

Pandemic Spurs Broadband Bump

Tier-1 and rural telcos enhanced their broadband speeds and reach to meet the needs of consumers who relied on Zoom conferencing, remote learning, video streaming and the use of multiple internet-connected devices when the COVID-19 pandemic turned their lives upside down.

By Bruce Forey / *BroadMax Group*

The coronavirus pandemic was a feast or famine for businesses. Many brick-and-mortar retail, restaurant, travel and hospitality industries saw business dip dramatically once lockdown measures were put in place. However, other businesses, such as those connected to the outdoors or home-experience improvements, had record sales.

A necessity for enhancing life at home during the pandemic is fast, reliable internet to handle Zoom conferencing, remote learning, video streaming and the multiple internet-enabled connected devices now essential to people's lives. As a result, the broadband industry – including Tier-1 internet providers, telephone cooperatives and broadband support vendors – by and large benefited significantly from the new shuttered reality.

Annual reports from publicly traded companies will help provide a more complete picture on actual broadband sales in 2020. The reports won't be released in time for this article, so **BROADBAND COMMUNITIES** talked to some industry analysts who shared their findings from 2020 and their thoughts on whether the broadband spike will continue in 2021.

Verizon recorded strong sales in its 2020 fourth-quarter report and posted a 5.1 percent increase in Fios internet subscribers over 2019. Even Verizon's slower DSL offering grew year-over-year by 2.8 percent. Tier-1 operators such as Verizon typically forecast closer to 1 percent growth to accommodate for housing and population increases in service areas, so these bumps are noteworthy.

Fellow Tier-1 operators AT&T and Lumen also saw broadband gains during the fourth quarter. For AT&T, 2020 was the year of fiber; the telco added 1 million fiber broadband subscribers in 2020. As AT&T hits its fiber-to-the-home (FTTH) milestone, the provider has plans to deepen penetration in existing and new markets.

Lumen also enhanced its FTTH reach in 2020, passing an additional 400,000 homes with fiber to reach 2.4 million homes, up from 2 million at the end of 2019. In all, Lumen added 54,000 subscribers who purchased 100 Mbps and higher speed tiers. However, it lost a total of 19,000 broadband subscribers. This was due to a loss of 57,000 subscribers to plans of 20 Mbps and slower and 20–99 Mbps.

TIER-1 BROADBAND GROWTH SURGE

Bruce Leichtman, president of Leichtman Research Group (LRG), believes the pandemic was responsible for the largest overall broadband growth the industry has experienced in many years.

“With the impact of the coronavirus pandemic, there were more net broadband additions in 2020 than in any year since 2008, and this is despite broadband being in more than 80 percent of all households before the pandemic,” he said.

Leichtman studied data from 16 of the largest cable and wireline broadband providers, which provide service to about 96 percent of internet subscribers in the United States. He discovered these companies acquired about 4.86 million net additional broadband internet subscribers last year compared with about 2.55 million subscribers in 2019. In addition, Leichtman found overall broadband additions in 2020 were up 190 percent over 2019.

Other key LRG findings include that top cable companies added about 4.82 million subscribers in 2020, compared with about 3.145 million net adds in 2019. The top wireline phone companies added about 40,000 subscribers in 2020, compared with a loss of about 590,000 subscribers in 2019.

“These top broadband providers now account for more than 105 million subscribers, with top cable companies

having close to 73 million broadband subscribers, and top wireline phone companies having 33 million subscribers,” said Leichtman.

RURAL TELCOS EXPAND FIBER REACH

Larger broadband providers weren't the only beneficiaries of the pandemic. Many telephone cooperatives and smaller telcos that offer broadband to more rural areas saw a bump in new broadband connections. “Telcos had positive net annual broadband adds for the first year since 2014,” said Leichtman.

Many didn't spend any additional marketing dollars to acquire the connections. The increases came from having a network in place, which in essence provided the supply to meet the demand.

Hill Country Telephone Cooperative (HCTC), which serves the Texas Hill Country and some areas in the western part of the state, also experienced higher than projected broadband sales. HCTC added 2,441 broadband-only customers in 2020 for about 10 percent growth. This number was close to evenly split between ILEC and CLEC customers. HCTC reported adding 1,016 members to the cooperative, mostly driven by broadband sales.

The cooperative serves a mostly rural area that doesn't have the same population growth as metro areas; most of HCTC's new customers are residents within its service area who weren't customers prior to the pandemic. Craig Cook, CEO of HCTC, credits the company's recent multimillion-dollar investment, which expanded its fiber broadband network to almost one-quarter of its service area. The strategy also included increasing speeds to many existing members.

“When everyone was isolated at home and realized they needed a better broadband connection, we had done the work with our network to serve more of our members with faster speeds or offer a much better alternative than our competitors,” said Cook. “Fiber broadband delivers a superior internet

connection and having the best product available in the market was important to provide excellent customer service to our members and to attract new customers when they really needed fast and reliable broadband.”

FTTH, DOCSIS SALES RISE

Another indicator of broadband growth during 2020 comes from hardware and equipment sales.

Dell'Oro Group reported significant increases in sales of optical line terminals (OLT) and optical network terminals (ONTs). According to the research firm, 2020 spending on OLT/ONT hardware was \$414 million, which was a \$68 million, or a 19 percent increase, over 2019 spending.

Fiber broadband wasn't the only network technology in demand to deliver faster internet speeds. DOCSIS 3.1 technology is used to greatly increase broadband speeds from coaxial networks.

Dell'Oro found 20.3 million units of DOCSIS 3.1 equipment shipped in 2020, which was an additional 4.5 million units, and a 28 percent increase over the 15.8 million DOCSIS units shipped in 2019.

“The numbers would be even higher if the supply chains were in order and there weren't shortages with materials needed for fiber buildout,” says Jeff Heynen, vice president of broadband access and home networking for Dell'Oro. “These shortages were due in part to factory shutdowns in China because of the coronavirus. Once a factory shuts down, it takes time to ramp production back up, and this further contributed to the supply chain challenges to meet demand in 2020.”

SPEED DESIRE TO DRIVE NEW INVESTMENTS

As vaccines roll out across the nation, many people are planning a return to pre-pandemic life. Offices will begin to slowly reopen, and more schools are welcoming students back to classrooms.

Will broadband sales growth and its industry trickle-down effects continue in 2021 and beyond? Some industry analysts predict many internet

providers will continue to invest in their networks, particularly with FTTH, because customers are now accustomed to faster, more reliable internet speeds.

Mike Render, president of the consulting firm RVA LLC, says the lifestyle shift forced by the coronavirus is probably here to stay.

“I think to some degree, we're not going back to the pre-pandemic age,” he says. “I certainly see more of a hybrid work-from-home and work-from-the-office situation as compared to pre-pandemic. So, there's going to be continuing pressure for good broadband in the home.”

The pressure to deliver lies with broadband service providers. Already in a highly competitive industry, many will have to continue to invest in their broadband product to offer the fastest speeds and most reliable service to obtain and retain customers.

“I don't expect spending to decrease in 2021 and into the short-term future,” Heynen says. “Especially if you are a telco and want to compete for the needs of today's broadband customer, then you'll need to continue to invest in fiber infrastructure as it provides the most throughput for the customer.”

Render agreed and added that consumers have become aware of how high-speed broadband can be a useful tool. “I think a lot of people that have selected a higher speed tier will probably stay with that,” he says. “And I think certainly people who haven't found a higher quality alternative are still looking. Maybe the pressure won't be quite as high after the pandemic, but many consumers now realize just how important broadband is.” ❖

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