



TELECOM WARS: The Return Of The Profit

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Broadband Triple Play: Business Opportunities & Technology Challenges

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From “Convergence” to “Triple Play”



- Once upon a time...
 - Voice and Data integration over IP networks for telcos
 - TV operators (cable & satellite) struggling for interactivity
- “The show must go on”...
 - Offering combined Voice & Data services is the standard offering
 - Addition of Video for Triple Play is a must and probably Quad Play is the foreseen future

We 've been here before...



- Offering TV & video services over telecom networks is hardly a new idea
 - Many incumbent telcos trialled TV and VoD in the early-to-mid 1990s
- Proved to be a failure in the past
- So, why are telcos and other network operators doing TV & video again?
 - Are their memories too short?
 - Have the circumstances changed in ways that enable the idea to make sense this time around?



TV and video does make more sense this time

- Drivers are intensifying
 - Increase broadband take-up
 - Maintain BB revenues as prices fall and traditional revenues are declining
 - Competitors' Triple Play products and churn

From “Can we afford to?” to “Can we afford NOT to?”

- Enablers are improving
 - Higher access bandwidth through advancements in DSL technology
 - Progress in video compression (H.264-MPEG 4 Part 10 and Microsoft Windows Media 9)
 - Lower cost for infrastructure (storage, Set Top Boxes, etc)
 - The use of IP brings Web services to TV

But even if you think video is the killer broadband application...

It's still not a license to print money!

Is it about **more** TV?



- Multiple devices like DVDs, PCs, mobile phones, mp3 players are participating heavily in the consumption of content
- Thousands of TV channels, 350 million Internet domains, 43.000 magazines, tens of thousands of podcasts
- But even so, nowadays TV is more popular than ever
- For the last few decades, consumers have migrated to more specialized, niche content

Is more really better?



It's about **better** TV!

- Changing user requirements
 - Personalized
 - Interactive
 - “On Demand” services
 - Mobility
 - Portability
 - Convergence of the broadband home
- Consumers' choice is not limited to their remote control!

“The end of Television as we know it?”

The stages of market development



- **Replication**
 - “Linear” viewing
 - Limited interactivity (VoD, PVR, Time-shifting)
 - Richer user interfaces (EPG)
- **Integration**
 - Increased interactivity, Internet like experience and services
 - Communication services (messaging, chat, video telephony)
 - Data and commerce services
- **Innovation**
 - Localization and personalization of content
 - Portability of content and multiple devices
 - Mobility and location awareness

Customers' bimodality



The following years will be stamped by the coexistence of two discrete customer segments*

- Lean back (massive passives): TV as the media centerpiece, scheduled programming, growing time-shifting
- Lean forward (gadgetiers – kool kids): experiential interactive video experiences, heightened control of aggregation, multiple content sources, space-shifting, time-shifting, user contribution of content, device interoperability
 - 57% of US Internet teenagers create, remix or share content online
 - This group is already forcing radical changes in existing business models in their quest for content

* IBM Institute for Business Value

Market evolution



- Consumers change ... business models lag!
- Yet, market changes are triggering trials of new business models
 - BBC is piloting a P2P player for downloading and sharing BBC content on the PC
 - Disney and Apple entered a partnership to enable access to one-day-old episodes of popular shows via iTunes at the price of 1.99\$ per episode. The content is portable on iPods!
 - MTV “Overdrive” and AOL “In2TV” (with Warner Bros) are examples of no-user-fee services (genre-driven and thematic video channels respectively), where the revenues accrue from skip-resistant advertisements
- Changes in the market are driving the media industry to unparalleled complexity and pressure

The competitive Outlook



- The “battle of the living room” is conceived for the time being as the race for the Broadband Port
- Round 1: Telcos vs. TV operators
 - Pay TV operators cease to define themselves by their original access network
 - James Murdoch (BSkyB) – commenting BTs IPTV plans: “Replicating Sky’s service down a phone line will be very difficult, and very expensive. You cannot eat a sandwich through a straw.”



Countering the over-the-top video threat

- Other players will also try to establish their place in the video distribution value chain
 - Will major content owners go directly to consumers?
 - Will Internet content aggregators circumvent traditional programmers?
- ***The TV content networks rank Internet services among the top areas of concern and Internet Portals (e.g. Yahoo!, Google) as the most significant competitors in the next 5-7 years****
- Will networks without consumer brand identities be effectively squeezed from the market?
- We are already witnessing the reactions of network operators: QoS charges, P2P offers and “streaming” to the television

* Economist Intelligence Unit survey

The upcoming world



- The way things may be...
 - Platform agnostic content
 - Fluid mobility of media experiences
 - Individualized pricing schemes
 - End of the traditional concept of release windows
- *Long term market evolution depends on two key market drivers*
 - *Openness of access channels*
 - *Levels of consumer involvement with media*



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Today's technology challenges

- The obvious ones...
 - DSL networks designed for residential access to the internet
 - IP transport networks: ATM/SONET vs. IP/Ethernet (more cost-effective)
 - Centralized DSLAMs
 - Support of multicast and necessary protocols (e.g. IGMP)
 - Home network
 - Mass production of MPEG4 on-chip decoders and STBs is just starting
 - In-house wiring and methods of video delivery
- But do NOT underestimate the rest!
 - Interoperability of solution components given the lack of standardization
 - Need for cross service and BSS integration
 - Scalability of technical solutions
 - A single installation is over the 500.000 subscribers threshold!
 - Service management and troubleshooting

Lessons learned



- Focus on your core business
 - Ovum advises Telcos: “Stay out of the content business and concentrate on being good service companies”
- Adapt your strategy to your market and the real needs of your customers
 - Create a solid Business Case
- Be careful
 - Perform a pilot
 - Start with Me Too services (broadcast - linear programming TV). Users’ viewing habits are changing slowly.
 - Provide users with a differentiated offering, incrementally upgraded (major on one feature).
- Be bold (lessons from the music industry)
 - Get out in front of a changing marketplace
- KISS: Keep It Simple Stupid
 - It’s TV, not IPTV
 - Provide users with adequate support for the STB installation
 - Design a simple and consistent user interface
 - Simple payment mechanisms



Thank you!

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