

Verizon shares its Business Internet Fixed Wireless strategy with industry analysts

On June 3, Verizon briefed telecom industry analysts on its business fixed wireless strategy branded “5G Business Internet” or 5GBI.

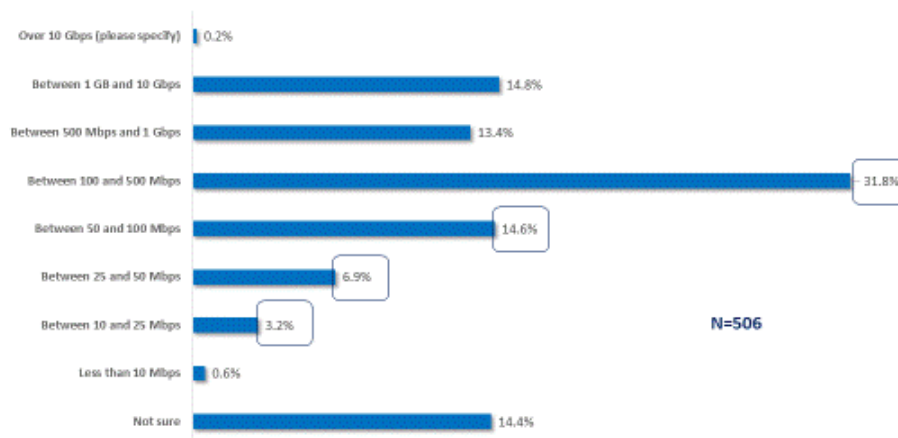
Key takeaways:

- Maximum downstream speed for 5GBI is 400 Mbps with unlimited data usage vs. 50 Mbps and a 300 GB cap for LTE
- The emphasis was on flexible use cases (internet back-up, pop-ups, mobile locations) rather than competing for full-scale primary internet replacement
- That said, “the vast” number of current FWA deployments are primary internet connections
- In-region, if available - fiber-based FiOS business internet will typically take priority over FWA – except in specific mobile-oriented use cases
- 5GBI coverage reaches 2 million business locations in 900 cities – *(Note: Verizon publicly reported 217K FWA business connections at the end of Q1 2022)*
- Bring your own device (BYOD) has been in place for LTE, but now is extended to 5GBI – *the Cradlepoint W1850 was the first compatible device certified*
- Use of C-Band spectrum provides a mid-band alternative to both lower band LTE and 5G Ultra wideband – *(Note: Publicly announced it was targeting 5GBI availability to 14 million business locations by 2025)*
- Much like most broadband technologies 5GBI makes more ROI sense in higher density areas – so it’s not necessarily a “digital divide” oriented service

Analysis

- Does the 5GBI service have enough speed to compete as a primary solution on a larger scale?

How much downstream broadband/data connectivity speed would be the best fit for your company's bandwidth requirements at its primary location?

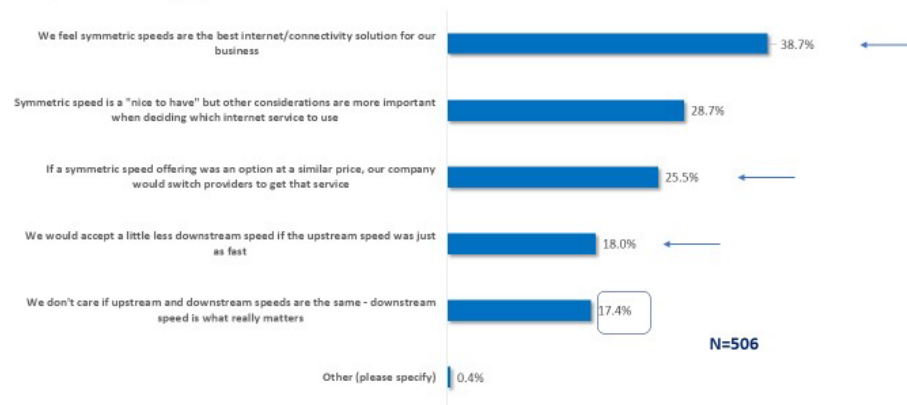


Over half of SMB respondents indicated a range between 25 Mbps and 500 Mbps would satisfy their company’s downstream speed requirements – being able to deliver 100 Mbps to 400 Mbps puts

5GBI in a competitive position. However, SMB speed requirements have risen steadily over the past decade and sub-Gig capabilities may not cut it over the long-term.

➤ **Is symmetric bandwidth capability a big deal for U.S. businesses?**

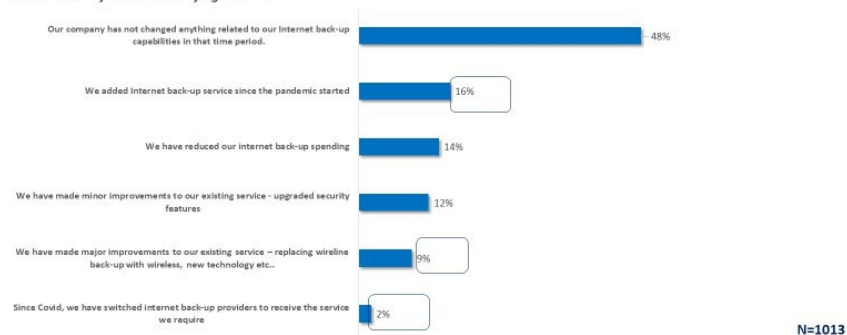
Depending on the technology used to deliver your company's internet service - some services offer the same speeds for both downstream (generally faster) and upstream (generally slower) What are your views on these symmetrical broadband speed services? (Check all that apply)



A combined 80% of respondents indicated symmetric bandwidth was described as “the best solution,” “worth switching provider for” or that they would accept less downstream in return for more upstream bandwidth. Just 17% said that downstream speed is all that matters. Symmetric bandwidth generally becomes more important as company’s grow larger, making asymmetric offerings sufficient for most small businesses.

➤ **How has the importance of wireless Internet back-up grown throughout the pandemic?**

When thinking about your company's internet back-up situation before the Covid-19 pandemic vs. today – which of the following statements do you most closely agree with?



Almost 30% of respondents indicated that during the pandemic period, they either added internet back-up service, they made a major upgrade or switched providers to receive back-up

services. Currently, 5GBI may be more often deployed as a primary internet service, but it's potential as an internet back-up solution will find a growing audience.

Analyst's take:

In an industry that loves its hype, it's refreshing to see Verizon taking a practical approach to a technology opportunity that has received a lot of recent attention. Focusing on use cases such as temporary offices, special events, mobile restaurants, pop-up stores etc. is a practical approach that embraces the strengths of FWA, rather than going head-to-head with fiber and cable modem on raw speed. The lack of a symmetric offering is concerning given the growing demand for faster upload speeds; however, the downstream speed tiers fall directly in the "sweet spot" of current SMB internet speed requirements.

The strategy to sell FiOS first makes sense – fiber is a superior broadband access technology and if available will ensure a quality customer experience. Verizon's use of FWA as an internet back-up solution was discussed, but it was not front and center. *Independence Research* surveyed over 1000 U.S. businesses in February, and internet back-up was the most popular value-added service add-on emerging from the pandemic. With 5GBI, Verizon has an opportunity to maximize its wireless back-up penetration on a national scale – especially in the small business segment.

When considering FWA's roll as a long primary internet solution it is important to keep in mind that we are entering a generational government funded fiber-build environment where new FTTH offerings will alter the competitive landscape and move the speed needle into the Gigabit era. However, shorter term, the proof is in the numbers: 2 million addressable business locations, 217K FWA business connections – the quarterly business net adds have grown from 10K to 30K to 50K to 95K over the past four quarters. Even if there is an eventual net add % slowdown due to increased competition, expanding the 5GBI addressable market from 2 million to 14 million should ensure solid growth over the next five years.

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Source: *Independence Research LLC*. June 2022