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The end of the platform wars as we know it

Consider these trends: telcos launching satellite television, DTH operators providing telco/cable-friendly services, cable associations and MSOs launching satellite B2B offerings with DTH extensions, telcos obtaining last-mile capillarity through cable and wireless acquisitions... These statements might sound like wordplay, but they represent moves being made by major convergent service players in their efforts to diversify with bundles of telephony, video and Internet. As hybrid strategies help them fight churn and increase ARPU, "platforms" (in reference to distinguishing cable, telco and satellite) become less relevant in favor of retail reach, scale, branding and consumer preference for bundled services, all of which are critical success factors that determine who owns and bills the end customer.

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Moderated by converging technology, players' power balance and evolving (yet heterogeneous) regulatory frameworks, service diversification has clearly accelerated, to a larger or lesser degree, for all players in all regions. Over the past few years we have seen anticipated patterns of behavior by the three "distinct" convergent platform players: cable, satellite and telcos. Cable companies are decisively adding VoIP to their Internet-TV combos and are even considering strategic entries in the mobile sector. DTH players seize their broadcast economics and HD readiness to continue leading on the basis of superior digital line-ups and time-shifting DVR, while exploring alternate paths for always-on two-way connectivity. Telcos have embraced IPTV to offset a declining switched telephony business and commoditized broadband market.

However, players are increasingly adopting pragmatic moves across traditionally competitive platforms with the goal of keeping and expanding their subscriber base, a process where the telco-cable-satellite competitive borders disappear. In the race for the multi-service network, transport technology now takes a facilitating, gap-filling role rather than a service defining one, so terms such as "satellite TV", "CATV" or "telcoTV" might eventually fall into disuse. This is, in a nutshell, the end of the platform wars as we know it, and recently a number of visible deals have started reinforcing this notion of technology irrelevance not only from the provider's "identity" side as well.

One could not help but notice the iconic nature of the recent Orange-Eutelsat deal, where Orange partnered with Eutelsat to launch a new DTH service and complement Orange's DSL-based triple play offering. France leads Europe's IPTV market and, thanks to local-loop unbundling, counts with one of the world's most competitive Internet broadband environments. Still, Orange pragmatically made the decision to complement its DSL triple play offerings with satellite TV, expanding its video addressable market to less dense areas where upgrades to their ubiquitous ADSL infrastructure is economically challenging against a satellite bypass with bandwidth-hungry television straight to consumer homes. NSR has highlighted these hybrid trends and opportunities in a number of research studies covering DVB-S2/MPEG-4, IPTV and WiMAX, and similar to the Orange-Eutelsat deal, one could also highlight other recent cross-platform cases including:

- EchoStar in the U.S. launching a telco-friendly satellite IP lineup to facilitate telcoTV even at the expense of some DTH cannibalization potential;
- WWIL (India's largest MSO) and DishTV (India's largest DTH) launching a HITS (Headend in The Sky) platform to facilitate cable digitization;
- Red InterCable offering Ku-band HITS in Argentina further empowering cablecos with DTH geographic extensions;
- BSkyB acquiring ISPs in the UK for two-way broadband independence;
- DirecTV and-or Dish partnering with a variety of two-way last mile technology players including Clearwire (WiMAX), AT&T (DSL), WildBlue and HughesNet (satellite), even PLC (Power Line Communications);
- Telmex making strategic cable, wireless and satellite acquisitions in Latin America for the last mile.

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Players are clearly reassessing their short-to-medium term positions, focused on today's transitional competitive environment. Telecommunications and entertainment services are moving away from platform-bounded service silos towards the (still distant) vision of utility-like connectivity where IP transport (Mbps) eventually becomes unbounded and ubiquitous as electricity, enabling, on-demand, a host of new application "blends" and virtual services. This future seems inevitable, and Google has taught us that even with end customer gate-keepers, the IP world only has room for open wars in the long term. But it is during this transitional open-close phase when the real battle centers around who strengthens gatekeeping and owns the consumer with attractive service bundles, to fence off competition and "over the top" services like Internet TV and telephony. During this evolving scenario, one can consider the technology characteristics that bring distribution efficiencies, within the limits imposed by bandwidth demanding applications (video and Internet) and changes in consumer behavior.

The horizontally integrated hybrid offerings taking place really boil down to economics and the CAPEX/OPEX trade-offs associated with broadcast-type vs. unicast-type transport at different subscriber density points. Satellites are clearly on the broadcast end, while DSL is on the one-to-one connection-oriented end. With 800MHz of last mile spectrum, coaxial cable is somewhere in between.

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It might sound like high bandwidth, but it is shared and, in what some cable experts have started naming "The Perfect Storm", the combination of ramping broadband speeds and HD channels is pushing cablecos to entertain "switched cable" initiatives bringing (again) a telco-familiar term into the picture. When looking forward on the future of these hybrid offerings, one also has to perform a forward-looking exercise of the evolving situation in the context of an increasingly personal and peer-to-peer world of entertainment and communications. Consumers are empowered to consume content and communicate in new ways. In what Wired Magazine editor-in-chief Chris Anderson terms "the long tail of content", the hits-driven culture that has dominated the broadcast and entertainment sector is increasingly giving way to a situation where decreasing costs of production (i.e. UGC) and wider distribution is facilitating the true curve of content demand to surface with more users interested in consuming niche content and participating as producers. As tracked by NSR in its satellite capacity demand assessment reports, the increasing number of video channels being transported over satellite is an indication that (as Chris Anderson puts it) the future is "selling less of more".

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NSR anticipates plenty of opportunities for players to explore synergistic satellite-terrestrial offerings, particularly in the current transitional context of content abundance and last-mile bandwidth bottlenecks where video demands high bandwidth and leading DTH operators have not yet found a single ubiquitous non-competing last mile broadband technology for triple-play independence. Players can continue trailing new access technologies like WiMAX and PLC but in the end, this technology-agnostic war is really about winning those empowered consumers.

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