

Build It and They Will Come? The In-Flight Broadband Market

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Executive Summary

The last two years have seen the in-flight broadband market become redefined and re-energized. In-flight Wi-Fi deployments have moved past the trial stage and are approaching critical mass with XX airplanes deployed by end of year 2010. Significant investment has been made in on-board and on-ground infrastructure and now the market will be tested as to whether or not passengers will use the service.

While usage rates during the free trials associated with service launches were strong, paid usage has been disappointingly low. In-Stat is anticipating service revenues of \$XX million in 2010, while equipment investment alone will approach \$XX million. In-flight broadband is at the stage of market development where it must prove its sustainability through the ability to generate revenues.

Market leaders going forward will not only be those with a large base of installed aircraft, but also the ability to monetize the service offering. In-flight broadband providers are exploring a variety of revenue options including access, voice/video, operational, and e-commerce/advertising. There will be a shift in the market in the coming year from convincing airlines of the need for in-flight Wi-Fi to proving the need for it through passenger usage rates. This could be the make or break moment for in-flight broadband.

HIGHLIGHTS

- The top ten US airlines have all begun deploying in-flight Wi-Fi.
- Aircell is the market leader, with an expected XX percent market share by end of year 2010.
- Current paid take rates for the service are below XX percent.

Figure 1. Worldwide In-Flight Broadband—Number of Planes Deployed

XX

Report Summary

The in-flight broadband market has achieved a remarkable revival over the past several years. Plane deployments have skyrocketed from just XX aircraft in 2008 to an expected XX commercial aircraft by the end of 2010. While the installed base of aircraft is approaching a critical mass, the viability of in-flight broadband will be tested over the next year. Usage of the service has been disappointingly low, at an estimated XX percent of available seats. How providers respond to current usage challenges could make or break the future of in-flight broadband. This report examines the in-flight broadband market, offering unique analysis including:

- Forecast of planes deployed and installation revenues
- Discussion of barriers to usage and possible solutions
- Competitive analysis of leading and emerging in-flight broadband providers including Aircell, OnAir, Panasonic, and Row 44
- Forecast of connects and usage revenues under several model assumptions
- Analysis of additional revenue opportunities including video and voice services as well as operational, e-commerce, and advertising revenues
- Forecast of in-flight video (DBS and Internet-based) revenues

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Methodology

This report examines the market for next generation in-flight entertainment (IFE), with a focus on in-flight broadband services. The emphasis of this report is on market potential, usage, business models, and competitive analysis for the in-flight broadband market. For the purpose of this report, next generation IFE services are segmented by access technology (GSM, satellite, air-to-ground) as well as application (voice, video, and data). The report is global in scope.

Data collection and analysis for this report entailed primary and secondary research of companies competing in the IFE services, equipment, and management market. The majority of the primary research conducted for this report resulted from phone briefings and email correspondence with, primarily, product managers and directors having expertise in this market. Interviewed for this report were top network operators (Aircell, OnAir, Panasonic, Row 44, ViaSat), equipment providers (AeroSat, Lumexis) airlines (Alaska, American, Delta, US Airways), and roaming providers (iPass). Secondary research included analysis of vendor's product literature, review of company press releases, company profiles, review of financial filings, whitepapers, as well as examination of underlying market dynamics.

In-Stat's in-flight broadband forecasts include hardware/installation and usage/revenue forecasts. Hardware forecasts include total installation cost. Forecasts provide aggregate and annual deployment numbers. Forecasts are built by leveraging multiple sources including, but are not limited to, supply-side market research and secondary sources.

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Related In-Stat Reports

- #IN1004529WS *Wi-Fi in Consumer Electronics: New Devices Discover Wi-Fi*, April 2010
<http://instat.com/catalog/wcatalogue.asp?id=167#IN1004529WS>
- #IN0904521WBB *Wi-Fi Hotspots: Cellular Handsets and Portable Devices Drive a Market Renaissance*, November 2009
<http://instat.com/catalog/wcatalogue.asp?id=167#IN0904521WBB>
- #IN1004772WL *4Q09 Wireless LAN Tracker*, June 2010
<http://instat.com/catalog/wcatalogue.asp?id=167#IN1004772WL>
- #IN1004776WFT *1H10 Wi-Fi Products Database*, June 2010
<http://www.instat.com/catalog/dbcatalogue.asp?id=351#IN1004776WFT>
- #IN1004788WBB *Global WiMAX Subscribers, Base Stations, and Revenues*, June 2010
<http://www.instat.com/catalog/wcatalogue.asp?id=281#IN1004788WBB>