

**BUNDLED SERVICES  
FOR ELECTRONIC COMMUNICATIONS**

**First quarter of 2020**

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# Executive summary

## EXECUTIVE SUMMARY

### **Bundled services subscribers reached 4.1 million**

In 1Q2020, the number of subscribers to these deals reached 4.1 million (+171 thousand or +4.4% year-on-year). The growth observed is associated with 4/5P offers (+126 thousand) and, to a lesser extent, with 3P offers (+64 thousand).

Since 2015, growth in the number of bundle offer subscribers has been slowing. However, since 2019, we have witnessed accelerated growth.

The State of Emergency associated with COVID-19 came into force on 18 March 2020 and was extended beyond the time frame of this report. No significant impact from this situation was detected on the total number of bundle subscribers.

### **49.9% of subscribers acquired a 4/5P bundle**

The 4/5P offers were the most used, reaching 2.05 million subscribers (49.9%), followed by 3P offers, with 1.64 million subscribers (39.8%). The penetration of 4/5P offers was 49.5 per 100 private households (+3.0 p.p. year-on-year).

The percentage growth in 4/5P offers (+6.5%) was lower than that recorded in 2019 (12.5% at the end of the year), when bundles with fewer services (2P and 3P) were migrated to offers with more services (4/5P).

### **Bundle revenues increased by 5.3%**

Between January and March 2020, revenue from bundled services was around EUR 429.6 million, 5.3% more than in the same period last year. This is the largest increase recorded since the change in accounting for these revenues (in 2018). This increase in revenue took place simultaneously with the increase in the number of subscribers and with the "price adjustment" announcement made by some providers.

Monthly revenue per bundled service subscriber was EUR 35.02, +0.7% than in the same period last year.

### **Shares per provider**

At the end of 1Q2020, MEO was the provider with the largest share of bundled services subscribers (40.4%), followed by the NOS Group (37.0%), Vodafone (18.8%) and the NOWO/Onitelecom Group (3.7%). Compared to the previous year, Vodafone increased its share of subscribers by 0.7 p.p., while MEO's share of subscribers remained static and the shares of the NOS Group (-0.4 p.p.) and the NOWO/Onitelecom Group (-0.3 p.p.) fell.

In 1Q2020, MEO was the provider with the largest share of bundled services subscribers (41.8%), followed by the NOS Group (40.5%), Vodafone (15.0%) and the NOWO/Onitelecom Group (2.6%). Compared to the previous year, Vodafone increased its share of revenues by 1.3 p.p.; in contrast, the NOS Group, MEO and NOWO/Onitelecom Group all recorded a reduction (0.4 p.p. in all cases).

The concentration level, as measured by the Herfindahl-Hirschman index, although high, decreased slightly compared to the same quarter last year. The current decreasing concentration trend began in 2013 with the launch of Vodafone's triple play deal supported on FTTH. Overall, the concentration level has not changed significantly since the beginning of 2018.

# Report

## 1. Bundled services providers and offers

In 2020, 11 entities offered bundled electronic communications services. Of the bundled services providers, six offered bundles with three services (triple play or 3P), six offered packages with four or five services (quadruple/quintuple play or 4/5P) and eleven providers offered double play or 2P packages, five of them exclusively (Table 1).

**Table 1 – Number of providers that reported statistical information by type of offer**

	1Q2019	1Q2020
double play (2P) bundles	12	11
triple play (3P) bundles	6	6
quadruple/quintuple play (4/5P) bundles	6	6
<b>Multiple play</b>	<b>12</b>	<b>11</b>

Unit: number of providers

Source: ANACOM

Regarding changes to commercial offers, in 1Q2020 we highlight the decrease in the monthly fee for mobile cards from NOWO included in bundle offers, from EUR 7.5 to EUR 5, also including 1Gbps of traffic.

## 2. Penetration and number of subscribers to bundled services

The penetration of service bundles reached 99.1 per 100 private households in 1Q2020 (+4.1 p.p. on the same period last year)<sup>1</sup>. The penetration of 4/5P offers was 49.5 per 100 private households (+3.0 p.p.).

The number of subscribers to bundle offers – 4.1 million in 1Q2020 – increased by 4.4% (+171 thousand) year-on-year (Table 2).

The growth observed is associated with 4/5P offers (6.5% or +126 thousand year-on-year) and, to a lesser extent, to 3P offers (+4.1% or +64 thousand). The percentage growth in 4/5P offers (+6.5%) was lower than that recorded in 2019 (12.5% at the end of the year), when

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<sup>1</sup> The number of subscribers considered includes residential and non-residential subscribers (who are mostly business customers).

there was a significant migration from bundles with fewer services (2P and 3P) to 4/5P. The number of subscribers to 2P offers continued to decrease (-4.1% or -18 thousand), although less intensely than last year.

**Table 2 – Number of bundled services subscribers by type of offer**

	1Q2019	1Q2020	Variation (%) 1Q2019 / 1Q2020
double play (2P) bundles	441	422	-4.1
triple play (3P) bundles	1,573	1,637	4.1
quadruple/quintuple play (4/5P) bundles	1,926	2,052	6.5
<b>Multiple play</b>	<b>3,940</b>	<b>4,111</b>	<b>4.4</b>

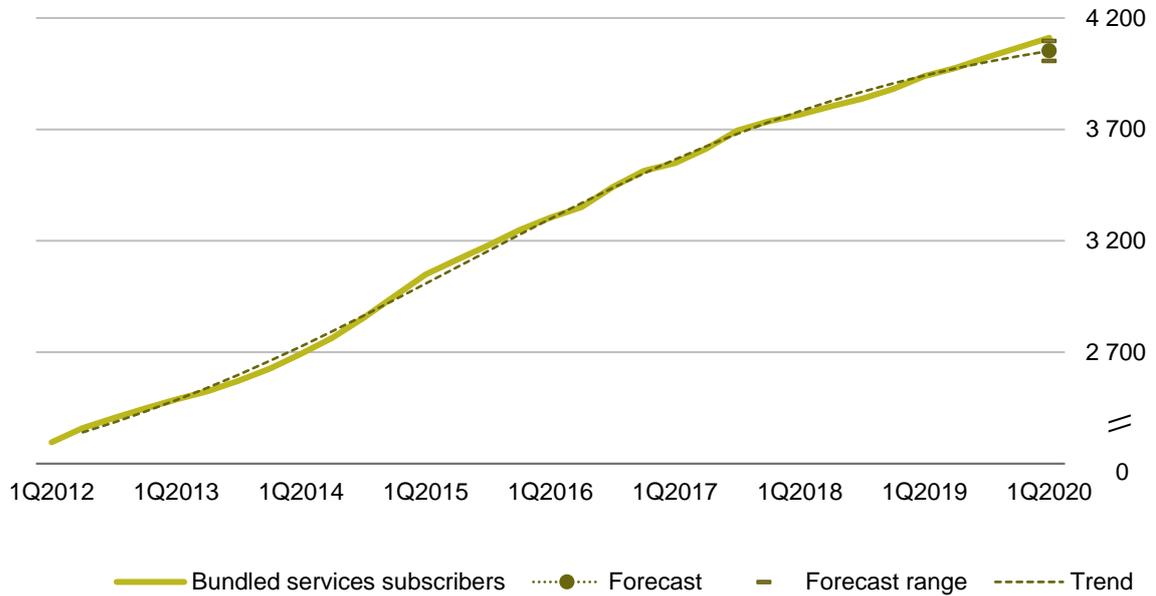
Units: thousands of subscribers, %

Source: ANACOM

The State of Emergency associated with COVID-19 came into force on 18 March 2020 and was extended beyond the time frame of this report. No significant impact from this situation was detected on the total number of bundle subscribers.

The number of subscribers reported in 1Q2020 was above the forecast range that results from recent historical behaviour (i.e. “diffusion S curve”) – see Figure 1. Since 2015, growth in the number of bundle offer subscribers has been slowing. However, since 2019, an acceleration of this growth has been recorded.

**Figure 1 – Change in the number of bundled services subscribers and forecast range**



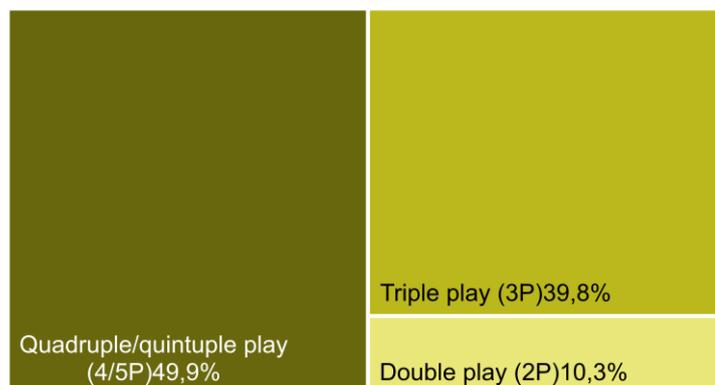
Unit: thousands of subscribers

Source: ANACOM

Note: For the purposes of modelling this series, a non-linear logistic model was used  $Y=1,930,771+2,313,147/(1+\exp(-0.13*(t-13.08)))$ . The modelling was carried out from the second quarter of 2012. Forecast range with a significance level of 95% and  $R^2$  adjusted from 0.9982.

The 4/5P offers were the most used (reaching 2.05 million subscribers in 1Q2020, or 49.9% of the total), followed by 3P offers (1.64 million subscribers, or 39.8%) – see Figure 2.

**Figure 2 – Distribution of the number of bundled services subscribers by type of offer, 1Q2020**



Unit: %

Source: ANACOM

### 3. Revenue from bundled services

Between January and March 2020, revenue from bundled services was around EUR 429.6 million (Table 3), 5.3% more than in the same period last year. This is the largest increase recorded since the change in accounting for these revenues (in 2018). This increase in revenue took place simultaneously with the increase in the number of subscribers and with the "price adjustment" announcement made by some providers.

We highlight that revenue from 4/5P offers represented 63.0% of the total.

**Table 3 – Revenue from bundled services by type of offer**

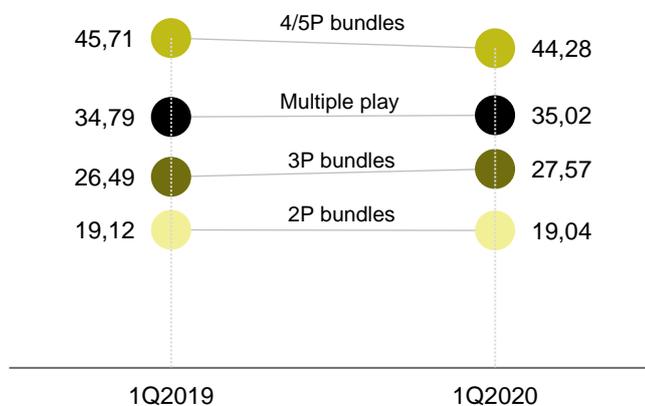
	January – March 2019	January – March 2020	Variation (%)	Weight (%) January – March 2020
double play (2P) bundles	25,954	24,183	-6.8	5.6
triple play (3P) bundles	126,836	134,709	6.2	31.4
quadruple/quintuple play (4/5P) bundles	255,336	270,688	6.0	63.0
<b>Multiple play</b>	408,126	429,580	5.3	100.0

Units: thousands of euros (excluding VAT), %

Source: ANACOM

On average, monthly revenue per package subscriber, which includes residential and non-residential customers, was EUR 35.02 (excluding VAT), 0.7% more than in the same period last year (Figure 3), and has been growing since the start of 2019. Average monthly revenue from 4/5P bundles reached EUR 44.28 (-3.1%) and from 3P bundles reached EUR 35.02 (+4.1%).

**Figure 3 – Average monthly revenue per bundled services subscriber by type of offer**



Unit: euros (excluding VAT)

Source: ANACOM

#### 4. Offer structure

At the end of 1Q2020, MEO was the provider with the largest share of bundled services subscribers (40.4%), followed by the NOS Group (37.0%), Vodafone (18.8%) and the NOWO/Onitelecom Group (3.7%) – see Table 4.

Compared to the previous year, Vodafone increased its share of subscribers by 0.7 p.p., while MEO's share of subscribers remained static and the shares of the NOS Group (-0.4 p.p.) and the NOWO/Onitelecom Group (-0.3 p.p.) fell.

**Table 4 – Shares of subscribers to services provided in a multiple play bundle**

	1Q2019	1Q2020	Variation (p.p.) 1Q2019 / 1Q2020
MEO	40.4	40.4	0.0
NOS Group	37.5	37.0	-0.4
NOS Comunicações	35.0	34.6	-0.4
NOS Madeira	1.6	1.6	0.0
NOS Açores	0.8	0.8	0.0
Vodafone	18.0	18.8	0.7
NOWO/Onitecom Group	4.0	3.7	-0.3
NOWO	4.0	3.7	-0.3
Onitecom	0.0	0.0	0.0
Other Providers	0.1	0.1	0.0

Unit: %, p.p.

Source: ANACOM

Note 1: There are operators that operate in specific market segments. The relative position they occupy in this table should not be interpreted as an indicator of the quality of services provided or of the performance of these operators in the segments in which they operate.

Note 2: The variations shown may not correspond exactly to the values in the table due to rounding.

The concentration level, as measured by the Herfindahl-Hirschman index<sup>2</sup>, although high, decreased slightly compared to the same quarter last year. The current decreasing concentration trend began in 2013 with the launch of Vodafone's triple play deal supported on FTTH. Overall, the concentration level has not changed significantly since the beginning of 2018.

Moreover, MEO had the largest share of 2P (42.8%) and 3P (37.5%) subscribers, and the NOS Group became the entity with the highest share in 4/5P offers (43.3%) – see Table 5.

<sup>2</sup> The Herfindahl-Hirschman (HHI) index is frequently used by the European Commission to assess market concentration levels. This index is calculated by adding the squares of the individual market shares of all market participants. Its theoretical values vary between approximately zero (in a fragmented market) and 10,000 (in the case of an absolute monopoly). When the HHI is over 1,800, the market is considered to be highly concentrated. Between 1,000 and 1,800, the market is considered to be moderately concentrated.

**Table 5 – Shares of subscribers to services provided in bundles by type of offer – 1Q2020**

	Multiple play	Double play (2P)	Triple play (3P)	Quadruple/quintuple play (4/5P)
MEO	<b>40.4</b>	<b>42.8</b>	<b>37.5</b>	42.2
NOS Group	37.0	29.9	31.0	<b>43.3</b>
NOS Comunicações	34.6	28.4	28.7	40.6
NOS Madeira	1.6	0.9	1.4	1.9
NOS Açores	0.8	0.6	0.9	0.8
Vodafone	18.8	22.0	27.2	11.4
NOWO/Onitecom Group	3.7	4.6	4.3	3.1
NOWO	3.7	4.6	4.3	3.1
Onitecom	0.0	0.0	:	:
Other Providers	0.1	0.7	:	:

Unit: %

Source: ANACOM

Note: There are operators that operate in specific market segments. The relative position they occupy in this table should not be interpreted as an indicator of the quality of services provided or of the performance of these operators in the segments in which they operate.

In terms of revenues, the NOS Group had the largest share (41.8%), followed by MEO (40.5%), Vodafone (15.0%), and the NOWO/Onitecom Group (2.6%) – see Table 6.

Compared to the same quarter last year, Vodafone increased its share of revenues by 1.3 p.p., while the shares of the NOS Group, MEO and the NOWO/Onitecom Group all decreased (0.4 p.p. in all cases).

**Table 6 – Shares of revenues from services provided in multiple play bundles**

	1Q2019	1Q2020	Variation (p.p.) 1Q2019 / 1Q2020
<b>NOS Group</b>	<b>42.3</b>	<b>41.8</b>	-0.4
NOS Comunicações	39.7	39.4	-0.3
NOS Madeira	1.7	1.6	-0.1
NOS Açores	0.9	0.8	0.0
<b>MEO</b>	<b>41.0</b>	<b>40.5</b>	-0.4
Vodafone	13.7	15.0	1.3
<b>NOWO/Onitelem Group</b>	<b>3.0</b>	<b>2.6</b>	-0.4
NOWO	3.0	2.6	-0.4
Onitelem	0.0	0.0	0.0
Other Providers	0.1	0.0	0.0

Unit: %, p.p.

Source: ANACOM

Note 1: There are operators that operate in specific market segments. The relative position they occupy in this table should not be interpreted as an indicator of the quality of services provided or of the performance of these operators in the segments in which they operate.

Note 2: The variations shown may not correspond exactly to the values in the table due to rounding.

MEO was the provider with the largest share of 2P (40.7%) and 3P (38.8%) subscribers, while the NOS Group recorded the largest share in 4/5P offers (47.6%) – see Table 7.

**Table 7 – Shares of revenues from services provided in bundles by type of offer – 1Q2020**

	Multiple play	Double play (2P)	Triple play (3P)	Quadruple/quintuple play (4/5P)
<b>NOS Group</b>	<b>41.8</b>	28.4	32.7	<b>47.6</b>
NOS Comunicações	39.4	27.2	30.2	45.1
NOS Madeira	1.6	0.7	1.5	1.7
NOS Açores	0.8	0.5	1.0	0.8
<b>MEO</b>	<b>40.5</b>	<b>40.7</b>	<b>38.8</b>	41.4
Vodafone	15.0	25.0	24.6	9.3
<b>NOWO/Onitelem Group</b>	<b>2.6</b>	<b>5.5</b>	<b>3.9</b>	<b>1.7</b>
NOWO	2.6	5.5	3.9	1.7
Onitelem	0.0	0.0	:	:
Other Providers	0.0	0.5	:	:

Unit: %

Source: ANACOM

Note 1: There are operators that operate in specific market segments. The relative position they occupy in this table should not be interpreted as an indicator of the quality of services provided or of the performance of these operators in the segments in which they operate.

Note 2: The variations shown may not correspond exactly to the values in the table due to rounding.

As can be seen, the shares of revenues of the NOS Group and MEO (Table 7) are higher than their respective shares of subscribers (Table 5), while the reverse is true for Vodafone and NOWO. This is due to the different unit revenues of the various providers, which are influenced by different subscriber structures – see Figure 2 (i.e. providers with a greater number of 4/5P customers will have, all other things being equal, higher revenues), and due to the different prices charged (i.e. providers that charge lower monthly fees will have, all else being equal, lower revenues). These factors, together with discounts designed to attract customers, also explain the different – and sometimes opposite – trends in shares of revenue and subscribers.

## **Methodological note**

## Methodological note

### a. Sources

- Quarterly survey on electronic communications networks and services.

Information collected quarterly from electronic communications providers in accordance with the specifications and definitions contained in Annex 2 of the Regulation on the provision of statistical information (Regulation 255/2017, published on 16 May 2017: <https://www.anacom.pt/render.jsp?contentId=1415433>). The reference date for the information presented is 30-04-2020. The quarterly information now made available may be subject to revisions or updates.

- Statistical aggregates published by Statistics Portugal (INE).

### b. Definitions and notes

- Bundled services and bundled services subscribers.

See Section IV.I.6 of Annex 2 of the Regulation on the provision of statistical information (Regulation 255/2017, published on 16 May 2017: <https://www.anacom.pt/render.jsp?contentId=1415433>).

With effect from 2018, the definition of the services that form part of the bundles was changed. The so-called “mobile Internet”, which until then was classified as mobile broadband, became part of the “mobile services – offers supported on mobile phones”.

The bundled offers analysed include at least one electronic communications service at a fixed location.

- Revenues from bundled services.

See Section II.2 of Annex 2 of the Regulation on the provision of statistical information (Regulation 255/2017, published on 16 May 2017: <https://www.anacom.pt/render.jsp?contentId=1415433>).

With effect from 2018, revenues from bundled services exclude revenues from consumption or additional services not included in the subscription, (for example, additions to voice/data/SMS, additional traffic not included in the monthly fee, channel packages and premium channels), the monthly fees for additional mobile cards incorporated into bundled offers and the revenues associated with the distribution/transmission of Over-the-Top (OTT) services that may be individualised, including audiovisual services on demand, which are counted as revenues directly attributable to the services in question.

The change in revenues from bundles may potentially be influenced by changes in accounting resulting from the implementation of the IFRS 15 accounting standard.

- Private households.

Statistical aggregate consisting of the group of people residing in the same accommodation and who have kinship relationships (in law or de facto) with each other, and who may occupy all or part of the accommodation. A private household is also considered to be any independent person who occupies part or all of an accommodation unit (see <http://smi.ine.pt/Conceito/Detalhes/1123#Hist%C3%B3rico>).

### c. Acronyms and abbreviations

2P	Bundle with 2 services	4P	Bundle with 4 services	1Q2020	First quarter of 2020
3P	Bundle with 3 services	5P	Bundle with 5 services		

### d. Conventional signs

%	percentage	p.p.	percentage points
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