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# David vs. Goliath: The IPTV Remake

This article by Ben Geller, Senior Manager, Industry Marketing, Motive Inc. explores the reasons why large telco's in the US are experiencing delays in planned service delivery schedules, while smaller providers are leapfrogging their counterparts in bringing IPTV services to market.

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Large telecommunications providers usually have a significant advantage over smaller telcos when it comes to rolling out new services. However, despite a considerable wealth of resources and subscribers, many of the world's leading carriers lag behind their smaller counterparts when it comes to the rollout of IPTV services.

A recent Light Reading Insider report predicts that by 2010, IPTV services will have captured 65 million subscribers worldwide. While this forecast suggests a substantial opportunity, it also represents a significant challenge for telcos aiming to reinvent themselves through the successful rollout of next-generation video services.

**Proceeding with caution**

Around the world, leading telcos are postponing the rollout of IPTV services because of the complicated issues associated with content acquisition, network build-outs, back-office operations, and customer service and support. Compounding these challenges are consumer expectations that IPTV services should "just work" at least as well as, if not better than, traditional services available today.

As a result, large carriers are moving cautiously to avoid any missteps that might contribute to the failure of an IPTV service. The problem is, if they move too slowly, this caution could turn out to be very costly. Each delayed rollout increases the opportunity for savvy competitors – whether smaller telcos with more nimble business processes or cable companies with a proven track records – to lure valuable IPTV customers away.

**Building the Foundation**

Undoubtedly, the most scrutinized IPTV project in the United States is AT&T's Project Lightspeed, the company's next-generation fiber-optics network for IPTV, voice and high-speed Internet services. When all is said and done, it is estimated that AT&T will have invested more than $4 billion in its next-generation network, a significant part of which includes the rollout of IPTV to a new constituency of subscribers. However, in May 2005, AT&T announced that the commercial launch of its IPTV service – a complex effort involving countless technologies and a strategic collaboration with Microsoft and Alcatel – would be delayed to 2006, signaling the inherent complexity of such a massive undertaking.

Another well-known provider feeling the IPTV pain is Swisscom, with its Bluewin TV service. Swisscom announced plans to rollout its IPTV service in November 2003, with a commercial launch targeted for mid-2005. Since then, Swisscom has postponed its rollout due to concerns over the capabilities of existing set-top box technologies, as well as a lack of available programming. Swisscom now plans to

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launch its Bluewin TV service in 2006.

In contrast, smaller telcos seem to have fewer hurdles to overcome. For example, Pioneer Telephone, serving just 35,000 subscribers in Oklahoma, has rewired every customer's home and expects to finish the rollout of its new IPTV services in early 2006. Other successful deployments include Canada's Manitoba Telephone System service, as well as those provided by Neuf Telecom in France, and FastWeb in Italy.

The question is, how have these smaller providers managed to leap-frog their larger counterparts?

The first theory has to do with cost. By design, most large telcos operate in sizeable metropolitan and suburban markets, where the cost of doing business means that the service has to scale to millions of end-points. In contrast, smaller telcos typically operate in rural markets where the subscriber base is measured in the tens of thousands (versus millions) – and the barriers to entry are much lower.

The second theory has to do with agility. Large company bureaucracies tend to impede decision-making, and often manifest themselves in a greater number of internal organisations and cumbersome business processes. Smaller carriers are inherently more nimble, able to implement new plans, and coordinate and support new services in much shorter timeframes.

The last theory has to do with tolerance. In many rural markets, consumers who are underserved by major cable providers are often willing to put up with occasional problems in exchange for access to new video services. In contrast, long-time subscribers often have little patience for anything less than the perfect service experience, especially when they have a choice.

**Content is king**

While infrastructure is critical, it is only one piece of the IPTV puzzle. The key to winning the IPTV market will be in packaging lucrative content bundles that personalise the viewing experience for next-generation subscribers.

Today's large telcos know they are fighting an uphill battle against incumbent cable companies who have established relationships with the world's leading television and movie studios. This has resulted in an interesting trend, whereby large carriers in the US are hiring former entertainment industry executives to devise content acquisition and programming strategies that will help them even the score with their cable competitors.

Verizon, for example, has signed deals with most of the major US television and film studios, including NBC Universal Cable, A&E Television Networks and Showtime Networks. This has enabled the company to gain vital programming rights which will hopefully keep its rivals in check. In Hong Kong, PCCW's NOW Broadband television service has finalised deals with ABC, CNBC, ESPN, MGM, Turner Broadcast Systems, HBO, Cinemax and Star Chinese Movies, to name a few. And in Europe, Belgacom TV has struck deals with Dreamworks, Paramount and Warner Bros. for its video-on-demand services, while BT has signed up the BBC, Warner Music and Paramount to supply content for its IPTV service, planned to be launched next year.

Smaller telcos are taking a different approach. These carriers are building a lucrative subscriber base using traditional packaging and pricing models that target historically underserved populations. When combined with enhanced services such as on-screen caller ID, video on demand and pay-per-view, these content bundles are helping smaller telcos compete more effectively against established cable providers.

**Customer Experience as the killer app**

The ability to deploy complex network technologies and deliver high-value, customised programming is vital to the success of IPTV. However, even more important is a well thought-out customer service strategy, centered on automating the management of IPTV services to ensure a superior customer experience.

Regardless of a telco's size, the subscriber experience is the common denominator for competing in the IPTV market. Simply stated: the user experience is the product and hence, the prerequisite to success. Unlike voice and high-speed data services, television is considered to be an "emotional" service. Take the World Cup finals broadcast as an example. If an IPTV service fails during a critical football match, viewers are likely to cause an uproar, and take their business elsewhere. The only way to protect against customer defections is to build service assurance technology into new services, making IPTV easy to use for subscribers, and easy to support for providers.

As always, it is easier said than done. IPTV depends on a large number of disparate, multi-vendor elements – from network components to service applications and home networking devices – that result in a lack of end-to-end visibility and control over potential service issues. Based on their size and complexity, large telcos are bound to struggle more than smaller providers in addressing critical service issues that threaten the success of IPTV rollouts, as well as customer adoption and retention.

However, if history provides any lessons, savvy providers won't make the same mistakes with IPTV that they made in the early days of DSL. Mounting competition between telcos and established cable companies means that every provider has only one opportunity – their initial service launch – to deliver on the promise of IPTV. Whether small or large, the world's most innovative telcos now understand that providing a great customer experience is critical to success. For most, building management automation into next generation services will be a key competitive advantage, allowing them to streamline the activation, configuration, problem resolution and ongoing maintenance of next-generation IPTV services.

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