Telecommunications Companies: the Fight for Customers Gets to the Sofa

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The new battlefield for the telecommunications operators to attract customers is neither telephony nor an Internet connection; it is television, a market that has been exploited by cable operators from the beginning and now telephone operators will enter the fray.

Their aim is to compete against cable companies with a triple offer of Internet, telephony and TV (known as *triple-play*) that will allow users to combine the three services in a single bill.

However, in Spain, Telefonica –the only operator to offer TV over the Internet (TVIP) with Imagenio–has a hard time selling the three services. Its licence to broadcast TVIP does not allow it to integrate telephony services so Imagenio’s offer does not go beyond providing television channels and audio, a la carte content, films and Internet.

The prohibition on bundling the three services leaves the Spanish operator at a clear disadvantage as cable operators can, for example, give discounts in the overall bill to those customers who have a *triple-play* contract with them. But the regulation is not the only hurdle the Spanish operator must face to get Imagenio into the mass market.

Another key problem in the battle to keep (and gain) customers is content. Not in vain, one of the reasons given for the failure of Via Digital is the fact that it was launched on the market without the essential star content in Spain: football and films.

In principle, Telefonica, which owns 40% of Digital Plus, the only digital platform in Spain, has the upper hand when negotiating with producers. The operator will only be able to keep its customers while attracting new subscribers, who have not got other paid television services, by providing new and exclusive content.

This last point is essential. Let us not forget that the lack of demand was behind the merger of the two digital platforms that existed in Spain. It is easy to think that those interested in widening their choice of television are already subscribed to
Digital Plus, the company that stemmed from the merger of the two platforms. That is why the only way to increase market share is to offer new content.

Imagenio must also surmount the problem of the technical requirements. Contracting TVIP means having equipment that most users simply do not have. According to Telefónica, it is necessary a 256Kbit/s connection for watching Imagenio channels. On the other, the installation of the equipment implies having a decoder that costs six euros per month. These requirements make the end product expensive, which discourages the adoption of the new service (especially in a market unused to paying for audiovisual content).

In short, Telefónica will have to gamble heavily if it wants to successfully win on these four fronts: regulation, content, demand and technical requirements. Otherwise it could miss out on this new market and consequently lose the battle for customers.