



COMPETITION

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AT&T HOMEZONE FILLS A SERVICE GAP

WILL THE INNOVATIVE PACKAGE WOW SUBSCRIBERS?

AT&T says AT&T Homezone provides “a world of multimedia features.” Marketing hype aside, Homezone does offer several innovative features. On the downside, however, subscriber demand for Homezone has yet to soar.

Homezone cobbles together AT&T/DISH satellite TV and AT&T DSL Internet access, and adds a special wireless router and an SD or HD DVR set-top receiver that integrates the multiple feeds from DBS, the Internet, and home networking. Thus equipped, the subscriber can:

- View Internet video content from Akimbo and Movielink on the TV.
- Remotely select and manage DVR recordings via the web through the AT&T Yahoo! portal.
- Upload photos to the Homezone set-top receiver for viewing on the TV or for remote access via the web.
- Listen to stored MP3 music and AT&T Yahoo! Launchcast radio on the TV.

Homezone has been offered since late 2006 to new DISH subscribers and to existing or new DSL users throughout AT&T's legacy 13-state SBC territory. However, by the end of 2007, AT&T reports that Homezone had attracted just 17,000 subscribers, equivalent to 11% of the approximately 150,000 AT&T/DISH subscribers added during the first half of the year. AT&T has been remarkably quiet about demand for Homezone, which leaves us to speculate on why more subscribers are not signing up.

Possible reasons:

- Cost. Consumers may balk at paying \$9.99 per month for Homezone, plus \$5.98 per month for the

DVR feature, just to obtain entry to an Internet TV walled garden where most of the attractive content from Akimbo and Movielink costs extra. An AT&T official says these sites offer more than 7000 titles, of which approximately 1600 are free short-form videos. Unlike cable VOD, however, there are no free VOD choices from any of the premium or basic cable networks.

- Inconvenience. Homezone Internet TV content must be downloaded, which may try the patience of consumers accustomed to instant gratification. AT&T says that a subscriber can begin watching buffered SD content within 15 minutes of the start of the download, given a typical 1.5Mbps DSL connection. To avoid this wait, AT&T suggests that subscribers make their download selections in advance via the web so that the content will be ready for viewing on the DVR. AT&T encourages this by imposing charges only when a selection is viewed from the DVR, not when it is picked for downloading.
- Other. Perhaps there are technical, marketing, or execution issues that AT&T has not yet made public.

Homezone fills a gap in AT&T's video services in locations deemed uneconomical to build out the hybrid-fiber-wirepair network for AT&T U-verse. Unlike U-verse, Homezone does not carry a network capex burden. This provides breathing room for AT&T to endure anemic subscriber demand while working on incremental enhancements to increase Homezone's appeal. Thus Homezone serves AT&T's purposes both as a gap-filler and as a low-risk platform for AT&T to try new things in Internet TV and multimedia services. ■■■