Pipeline
Knowledge Is Power

The Race Continues: Cableco Vs. Telco
by Tim Young

Who delivers your bits and bytes? As you read this article, what's the access technology delivering these words? Is it a telco? A cable provider? We've spilled a good deal of ink on this topic over the years, but there's still more to say. We thought we'd revisit the battle between these worthy foes a few years later to see what has changed and what has stayed the same. The race continues.

The Players:
According to the NCTA, cable television began rather inauspiciously in the 1940s and 1950s as a way to enhance poor reception of over-the-air television signals in mountainous areas. From those humble roots, cable operators have taken advantage of their relatively fat pipes to offer a spate of next-gen applications to consumers.

Telcos, on the other hand, began with voice and existed as a voice-only service for the better part of a century. Only more recently have these companies begun to offer video service, with mixed results.

From two disparate starting points, these industries have reached a point of direct competition with one another for voice, data, video, and beyond. Both segments

can offer real-deal triple play with relative ease and are set to do battle.

The Race:
Ultimately, the battle for market share is a collision between two separate technologies, lexicons, and corporate cultures. However, the hallmark of the battle is that the longer it goes on, the less aware the end consumer is that there is any difference at all between technologies. Voice is voice. Video is video. Data is data.

Consumer Reports performed a survey in 2007 in which 35,660 respondents (all of whom were Consumer Reports subscribers, so not necessarily a full cross-section of the population) were asked to rate their digital video services.

Six categories were considered (channel choice, image quality, sound quality, reliability, value, and support), each ranked on a 5-point scale from Worse to Better. Ultimately, Verizon FiOS topped the survey with a reader score of 84/100 (vs 74/100 for its nearest competition, DirecTV). Verizon FiOS was the only provider to snag top rankings in every category. DirecTV had top ratings in only three. No cable company included in the survey received top ratings in any of the six areas.

Meanwhile, the fact that VoIP is no longer remotely experimental, and most assuredly ready for prime time (which some still debate, but I guess there are folks out there debating heliocentrism and the roundness of the Earth, too...), means an erosion of one piece of market share that telcos have clung to tightly ever since Bell called Watson over for a little chat.

A report by Insight Research Corp released in the fall of 2007 estimates that the incumbent phone telcos will lose over 17 million residential phone lines to cable competitors between the end of 2007 and 2012. Digital Home Canada reported a 73% increase in cable telephony subscribers in 2007 alone.

The Edge:

There are certainly edges on both sides of the conflict. Phone companies are, historically, quite good at handling money. From charging to rating to billing, telcos are among the best in the world at making sure services are charged for and payments are handled. That's an obvious benefit.

Many telcos are also doing more with fiber-to-the-home (FTTH), which technically is available to cablecos, too, but the main adoption has been among the telcos. With FTTH in place, telcos are in a good position to offer cutting edge services at very high speeds. With the amount of bandwidth chewed through by video services, this is a must.

Then there's the enterprise market. Telcos are guilty of often ignoring the unflashy, unsexy enterprise market in favor of the consumer side, even though enterprise is responsible for the majority of revenue for most telcos. That market share can enable telcos to weather numerous storms. It's the reliable, if somewhat geeky, sugar daddy to an industry that seems hell bent on going after the wild child that is the consumer market. That's a benefit the cable companies don't necessarily have... yet.

The downside of the telco model is obviously limited bandwidth on existing networks. If that wasn't the case, FTTH would be unnecessary.

And the cablecos? They already have a nice solid delivery platform for video. That's what they *do.* They're already good at the hard part. VoIP is comparatively easy to wield these days, so they're all set. So where are the problems?

Well, one is customer care. The trials and tribulations associated with customer care in the cable space have been well documented, not only in publications such as this one, but in the mainstream media, on YouTube, and on countless blogs. Granted, complaining about one's service provider seems to be one of the reasons blogs were invented, but there does seem to be an extra dose of contempt for cable providers. A 2007 study by CFI Group indicates that telcos edge cable in customer satisfaction, but neither is particularly loved by consumers. Telcos boast a 54% preference over the 44% preference sported by cable companies. Granted, this doesn't make telcos a knockout favorite so much as a *less* problematic provider, but it does indicate that there is a significant difference in customer satisfaction between the two.

Another problem is that the cable companies still seem to be learning on the job, to one extent or another. Telcos have a significant history of research and operations that the cable companies simply don't have. I'm sure that they will, eventually. "Eventually," however, may not be soon enough.

The Stakes:

At this point, it looks like cable's game to lose. It's fast, reliable, and generally available to most people who are willing to pay for it. If the cablecos could start paying a little more attention to overall QoS and double down on customer care, they'd be in good shape.

Ultimately, however, we're prepared to say that FTTH is the possible savior of the telco. Now that cablecos have VoIP figured out and rolled out, telcos are in the hot seat. FiOS seems to be pleasing customers, and Verizon isn't the only FTTH show in

town. The more of those pipes telcos can roll out to the end consumer, the closer they come to winning the race. Fiber rollouts, however, are *painfully* time consuming. The old fable of the tortoise and the hare comes to mind, but slow and steady doesn't always win the race. In fact, as much as I hate to blow holes in Aesop's theses, fast and erratic wins the race *a lot.*

The stakes are changing. Though every SP rails against the possibility of becoming a dumb bitpipe, there is a benefit involved in being the *best* dumb bitpipe. If third parties are going to deliver the applications that consumers really want, it matters even less than ever what access technology delivers the service. In that sense, it's almost a race toward willing servitude. Then again, I suppose it's better to serve in heaven than to reign in hell.

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