How Can Substitution and Complementarity Effects Be Leveraged for Broadband Internet Services Strategy?

Gwangjae JUNG, Singapore Management University
gwangjaejung@smu.edu.sg
Youngsoo KIM, Singapore Management University
yskim@smu.edu.sg
Robert J. KAUFFMAN, Singapore Management University
rkauffman@smu.edu.sg

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ABSTRACT

With growth in mobile Internet services, the relationship between mobile and fixed broadband has become an issue in telecom firm strategy. Previous research focused on aggregate penetration for mobile and fixed broadband services. Our research analyzes the economic relationship between mobile and fixed broadband services at the household level, as a basis for how senior managers should rethink their strategy approach. Using data on broadband services subscriptions, we examine how changes that occur for mobile broadband services bandwidth (MBB) affect changes in fixed broadband bandwidth (FBB) services subscriptions, inclusive of new subscriptions – and vice versa. We explore the different cross-effects and asymmetric patterns of event-driven bandwidth changes. Mobile and fixed broadband services are complementary: both affect the consumption of the other. Our findings offer useful information for marketing strategy and broadband services promotion, such as bundling strategy based on bandwidth changes, and segmentation based on the bandwidth changes in both services.