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Broadband prices in the European Union: competition and commercial strategies

Joan Calzada^{*} and Fernando Martínez-Santos⁺

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Abstract

This paper analyses the determinants of broadband Internet access prices in a group of 15 EU countries between 2008 and 2011. Using a rich panel data set of broadband plans, we find a positive effect of downstream speed on prices, and that the price per Mbps of cable modem and fibre technologies is lower than that of xDSL. Operators' marketing strategies are also analysed as we show how much prices rise when the broadband service is offered in a bundle with voice telephony and/or television, and how much they fall when download volume caps are included. The most insightful results of this study are provided by a group of metrics that represent the situation of competition and entry patterns in the broadband market. We show that consumer segmentation positively affects prices. Moreover, broadband prices are higher in countries where entrants make greater use of bitstream access and lower in countries where there is an intensive use of direct access (local loop unbundling). We do not find a significant effect of inter-platform competition on prices.

Keywords: Telecommunications, Broadband prices, European Union, Competition, Regulation

JEL: L51, L86, L96.

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