



IBC 2001 Super sessions - The Future of Broadband

Presented by Simon Perry at IBC 2001, Amsterdam on 14.Sept.2001

Premise

There have been many trials in different parts of the world offering video on demand through broadband connectivity to the home. None were a great success. Is this due to the immature technology or to more fundamental reasons such as competition from other means of delivering entertainment, and consumer inertia? This session examines the added value of broadband to the consumer and how will it fare against competition from a proliferation of digital TV channels delivered by satellite, hard disk home recorders and standard internet connectivity.

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Basis of talk

The basis of my talk is that some Broadband (BB) rollouts have been a success and I hope to illustrate why others have been less successful. The major focus of this will be the UK as it's the market I know most intimately.

Why not a success so far?

I would argue that given the right conditions – it has been successful.

In South Korea in July 2001, 75% of households had BB access. An amazing figure.

Why is Korea such a success? I believe two factors. One, strong competition, that has driven prices down, to where installation of a 1.5Mb ADSL is a mere 20ukp and monthly service fees are only 20ukp. For a small additional figure they can have 4Mb. Secondly, a strong government will for this to succeed - an example of this being their insistence that each new apartments that is build, must have an ADSL port. Simple rules - it's got to be affordable and it's got to be ubiquitous.

Interestingly 70% of the viewed content comes from within Korea - this may be due to language or lack of compelling content from abroad – where there is a strong demand, people will create content

There has been one area of relative success in the UK and that's from the only other company that owns it's own telecom infrastructure, Kingston Telecom. They have made a success of ADSL, delivering it to around 10% of population of Kingston-upon-Hull. Compared to the 18% take-up of Taiwan (the second highest in Asia) – that pretty basis to build on.

The beauty of Hull is that most users don't realize or care that they have ADSL – they just know they can watch TV programs when they like – illustrating, it's got to be easy to use - with the technology hidden.

Now 10% might not sound like a phenomenal success, but compared to the near total lack of rollout in the rest of the UK, it's phenomenal.

The telecom provider must have the will for BB to succeed

BT have been very effective in restricting the rollout of ADSL in the UK

Over the whole of the country there have only been 75k installation – All installed by BT, with BT providing ½ the connections and all of their ADSL competitors sharing the other half – clearly an unbalanced situation.



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BB must be seen to be wanted - people will not demand it without other people (friends, colleagues, etc) showing it to them and tell them the great advantages of it. The advantages of it not clear without using it. I had been using the Internet for a long time before getting ADSL at home a number of years ago and only then understood why it was so significant.

I feel BT took a commercial decision to restrict the rollout of ADSL – they could see ADSL eroding income on two sides - from putting pressure on leased-line prices and reduction in income from heavy dialup user. SADLY they have been able to get away with this by the UK telecoms regulator OfTel, now know as OfCom. The British Labour government talks about the need to a BB Britain but it just rhetoric – and through it's inaction it is showing a total lack of understanding of the vital need for wide BB access.

The UK is officially unbundling the local loop – to allow alternative supplier to compete – but this has been a joke – Only 146 lines have been unbundled in the whole of the UK.

This has lead to the point where Britain has the lowest BB take-up of any G7 nation and is 22nd in OECD - behind Portugal and Czech Republic.

The UK BB content production companies have been caused major problems by not having a local market – it's clearly easier to produce content and dealing with clients in your home market. This is not making the most of the creative energies in the UK.

I may appear to be complaining about BT. I am purely using this as an illustration.

There have been encouraging noises recently in the UK (NTL/Telewest combined BB cable promotion, BT ½ price install, NTL wireless BB) - but frankly - 'once bitten, twice shy' - My advise to content producers - do not go to the high cost of creating BB/interactive content without having the viewers in place. It's not rocket science - look to markets that have an existing market/infrastructure and demand.

Pricing must be achievable

Lots of people in the UK used to paying around £40/month for Satellite TV – if they are then expected to pay an additional £40 for an ADSL connection – plus PPV fees – it isn't going to happen.



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Realistically companies are going to HAVE to charge for content – creation of quality video content is expensive – especially if it has interactivity included in the project. The combined skills needed - Film & Technology - are expensive.

Distribution of BB content is expensive – especially for independent production companies.

Only way to reduce costs of distribution is by owning the network – then you can deliver your content more economically – which is why the AOL deal to combine Time Warner content with A&T broadband is so interesting.

Taken to it's conclusion this will again lead to the point where a handful of major players control all of the content viewer get to see – unless the viewer is prepared to pay an additional charge for content.

But ultimately, it is a good thing. I have always taken the view – if it builds awareness and increases the number of BB users, it's a good thing. The curious will always have a need to be stimulated by more prosaic content – sadly it will only be the wealthier curious that can do this.

Mass market content is missing

There's been number of recent announcements to instigate VOD from the film world, Disney, Sony and a collection of other film companies are encouraging – BUT, as we've learnt previously – marketing announcements don't hold any value – it's ACTIONS that count – I'll be truly encouraged when we see them actually releasing significant qualities of popular content.

How will it fare?

There is no doubt in my mind that broadband, be it wired or wireless, will become the one way that content is delivered – saying otherwise is a bit like saying 'will radio waves take off'.

Should BB be threatened by satellite and hard disk recorders? – No, I see them more as complimentary rather than threatening. Look at recent announcement of SonicBlue – their new device, based on ReplyTV PVR technology, receives content via cable, aerial and Network connection (be that ADSL, network cable, etc) and stores audio & video content to be watched on at TV or PC. I think this is one of the first of many cross media devices.

In summary, Broadband as a means to distribute digital content, will succeed provided it has timely, active support from all of the many parties involved.