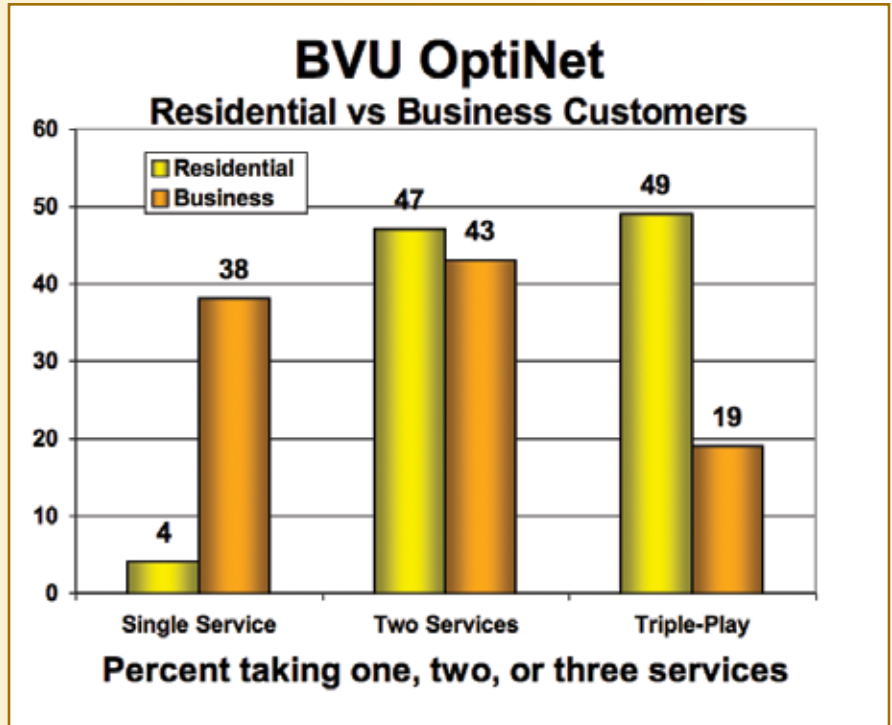


# Applications as Revenue Generators

Voice, data and now even video services are becoming commoditized, as several speakers at the Broadband Summit noted. With the downward pressure on prices for these services, what will justify the buildout of high-speed networks?

One strategy for network builders is to think beyond the triple play and resell additional services. It's true that consumers can often purchase these applications directly, but they tend to prefer "bundled" services on a single bill, and they also prefer to deal with vendors they know and trust. In addition, many applications can be delivered with higher



**Relatively few businesses need video, so business customers are less likely to take the triple play bundle.**

*Many applications can be delivered with higher quality of service in-network – especially within an FTTH network – than over the open Internet.*

quality of service in-network – especially within an FTTH network – than over the open Internet.

Reselling applications doesn't simply generate new revenue streams. "Sticky" applications can reduce customer churn. For example, if you provide an online storage locker for customers' photos, videos and music, they are unlikely to move all of those files somewhere else even if

another provider comes along with a slightly better offer. Yet another benefit is that high-bandwidth applications, like gaming, can encourage consumers to upgrade to higher service tiers. Finally, keeping a higher proportion of traffic within the network reduces the transport charges that providers must pay.

### Provider Viewpoint: Robust Demand for Applications

Two speakers at the "Applications as Revenue Generators" session made the case for reselling applications. Jim Kelley, VP for operations at the municipal

FTTP provider Bristol Virginia Utilities OptiNet, said BVU offers a wide variety of services, most of them directly revenue generating.

BVU has been particularly proactive in selling services to business customers. Its transparent LAN service, which operates either point-to-point or point-to-multipoint, provides 2 Mbps of bandwidth for the same price as the lower-capacity T1 lines provided by the incumbent carrier. BVU has set up interconnect agreements with four telcos to accommodate customers who have branches outside its service area.

*If you provide an online storage locker for customers' photos, videos and music, they are unlikely to move all of those files somewhere else even if another provider comes along with a slightly better offer.*

Hosted PBX/IP Centrex services have proved both lucrative and popular with small and mid-sized businesses. Other BVU business services include server co-location, remote offices and telecommuting, and disaster recovery solutions. For local government, health and educational institutions, BVU provides specialized videoconferencing services for remote arraignments, telemedicine and distance learning.

Over the next six months, BVU plans to launch a number of consumer applications. Some of them, such as video on demand and caller ID, will be offered free of charge because they are expected to increase customer loyalty. Others, such as premises security and gaming, will be sold on a subscription basis.

### **Vendor Viewpoint: Digital Home Security Is Disruptive Technology**

John Pierce, VP for sales at InGrid, a security systems vendor, introduced InGrid's digital home security services and said that network-based home security in MDUs represented a promising market.

Traditionally home security has been based on analog systems that required expensive and time-consuming installa-

***Over the next six months, BVU plans to launch a number of consumer applications. Some of them, such as video on demand and caller ID, will be offered free of charge because they are expected to increase customer loyalty. Others, such as premises security and gaming, will be sold on a subscription basis.***

tion. Although MDU residents are just as interested in security systems as homeowners are, the upfront expense of installing these systems is only justified by a long-term contract, and the high turn-

over typical of MDUs tends to make security systems impractical for renters. In addition, the shortage of experienced installers limited the potential growth of the industry. Because digital home security systems like InGrid's use an existing broadband network, setup requires only placing the sensors and configuring the system – something subscribers can do for themselves. With low installation costs, these systems are economically attractive even to short-term renters. In addition,

based home security systems, Pierce said. Homeowners also appreciate being

***Keeping a higher proportion of traffic within the network reduces the transport charges that providers must pay.***

***Because digital home security systems like InGrid's use an existing broadband network, setup requires only placing the sensors and configuring the system – something subscribers can do for themselves. With low installation costs, these systems are economically attractive even to short-term renters.***

tion. Although MDU residents are just as interested in security systems as homeowners are, the upfront expense of installing these systems is only justified by a long-term contract, and the high turn-

subscribers can remove the sensors when they leave and reinstall them in their new location.

But MDU tenants aren't the only customers showing interest in Internet-

able to monitor their homes over any Internet connection and being able to link their systems with those of family members.

InGrid markets its products both directly to consumers and through broadband providers. Pierce said home security appealed to broadband providers for several reasons: First, the technology was complementary to their existing service portfolio. Second, they were able to bundle security with high-speed Internet access and telephone service to provide value and convenience to customers. And finally, providers were interested in owning the "home experience," and the InGrid platform – which can be extended to other services – gives them an entry point into the customer's home, where they can potentially sell more services like telehealth or energy management.