

Capitalizing on the Triple-Play Opportunity in Regional Markets

The complexity of IPTV deployment has deterred many smaller providers from implementing it. Turnkey solutions are needed to make IPTV cost effective in regional markets.

By Chandler Kim, Kevin Krufky and Wim Van Daele ■ *Alcatel-Lucent*

Many local and regional communications providers are confronting increasingly intense competition, which is only expected to become fiercer in the future. According to a recent report from the Federal Communications Commission, more than 90 percent of ZIP codes in the United States are served by four or more high-speed broadband providers. In addition, the market for traditional voice and data services is often highly commoditized, resulting in significantly lower margins.

As a result, regional communications providers are looking for new ways of leveraging their existing network infrastructure and operational capabilities to drive incremental revenues, increase competitiveness and position themselves for future success.

Triple-play services, and IPTV in particular, offer a way to do so. According to research firm Gartner, by 2012, annual revenue from IPTV services in North America is expected to reach \$8 billion, up from approximately \$2 billion in 2008, and household penetration for IPTV should reach approximately



8.6 percent, representing a market of more than 12 million paying subscribers in North America alone. Clearly, IPTV offers opportunities to other providers besides the Tier-1 carriers serving large metropolitan areas.

Indeed, regionally focused communications providers (operators, utilities and even municipalities) are also turning to IPTV and related IP video services to increase their revenues and combat competitive threats from cable multiservice operators, satellite providers and innovative Internet video content providers such as Hulu. In a recent survey of small rural communications providers by the National Telecommunications Cooperative Association, 73 percent of respondents said they intend to offer fiber to the node to more than 75

percent of their customer base by 2011, and 55 percent said they plan to offer fiber to the home to more than half their customer base in that same time frame – more than double the number from 2008. Data compiled by this magazine indicate that more than 60 percent of independent telcos deploying fiber to the home offer, or plan to offer, triple-play (voice, data, and video) services.

Regional communications providers investigating this market must address two important questions:

- Why would prospective subscribers switch from their existing television service providers to an IPTV service provider? In other words, what can IPTV service providers offer that their competitors cannot?

About the Authors

Chandler Kim (Chandler.Kim@alcatel-lucent.com, 972-477-0506) is a member of Alcatel-Lucent's Americas Regional Marketing team involved with solutions marketing. Kevin Krufky (Kevin.Krufky@alcatel-lucent.com, 202-312-5914) is in the Legislative Counsel division of Alcatel-Lucent, and Wim Van Daele (Wim.Van_Daele@alcatel-lucent.com, +32 3 240 46 01) is a member of the Corporate Media Relations team. Alcatel-Lucent is a global provider of end-to-end solutions that enable compelling communications services for people at home, at work and on the move.

- Can triple-play/IPTV solutions address the requirements of local and regional operators?

IPTV solutions for regional communications providers are often capital-intensive and require lengthy, complex systems integration – exactly the opposite of what this market needs. Instead, regional providers require end-to-end solutions that feature robust triple-play/IPTV services – solutions designed specifically to meet the needs of lower-density markets, providing affordability, reliable service delivery, fast deployment and shortened “time to money.”

In this article, we explore in more detail the drivers for IPTV in regional markets, the mandatory requirements for any end-to-end triple-play/IPTV solution and how initiatives such as the broadband stimulus program in the United States can be leveraged to address this opportunity.

THE REGIONAL TRIPLE-PLAY/ IPTV OPPORTUNITY

How can regional communications providers (operators, municipalities and utilities alike) successfully position themselves in a competitive environment where cable, satellite and over-the-top video providers are all battling for customers?

Telcos that offer triple-play services with IPTV can create compelling offers that will attract additional users. Market research firm Parks Associates recently reported that the top reasons for North American subscribers to switch television providers are

- Cheaper services (compared with what they have today)
- Access to bundled services (at a lower cost)
- New service features
- Better customer support.

Fortunately, regionally focused communications providers, which often have a lot of expertise in these areas already, can address all these factors. IPTV has the potential to significantly transform the end user’s viewing experience – and perceived value – by combining programming choice and flexibility with personal communications, social networking, entertainment and a new breed of interactive services. This highly integrated entertainment experience offers a wealth of new revenue opportunities; it is a value proposition that will be difficult to meet by competitive carriers, satellite providers or Internet video providers.

When launching IPTV services, providers typically start by offering similar capabilities as their (incumbent) competitors – that is, basic and premium packages of linear programming, video on demand and digital video recording. These initial capabilities create a strong foundation for adding a wide variety of other revenue-generating services, such as targeted advertising, interactive messaging, social networking and cross promotion. Combining these services, and packaging them to meet local market needs, opens the door to new selling and revenue opportunities while enabling regional operators to foster the long-term prosperity of residents and businesses through the deployment of a wide range of community applications.

How does this work in practice? Two critical elements are the availability of IPTV solutions that meet the specific requirements of regional players and an optimal use of government (broadband stimulus) funding.

SUCCESS FACTOR 1: SOLUTIONS ADDRESSING REGIONAL OPERATORS’ IPTV CHALLENGES

Regional communications providers have historically experienced obstacles to implementing IPTV, often because the solutions offered to them were not designed for their requirements and business challenges.

The IPTV solutions available were typically very costly for this market segment and often required highly challenging systems integration efforts as part of their deployment. In more than a few instances, attempts to integrate and implement IPTV solutions into a regional service provider’s network and operations proved dramatically more complex and expensive than originally projected, often resulting in less-than-satisfactory results.

Regional communications providers that want to capitalize on the growing IPTV market need an end-to-end, pre-integrated and tested solution that enables a quick, cost-effective introduction of IPTV – all while presenting subscribers with a superior entertainment, television-viewing and customer-service experience.

To this end, Alcatel-Lucent recently launched its Triple Play Express for Regional Operators (TPE) solution – an end-to-end triple-play package that robustly supports the delivery of IPTV services and paves the way for the delivery of a wide

At last...
Everything on one bill.

GLDS
GREAT LAKES DATA SYSTEMS

Voice Video Data VOD IPTV

Conquer convergence with the leader
in billing and provisioning.
More than 300 satisfied customers.

Painless conversion from all major (and minor) billing systems!

WWW.GLDS.COM 800-882-7950 SALES@GLDS.COM

range of additional next-generation applications such as distance learning or e-health. TPE leverages Microsoft Mediaram, the most widely deployed IPTV platform in the world, and has been sized specifically for regional markets addressing up to 40,000 subscribers. Some of the features supported by Alcatel-Lucent's TPE include

- Live TV and radio services using IP multicast streams (550 channels)
- Pay-per-view service available over any channel
- Instant channel change (300 milliseconds, compared with two to three seconds for conventional digital TV services)
- Video-on-demand service supporting up to 10,000 hours of assets
- Interactive TV guide
- Operator-defined portal with links to news, weather and community events, along with customized content to suit the operator's branding requirements.

To address regional operators' concerns, TPE leverages an ecosystem of experienced partners for content licensing, management, aggregation and distribution. This type of integrated solution enables regional operators to quickly enter local and regional markets and drive revenue with compelling triple-play services.

SUCCESS FACTOR 2: LEVERAGING BROADBAND STIMULUS FUNDING

The broadband stimulus program authorized by the American Recovery and Reinvestment Act of 2009 (ARRA) strongly encourages enhanced broadband connectivity to schools, libraries, hospitals and other community facilities.

The first funding round is geared mainly toward broadband deployments in areas where broadband connectivity is poor or lacking. ARRA represents a unique opportunity for network operators, including regional communications providers, to upgrade their networks and greatly enhance their service delivery capabilities. As of this writing, applicants – most of whom are rural carriers – are eagerly awaiting the announcement of initial funding awards.

The broadband stimulus program focuses on enabling community services that can increase cooperation and collaboration between public agencies and citizens, bring communities closer together and better inform citizens by sharing information. By leveraging the broadband stimulus opportunity, regional communications providers can jump-start their network and services transformation projects and become key players in enabling the long-term prosperity of local residents and businesses.

CONCLUSION

Traditional voice and data services are highly commoditized, often have low margins and suffer from significant competition. Triple-play services, and IPTV in particular, are a way for local and regional communication providers to address these critical problems. Forward-thinking operators that act quickly can capitalize on subscribers' willingness to switch from incumbent service offerings.

To accomplish this, local and regional operators require an end-to-end solution that allows them to cost effectively provide state-of-the-art IPTV services to smaller communities, while building a foundation for the delivery of even more advanced IP-based applications, including distance learning, e-health and a wide range of community service applications.

Alcatel-Lucent's Triple Play Express for Regional Operators solution is a packaged IP video solution that meets these requirements. TPE is cost-effective for local and regional markets, is quickly deployable and helps service providers position themselves for future applications, while capturing the related revenue opportunities. ■

NOTE: Alcatel-Lucent has set up a program to help U.S.-based operators apply for broadband stimulus funding. For more information, please visit www.broadband4all.com/alu.

BROADBAND PROPERTIES MAGAZINE

Invites You to the Broadband Properties Summit 2010

April 26 • 28, 2010

**InterContinental Hotel • Dallas
Addison, Texas**

*The Leading Conference on
Broadband Technologies and Services*



WHO SHOULD ATTEND?

- Real Estate Developers • Property Owners • Independent Telcos
• Municipal Officials • Private Cable Operators • Town Planners • Economic Development Professionals • Architects and Builders • System Operators
• Investors • Utility Organizations • System Integrators

Visit www.bbpmag.com and
secure your participation today,
or call 877-588-1649.

**A Towns & Technologies
EVENT**