Every Story

Dave Says: You're Ignoring the Timing and Surprises

I'm pleased that many of our key assumptions have proven correct. But let's not get too full of ourselves. We were right about some of today's services — but wildly off on the timing. We were correct in anticipating vigorous competition from the phone companies, but we thought price competition would drive pricing down much more than it has.

Probably the biggest shortfall in our plan was the amount of revenue we anticipated from the SOHO (small office, home office) market. Operators had so much to do on the consumer side of high-speed data that getting to small businesses took a long time.

We anticipated a distinct offering for home office users, with differentiated services commanding a higher price than "ordinary" consumer broadband. Instead MSOs have used higher bandwidth and faster speed as part of their competitive strategy to compete on elements other than price. They have succeeded in maintaining their market share and commanding a higher price point, but they've left money on the table — especially now with more people working out of their homes.

Look at the impact on us. We've been working out of our home for 15 years. Back in the '90s we couldn't get high-speed data service from anyone, so we installed ISDN to get higher speeds. That proved unsatisfactory and we installed a T1 line. When our cable operator finally rolled out high-speed data a year later, we quickly found that it was faster than the T1 line — and cost a tiny fraction of what we were paying. Our cable broadband service has gotten faster and faster over the years. What could the operator do now to convince us to pay more?

How about our misjudgment of how long it would take OpenCable to get to the market? CableCards were rolled out much later than we projected and very few retail set-top boxes have appeared on the market. Maybe tru2way will change this, but we were way off in thinking our client could avoid a heavy investment in advanced digital set-top boxes.

With respect to digital migration and HDTV, we certainly did not anticipate how long analog TV would hang on. We were focused on video competition from the telcos, but missed how competitive satellite would become and how aggressively the satellite guys would use HD as a competitive weapon. More than anything else, the HD competition from satellite is finally getting operators to work on "analog reclamation" — which we assumed would happen much earlier.

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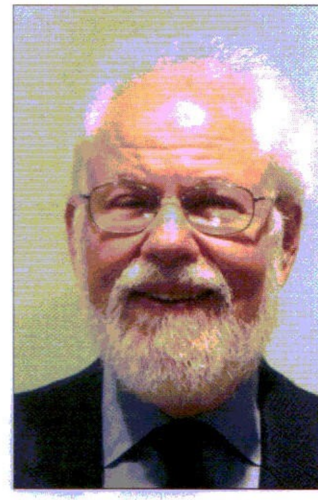
While we were right about the increasing volume of person-to-person video, we were wrong in thinking operators would be able to monetize it. We thought video conferencing would provide a significant revenue stream from the SOHO segment. Instead, we use Skype all the time to chat with our grandchildren in TV-quality video — and still pay only a flat rate to our cable operator.

How about the things that came out of left field? Video streaming and peer-to-peer networking weren't on our radar screens. We had heard theories about the rise of the "prosumer" (a consumer who also produces lots of content), but we certainly didn't anticipate the kind of phenomenon YouTube would become.

Another phenomenon that didn't cross our minds — or at least our business plans — was social networking. Just think how many of the demos at this year's Cable Show had some social networking aspect to them.

What else did we miss? We didn't anticipate how important PVRs would become for consumers. How about the operators' increasing role with Wi-Fi and their move toward wider-scale wireless broadband? Or the cross-platform integration of services across landline phone, mobile phone, PC and television? I hate to be the spoiler, but we certainly missed more than a few things!



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A broadband industry pioneer, Dave has worked on residential broadband for nearly 20 years. In the 1990s he directed several of the earliest residential cable modem trials, and later helped MSOs plan and deploy broadband services. When Dave is not busy consulting for clients or co-writing the Report on the Broadband Home, *he tests new broadband-related products and maintains the multiple Web sites he's created.*