



# Money On The Table

By David P. McClure ■ *US Internet Industry Association (USIIA)*

**H**ow do you make money in Internet services? That's a tougher question than it may first appear. As we enter the Fourth Wave of the commercial Internet—the first three were the Pioneer Wave, the E-Commerce Wave and the Soon-To-Be-Convicted Felons Wave—there are a few things that are clear:

- **Competition will again be geographically based.** In the early days of the Internet, the ability to connect was based on access to a local Point-Of-Presence (POP), which was usually the local dial-up ISP. With the advent of national services and ubiquitous POPs, geography became irrelevant. But broadband changes the equation back—most consumers and businesses will contract with whatever ISP can get a broadband line to their doorstep.

- **Competition will be facilities-based.** Much like revisiting the Golden Rule ("Those who have the gold, rule."), the Internet services of the future will belong to those who own the local loop from the Internet Net Access Point (NAP) to the consumer's doorstep. It doesn't matter if that local loop is telephony, cable, fiber, wireless or satellite. Those who do not own the equipment and own the lines will see their job description change from "ISP" to "Reseller of ISP Services."

- **You will be a niche player.** Unless you work for Comcast, Verizon, SBC or Earthlink, you are going to be a niche player in the ISP business. Which is altogether a nice place to be, since niche players are easier to manage and are generally more profitable than the big-company commodity plays.

What does this mean to the average ISP? There are lots of lessons to be di-

vined from all of this, as we explored during the "Broadband Bootcamp" session of this year's Broadband Summit in Denver. But the over-arching lesson, the most critical lesson of all, is that you can't afford to leave money on the table. That is, if you are going to dominate your geographical niche and maximize your profitability, you must

your customers.

Here are a few of the most common things ISPs leave on the table:

- **Security and anti-virus tools.**

Most consumers can't keep pace with the need for new and advanced security tools. They are willing to pay more for a service that protects them from worms, viruses and Trojan horses, and

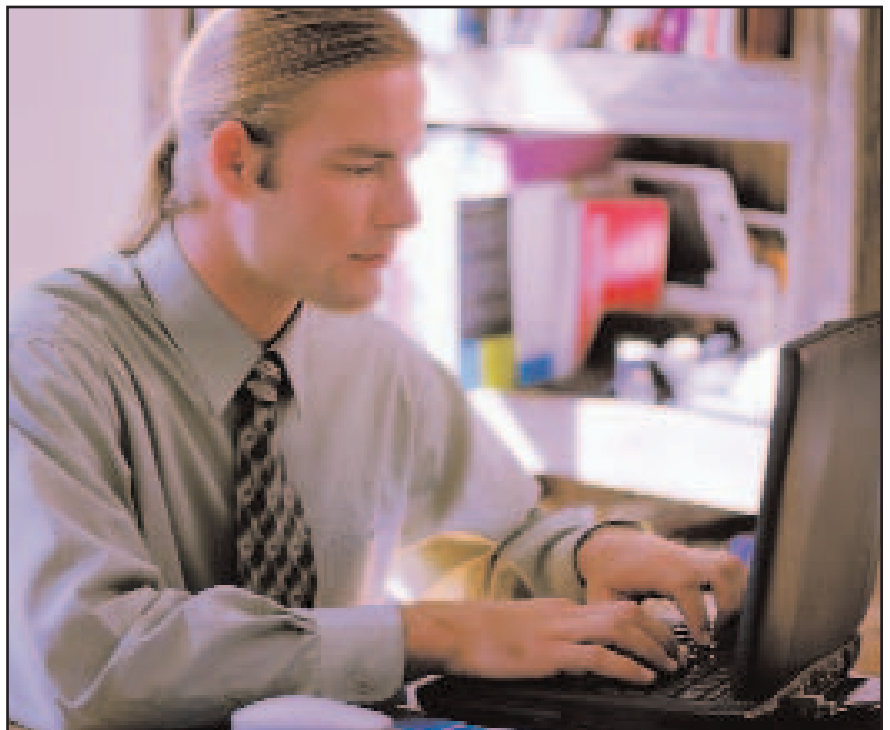
## *"Competition will again be geographically based."*

provide your customers with every single service they desire.

You have to think outside of the box, and you have to constantly ask yourself what you are leaving on the table. Because whatever you leave there, your competitor will pick up and use to steal

will desert you for a service that does a better job in this arena than you do. Remember, most people value reliability and consistency above all. Provide it and charge for it.

- **Anti-spam tools.** Sure, the tools are crude today and barely work. But



by the time you read this article, a new generation of anti-spam tools based on heuristic filters will be ready for the marketplace. Study up on what works and what does not, and look to provide filtering services for your subscribers in

reach to the pool or the tennis courts. And charge slightly more for the access, or use it as a deal-clincher with a recalcitrant property owner.

• **Dialup Internet Access.** Think dialup is dead? Think again. People

critical to the success of their business. They provided access to schools, churches, civic groups, local government offices and other locales—usually for free—in return for help in promoting their presence and their services. With the decline in local ISP services and the advent of broadband, many of these institutions are again available as potential partners.

Surviving and thriving in the years ahead will take a solid business plan, a thoughtful approach to the market and a single-minded commitment to service. But for those who work at it, the rewards should be more than adequate. ■

## "Competition will be facilities-based."

addition to providing software they can use on each server.

• **Website Hosting.** It is amazing how many facilities-based ISPs do not offer website hosting. Sure, there are a few additional business requirements (including errors and omissions insurance and relationships with e-commerce software vendors), but the payoff for hosting small sites is enormous.

• **Wireless Internet Access.** Even if your broadband service is cable or telephony-based, you can spiff it up by also offering a Wi-Fi connection that will

need a dialup account for when they travel or if the broadband connection goes down. For a modest sum, you can buy access for your subscribers on a national or global level, and offer a local POP for backup.

These are the most obvious ways to walk away from money you should be collecting, but this list is by no means exhaustive. Nor does it cover other ways that broadband ISPs should be building their niche.

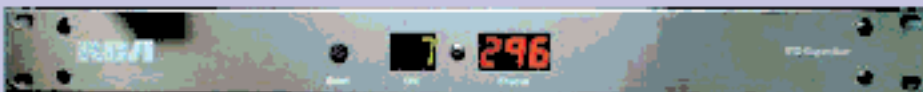
The first generation of ISPs understood that community involvement is

### About the Author

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