



The Business Basics of IPTV for Telecom Providers

This is the first in a series of articles focused on helping executives, sales people and other personnel who are interested in IPTV to better understand the elements that impact the business case for IPTV.

The articles view IPTV from a business and basic technical perspective building upon information gathered throughout the series.

After reading these articles, the reader should have a good understanding of what matters within the IPTV ecosystem.

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The Business Basics of IPTV

The competition in the telecom service provider space has been heating up over the past 20 years. The competitor's success in this space has led to a steady erosion of traditional telecom revenues along with the churn of valuable customers.

Wireless carriers took the first wave of customers as wireless replacement of landline service became the norm for a large portion of the population. Cable companies then entered the fray by providing high speed bandwidth and VoIP services. This erosion of the telecom customer base has led the telecom service provider to search for replacement revenues. Their search led to two key strategies; acquire significant wireless equity and improve market share of broadband services.

But the acquisition of wireless competitors was not enough to secure an anchor in the home. Telecom providers needed to find a new offering that would capture the hearts and wallets of the home resident. It became clear that a new anchor offering would be video. And their ideal delivery mechanism was their access network if it could carry the load.

For many years, cable companies enjoyed a monopoly in the delivery of programmed entertainment. Throughout the 90's, satellite companies became a valiant competitor. But with the advent of cable broadband and VoIP, cable companies have realized a true advantage over satellite. Now the telecom service providers see little choice but to counter the cable companies' attack by adding video entertainment to their offering.

Enter the Internet Protocol and Moore's Law into the equation and we have the catalyst for a new framework of services – Internet Protocol Television (IPTV). IPTV presents the hope of the 21st century for the telecom service provider. IPTV introduces the telecom providers into the video and entertainment business.

When CNS first evaluated the impact of IPTV on the service provider's business back in 2005, we found:

- The technology to support high volume IPTV services was non-standard and was still in the early stage of maturity.
- The telecom providers were struggling with the daunting task of negotiating hundreds of content agreements.
- Little differentiation existed over cable entertainment services.
- The cable companies were pulling more subscribers and revenue away from the telecom providers.

IPTV revenue will grow from \$880M in 2005 to \$9.9B in 2009.
Multimedia Research Group



Enter 2007, and the landscape has improved tremendously. There are multiple carriers across the globe with deployed IPTV. There are multiple IPTV middleware providers from which infrastructure can be purchased. The carriers have assembled their catalogue of content and are ready to introduce a core set of differentiated services such as selecting camera angles in sporting events or remotely scheduling content recording from mobile phones. The landscape is set for true competition across entertainment, voice and broadband services.

What Should I Know about IPTV?

As an outsider to this IPTV world, what should I know that will help me better understand what it's all about?

Early IPTV providers are including free PVR, STB and installation to attract subscribers. Promotions also include up to 2 free months of service for premium packages.

First of all, IPTV is not Internet TV. Internet TV is more aptly described as the ability to download streams of content over the open internet. Since the internet offers "best effort" delivery, especially to the home, the quality of user experience may suffer as the bandwidth availability rises and drops during the streaming session. This is one area where IPTV offers significant advantage over Internet TV. IPTV systems use a dedicated transport network to deliver exceptional quality of service leading to a much better experience for the user (Translated – little to no interruption of viewing quality). Dedicated transport makes sense when a single HD stream requires 6 to 9 Mbps of capacity.

Telecom providers plan to introduce new and compelling services over the IPTV system. The goal is to provide a set of very sticky services that subscribers will be willing to pay for and, once installed, subscribers are unlikely to disconnect.

These services typically start as a simple replacement for cable entertainment. The packages include standard and premium programming for a monthly fee. Subscribers can also purchase or access free Video on Demand content such as old TV shows or the latest movies. Wow, I can view my favorite Gilligan's Island show for free?! As terrific as the prospect of this is, these services are merely table stakes for the telecom providers since cable companies offer these services today.

The introduction of Internet Protocol provides the telecom provider with the ability to introduce a virtually unlimited number of services to the home. The IPTV infrastructure should be considered an enabler leading to better entertainment, communication and control of personal services and content.

You say that sounds great, but what will these new services look like? What would you like them to look like? Would you like the option to have a caller's ID presented on the TV screen so that you know who is calling before you get up to answer? Would you like to have the remote recognize who you are and automatically adjust the channels to your preferred channels? Would you like to instant message a friend from the TV remote while watching a program?



IPTV subscribers will grow from 3.7M in 2005 to 36.9M in 2009.
Multimedia Research Group

What service or capability would capture your interest? Chances are if enough people are interested, then that service will be delivered. And the underlying fabric of Internet Protocol combined with new standards based telecom control systems will provide the foundation from which service providers will recapture their lost subscriber base.

Other Interesting Points

IPTV brings with it a number of additional benefits. First, depending upon the transport method, the pipe to the home is being increased to support between 20 Mbps and 50 Mbps. This increase in data speed to the home will support a mix of High Definition and Standard Definition channels along with internet service and multiple VoIP calls.

IPTV will become an anchor service from which to attract and retain customers. Aggressively priced triple play services—Voice, Internet Broadband and Entertainment—will be bundled in an effort to reduce the churn of existing customers. Already prices for these three combined services are approximating \$100 per month, a 30% price break over the services purchased separately.

There is a rich source of revenue to be harvested by the service providers in the area of add on services such as messaging, network stored content, interactive gaming, advertising and specialized content sales offered to the subscriber.

The infrastructure technology appears ready. The business systems needed to support the services are becoming more robust. The content deals have been signed. Set top box devices are available from a large number of suppliers and customers have shown a propensity to switch based upon early market rollouts.

From the consumer's perspective, the next few years should offer more choice and competitive pricing as these new IPTV services go head to head with the cable and satellite offerings.

What Matters in the IPTV Business Case?

This article provided a basic explanation of why IPTV matters to telecom service providers. Additional articles in this series are intended to help business executive focus on what matters within the IPTV business case from a cost and revenue perspective.

Your comments and questions are appreciated. Contact us at: sales@convergedns.com if we can be of assistance.

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