

Economic Recovery – Discovery

Broadband Reigns King

In this time of economic uncertainty, Alcatel-Lucent is using primary research to identify valuable opportunities for service providers, by carrying out primary research. This market intelligence provides a foundation for targeted investment strategies that can increase revenues, enable a better return on investment and help our customers to do more with less.

Global economic challenges

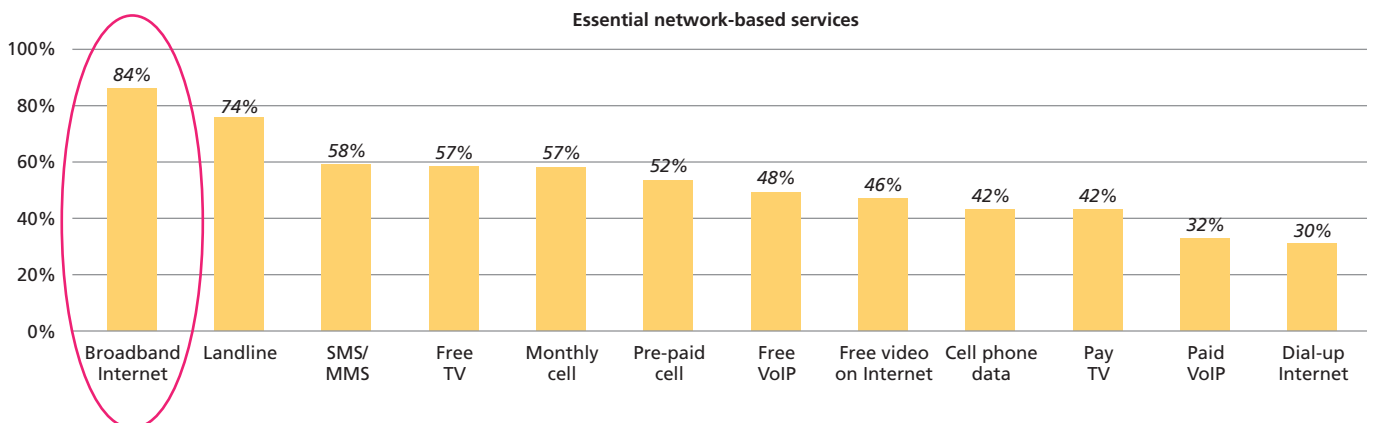
- 85% of consumers have been affected by the economic downturn.
- For 21%, the impact is severe.
- 64% plan to cut spending in 2009.
- 20% will make significant reductions.

Source: Alcatel-Lucent Market Advantage Research

Recent Alcatel-Lucent studies show that consumers around the world plan to reduce their household spending in 2009, as a result of the current economic downturn. However, broadband Internet will continue to thrive, despite tough economic conditions. The strength of this service is demonstrated by the following global findings.

- *The most “essential” network service* – Across all regions, 84% of consumers say that broadband Internet is necessary to their household.
- *The number one service to keep* – When consumers identify which network services they want to retain, broadband Internet ranks first. Landline voice service ranks second, partly because it is often bundled with broadband Internet.

Figure 1. Broadband leads the list of essential services



Source: Alcatel-Lucent primary research

- *The last item cut from the budget* – Consumers value their network services more than a wide range of activities, such as dining out, going to concerts or working out at health clubs. So their spending cutbacks will begin with these “non-network” activities, and broadband Internet will be the last item consumers get rid of, as a way to reduce spending.
- *Leading growth potential* – The past year was strong for broadband Internet globally, and this trend should continue in 2009 at a slightly diminished level.
 - During the past 12 months, broadband subscriptions increased by 15%, and 21% of subscribers upgraded their service.
 - Over the next 12 months, 10% of consumers plan a new broadband subscription, while 19% of subscribers will upgrade.

More consumers plan new subscriptions or upgrades to broadband than to any other service.

These findings show that broadband Internet has evolved from a luxury service to a global household staple. As a result, subscribers are unlikely to cancel this service, even if their personal economic situation worsens. And that makes broadband Internet virtually “recession proof.”