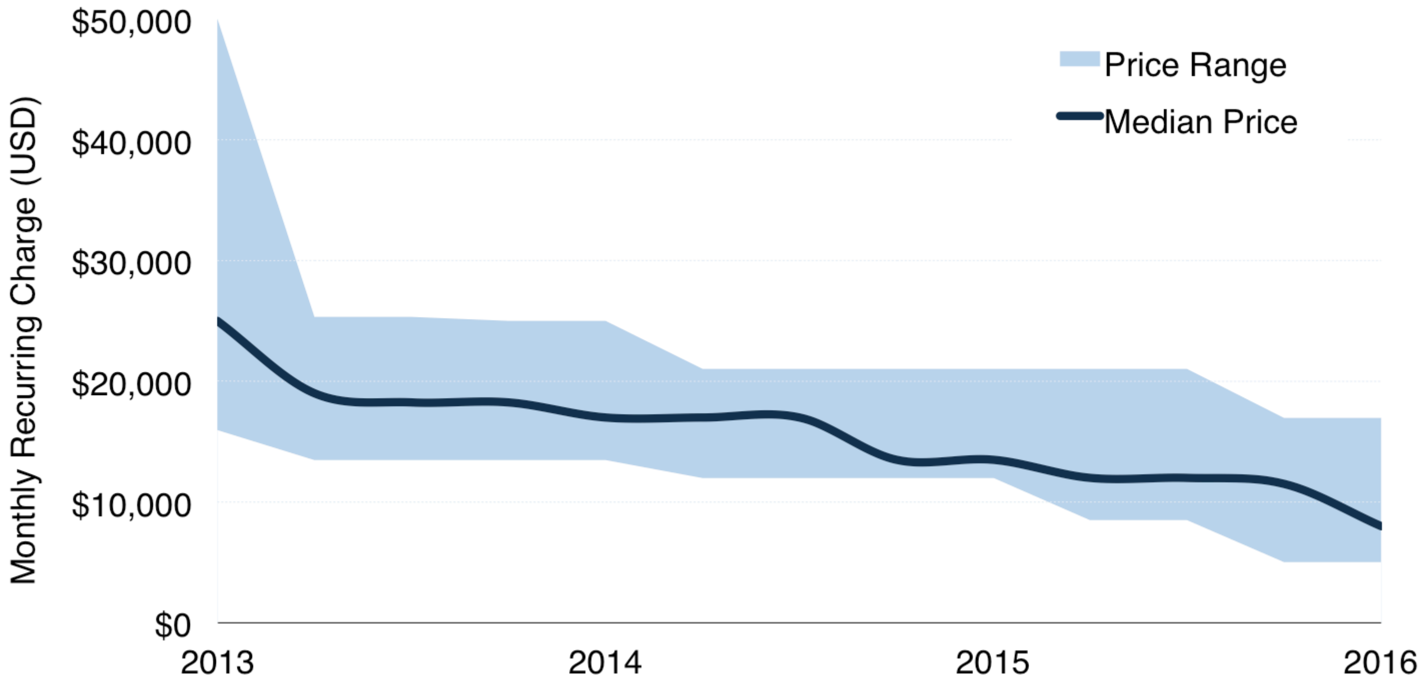
Top Pricing Trends of 2016

- 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

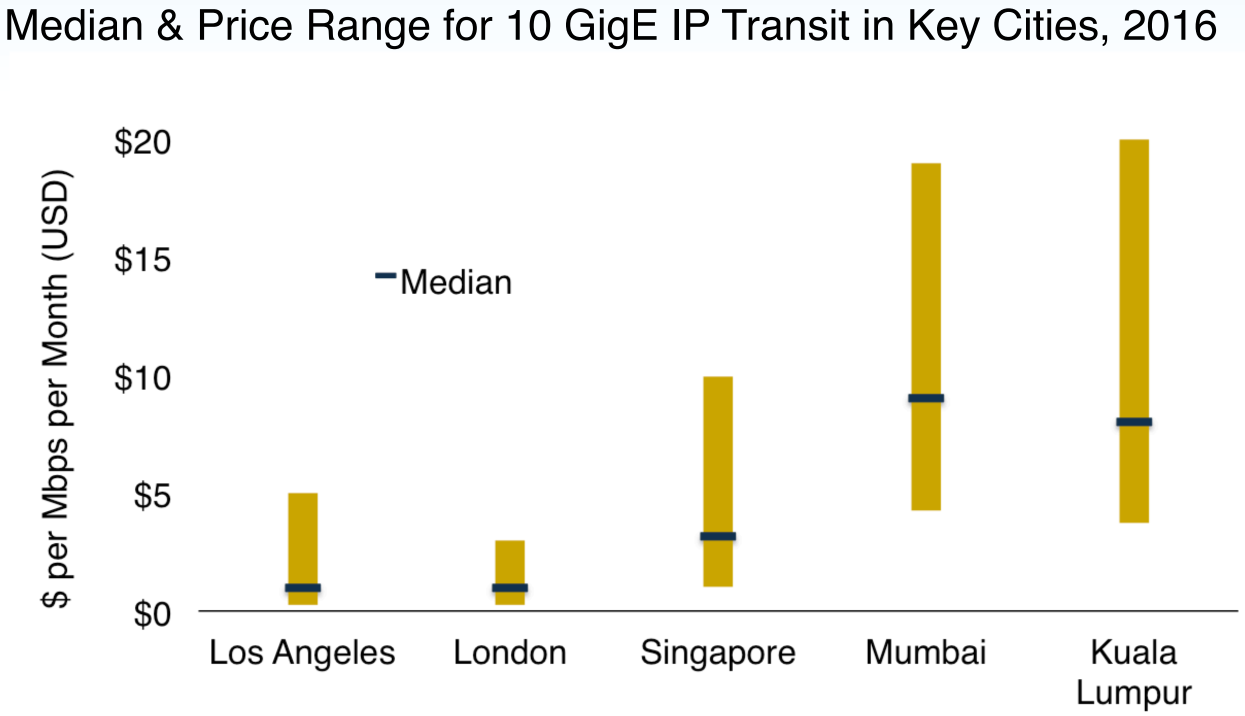
What You Pay, Depends on How You Buy

Prices Vary in the Sales Channel

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



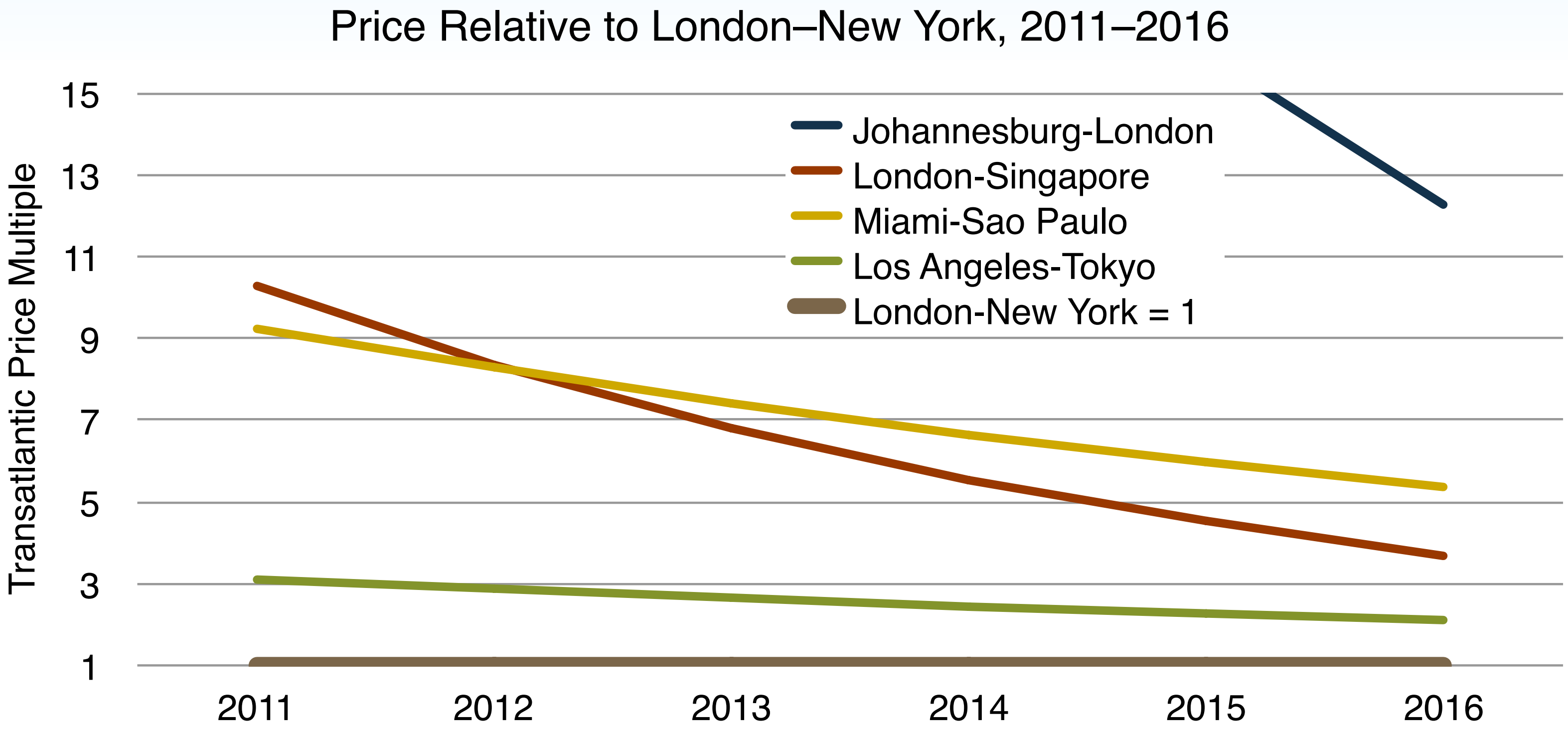
For Transit Too



Global Bandwidth Prices are Converging

Geographic Differences Do Persist….

But Global Prices Are Converging



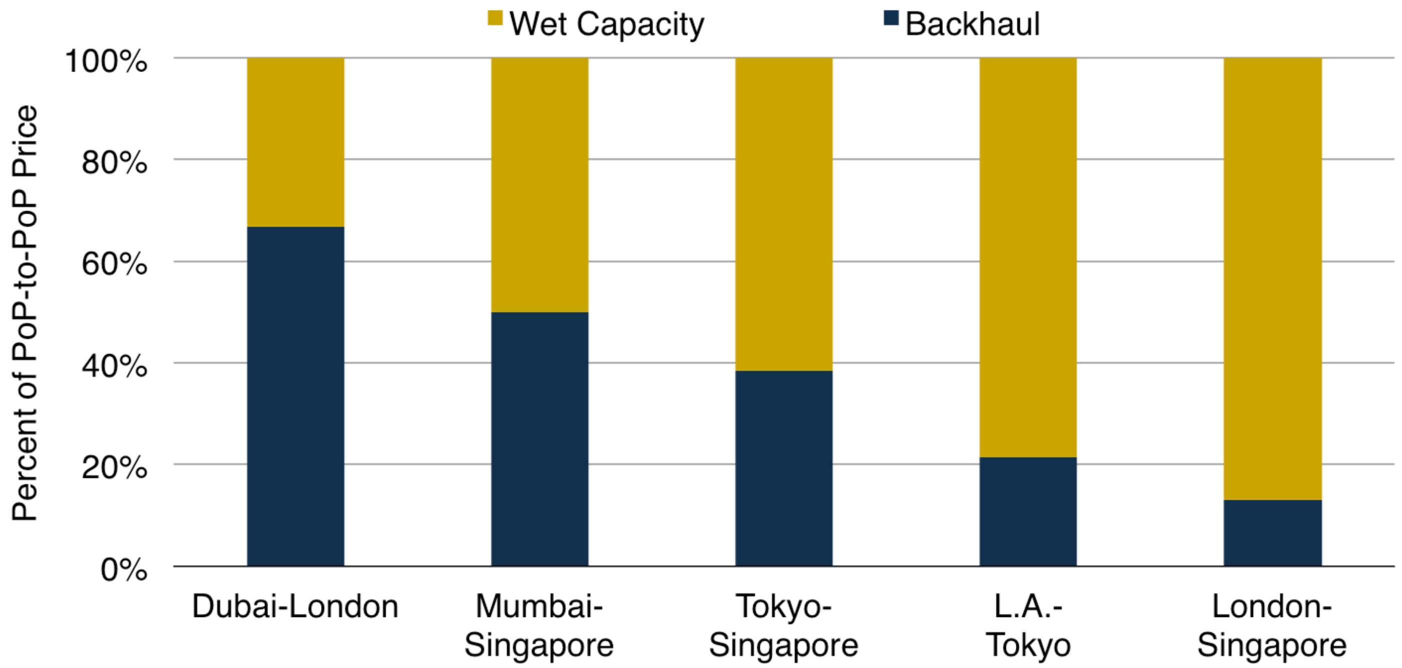
Why Have Prices Converged?

- 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

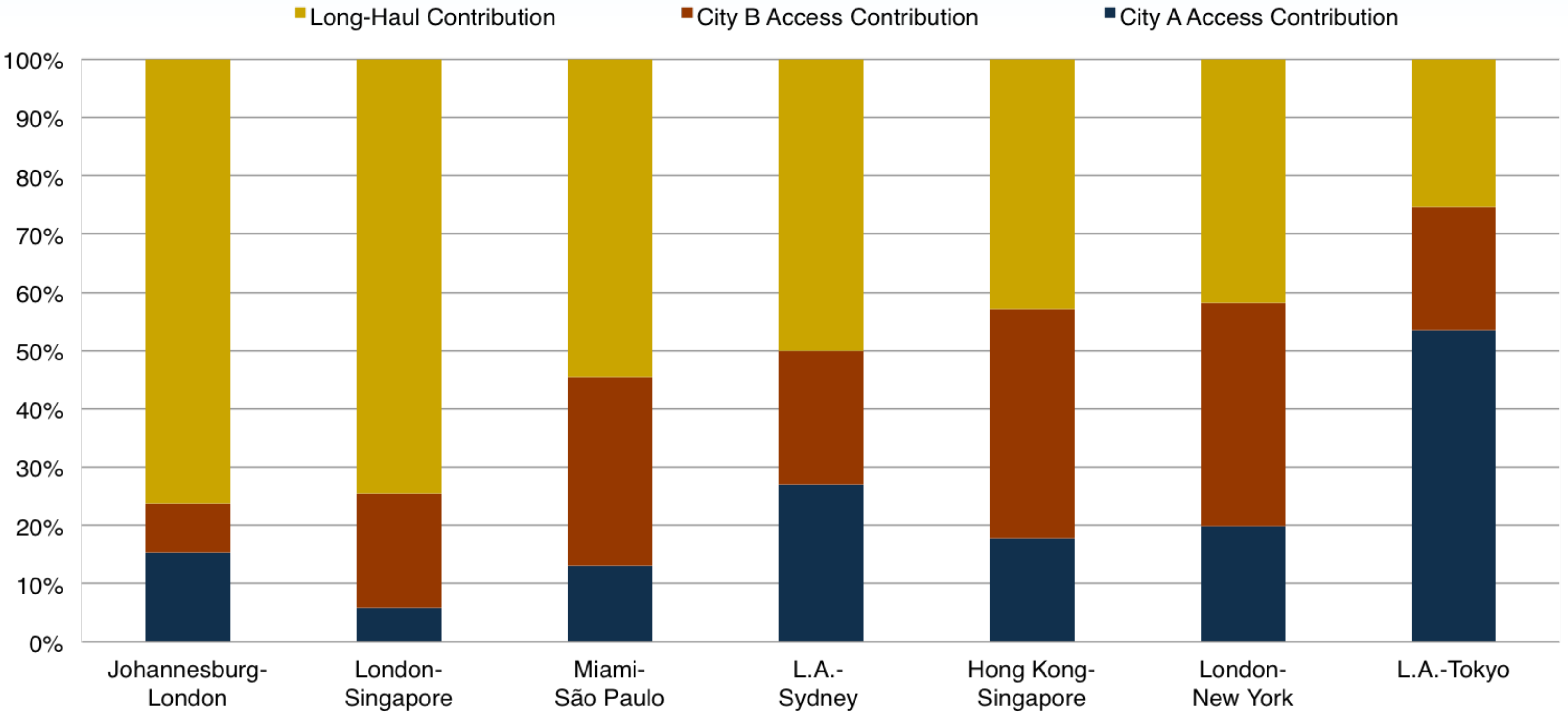
Backhaul Contributes to Cost

PoP-to-PoP 10 Gbps Price Components, 2016

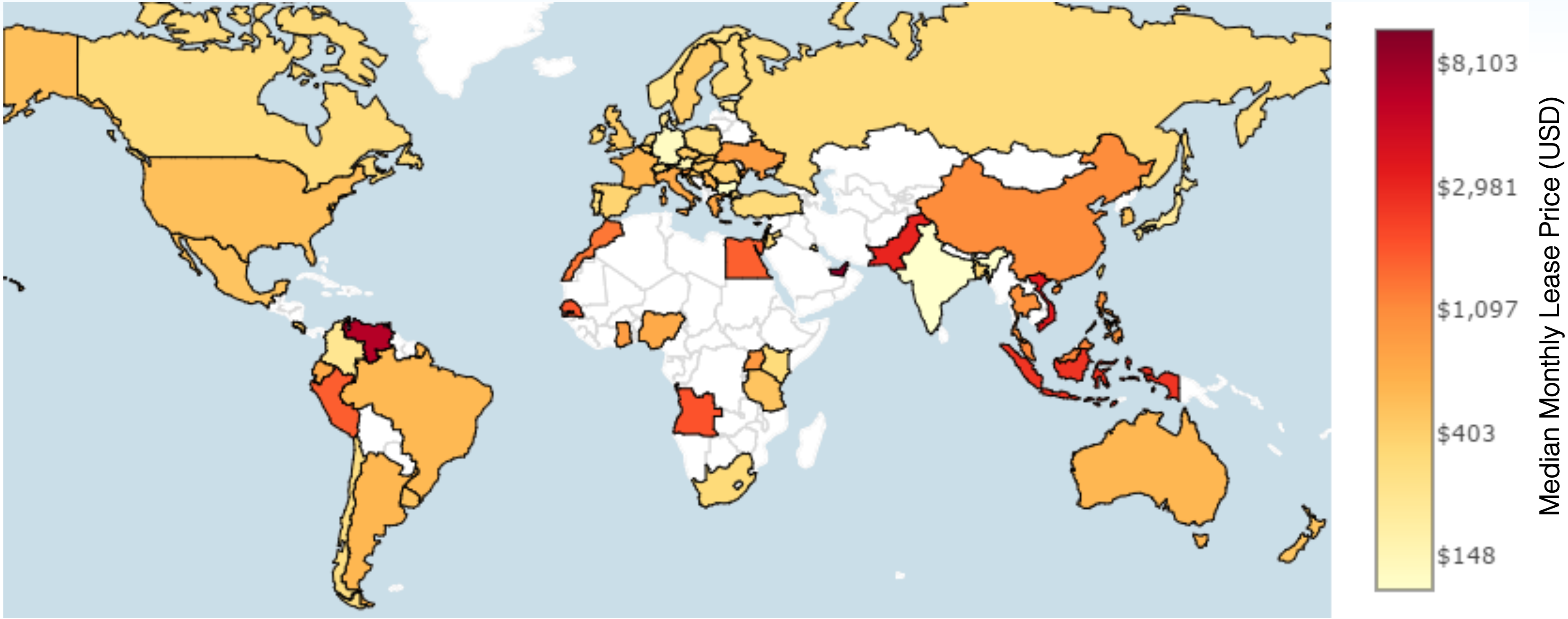


Local Access Can Contribute More

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

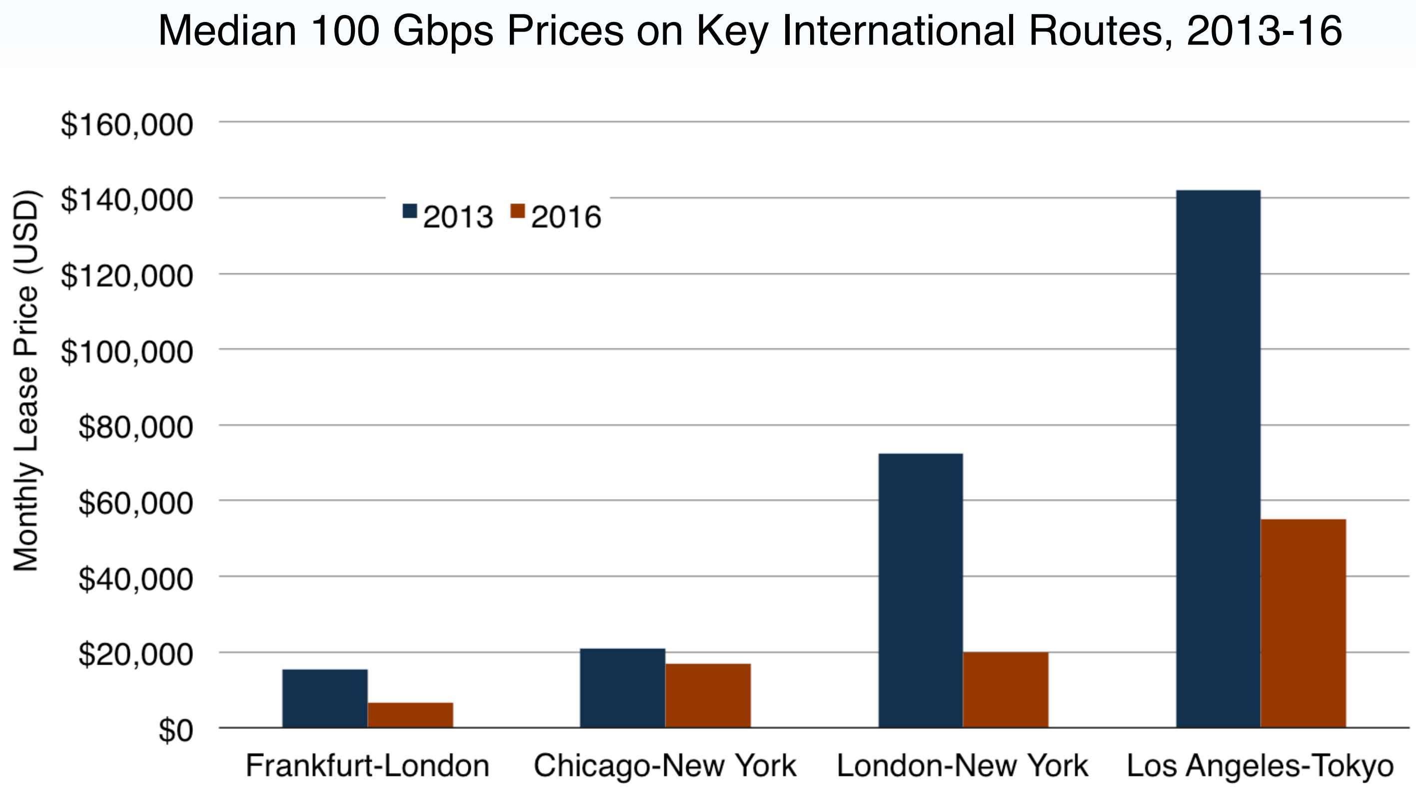


10 Mbps Local Access, 0-5 Km, Country Median Price, H2 2015

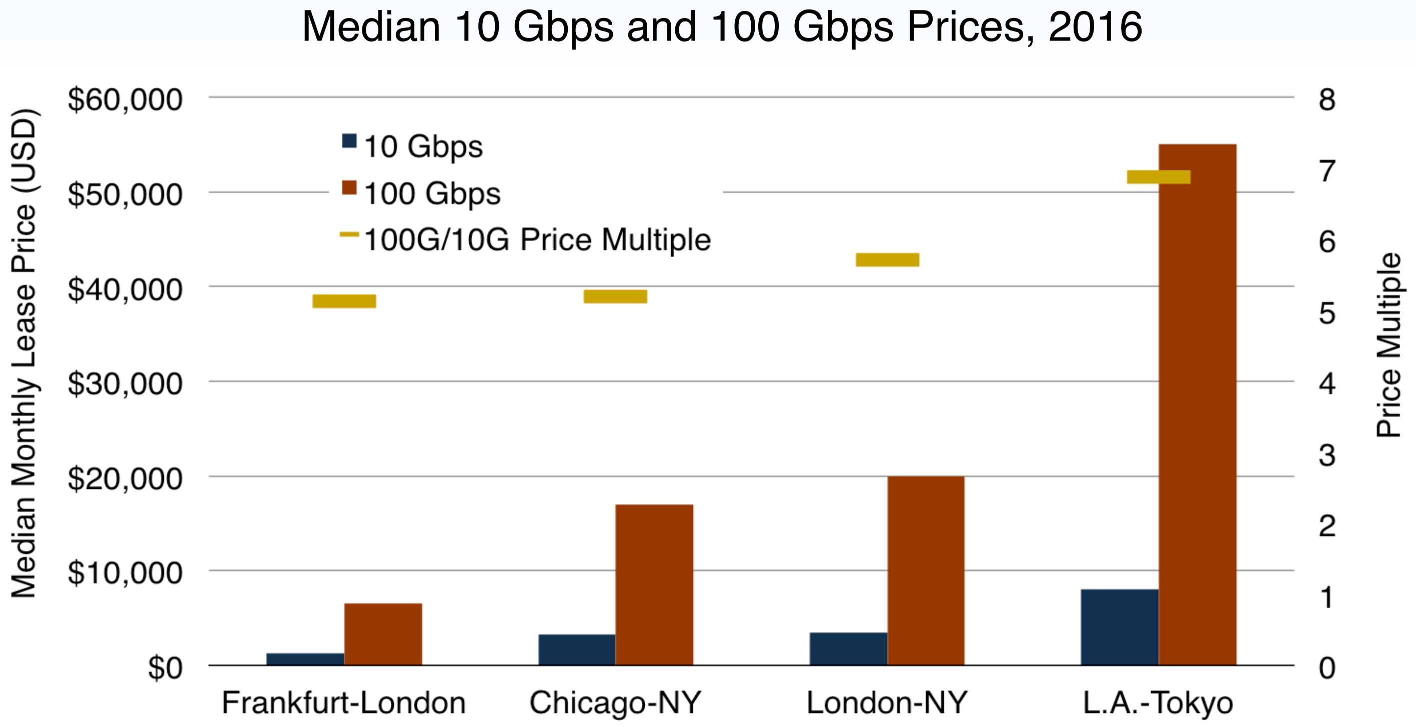


100G is the New 10G

100G Prices are Falling

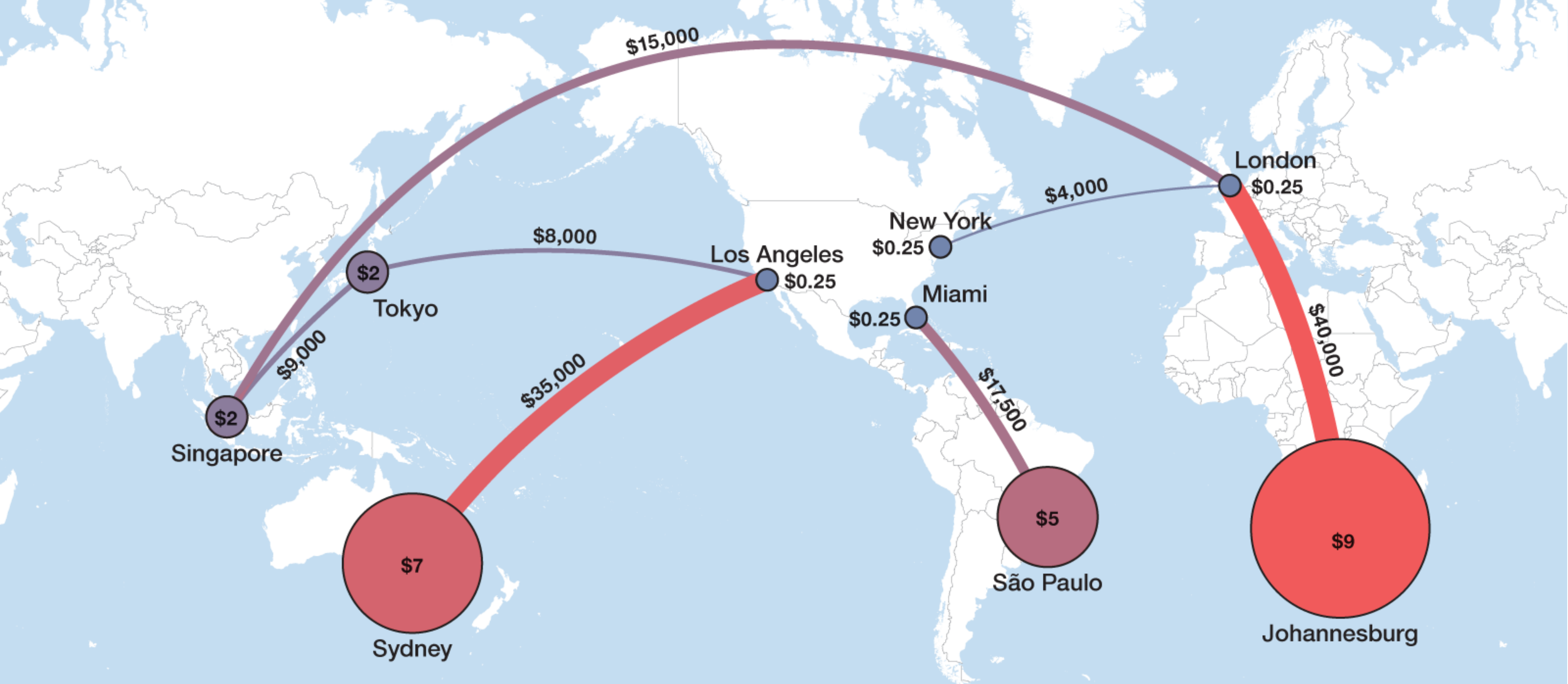


Providing More Value per Unit Cost



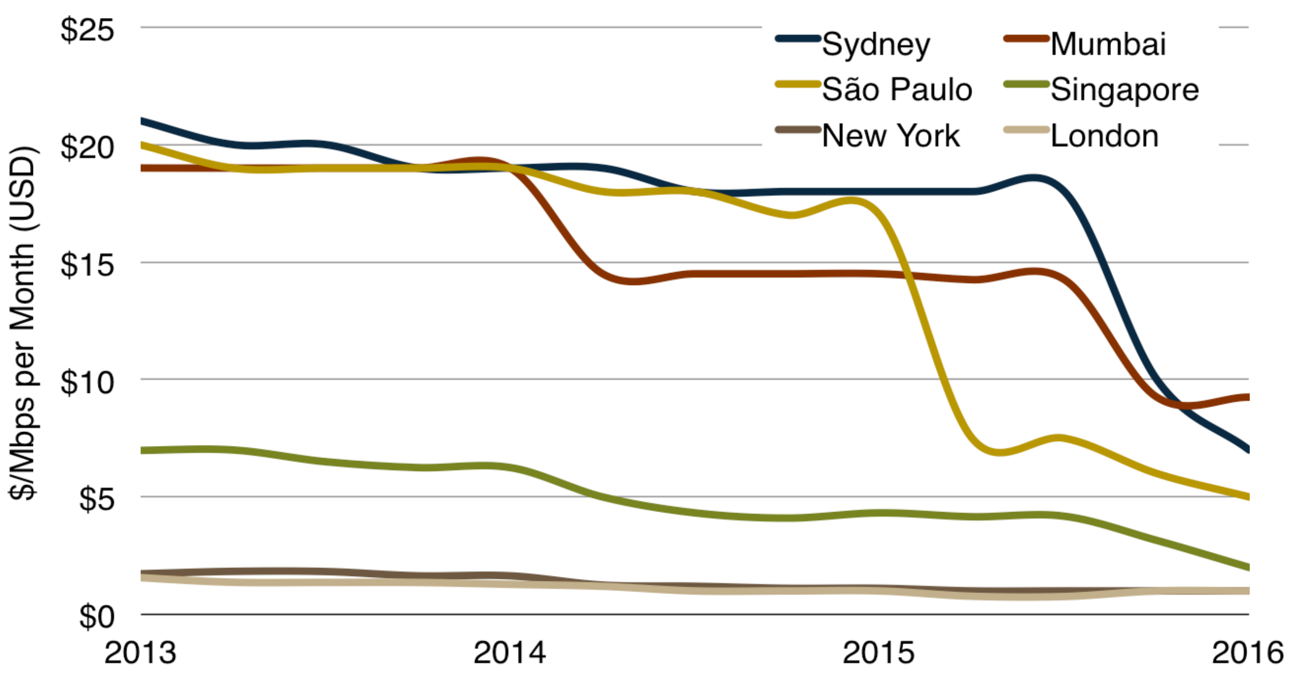
As Transport Goes, Transit Follows

10 GigE Global IP Transit Prices Vary

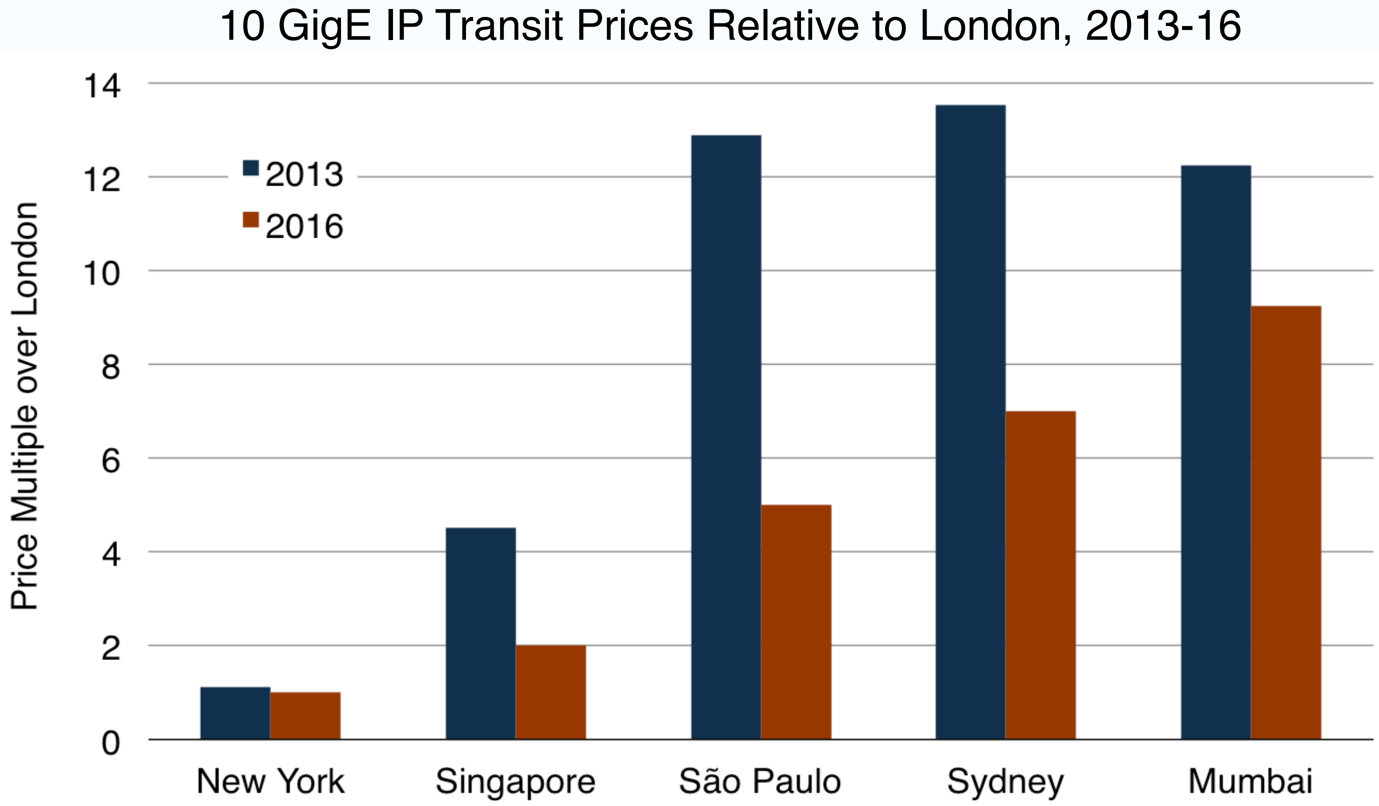


IP Transit Prices Are Still Falling

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



Some Convergence Amongst Hubs



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