



What's On Fiber's Unlimited Bandwidth

A Vast Video Wasteland Of 50,000 Or Unlimited Consumer Choice?

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It has been long heralded that one of the major benefits to fiber to the premise (FTTP) architecture is that it will allow company's virtually "unlimited" bandwidth to offer Internet and video products. This begs the question: what types of consumer products will virtually "unlimited" bandwidth spawn?

There is some historical precedence to help predict what may occur. In the mid-1990's as cable operators began upgrading their cable plants, the industry became awash with optimistic prognostications of the new programming that the increased bandwidth would create. John Malone, CEO of Telecommunications Inc., predicted that 500 channels of video services would blossom and provide consumers almost unlimited consumer choice. Years later, critics countered that the cable industry created a "vast video wasteland" by offering merely two hundred channels!

It has been said that those that don't learn from the past are doomed to repeat it, and in the 1990's, the increased bandwidth encouraged established companies and entrepreneurs to propose dozens of new video channels. From this, veteran companies, including Discovery, Viacom, and Time Warner, launched important new digital services. But in a burst of irrational exuberance and "get rich quick" schemes, there were also numerous ill-fated channels that were announced but never deployed. Others that were



launched emerged as stillborn services that weren't able to gain or afford to attract a critical mass of subscribers. When all that was said was done, much more was said than was done. Channels that promised 24 hours programming that focused on horses, books, or fish failed to gain popular acclaim and passed into the night without a whimper. That's right; Parent Television (advice for parents), The Love Network

(info and advice on relationships), and The Boating Channel (all boating all of the time) vied for launch but failed to be deployed.

So what can we expect if history repeats itself when carriers create "virtually" unlimited bandwidth through the deployment of FTTP? Here are some of my predictions of the winners and losers.

- **Digital video service** – WINNER – here's a product that competes with cable television and will enable the RBOCs and other local exchange carriers to offer consumers a bundled and converged package of services. Most consumers prefer a bundling, especially

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if there is a financial incentive attached for customers to save by purchasing multiple services from one provider. Ultimately, this will generate a new and significant revenue stream and will enable the RBOCs to compete with the cable television industry's voice-video-data convergence package. Wherever a digital video product is not available, the RBOCs will have difficulty competing and will see their customer base

linking washers, dryers, stoves, showers, and so forth to the Net? Please! In a society where most consumers have difficulty setting up their VCRs—we are asking too much to expect users to open a five pound instruction manual to program their freezer. I don't even want to think about the helpdesk calls about a toilet that won't boot up. Sometimes product development folks can dream up merchandise that takes advantage of

increased bandwidth and at this point, cable modem technology has the speed advantage with many operators offering download bursts of up to 3 Megs. This is twice as fast as the ADSL service provided by the RBOCs. While many of the DSL installations problems (called "DSL Hell" by irate customers) have been resolved, cable's superior bandwidth is forcing RBOCs to use a "price leader" strategy (or use low price as the

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erode against the onslaught of cable telephony and VOIP competitors.

• **Net-savvy appliances:** LOSER. There's far too much talk about how refrigerators will be able to talk to grocery stores using fancy "Economic Order Quantity" programs. And what about

cool new technology, even though they don't thoroughly complete the product testing by asking customers if they really want the proposed service. The result? Well, let's just call it a loser...

• **Increased bandwidth:** WINNER. Many broadband users love

primary customer benefit), which will tend to commoditize their product over the long term. Is 3 Megs of downloading capacity enough? Is 5 Megs too many? At some point, bandwidth will become like the processing speed of the latest computers, a marketing tactic

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made irrelevant because no one needs 100 Megs of symmetrical capacity (or would want to pay for it).

- **Quality of Service:** LOSER. Consumers hate surprises and no one likes to use a product that results in an unpredictable monthly bill. Plus, QOS is expensive to manage and administer.

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A better solution is to sell a few Megs of increased bandwidth.

- **Leasing video channels to programmers:** WINNER (?). Okay, the RBOCs will be winners for a while, but it won't generate any of them much revenue. While the RBOCs will end up making some money by leasing video channels to programming mogul wannabes, for most programmers, this will prove to be an unsustainable business model for the lessees and their investors. Consequently, the stream of revenues will dwindle to a trickle of religious channels and possibly home shopping services.

- **Video security systems:** WINNER. With increased bandwidth, the RBOCs will be able to market and promote video security products that allow consumers to logon and watch their babysitter, check out their pets, or ensure their house is safe.

- **50,000 channels of new video content via the Internet:** LOSER (?). Does anyone really need 50,000 channels, or even want 5,000 channels of content? Of course not! Despite the

networks. Now the Internet is acting as a catalyst accelerating the fragmentation of the viewing audiences, but most individuals have a finite amount of time and will only occasionally be interested in watching something that is offbeat or highly specialized. So what's the result of this? Not enough views will

watch to allow most of these channels to be advertiser supported, and asking customers to pay for specialized content over the Net will prove to be near impossible. Therefore, the Macaroni Channel and the Left Handed Bookkeeper Channel will not be able to gain a critical mass of viewers, and won't be viable—since producing quality content is not inexpensive. Some niche video channels of programming will emerge—but we won't have 50,000 IP based video channels anymore than we have 50,000 different magazines.

- **Videophones** (that really work): WINNER. While there are devices that allow a reasonable level of full motion video—this will allow the RBOCs compete against Ojo and other vendors attempting to gain a foothold in this business. Whether they're videophones or computers with Web cams, Grandparents are going to love seeing their Grandkids!

- **Telecommuting:** WINNER. It's an environment and family friendly solution to reducing a businesses costs—and additional bandwidth will

unlimited amount of bandwidth that could be available for consumers, one caveat is that bandwidth is not free and there will be a cost associated with adding each new service...that customers will be required to pay for. Also, FTTP has to fully pass the “business case” analysis so that this new infrastructure provides the telcos a reasonable ROI. Some of the new services will be a “slam dunk.” Others will be losers. Although FTTP may initially offer a lower ROI than other uses of capital available to the RBOCs and local exchange carriers, it will prove necessary for them so they are able to protect their business franchise. Fiber will allow telcos to provide services with an infrastructure that will enable them to meet their customers' needs over the long term.

So, will fiber's virtually “unlimited” bandwidth usher in an era of unparalleled consumer choice, or a vast video wasteland of 50,000 channels? Unlimited choice is unlikely because each service must have a realistic business model—although users will be able to access the fiber-enriched Internet to any Web-based service they choose. And while fiber will offer the potential of substantial choice, users will still be required to pay for both the incremental Web-based services they choose and the bandwidth they consume. A vast video wasteland of video channels is unlikely to happen, except perhaps briefly, because even narrow casting requires a certain scale to have business viability. But what consumers will enjoy is reduced pricing and additional services that results from increased the competition between cable operators and the RBOCs. ■

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plethora of video channels offered by digital video services providers, the average customer still spends 80% of their time watching eight to ten channels—three of which are the major

allow the videophones and Web cams to make those working at home feel more connected and be more productive.

While FTTP suggests an almost

About the Author

Don Kent has spent over 20 years working with Private Cable Operators, wireless broadband providers, and early stage companies specializing in the delivery of broadband and digital content services. Please address questions or topics that you'd like to see discussed in subsequent columns to Dkent@HTINC.com.