

Quicktake

 FTIDELTA™



Opportunities and Risks in Fixed-Mobile Convergence (FMC)

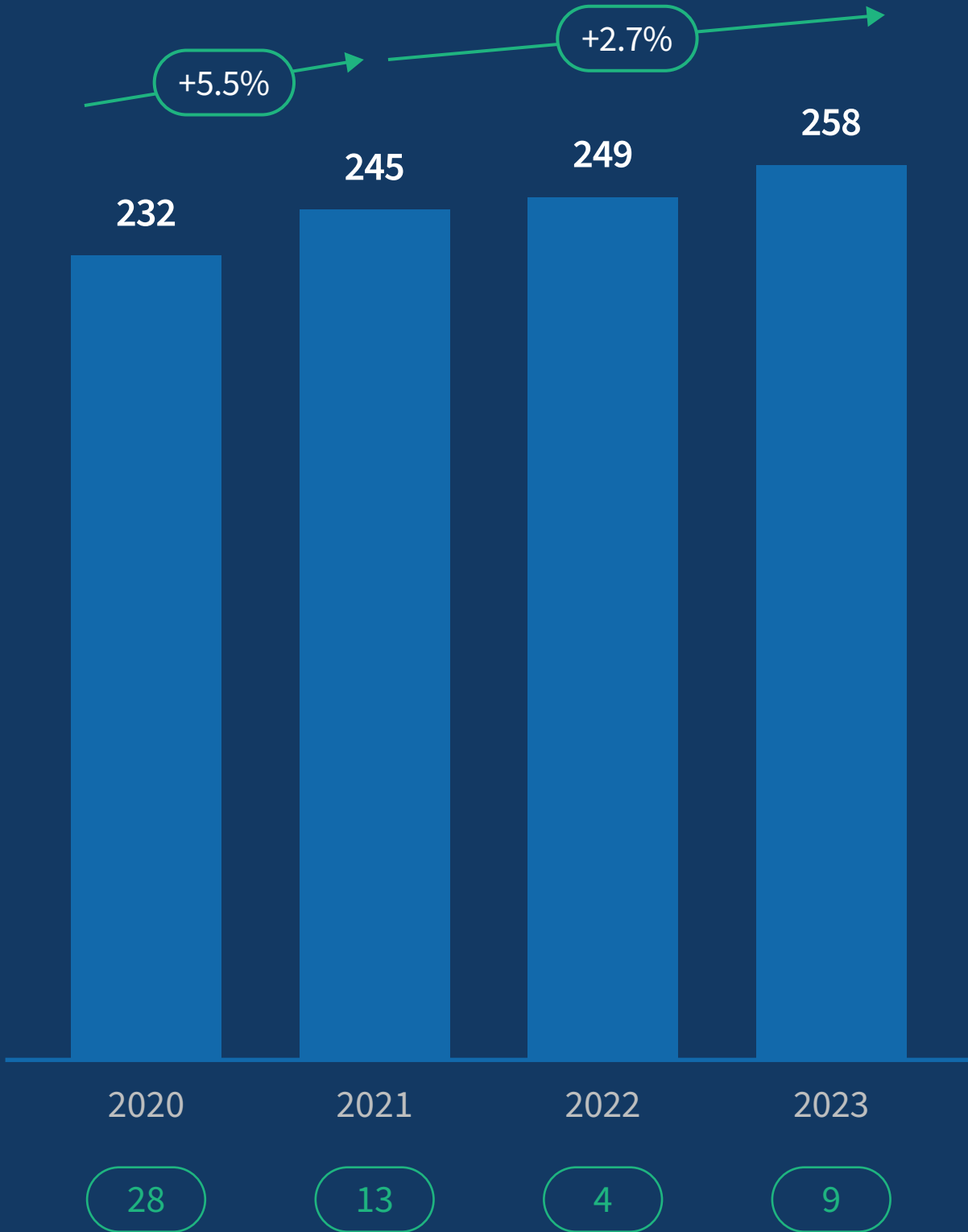
Exploring the Path Ahead

Growth in both mobile and fixed broadband subscribers has slowed in the last three years

Net Adds

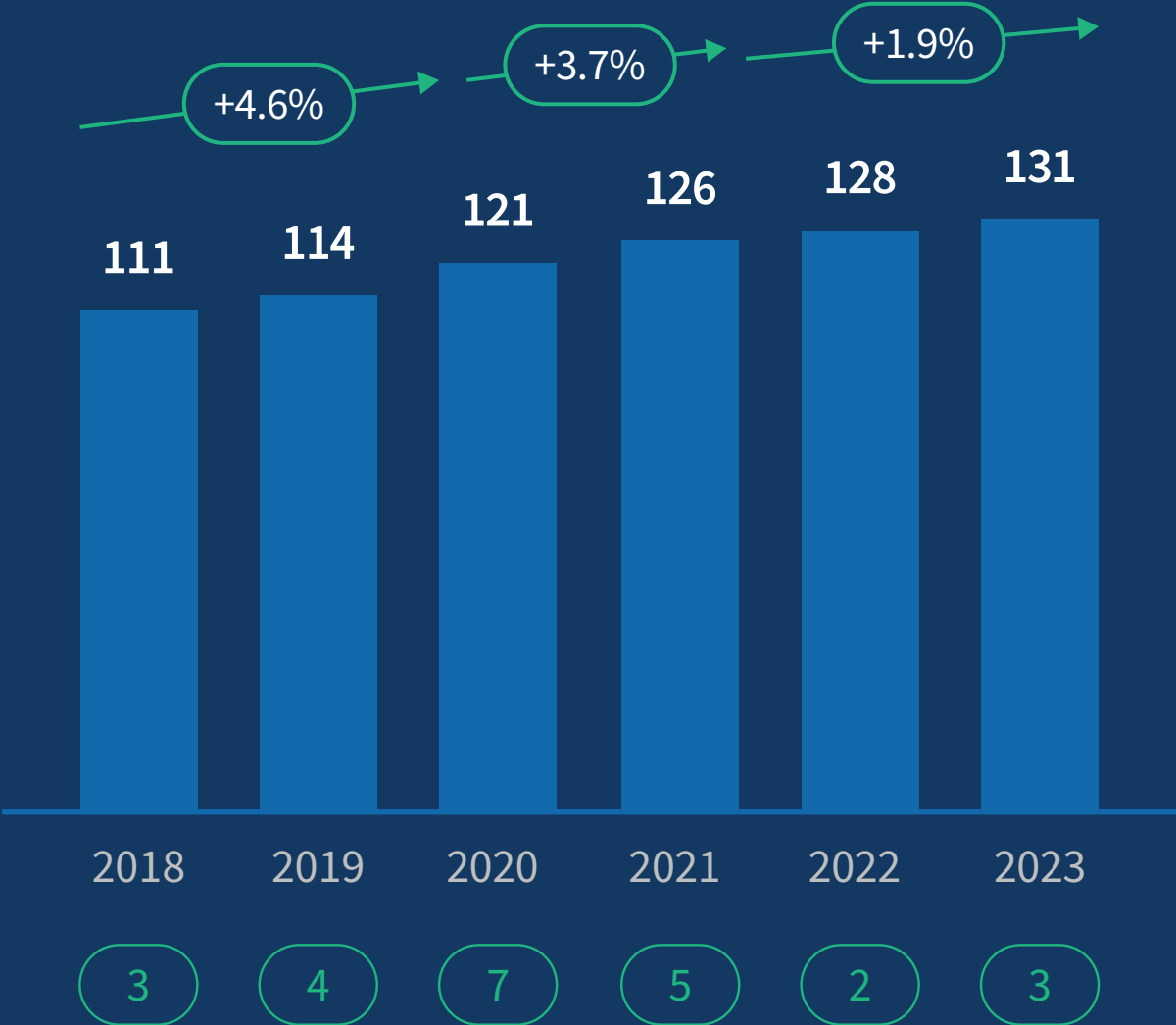
U.S. Postpaid Phone Connection Evolution

(Millions of connections, 2020–2023)



U.S. Fixed Broadband Subscriber Evolution

(Millions of subscribers, 2018–2023)



Sources: JP Morgan, Omdia, FTI Delta analysis

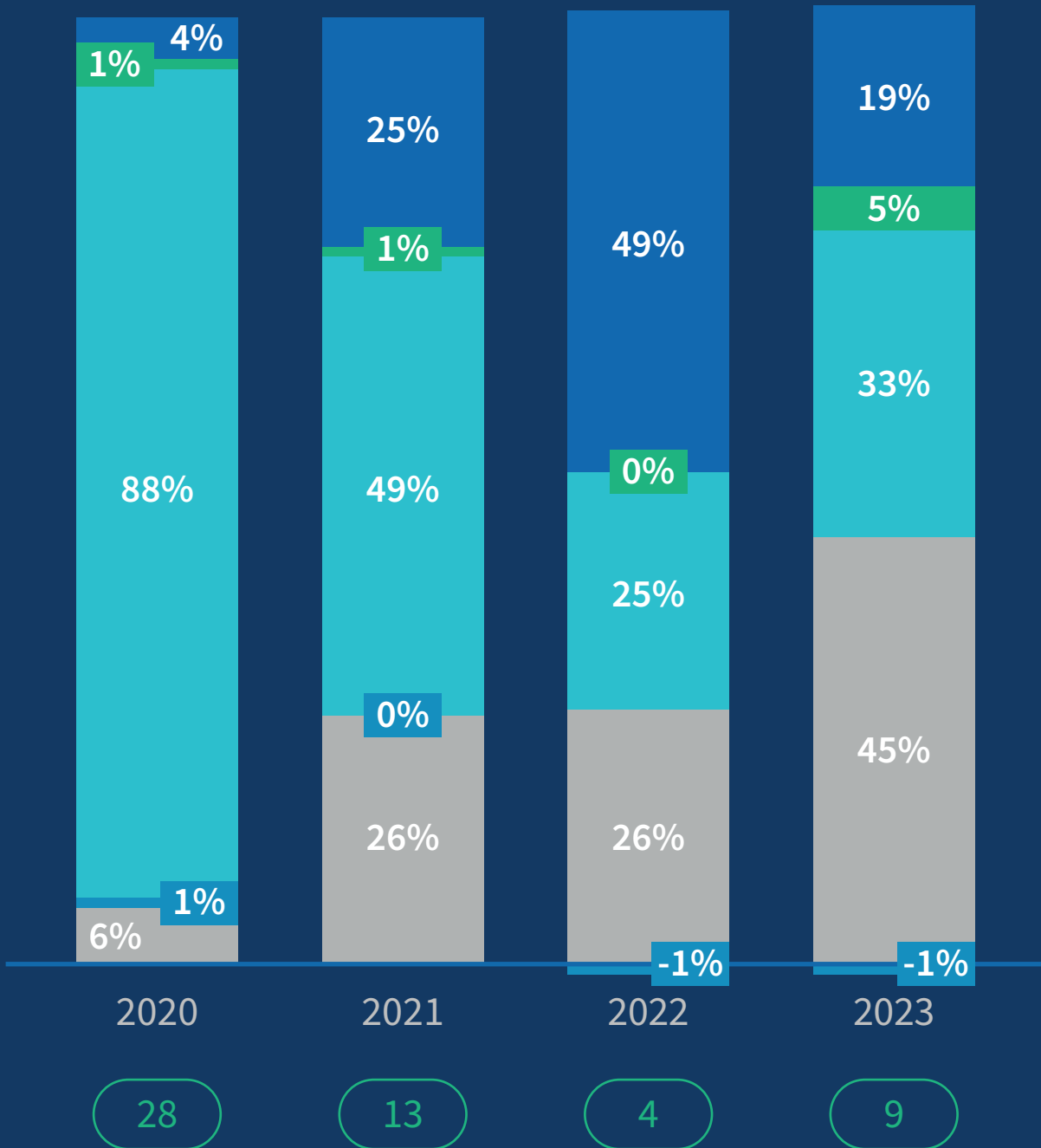
Competitive dynamics is shifting, with Cable players gaining traction in mobile and FWA and Fiber combining for the entirety of net-add share in home broadband

Net Adds

U.S. Postpaid Phone Connections Net Adds by Player

(% of net adds, 2020-2023)

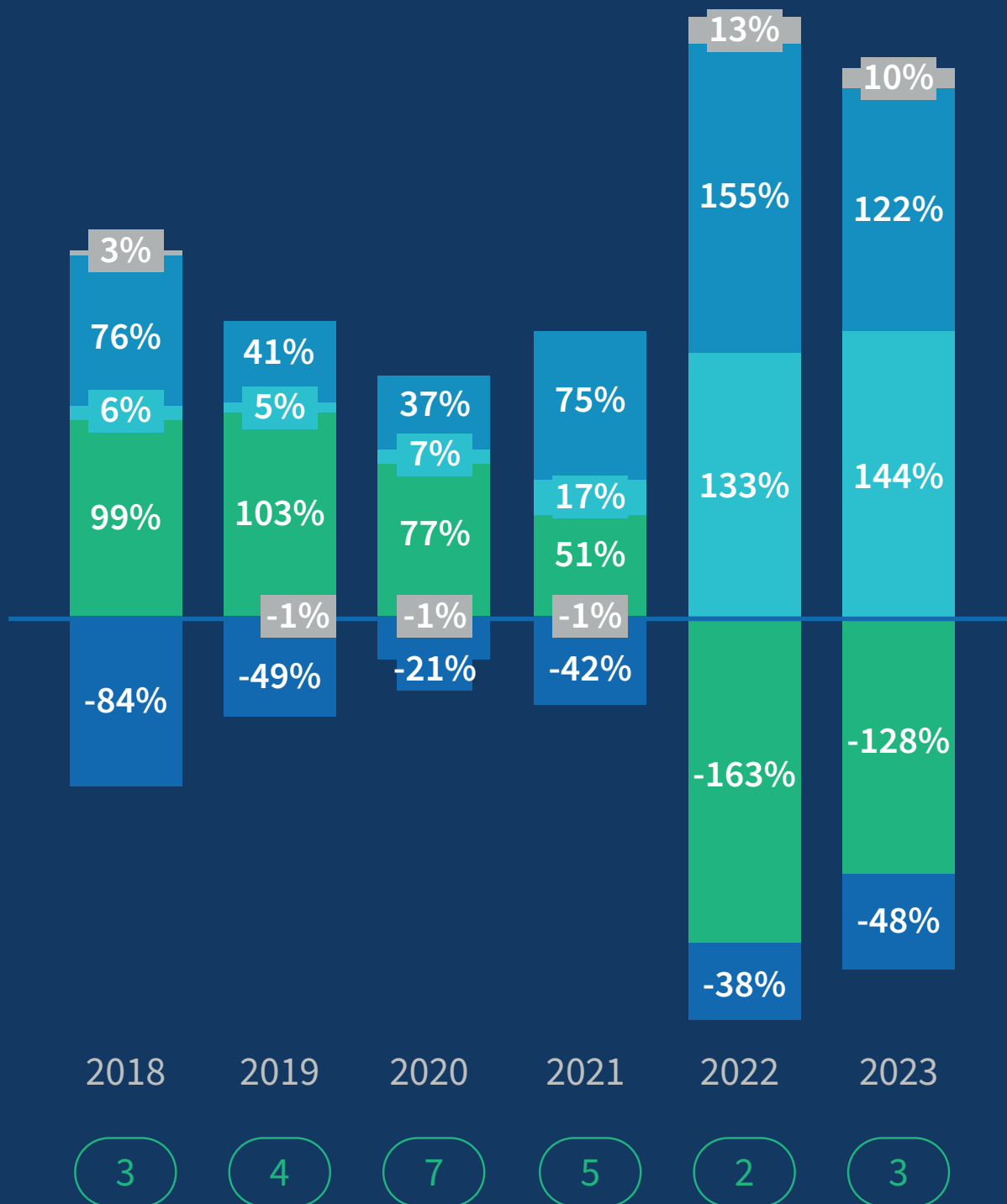
AT&T Verizon T-Mobile
Other MNO Cable MVNO¹



U.S. Fixed Broadband Subscribers Net Adds by Technology

(% of net adds, 2018-2023)

Cable DSL FWA Fiber Other



¹ Includes Comcast, Charter, and Altice.

Sources: JP Morgan, Omdia, FTI Delta analysis

In this market context, convergence of fixed and mobile is becoming more relevant



As fixed mobile convergence gains traction, there is still a big opportunity and a lot that can be explored beyond discounts and bundles



What has been done right

- All players are testing the FMC waters through ATL bundles and targeted BTL marketing
- Price discounts and hard bundles are a starting point for fixed-mobile convergence
- Some players are going beyond fixed and mobile and adding value through entertainment and other offers (e.g., Verizon with +Play, albeit not fully embedded in the FMC strategy)



What is still not right

- User experience (network and service) for convergent customers is still disconnected: one mobile and one home broadband experience
- Fixed-mobile convergence has not gone beyond “hard bundling” and price discounts (which in some cases — e.g., one line free for one year — generate more customer irritants)
- Lack of a national home broadband coverage from any player makes it difficult to lean into a true fixed-mobile convergent strategy

FTI Delta launched an FMC survey to test US consumer interest in fixed-mobile convergent offers and gain insights on convergence trends

SURVEY CRITERIA & SAMPLE QUESTIONS

TARGETED COMPLETES:

- Surveyed **~850 U.S. consumers**
- **Key topics covered in the survey:**
 - Demographics: age, residency, household income and composition, background, employment, marital status, education, psychographic questions, etc.
 - Mobile and broadband consumption: which providers and subscription details for each service; monthly spend; service satisfaction, etc.
 - Fixed-Mobile convergence: reasons for using the same or different providers, interest in a bundled offer if using different providers, reasons for interest (e.g., price sensitivity/ discounts vs. additional benefits), etc.

DEMOGRAPHIC BREAKDOWN:

- General U.S. population
- Age bracket (18-65+ years)
- Balanced gender distribution (48% female and 52% male distribution)

RESPONDENT DISTRIBUTION

	Mobile Provider							TOTAL (%)
	AT&T ¹	Verizon ²	T-Mobile ³	Charter	Comcast	Other	I do not know	
AT&T ¹	14%	1%	3%	0%	0%	2%	0%	20%
Verizon ²	2%	8%	2%	0%	0%	1%	0%	14%
T-Mobile ³	1%	0%	5%	0%	0%	2%	0%	9%
Charter	2%	4%	3%	4%	0%	1%	0%	15%
Comcast	3%	3%	2%	0%	4%	2%	0%	14%
Other	4%	4%	3%	0%	0%	2%	0%	13%
No home broadband	2%	5%	3%	0%	0%	2%	0%	14%
TOTAL	30%	26%	24%	4%	4%	12%	0%	100%

Home Broadband Provider

¹ Includes AT&T Fiber and Internet Air; ² Includes Verizon FioS and Home Internet; ³ Includes T-Mobile Fiber and Home Internet; ⁴ Comcast and Charter assumed to offer mobile to home broadband customers only.
Sources: FTI Delta FMC Survey October 2024



FMC Opportunities & Risks

What is the path ahead for fixed mobile convergence? Ten opportunities and risks for U.S. telcos (1/2)

1. **Majority of the U.S. market is still untapped**

1. 67% of U.S. households are not yet “converged”; 52% when excluding households with no home broadband.
-

2. **Convergence is depressing market ARPU...**

2.
 - As convergence is mostly driven by price discounts, the impact on ARPU is visible
 - Mobile is more impacted than fixed, driven by the aggressive pricing of Cable MVNOs
-

3. **...however, it results in higher customer satisfaction**

3. On average, convergent customers are 10pp more satisfied with their providers than non-convergent customers
-

4. **Non-convergent customers have appetite for “convergent bundles”**

4.
 - 4 out of 10 customers with different providers are highly interested in an FMC bundle
 - Telcos have not yet managed to market convergence widely
-

5. **Lower price is the key driver, but customers needs go beyond that**

5.
 - 75% of customers interested in FMC bundles want lower combined pricing
 - 35%-50% also want additional benefits, better combined experience and higher simplicity

What is the path ahead for fixed mobile convergence? Ten opportunities and risks for U.S. telcos (2/2)

- 6. In terms of pricing, 20% discount seems to be the optimal level**
20% discount on the combined bill would maximize bundle take rate and overall revenues generated from new convergent customers
-

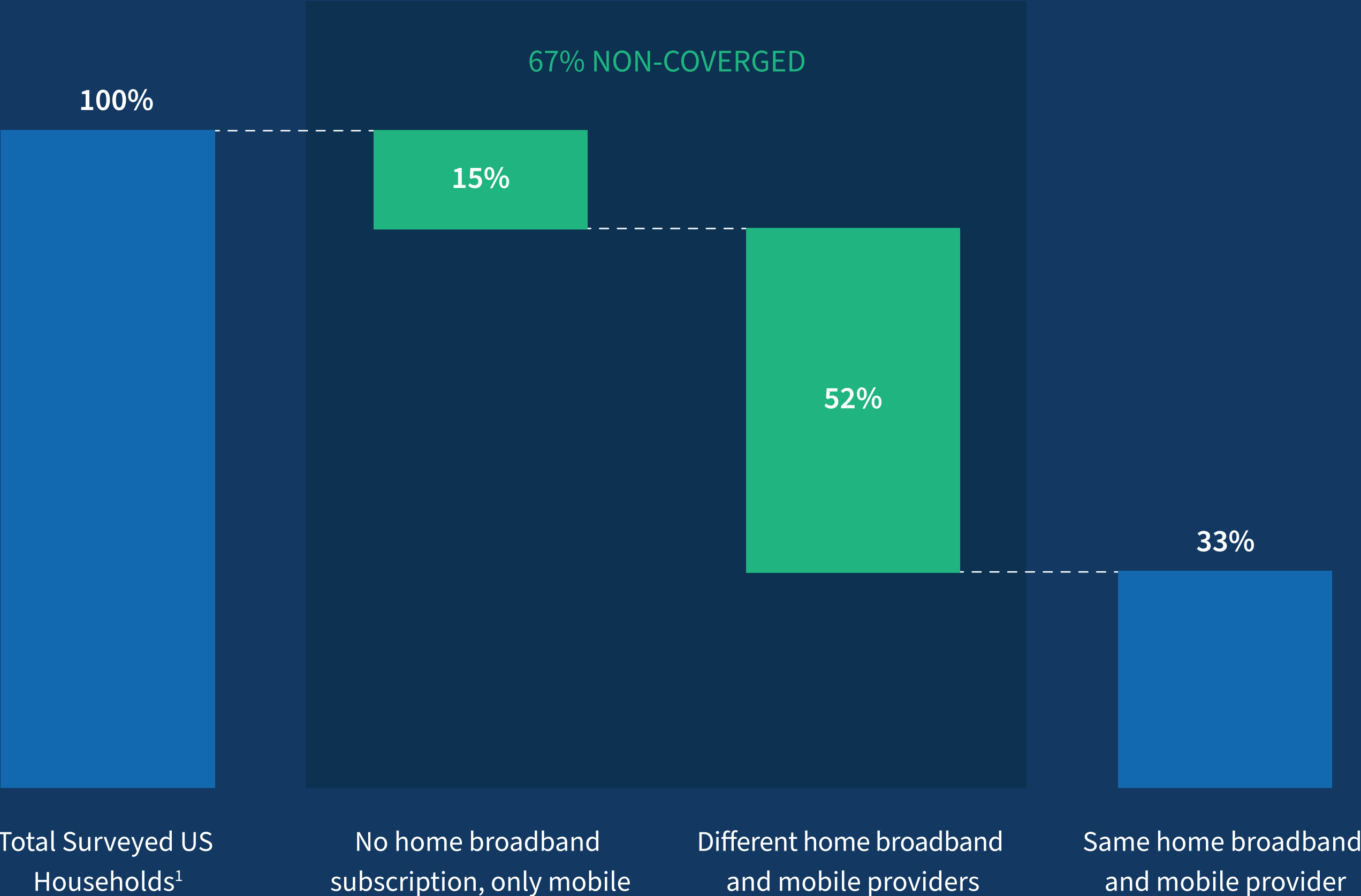
- 7. U.S. Telcos have varying levels of converged customers**
– AT&T base seems to be the most convergent between fixed and mobile
– Cable players have a bigger convergence opportunity ahead in term of untapped base
-

- 8. Customer preference for convergent offers falls to their mobile providers**
– Half of the customers interested in FMC bundles would choose their mobile provider
– Only 28% would choose their home internet provider, and 23% would go for a third-party option
-

- 9. The strength of convergent positioning is very different for major U.S. Telcos**
– 80% of Charter base is “at risk” in case of convergence; 60% for Comcast
– 60% of non-convergent customers who have Verizon as mobile or home internet provider would choose Verizon in case of FMC offering
-

- 10. Beyond FMC, 1/3 of non-convergent customers are interested in other bundles**
– There is high fragmentation on what type of bundles customers are interested in and from which provider (mobile or home internet provider)
– The highest interest is for entertainment and digital subscription bundles

Opportunity: 67% of U.S. fixed internet households are not yet “converged,” highlighting a significant untapped market



¹ Survey results include only qualified respondents.
Sources: FTI Delta FMC Survey October 2024

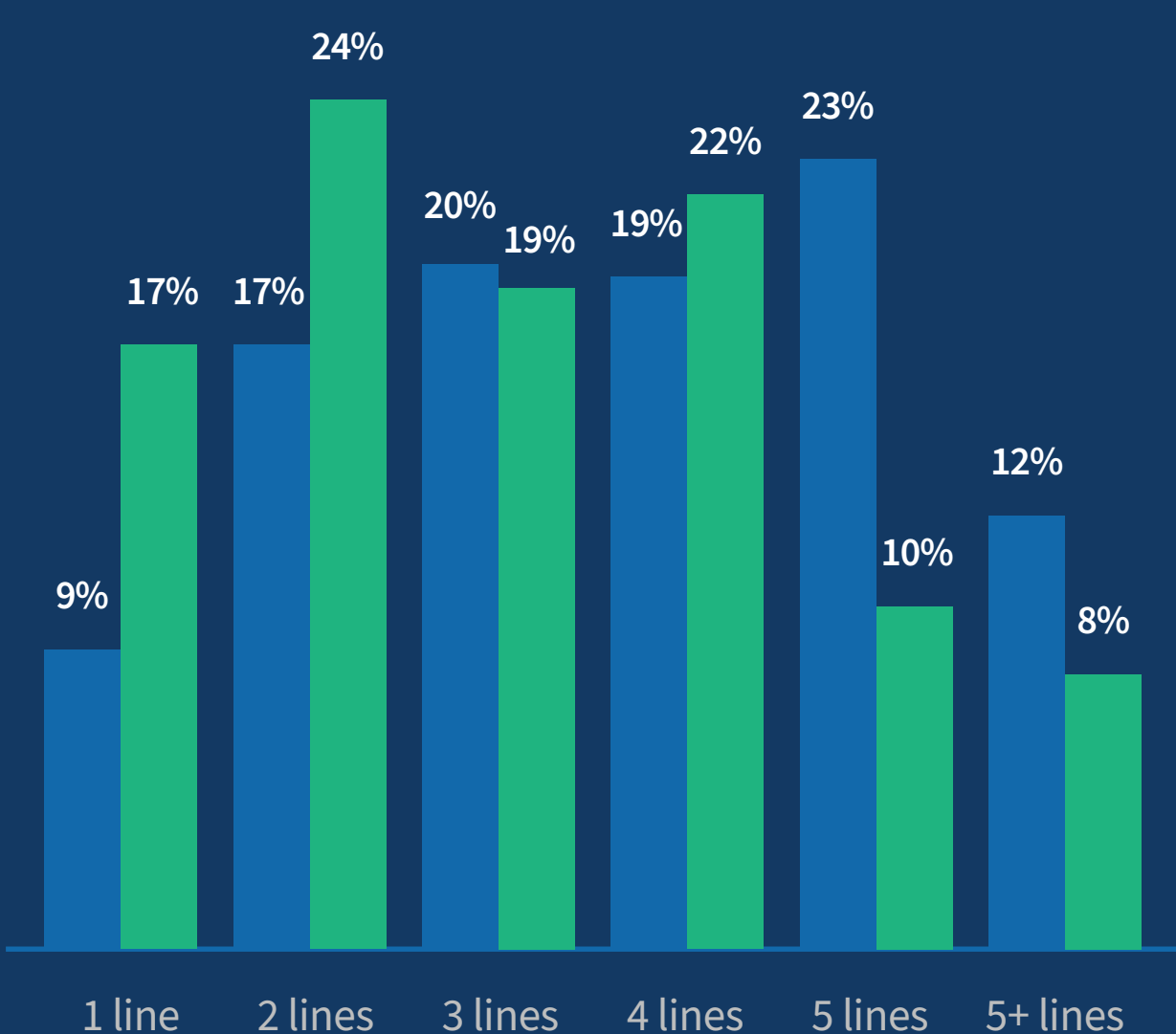
Risk: Price discounts-driven convergence is causing erosion in the ARPU, especially on the mobile side, driven by aggressive Cable MVNO pricing

Respondents with same home broadband and mobile provider have more mobile lines¹

Converged Non-Converged

Avg. 3.7 lines

Avg. 3.1 lines

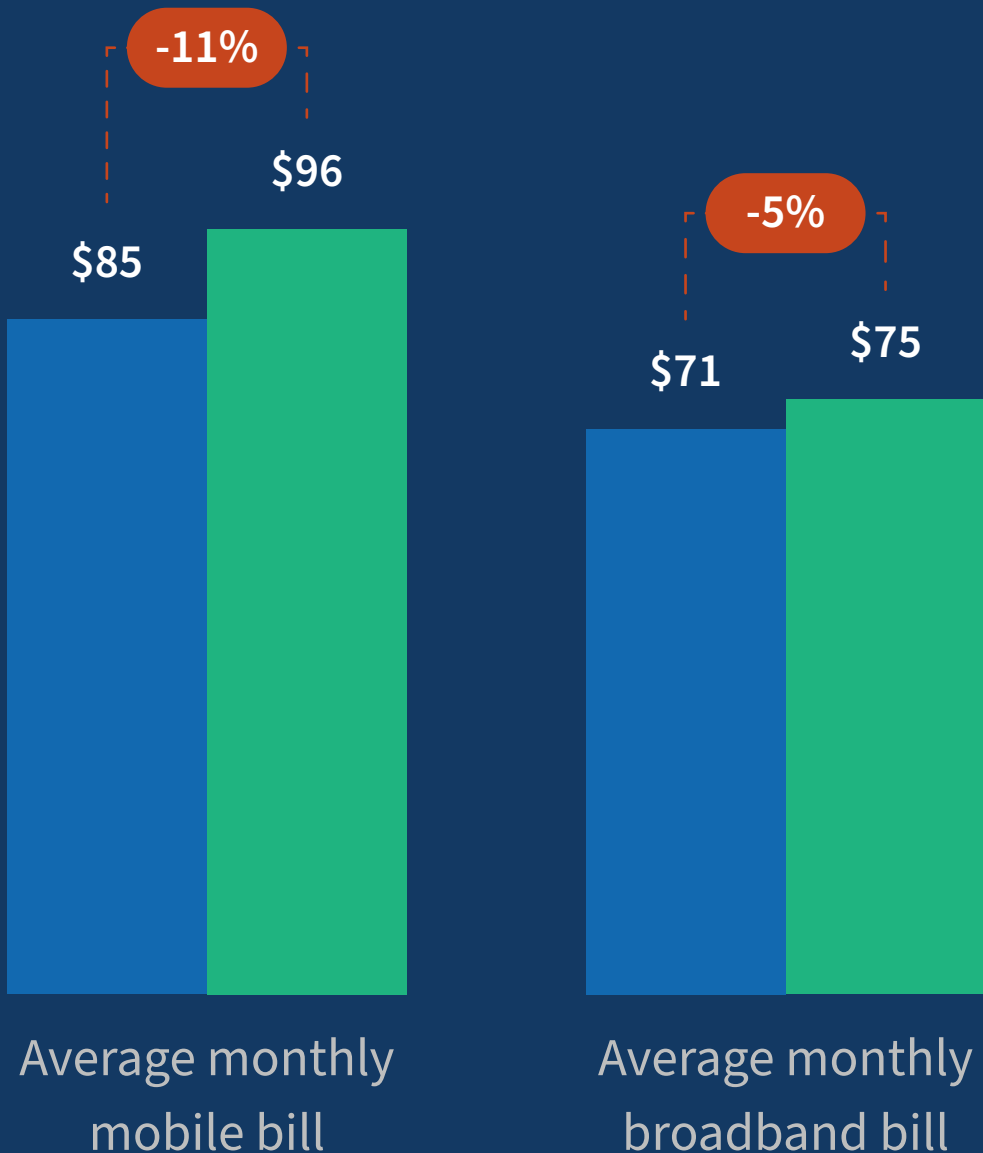


Respondents with the same home broadband and mobile provider spend less on both services¹

Converged Non-Converged

Combined \$156/month

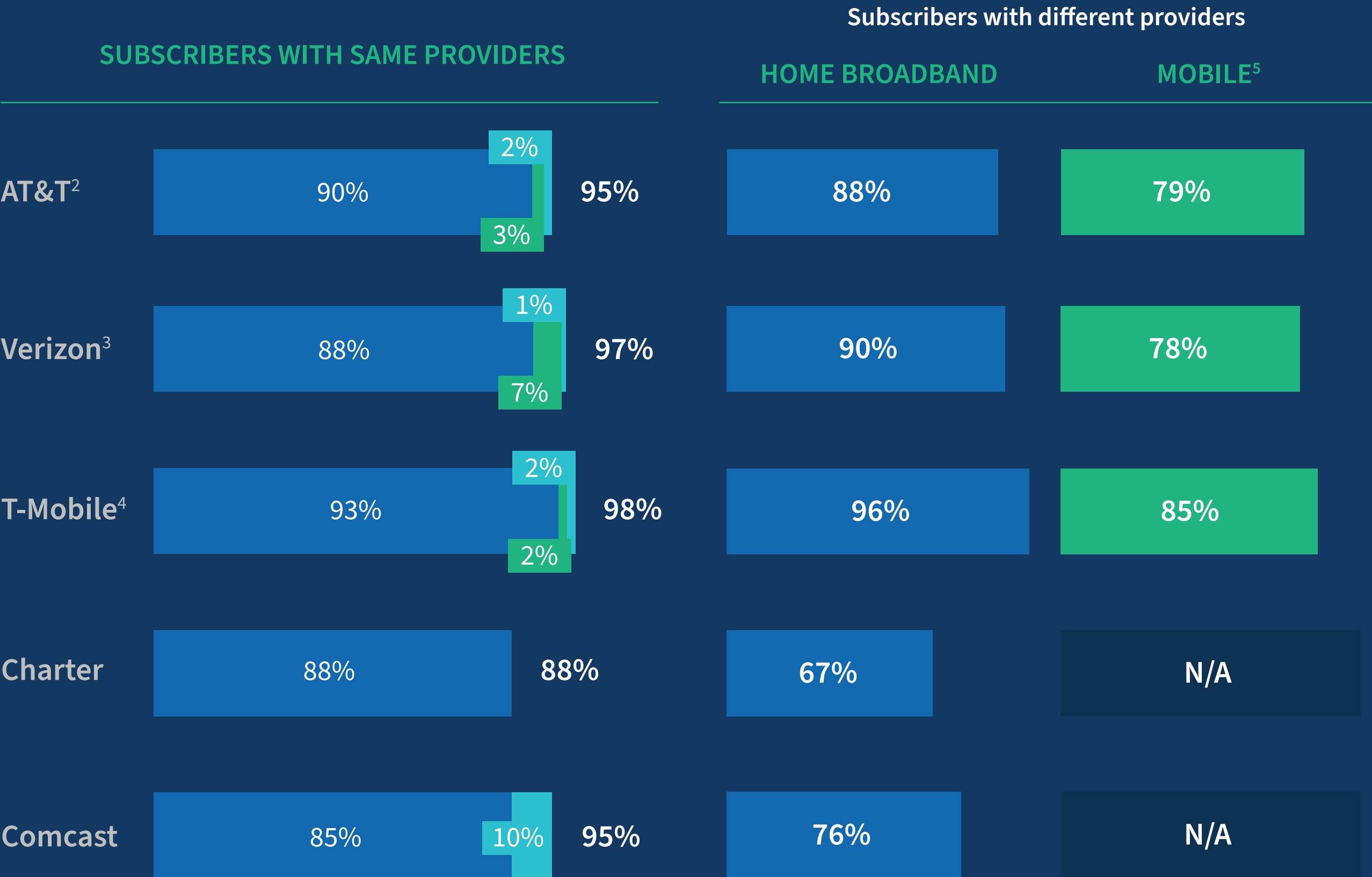
Combined \$171/month



¹ Excludes respondents with no home broadband and respondents that answered "I do not know."
Sources: FTI Delta FMC Survey October 2024

Opportunity: On the other side, the value added of convergence is clear when looking at customer satisfaction, even more for MSOs

■ Satisfied with both services¹
■ Satisfied with home broadband¹
■ Satisfied with mobile¹

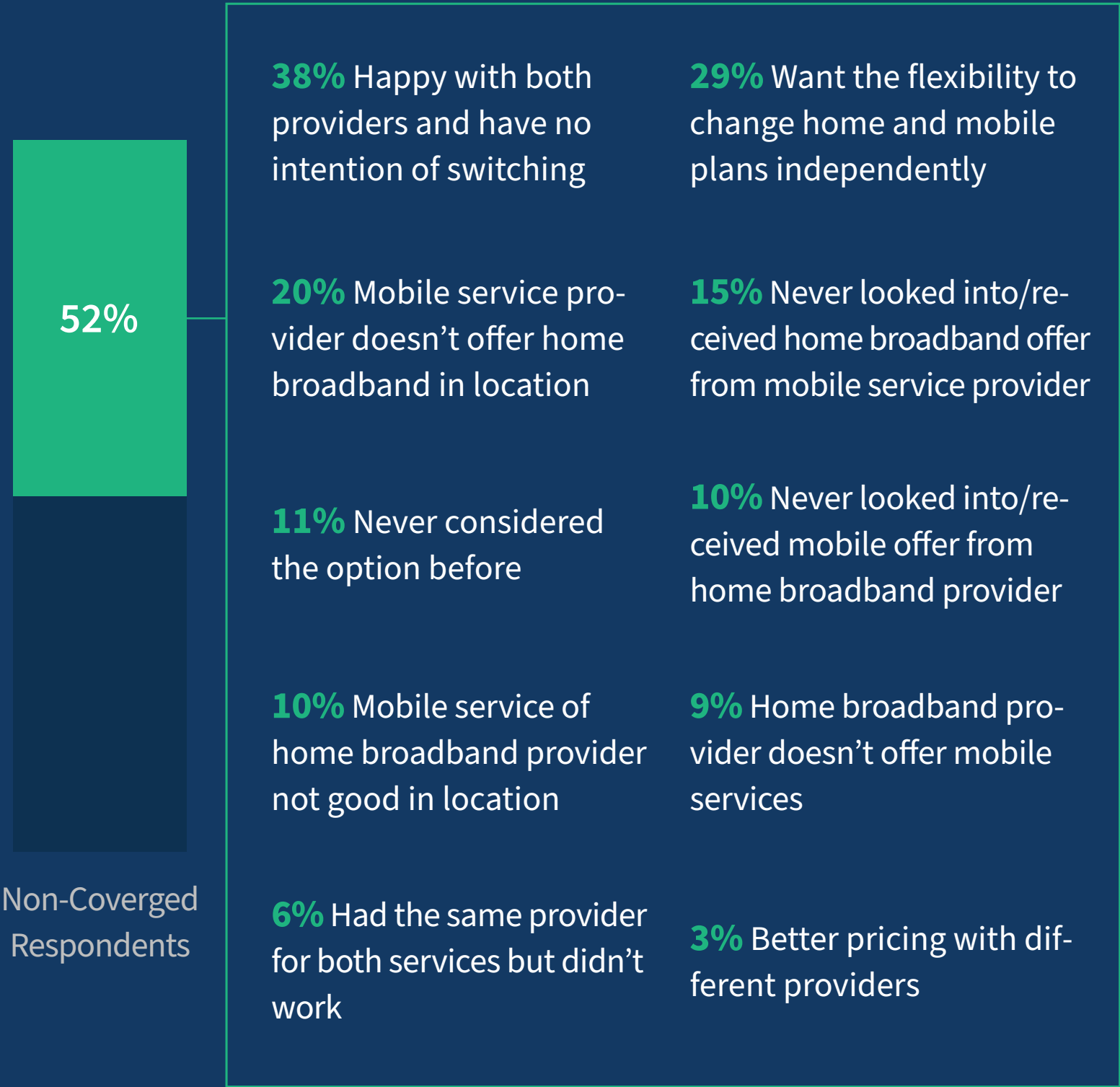


¹ Category includes only “Very satisfied” & “Satisfied”; ² Includes AT&T Fiber and Internet Air; ³ Includes Verizon FiOS and Home Internet; ⁴ Includes T-Mobile Fiber and Home Internet; ⁵ Includes respondents with no home broadband.

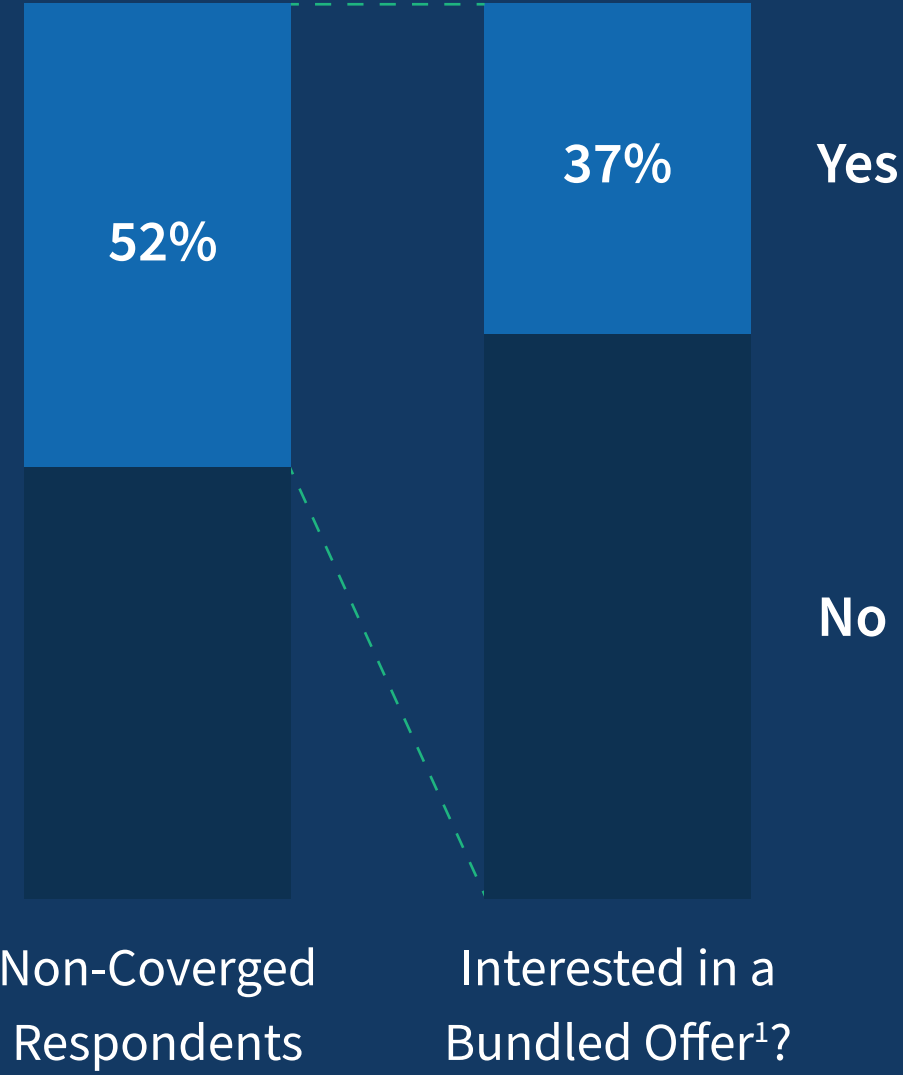
Sources: FTI Delta FMC Survey October 2024

Opportunity: ~40% of the customers who currently have different providers have an appetite for fixed-mobile convergent bundles

Key Reasons for Choosing Different Providers for Home Broadband and Mobile Services



Potential Interest in a Bundled Offer



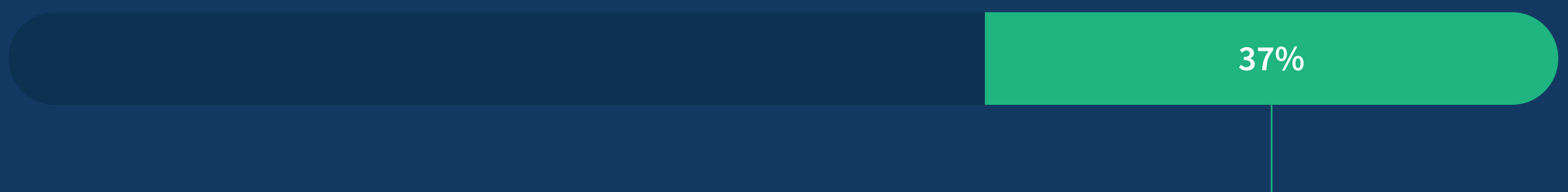
17% of survey respondents prefer staying with their current providers or want the flexibility to switch independently

¹ Category includes "Highly interested" and "Somewhat interested."
Sources: FTI Delta FMC Survey October 2024

Risk and Opportunity: While customers primary want for FMC bundles is lower price, additional value-added benefits are also appealing

MARKET OVERVIEW

Subscribers with Different Home Broadband & Mobile Providers Interested in a Bundled Offer



75%

Interested in better combined **pricing**



48%

Interested in getting **extra benefits** (e.g., free subscription to Netflix-/Disney+, discounts for shopping or live events)



41%

Interested in **one monthly bill** to control expenses



36%

Interested in **simplicity** of dealing with one provider in case of questions/problems



26%

Interested in **best mobile offers** (e.g., upgrading to a new phone)



21%

Interested in **managing subscriptions** with one provider

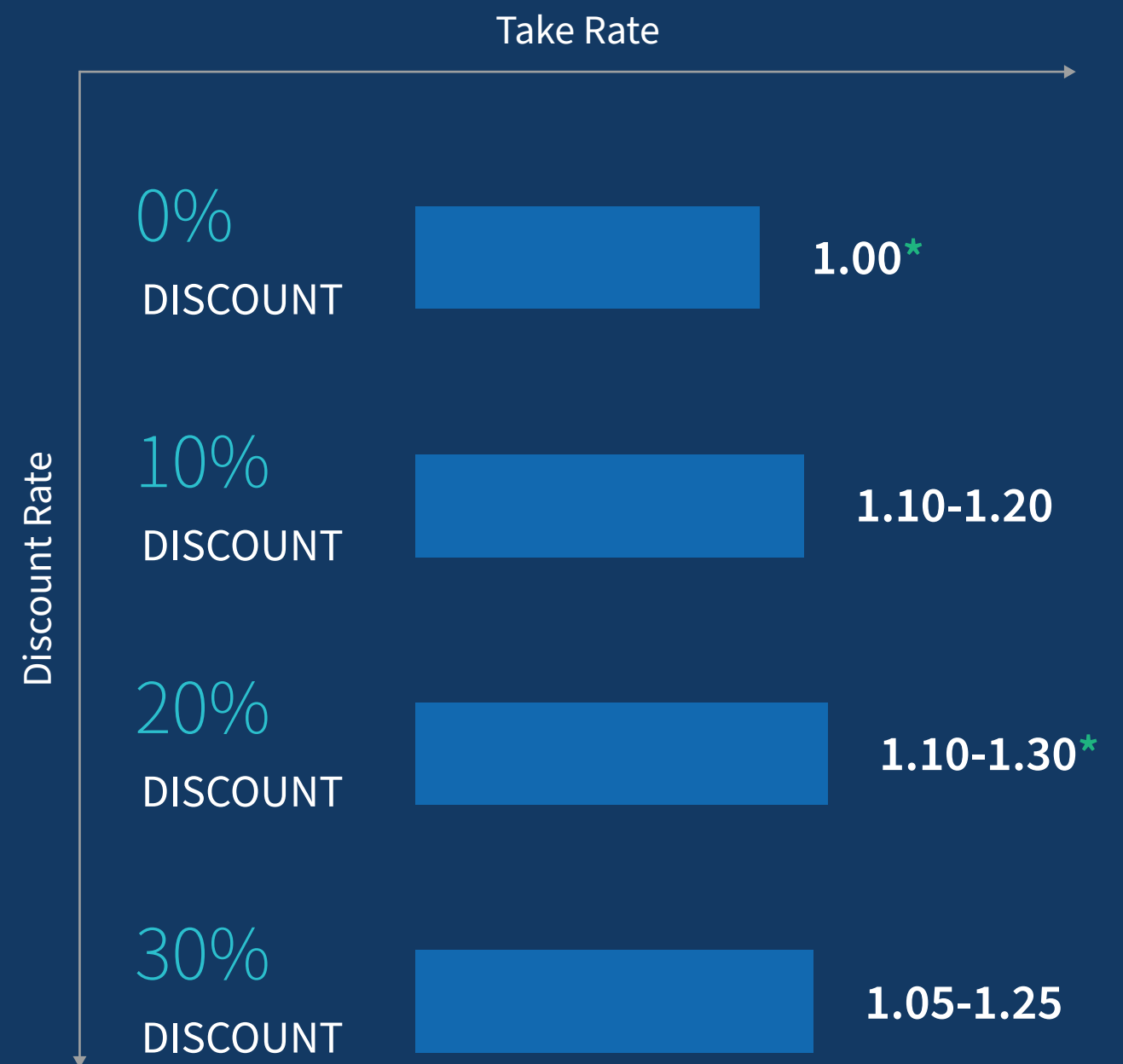
¹ Category includes “Highly interested” and “Somewhat interested.”
Sources: FTI Delta FMC Survey October 2024

Risk and Opportunity: 20% seems to be the optimal discount to maximize take rate and new revenue generation

DISCOUNT-DRIVEN INTEREST IN FMC BUNDLES¹



FMC REVENUE TAKE-UP INDEX²



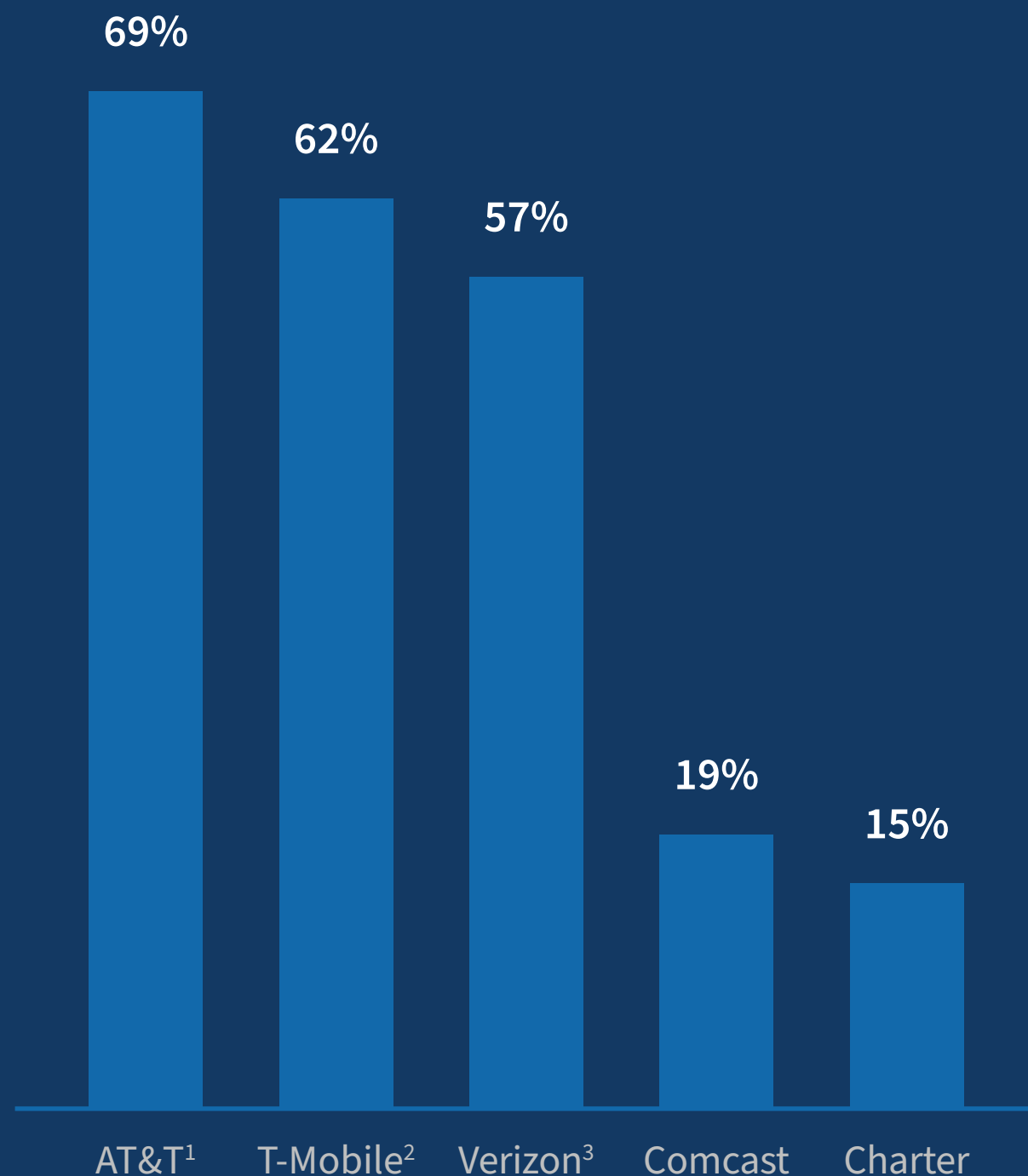
* 20% discount on bundle would generate ~10%-30% higher total revenue, driven by **new customer acquisitions**

¹ Only accounts for respondents who are not interested in an FMC bundle but would consider given price discounts; ² Index reflects ARPU post-FMC, accounting for discounted bundle prices, take-up rates, and continued single-service subscribers

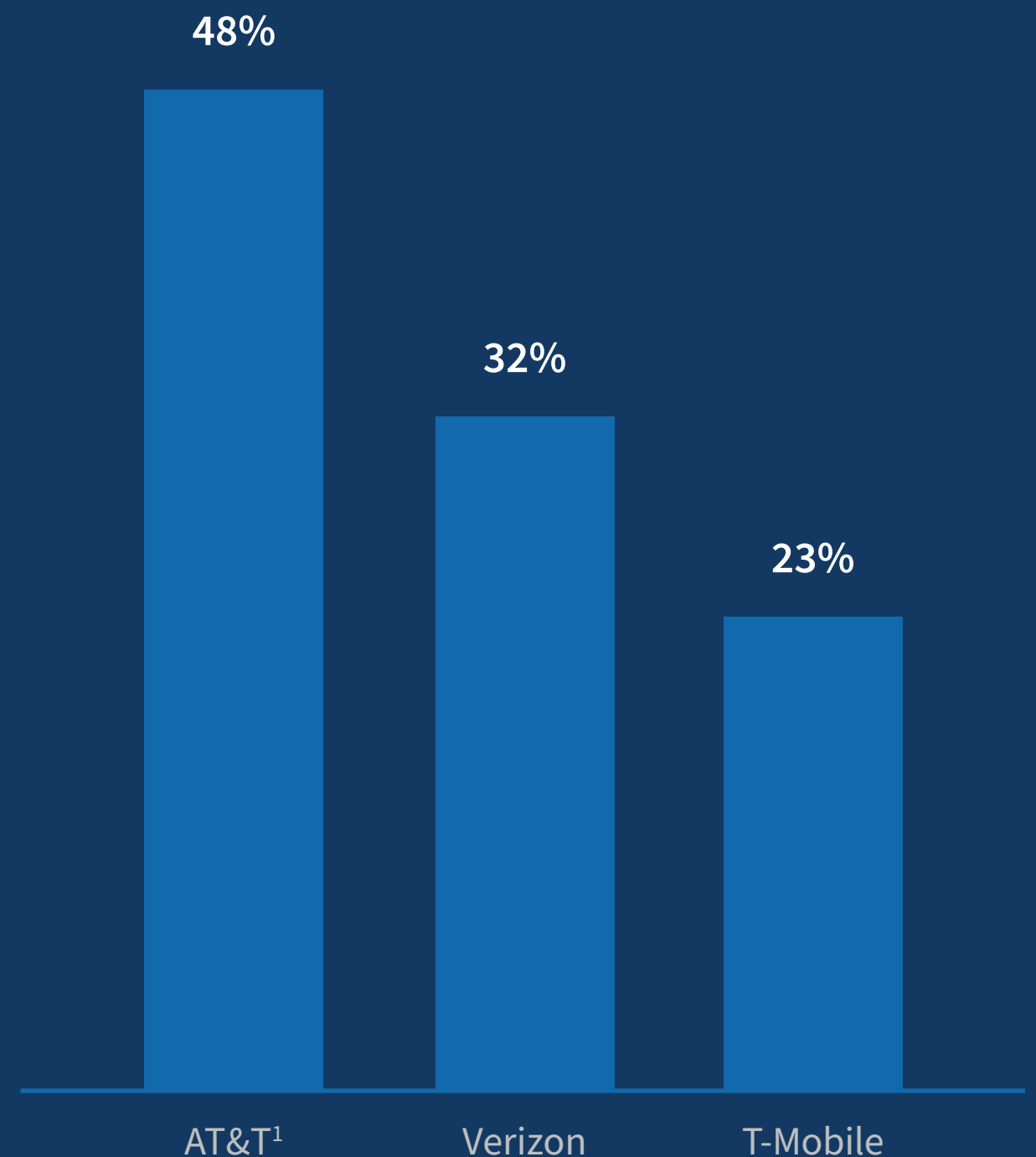
Sources: FTI Delta FMC Survey October 2024

Based on survey results, AT&T base is the most “convergent” across both home broadband and mobile customers

% of Home Broadband Subscribers with Same Mobile Provider



% of Mobile Subscribers with Same Home Broadband Provider



¹ Includes AT&T Fiber and Internet Air; ² Includes T-Mobile Fiber and Home Internet;

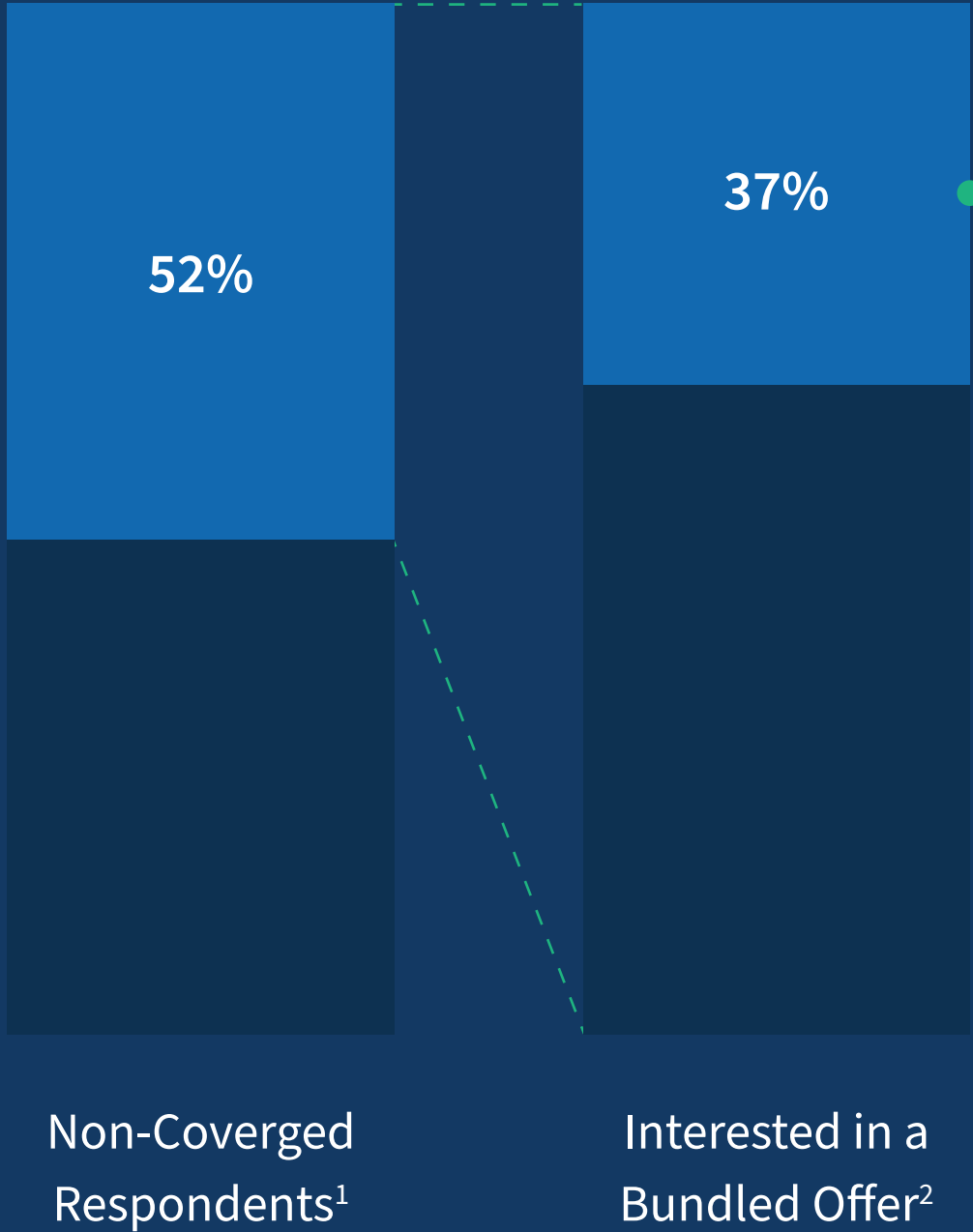
³ Includes Verizon FiOS and Home Internet

Sources: FTI Delta FMC Survey October 2024

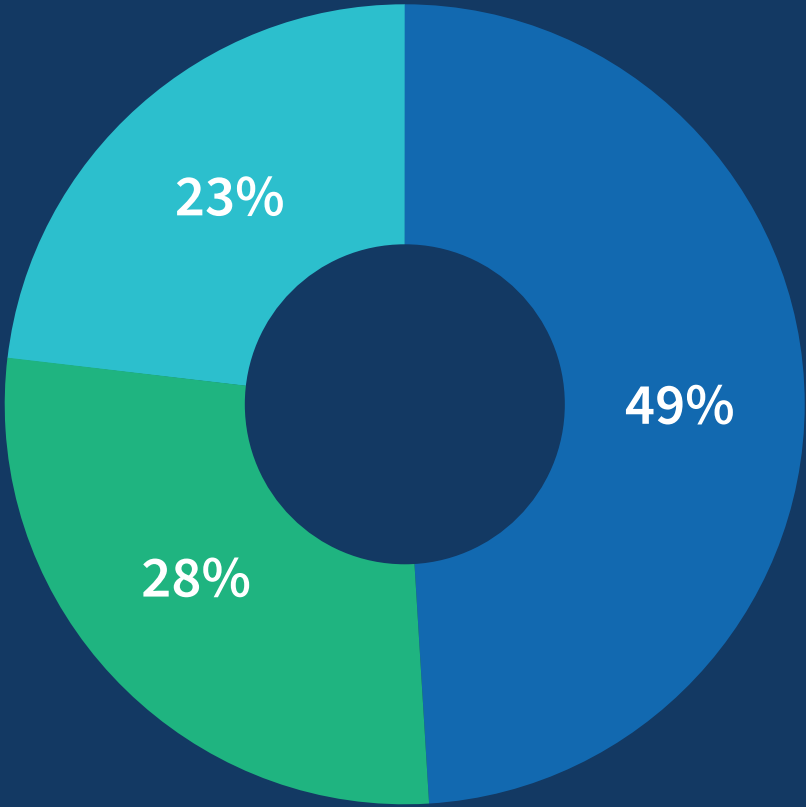
Opportunity: Mobile providers are best positioned to be the provider of choice for FMC bundles



Market Overview



Which provider would you most likely choose to select for the bundled offer?



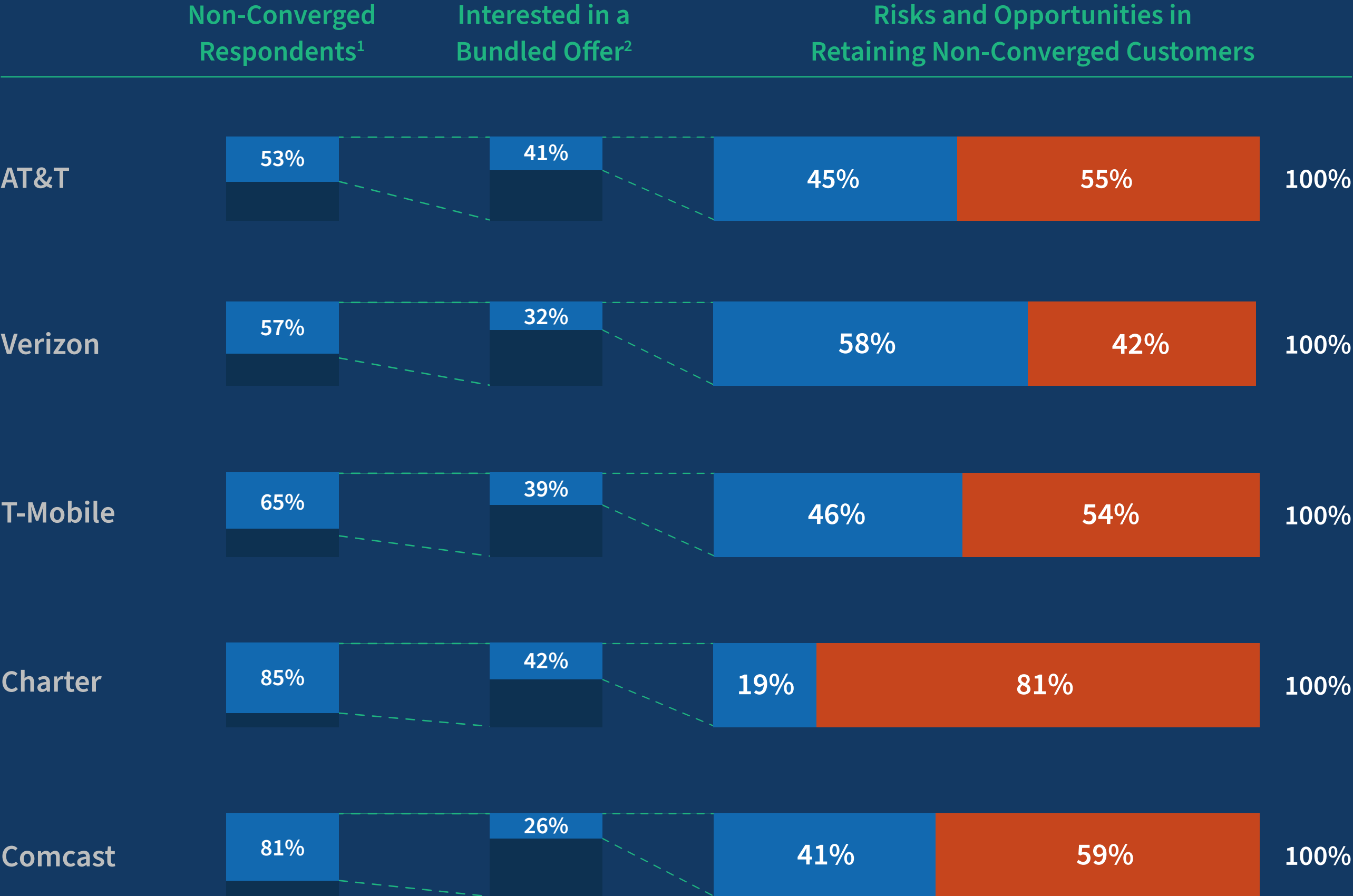
- Would select their current mobile service provider for the bundled offer
- Would select their current home broadband provider for the bundled offer
- Would select a third-party provider for the bundled offer

¹ Excludes respondents with no home broadband; ² Category includes “Highly interested” and “Somewhat interested.”

Sources: FTI Delta FMC Survey October 2024

Charter and Comcast have the highest risk of losing non-converged customers to competitors, while Verizon has a greater opportunity to convert them through bundling

■ Opportunity – Would select the provider for FMC offer
 ■ Risk – Would select the other provider for FMC offer



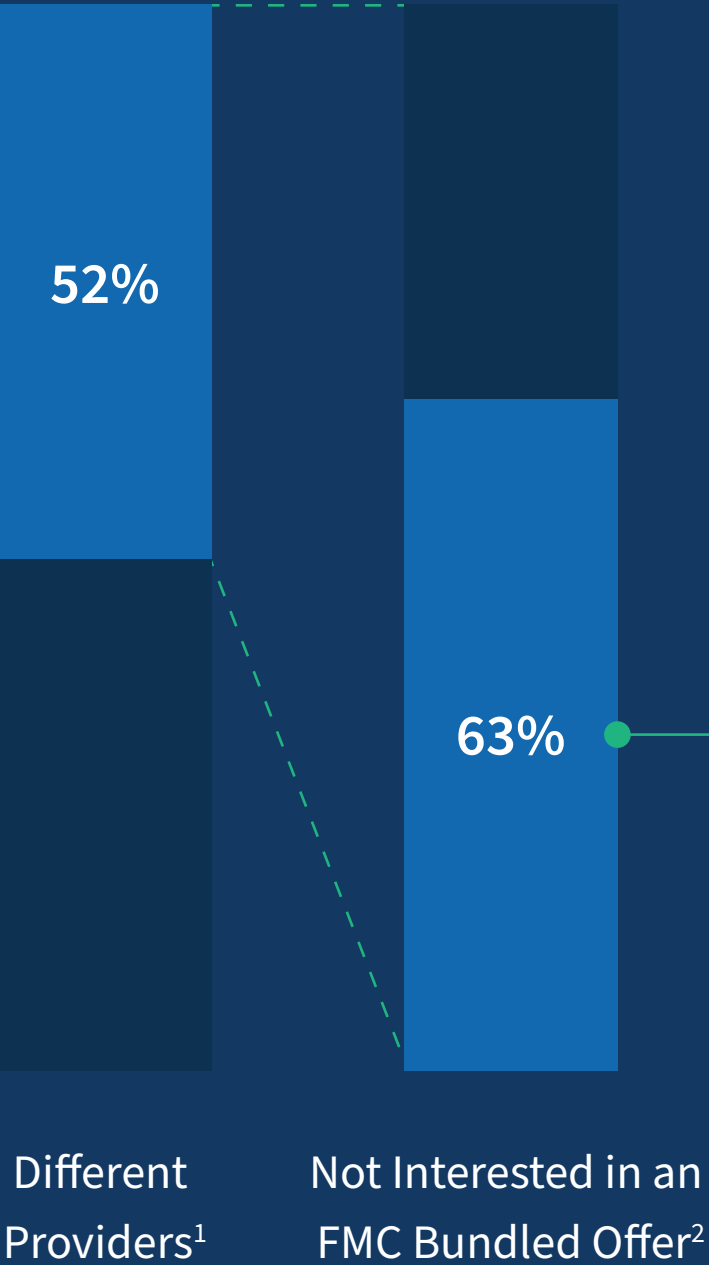
¹ Excludes respondents with no home broadband; ² Category includes “Highly interested” and “Somewhat interested.”

Sources: FTI Delta FMC Survey October 2024

Opportunity: Beyond FMC, ~30% of non-convergent customers show interest in other types of telco bundles, mostly entertainment-driven



Market Overview



Would any bundle be more enticing to you than a home broadband & mobile?



- 41% interested in **Home broadband** + Video entertainment (streaming)
- 41% interested in **Mobile service** + Video entertainment (streaming)
- 21% interested in **Mobile service** + Digital subscriptions (fitness/shopping)
- 19% interested in **Home broadband** + Home security solutions
- 19% interested in **Mobile service** + Home security solutions
- 12% interested in **Home broadband** + Productivity apps (cloud)
- 11% interested in **Home broadband** + Gaming subscriptions
- 9% interested in **Mobile service** + Special interests (dating apps, pet care)

¹ Excludes respondents with no home broadband; ² Category includes “May or may not be interested,” “Not very interested,” and “Not interested at all.”
Sources: FTI Delta FMC Survey October 2024

Conclusion: Depending on specific positioning at market level, each Telco needs to define which convergent plays to adopt



Sources: FTI Delta analysis

How FTI Delta can help capture the opportunities

LEVERAGING...



Extensive experience in the Telecom industry and in FMC



Access to deep data insights and analytics across geographies and market segments



Deep knowledge of competitive considerations that underlie business decisions

FTI DELTA CAN HELP...



Conduct key analyses to define optimal convergent value proposition and go-to-market approach



Develop and execute very hyper-targeted go-to-market strategies to maximize profitability



Adapt go-to-market strategy and build business case, anticipating competitive responses and competitive scenarios

Reach out to our tech experts to learn more about how FTI Delta can help

AUTHORS



Antonio Guastafierro

Senior Managing Director,
Telecom, Media & Tech Practice
antonio.guastafierro@ftidelta.com



Christophe Meunier

Senior Managing Director,
Telecom, Media & Tech Practice
christophe.meunier@ftidelta.com



Fabian Campo

Senior Managing Director,
Telecom, Media & Tech Practice
fabian.campo@ftidelta.com



Raul Macias

Senior Managing Director,
Telecom, Media & Tech Practice
raul.macias@ftidelta.com



Henrique Souza

Seniro Principal,
Telecom, Media & Tech Practice
henrique.souza@ftidelta.com

The views expressed herein are those of the author(s) and not necessarily the views of FTI Consulting, its management, its subsidiaries, its affiliates, or its other professionals.

FTI Delta is a global industry-specialized strategy consulting practice delivering end-to-end transformation. Our unrivaled team of experts offers a wide range of services that create value throughout the entire strategy-to-execution journey, serving top-tier corporations, private investors, mid-market companies and government authorities. FTI Delta is part of FTI Consulting (NYSE: FCN), a leading global advisory firm. For more information, please visit ftidelta.com and follow us on LinkedIn @FTI-Delta

“FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional.

FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities. For more information, visit www.fticonsulting.com and connect with us on Twitter (@FTIConsulting), Facebook and LinkedIn