



Update

MyRepublic: The First Nationwide Fibre-Only Retail Service Provider

Glen Saunders

IN THIS UPDATE

This IDC Update looks at the recent launch of retail service provider (RSP) MyRepublic into the New Zealand fibre to the home (FTTH) market. Singapore-based MyRepublic has positioned itself as a nationwide New Zealand, fibre-only retailer, and has set itself the goal of transforming the New Zealand fibre market.

Situation Overview

In January 2014, MyRepublic New Zealand Managing Director Vaughan Baker announced plans for the Singapore-based RSP's entry into the New Zealand market. Baker noted he believed there was a lack of real interest from the major RSPs in the fibre market and outlined what he saw as a significant opportunity for a fibre-only retailer to refocus the market in the minds of end users and deliver services based on fibre performance rather than just speed.

On October 9, 2014, MyRepublic launched its services to the New Zealand market, with a focus on residential and business fibre services of at least 100Mbps, all with unlimited data caps. MyRepublic's fibre products are available in 30 of the 33 Ultra-Fast Broadband (UFB) regions (missing are Whangarei, Levin, and Greymouth, which MyRepublic has noted will be served in the near future).

The key features of MyRepublic's product offering at launch are:

- A free, limited time (three-month) trial for residential end users. NZ\$50 bond for the router during the trial.
- A choice of two plans for residential — Pure and Gamer. Free standard installation (as per UFB terms and conditions).
- A choice of three plans for business — Business 100, Business 200, and Business Plus. NZ\$99 installation charge for Business 100, others as per quote.
- A free Gigabit router that also supports dual-band WiFi (limited time offer)
- A VPN service that enables access to over-the-top (OTT) content services (currently free for the life of the contract for customers that sign up prior to November 15, 2014, otherwise charged at NZ\$15/month). All new customers also receive a free three-month trial (applies after November 15, 2014). Business customers are able to sign up for NZ\$15/month.
- A residential VoIP service that includes 500 national calling minutes (currently free for the life of the contract for customers that sign up prior to November 15, 2014, otherwise normally NZ\$10/month), voicemail, caller ID, call forwarding, and call waiting. Mobile and

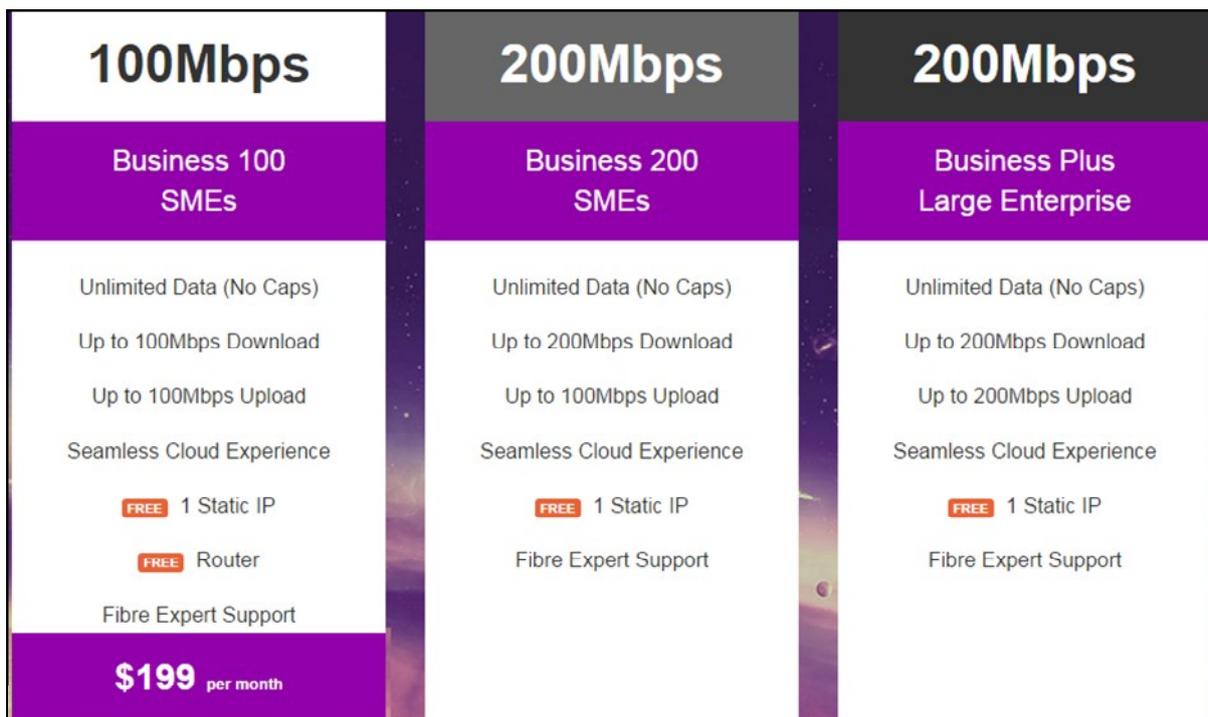
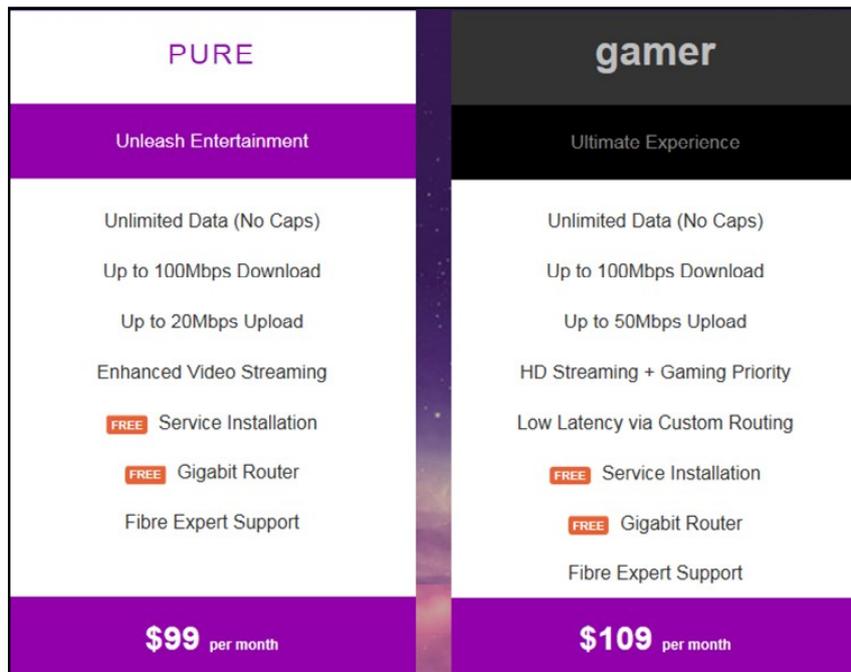
selected international calling at NZ20¢/minute. Business customers pay NZ\$10/month, with local calls at NZ2¢/minute; national calls at NZ10¢/minute, mobile at NZ20¢/minute.

- Static IP – Residential Customer: one Static IP address with a one-time setup fee of NZ\$20. Static IP – Business Customer: the first Static IP address is free, a set of eight static IP addresses are available at NZ\$100 or a set of 16 at NZ\$180.

As shown in Figure 1, the other main service proposition MyRepublic is pushing is management of different types of traffic, including a promise of low latency for end users that require faster performance. Arguably the greater performance potential of fibre is one of its main competitive advantages over other technologies; however, the New Zealand market as a whole has yet to focus on this aspect and is instead "primarily" attracted to headline speeds (noting Orcon's recent "no throttling" ad campaign).

FIGURE 1

MyRepublic Residential and Business Plans



Source: MyRepublic's website, October 2014

The Fibre Market in New Zealand

As of June 30, 2014 New Zealand's fibre network rollout was 39% complete, with an uptake rate of around 7.6% — equating to 39,510 customers connected to UFB, a 44% increase from the January–March 2014 quarter. UFB network coverage allows over 517,000 users to potentially access a UFB service. IDC expects demand to continue to increase as coverage improves over the next few years, with annual demand for new connections likely to peak around 2016–17.

Arguably, late 2014 is exactly the right time for MyRepublic to launch in the New Zealand market. Demand is likely to start increasing more sharply throughout 2015 (subject to the outcome of the wholesale copper Final Pricing Principle work being undertaken by the Commerce Commission). There is also likely to be continued political focus on the industry and increased opportunity for fibre-focused public relations (PR) activity from the industry. MyRepublic has been operating in Singapore since 2011 on a structure similar to its New Zealand setup and has gained valuable experience in dealing with a relatively similar market structure. The Singapore market is dominated by a few larger retail providers (e.g., SingTel, StarHub, and M1) and has a central network provider, OpenNet, which is responsible for the building and connecting of end users to the FTTH network.

Baker noted that the uptake of fibre services in New Zealand has been slow relative to the rollout of the network, following a similar pattern seen in Singapore. The majority of the New Zealand market (70%+ according to Chorus) is on a 30/10Mbps service currently, which IDC notes is likely to be largely a function of initial wholesale fibre pricing. MyRepublic sees this focus on lower-speed fibre as an opportunity to reposition end-user expectations for fibre as being at least 100Mbps. However, IDC notes that the new wholesale pricing for the 100/20Mbps service, which is slowly entering the retail market, is allowing other RSPs to do this as well, and it seems likely that the 100/20Mbps service will soon become the default entry-level product for fibre.

As shown in Figure 2, MyRepublic's pricing compared with other 100/20Mbps and 100/50Mbps plans with unlimited data is fairly competitive where a phone line is also included.

However, compared with market offerings of naked broadband (excluding the first three months free promotional offer), MyRepublic's monthly pricing (NZ\$99 and NZ\$109) is more expensive than other options. Bigpipe offers a naked service on a 100/20Mbps connection at NZ\$79. Vodafone's (100/20Mbps) and Spark's (100/50Mbps) naked fibre options with unlimited data cost NZ\$85 when bundled with a bundled mobile (NZ\$95 without).

MyRepublic's Business 100 plan is likely to attract some interest in the small business market with the inclusion of unlimited data and symmetrical download/upload at around the same general prices that Vodafone (Ultra Fast Business Broadband, 100/50Mbps, 200GB, NZ\$139/month) and Spark (Total Office Ultra Fibre, 100/50Mbps, 500GB, NZ\$207/month) offer.

FIGURE 2

Fibre Pricing 100Mbps plus with Unlimited Data / Homeline

Retail Provider	Price \$NZ / Month	Speed Mbps	Data Cap	Voice Option Included	Extras
Now	\$115	100 / 50	Unlimited	Yes	
Orcon	\$125	100 / 50	Unlimited	Yes	Free Modem (Genius)
Orcon	\$115	100 / 20	Unlimited	Yes	
Snap	\$139	100 / 50	Unlimited	Yes	Free modem on 24 mth contract
Spark	\$139	100 / 50	Unlimited	Yes	Free modem, 1/2 price Lightbox TV
Worldnet	\$119	100 / 20	Unlimited	Yes	Free modem
Worldnet	\$139	200 / 20	Unlimited	Yes	Free modem
Worldnet	\$199	200 / 200	Unlimited	Yes	Free modem
Trustpower	\$136.84	100 / 50	Unlimited	Yes	Free modem
Vodafone	\$115	100 / 20	Unlimited	Yes	MySky free, Free Modem
Vodafone	\$135	200 / 20	Unlimited	Yes	MySky free, Free Modem
Slingshot	\$129	100 / 50	Unlimited	Yes	\$20 for wireless modem
Compass	\$119.95	100 / 50	Unlimited	Yes	
MyRepublic - Pure	\$99	100 / 20	Unlimited	Yes*	Free* modem, 500 national mins, VPN
MyRepublic - Gamer	\$109	100 / 50	Unlimited	Yes*	Free* modem, 500 national mins, VPN
Naked Options					
Bigpipe	\$79	100 / 20	Unlimited	No	
Bigpipe	\$99	200 / 20	Unlimited	No	
Bigpipe	\$129	200 / 200	Unlimited	No	
Vodafone	\$85	100 / 20	Unlimited	No	When bundled with postpaid mobile
Spark	\$85	100 / 50	Unlimited	No	When bundled with postpaid mobile

Notes:

Extras do not include all promotional options available.

MyRepublic's offers are promotional — an extra NZ\$10/month applies to voice, NZ\$15/month to the VPN service, and the modem may be charged for outside of the promotional period. This also currently includes three months free.

Source: RSP websites, October 15, 2014

MyRepublic is likely to have been deliberate with the targeting of its residential service offering based on where it had perceived a gap in the market. Pricing in the 100/50Mbps market has seen the most change over the last year due to the inclusion of unlimited data and a decrease in prices from some RSPs. These changes have "softened" the potential disruption MyRepublic might have caused in its absence.

VPN Services

MyRepublic also offers a VPN service that it states also offers traffic management optimisation, leading to a "better" viewing experience. This includes streaming of sites such as Netflix, Hulu, BBC iPlayer, and Pandora Internet Radio. MyRepublic claims to be able to deliver this due to allocating more international bandwidth per customer than rivals.

At NZ\$15/month (after the free period) the service is priced higher than some other VPN options accessible locally and it may take some time — and tech-related word of mouth — for the service to be able to justify this price point. How the service compares with CallPlus's popular GlobalMode service (included free to Slingshot and Orcon customers, and also provides access to Netflix, BBC iPlayer, Hulu, and others) is likely to be unclear to most end users.

Singapore

MyRepublic launched in Singapore in 2011 with similar packages to those being offered in New Zealand, including a S\$69/month package — aimed at online gamers, and which promised a "low latency experience." At launch, MyRepublic's basic 100Mbps no-frills plan cost S\$59, compared with M1's S\$39 offer for a similar speed connection at the time.

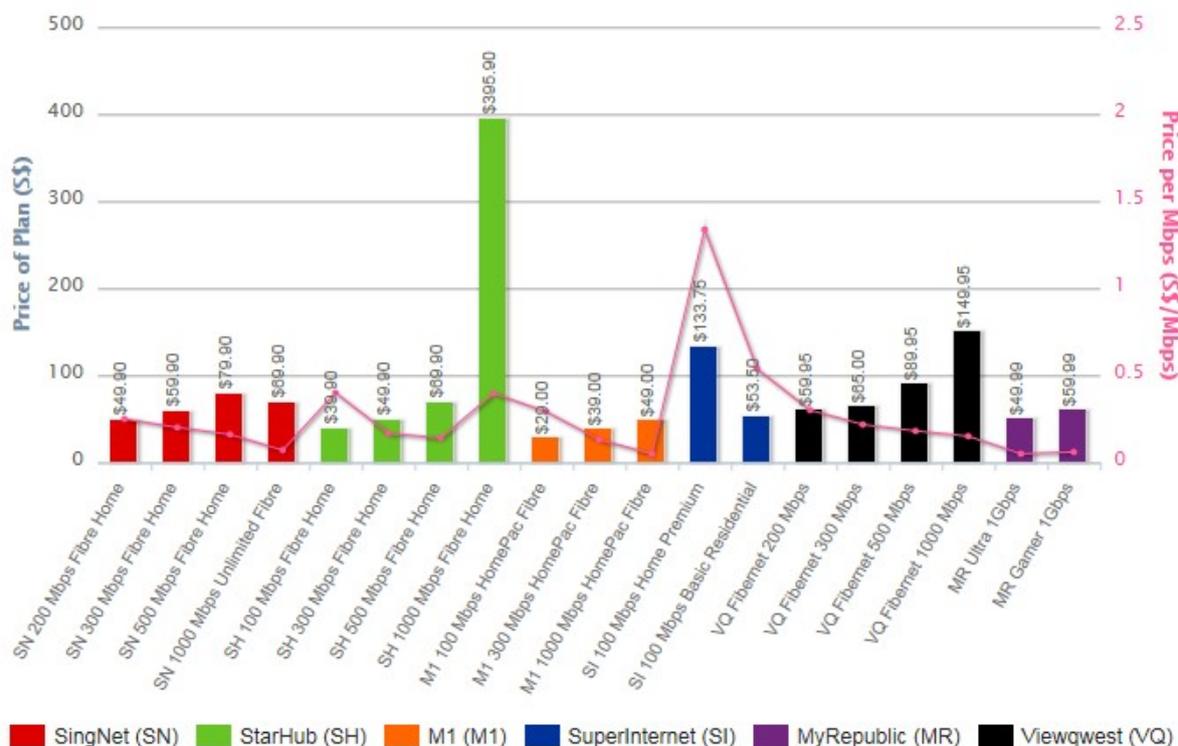
MyRepublic has pursued an aggressive strategy in the Singapore market, driving pricing down in market segments it entered. In 2014, the Singapore market has moved to including 1Gbps plans and these now make up MyRepublic's standard offer in Singapore.

MyRepublic's 1Gbps/500Mbps plan launched in January 2014, priced at S\$49.99/month (for the first 10,000 signups with a S\$200 switching bonus). This was significantly cheaper than some other main retailers' offerings, which were priced up to S\$399 (e.g., StarHub). MyRepublic's aggressive move created a surge in demand in the popular tech expos. It also resulted in a large increase in orders for network provider OpenNet, which has caused a number of installation delays and servicing costs for MyRepublic.

As shown in Figure 3, MyRepublic's 1Gbps plans are aggressively priced against the rest of the market. Since its launch in January, M1 and other competitors have adjusted their prices and offers to this part of the market.

FIGURE 3

Prices of Selected Fibre Plans in Singapore, September 2014

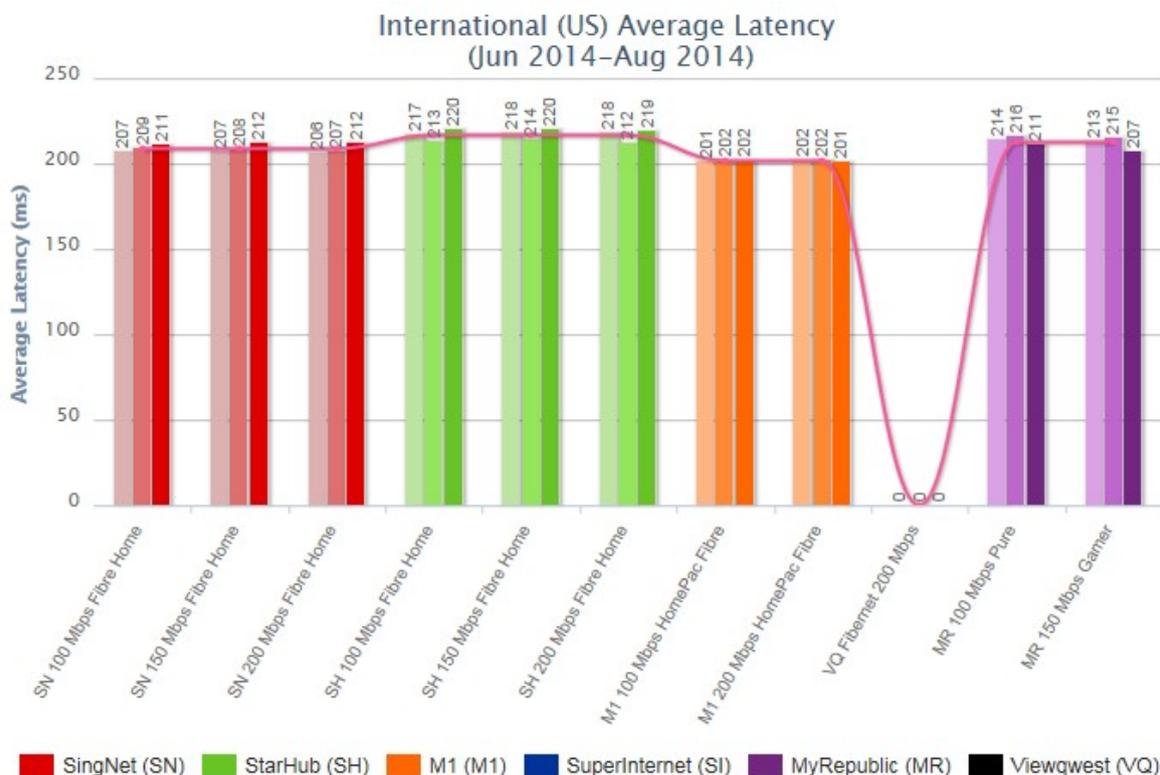


Source: Infocomm Development Authority of Singapore, 2014

One of the key elements of MyRepublic's offer in Singapore also focuses on latency. Figure 4 shows the regulator's testing results. The test results show some very minor differences between the Gamer and Pure plans MyRepublic currently offers, but the difference across the market is insignificant (the newer 1Gbps plans are not represented due to low user numbers currently and may offer some differences). The question for the New Zealand market is whether or not MyRepublic's claims of lower latency will actually deliver better performance for end users and also how MyRepublic will manage the cost of extra international capacity.

FIGURE 4

International (US) Average Latency (Jun 2014-Aug 2014)



Source: Infocomm Development Authority of Singapore, 2014

IDC Opinion

MyRepublic's market entry is in some ways very similar to the launch of QuickFlix in the OTT market several years ago. Both companies are relatively small but command a much greater share of media interest than their size should otherwise command. The three-month free trial is certainly a new development for the market and it will be interesting to see how many customers take it up and how many then turn into paying customers.

In Singapore MyRepublic is a small player with less than 2% market share. The three largest players — SingTel (41%), StarHub (32%), and M1(8%) — control the majority of the market.

MyRepublic has, however, been at the forefront of disruption in the market, introducing new price points and bringing the debate around fibre to the media. The recent launch of the 1Gbps service has highlighted significant capacity issues in OpenNet's ability to install the service, as well as its ability to switch customers from different providers.

The company has also had some public debates with the larger retailers, accusing them of not promoting the full potential of fibre and encouraging customers to stick with the existing products.

In the case of StarHub, which operates a cable network, this led to the media questioning StarHub about its marketing of fibre services and migration strategies.

MyRepublic is likely to follow a similar and "pointed" strategy targeting Spark and Vodafone in particular (as evidenced by the launch television advertisement). Its pricing is also likely to drive some activity in the market primarily from the smaller players focused on fibre (such as Orcon and Snap). As with QuickFlix in the past, it is possible that MyRepublic's position as a fibre-only retailer will have the media seeking/using its opinion on fibre market issues.

MyRepublic's impact on the market may be more around pressure on pricing and service rather than significant gains in market share. However, RSPs will need to consider the role MyRepublic might play in the market and how best to prepare for it.

1Gbps

MyRepublic has already expressed a desire to be one of the first players in the 1Gbps market in New Zealand. As with Orcon's early involvement in UFB, it is likely that being first to market on a nationwide scale will result in MyRepublic's offer shaping customer expectations.

Fibre-focused RSPs may need to consider how to manage this, should they wish to offer their own 1Gbps services when they become commercially sensible to offer to the broader market.

Latency

Latency is not an issue well understood by the general market. The market may understand the impact of buffering but may not understand what RSPs can do to manage the connection and provide a better performance level. MyRepublic has kept the marketing of its optimisation services in plain language. This may be an emerging area that RSPs may need to include in their customer communications as the broader market moves to offer more content services. Sky TV in particular is likely to be the main player that will influence end-user demand as it upgrades and replaces its set-top box fleet, to enable video-on-demand access through direct fixed line connections in 2015.

Technology Leadership

MyRepublic's focus on the faster modem with dual band WiFi support is also likely to raise some interest in the market. Google Fibre, when launched in Kansas (United States), included top-end equipment that allowed end users to make the most of their connection. Although 1Gbps, dual band Wi-Fi routers are not uncommon in New Zealand, they are generally not part of the current broadband landscape due to the limited number of end users' devices that support dual band WiFi as well as the lack of the faster 1Gbps being available in the residential market to date. RSPs may need to consider how the technology leadership aspect of fibre is incorporated into future upgrade strategies, and how this might impact end-user equipment options.

Overall, MyRepublic is likely to become a similar player in New Zealand to what it currently is in Singapore and be a disruptor in the market from a PR and pricing perspective.

Pricing is likely to be a major focus area for MyRepublic and as current promotional clothed broadband pricing on the 100/20Mbps service versus Vodafone's and Spark's standard services results in a NZ\$16–40 price gap, this is one area that MyRepublic has already got a jump on the market with (noting that the NZ\$10/month voice service is currently included for free). However,

compared with similar naked fibre options, MyRepublic's ongoing monthly pricing is relatively high — especially against Spark's and Vodafone's options of a bundled postpaid mobile at NZ\$85/month. MyRepublic may struggle in this area of the market.

LEARN MORE

Related Research

- *Spark and Lightbox – Broadband Delivered TV* (IDC #NZ245375, October 2014)
- *The Connectable iHome – Can Telcos Succeed in This Market?* (IDC #NZ245374, July 2014)
- *Consolidation and Changes Afoot: Orcon Goes to the Highest Bidder* (IDC #NZ245376, July 2014)
- *Vodafone's Future: Now Road Show, June 2014* (IDC #NZ246192, June 2014)
- *Game Changer? Telecom Launches Unlimited Broadband* (IDC #NZ245339, May 2014)
- *Will 4G Change the Home Broadband Market in New Zealand?* (IDC #NZ3053318X, May 2014)
- *Telecom NZ – Sparkling a Bold Future* (IDC #NZ245338, March 2014)
- *Chorus: Building the UFB, But What About Demand?* (IDC #NZ3053316X, February 2014)
- *New Zealand Telecommunications 2013–2017 Analysis and Forecast: Too Big to Fail* (IDC #NZ3053304V, January 2014)

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

IDC New Zealand

Level 11, 203 Queen Street
Auckland, New Zealand
649.377.0370
Twitter: @IDC
idc-insights-community.com
www.idc.com

Copyright Notice

This IDC research document was published as part of an IDC continuous intelligence service, providing written research, analyst interactions, telebriefings, and conferences. Visit www.idc.com to learn more about IDC subscription and consulting services. To view a list of IDC offices worldwide, visit www.idc.com/offices. Please contact the IDC Hotline at 800.343.4952, ext. 7988 (or +1.508.988.7988) or sales@idc.com for information on applying the price of this document toward the purchase of an IDC service or for information on additional copies or Web rights.

Copyright 2014 IDC. Reproduction is forbidden unless authorized. All rights reserved.

