

NewsWatch

By Jesse Cryderman

Battle Rages Between Cablecos, Telcos

As data from the first quarter hit investor reports and news outlets, the battle between cablecos and telcos appears as fierce as ever.

A report from SNL Kagan last month revealed telcos are successfully siphoning off video customers from the cablecos, and their multi-play bundles are driving the success. According to the report, cablecos lost 3.8% of their multi-channel subscriber base across the top 15 markets in the US. The data for Telco-enabled TV, however, was just the opposite. As a whole, telco video subs jumped by 24% across the top 15 markets in the US.

On the other hand, MSOs are outstripping telcos in the race to add broadband customers. According to the daily publication at the Cable Show 2011, MSOs broadband subscriptions grew 2.08% in Q1 2011 over Q4 2011, versus 1.17% for telcos. The numbers looked even more disparate over the past year, with the cable companies reporting 8.79% growth in broadband subscriptions and telcos losing 7.03% of their broadband subscriber base.

Beyond the handoff in subscribers, customer service is emerging as a key driver in overall customer satisfaction, and cablecos are leading in the home office and SME categories. J.D. Powers' 2011 U.S. Major Provider Business Telecommunications Study



indicated that Optimum Business (Cablevision) and Cox Communications are leading the pack. "As annual improvements in network performance continue, empathy-related attributes, such as concern for customers' needs, have materialized as elements that can make or break a service provider," said Frank Perazzini, Director of Telecommunications at J.D. Power and Associates.

Net Neutrality

The Netherlands became the second country, following Chile, to enact formal net neutrality legislation last month, voting to treat all mobile data traffic equally. The ruling bars mobile carriers from blocking or taxing traffic that originates from OTT VOIP services such as Skype and free text applications. Carriers immediately responded, saying the legislation will "lead to a large increase in prices for mobile internet for a large group of consumers" (Vodafone).

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The news for consumers isn't quite so rosy in other parts of the world. In the UK, the government has no plans to enforce net neutrality at the moment, and in the US, the net neutrality debate has cooled down. While the FCC's net neutrality rules regarding transparency, blocking, and market discrimination quietly moved forward at the beginning of July, CSPs are actively fighting the rules, and many analysts feel the carriers will win. In the least, legal opposition to net neutrality will likely prevent widespread change in the US market for some time.

Virgin Media CEO Neil Berkett recently commented on net neutrality legislation, as well as the difference in the US and UK markets, at the Intellect Conference. "Because of [local unbundling] you have a dynamic marketplace and multiple levels of competition, whereas in the US there is rarely an overbuilt market. It's usually just AT&T and a cable operator and that's about it," Berkett said. "As such, the average return from a triple-play customer in the US is £70 to £80, but for us it's £44. Consumers benefit from this as the market is so competitive, but enforcing net neutrality would cut this off at the knees."

Cloud Plays: AT&T vs. Verizon

Hosted services are big business for carriers who are looking to diversify into new markets in order to maintain growth when their traditional lines of business are topping out. Both Verizon and AT&T made announcements this month regarding their cloud plays, and the market is definitely hot, as evidenced by the speed at which the CSPs are moving.

Verizon has decided to maintain the Terremark brand name and is rolling out an expanded set of cloud services just ten weeks after the \$1.4 billion acquisition of Terremark. The widened service portfolio will offer scale and flexibility, enabling many different types of cloud services. Bob Toohey, President of Verizon Business, was quoted in GigaOm.com, saying "there is no one size fits all cloud solution. Many enterprises are looking for flexibility and movement between private, public and hybrid clouds."

Similarly, AT&T launched its Content Delivery Network (CDN) last month, which promises to provide a platform for businesses to serve video and content from the cloud. The success of the platform is bolstered by recent research that shows customers

"Enforcing net neutrality would cut [competition] off at the knees." Neil Burkett, Virgin CEO.

are much more likely to make purchases when they can view product demonstration videos. In an official announcement, Sam Farraj, Assistant Vice President of AT&T Digital Media Solutions, AT&T Business Solutions explained the CDN value proposition: "Our CDN technology not only delivers videos and other attention grabbers at 'lightning like' speed, but it delivers them efficiently and at low cost."

Social Networking

LinkedIn is the dominant social networking platform for the business world, and countless companies (including Pipeline) use Yammer for in-house collaboration, but it's impossible to let the news from the consumer side of social media slip by this month without mention.

MySpace, which once dominated social media, and perhaps spawned the widespread acceptance and use of the service, was sold for a paltry \$35 million after years of struggling under the ownership of NewsCorp. I am unlikely or apropos twist (depending on how you look at it), pop star and Hollywood actor Justin Timberlake partnered with Specific Media to buy MySpace. NewsCorp paid nearly \$600 million for the company just six years ago, which shows how fast the pendulum can swing in today's hyper economy.

MySpace was dethroned by Facebook, which has become the dominant consumer social networking website. This month a new challenger has arisen, a company that may just have the muscle and backbone to unseat Facebook: Google. The search giant has revealed Google+, a social layer that can transform all of Google into one monolithic social network. Google+ is poised to go head-to-head with Facebook and Twitter, and leverages Google's multitude of services while emphasizing better privacy and security. Google is also courting Hulu, so keep an eye on the [Pipeline News Center](#) this month to watch these stories unfold.