

Sticking It to the Bundle Will Narrowcast Content Make the Difference?

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XCHANGE's December cover story package discussed the fact that industry analysts believe the move by telcos to offer a bundle of voice, video and data services may be reducing churn, but in some cases it's at the expense of profitability. Analysts quoted in Josh Long's story also said telcos and cable companies appear to be headed for a price war as their competing triple play service offerings increasingly go head to head. That said, at the recent TelcoTV conference in Las Vegas and through other reporting, XCHANGE set out to discover what telcos can do or are doing to differentiate their offerings from those of current or potential cableco competitors.

Early market entry with a bundle, exceptional customer service, features such as parental controls, TVviewable caller ID, VoD and high definition TV are various ways telephone companies can differentiate their service bundles in the marketplace today. But many believe that in the long term, narrowcast content will be the "sticky" feature keeping telco customers away from the cableco competition.

BellSouth is among the carriers that have indicated targeted content will be the wave of the future. The RBOC today offers MPEG2-based movies on demand to consumer PCs over DSL in collaboration with content company Movielink, which plans to run its service over TVs. SBC also recently announced a deal with Movielink.

"We think [Movielink] is really just scratching the surface," says BellSouth CTO Bill Smith. Other potential services, which could be offered to PCs or TVs, could allow students, as one possible group, to download CNN archived footage for a few dollars; enable sports fans to access past athletic events; and give programmers the ability to suggest what other titles specific consumers might enjoy based on their past selections, he says.

Many sources believe that much of the narrowcast content will have a local flavor.

Eddie Drake, vice president of software development at middleware provider **Myrio** Corp., says there is a lot of interest in the "walled garden" concept, which allows network operators to offer specific Internet-based information such as a local schedule of events, school lunch menus and local weather via The Weather Channel site, to individuals or small groups of TV service subscribers. "This is becoming distinctive for consumers," says Drake, explaining that almost all Myrio's service provider customers are offering walled garden type services. "That creates that stickiness." Drake says **Myrio** offers a starter set of walled garden offerings, such as local weather content from The Weather Channel, to service providers using its video solutions.

Myrio competitor Minerva agrees that local advertising and content will help telcos differentiate their bundles from cableco services in the long run. "IOCs are often first to market with the triple play bundle so that is all the IOCs need right now," says Minerva CEO Mauro Bonomi. But the "difference between IP and cable plant is the difference between a jet and a prop engine. IP TV " is two way, so it can do local

ads, local content, more channels. It can go way beyond cable." That's because telco networks are based on a switched architecture while cable TV networks are designed to deliver content on a broadcast basis, he says.

"There are big opportunities for special interest and regional content," adds Trent Punnett, vice president of marketing and product management with Motorola Next Level Communications.

James Valley Telecommunications has already experienced the benefits of offering local content, particularly in the form of local TV ads, says Doug Eidahl, CEO of the Groton, S.D.-based independent telco. "People would put ads of their kids when they turn 16 and all of a sudden we were flooded with a bunch of advertising about birthdays and other personal occasions at about \$30 an ad, says Eidahl, adding the telco allows companies to offer a variety of local programming and other content to video customers.

Other service providers, such as SureWest Communications, also express an interest in delivering local and/or targeted content in the future. "In some areas we have, there are Del Webb retirement communities. We could do something with that," says Bill DeMuth, vice president and CTO of the Sacramento, Calif.- based service provider.

But the onus for coming up with such specialized applications is primarily on service providers, who typically rely on the National Cable Television Cooperative (better known as NCTC), a programming and hardware buying cooperative representing more than 1,000 independent service providers, or specific programmers such as Disney, MTV and Nickelodeon to provide content to their video subscribers. So except for the limited walled garden offerings from companies like **Myrio**, it seems telcos are largely on their own in getting local content.

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