



Executives give IPTV the thumbs up - survey

By [Lorraine Turner](#), for Total Telecom

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But short-term ROI unlikely; ARPU estimates remain blurred.

Industry executives are confident that IPTV services will be a long-term revenue generator despite the current challenges in projecting ARPU figures, according to the results of a new survey carried out by Accenture and the Economist Intelligence Unit.

But executives who took part in the survey also said they believe IPTV is unlikely to boost service provider profitability this year.

"The bottom line is there is an increased confidence [with IPTV] as a driver for revenue," said Dan Elron, managing director of Accenture's Communications practise on a conference call.

The conclusion is based on the opinion of more than 60% of 341 decision-makers in the media, telecoms and content sector.

However, confidence in IPTV's short-term revenue-generating capabilities remains low according to the survey IPTV: Confidence Rising.

More than 52% of the participants are "not confident" or "not at all confident" that services will generate income within the next 12 months. Overall short-term confidence did rise slightly on the half-year – when the Accenture survey was last conducted – with an increase of five percentage points.

Meanwhile other reports suggest that IPTV services are starting to take off.

New data from Canalys published this week shows that 3.6 million people worldwide had signed up to IPTV services by the end of 2006, 2.4 million of who are based in Western European. In total, E1 billion was generated last year from IPTV services worldwide.

This compares with estimates of 3.3 million "paying" subscribers in 2006 rising to 40.9 million by 2011, according to Strategy Analytics in a report last week.

However, estimating ARPU subscribers and the subsequent return on investment is proving difficult, points out Martin Olausson, senior analyst at Strategy Analytics, in an interview with Total Content + Media.

The report Global IPTV Forecast: Homes, Users and Subscribers highlights how IPTV subscriber doubled to 6 million IPTV households in 2006 if services within a bundle are included in the statistics and effectively considered "free".

With IPTV subscribers calculated on this scale, IPTV households are set to reach 80 million homes by 2011.



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Olausson said that this is part of a larger situation of "traditional pay-TV models breaking down" when a bundle of services is introduced. A growing share of TV programming will not be paid for via subscriptions, he added.

For service providers the attraction of IPTV services is largely to help reduce churn and maintain customer loyalty. This means that ARPU is unlikely to rise on the back of new services, said Arjang Zadeh, senior executive at Accenture, citing the example of cable operators.

Timeshifting and video on demand "were nice to have, but they didn't add to the ARPU ... many service providers didn't see much revenue coming out of attractive services," he added.

IPTV average revenue per user (ARPU) needs to be calculated on two factors: basic triple-play ARPU as well as an incremental IPTV ARPU, said Strategy Analytics' Olausson.

He estimates that an average triple-play bundle ARPU in the U.K. will be priced around £7 based on BT Vision charging £14 for its triple-play service. Services in France are likely to be placed around the E10 mark on average based on France Telecom's triple-play bundle of E14.99.

But experts remain cautious on estimating ARPU figures.

"The jury is still out on how much consumers are willing to pay telcos for IPTV," said David Mercer, VP and principal analyst at Strategy Analytics.

According to Ray Dogra, senior executive at Accenture's Communications practise, "ARPU varies very widely on the geography; there are no meaningful numbers at this time".

Western Europe is expected to continue to set the pace globally for IPTV services, while significant uptake is also expected in the Asia-Pacific region, according to Canalys.

Mature markets are also most likely to see continued growth due to sophisticated marketing tools in promoting the service, highlighted in the Belgium market by Belgacom's high-profile content deals and promotion.

<http://www.totalcontentandmedia.com/View.aspx?t=2&ID=881>

Broadband penetration and the number of pay-TV subscribers will also influence the uptake of IPTV services, said Dogra.

"The biggest factor is more based on the maturity and when services were launched," he said, citing France, Italy and Hong Kong as examples.

According to Canalys, the top five providers account for more than 60% of all subscribers. Hong Kong's PCCW has an 18.2% market share, followed by France Telecom with 16.8% and Free Telecom on 14% with Telefonica and Fastweb also in the top five. Prominent growth is also anticipated in China and India, Australia, North America.

Despite incumbents staking out market share, the landscape of the market is likely to change this year with the launch many rival services.

"2007 will see the competitive landscape become even fiercer as IPTV services from

established service providers will be challenged by aggressively priced alternatives from web TV, cable, satellite and content companies," said Nadia Griffiths, senior analyst at Canalys.

Analysts recommend that service providers should focus on high-quality TV content and a rich scheduling programming information service because "the cost is relatively low and it helps subscribers to have a better quality of service," said Zadeh.

However, operators need to minimise investments in set-top boxes and launch interactive services in small steps.

Accenture also warns that quality of service remains a key issue, as service providers that offer one weak service in a bundle will experience a higher rate of churn.

This is a view reiterated by others in the industry.

Ben Geller, director of industry marketing at automation software specialist Motive, responded with scepticism to the research from Accenture and the EIU. He said service providers are underestimating the challenges of IPTV rollouts and stressed the need for reliable technology.

"Consumers simply won't pay for an unreliable service," he said.

"More IPTV services, such as those launched this week by Tiscali and Virgin Media, are appearing all the time, but no matter how exciting the technology seems, consumers won't stand for a service that is faulty or prone to glitches - even if these issues are resolved over time," said Geller.

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