



Geography Is Destiny

Report from the Cable Show: Nationality drives stark competitive contrasts in world of cable.

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NEW ORLEANS—At the NCTA Big Show, a session on international cable (“Geography Lessons: Understanding Cable’s New World Order”) highlighted two extremes in cable’s competitive status, both dependent on the unique cable and telecommunications history of a particular nation.

Speakers from two Asian cable operators—one based in Taiwan and the other in Japan—described desperate competitive struggles versus incumbent telcos. The cable operator in Taiwan is deploying DOCSIS 3.0 as a defensive measure since its competitive telco, which already serves most of the Taiwan’s broadband subscribers with DSL, is now aggressively building out fiber-to-the-home (FTTH). To entice subscribers, the Taiwan cable operator is offering phone service at no extra charge. The speaker from the cable operator in Japan pointed out that cable (6.5 million subs) and satellite (4.4 million subs) overall serve only 20% of households in that country, and their growth rate is declining. Meanwhile, most of Japan’s 28.8 million broadband subscribers are served by telco DSLs. The good news is that telco DSLs are now being superceded, but the bad news is that they are being replaced by rapidly growing telco FTTH connections, while cable continues to hold a small market share. The cable operator in Japan is now responding with a 160 Mbps service using 4-channel bonding. This is not being deployed because users in Japan actually need 160 Mbps but, rather, to demonstrate to marketing-sensitive Japanese consumers that cable offers an advanced technology, just like the telco’s FTTH.

Meanwhile, a speaker from Rogers Cable, Canada’s largest cable operator, described the opposite extreme of cable competitiveness. Rogers is under no pressure to deploy DOCSIS 3.0, since its telco adversaries in Canada offer only DSL. Unlike the Asian (and U.S.) cable operators, which offer flat-rate broadband service, Rogers is implementing usage-based pricing to establish caps on user traffic loads; in doing so, it has competitive cover from Bell Canada, which also employs this pricing technique. Rogers also happens to be Canada’s largest mobile wireless operator. The Rogers representative on the panel, responding to a question from the U.S.-based “reactor” about how valuable mobile wireless really is to a cable operator, said that customer satisfaction is higher among its subscribers with all four products (TV, phone, broadband, wireless), and their churn is significantly lower.

Cable technologies and business concepts transcend national boundaries. However, how cable lines up competitively is vastly different across countries and regions. Defining factors include different local histories of cable, satellite and telco providers, regulations and cultures. For now, U.S.-based cable falls somewhere between the highly contrasting situations described at the NCTA panel for the Asian and Canadian cable operators. International cable offers valuable lessons and perspectives: There is nothing preordained in the current competitive status of U.S. cable, and it could change.

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