



# "Ringing" In The New Year

By Bryan Rader ■ *MediaWorks*

Can you believe that private cable operators are once again considering the telephone business as a new product line?

Are you kidding? Wasn't this a disaster the first two times we tried phone service? Are we determined to make the same mistakes a second time, or third time by getting into this business?

The first time PCO's offered telephone service was in the early to mid 1980's. Operators would place a PBX switch (which was designed for commercial use) at a multifamily property and offer dial tone. In those days, there were

## So is the third time a charm?

Potentially, if you ask me. The telephone business is not the same opportunity it was ten years ago. The business is not dependent on margins from long-distance calling, or up-selling to caller-ID and voice-mail. The business is actually a natural extension of our very successful broadband service, and is known as voice-over-internet-protocol telephony, or VOIP.

VOIP gives private operators the third piece of the "triple play". It can expand your revenue stream. It can help you against the satellite providers. And it can

suit for the MDU business.

And there are several companies you can partner with right now if you are interested in this business—BT Phone, Vonage, Net2Phone, Sprint, to name a few of the early entrants.

The biggest challenge for operators is to prove to the twice-bitten real estate community that we can be successful in the phone business. And that will not be an easy task. Many of us are just now feeling successful in our second product line (broadband), and do not want to rock the boat.

The key is to dip your toe in to the VOIP waters first. Find a property with an owner who is willing to "test" this service. Learn the business—how to market it, support it, manage it and bundle it. Then move carefully. After all, that's the one thing operators did not do well during our first two attempts.

And remember what we learned in the early days of the high-speed business. You need to be in control of the customer, and control your own reputation. Out-sourcing the entire operation can be a real mistake. But allowing the back office to be managed by an expert is a good idea.

I do believe this could be a real opportunity for all of us. I can hear the possibilities "ringing" in my ears.

Happy New Year! ■

***"Out-sourcing the entire operation can be a real mistake."***

great margins on long-distance calling as rates still were 15 to 20 cents a minute. But the cost of the switch, and the staff required to support it, made it a difficult and uneconomical venture. And in many cases, customers had to dial nine to get an outside line. A hotel application in a residential setting was not a good plan.

The second time PCO's offered telephone service was in the mid-90's, and it was made available by very large, well-funded operators with IPO dreams, and big plans. Once again, the switches were too expensive, and it was impossible to achieve any real scale, making the overhead costs burdensome to survive. Plus, operators were still dealing with billing problems, software issues, and 911 challenges.

help you build more loyalty with your subscribers. Cox Cable has seen a significant reduction in churn from their circuit-based telephony offering.

And now your competition is getting into the telephone business. ComCast is planning full-market rollouts in 2004. Cox, Charter and Cablevision will be testing the service in 2004. Recently, Time-Warner announced plans with MCI and Sprint to grow their phone business. The typical price-point is around \$40 per month.

VOIP makes good sense. Unlike circuit-based solutions in the past, VOIP utilizes the internet to send voice packets from one user to another. Most users say the sound quality is comparable to the RBOC, and it is a real money-saver for international callers. It seems well-

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