Internet television in the living room
Pablo Salvador
Expansión
08/07/05

This new technology lets the user integrate the Internet, telephony and television in a single device with an all-in-one bill. Telefonica and Auna are already offering this service.

Telefonica is not now alone in the Television over Internet Protocol (TVIP) market in Spain. Auna has just launched its own package of telephony, Internet and television over DSL; Jazztel is expected to follow suit in December; Wanadoo has announced that it will test its service at the beginning of next year.

At present, there are several ways of distributing television broadcasts, which include as many analogue versions as digital versions: terrestrial television, satellite television and cable television. Terrestrial television is the traditional method of sending the television broadcast signal by radio waves transmitted over the air. Satellite television is sent by satellite located in space thousands of kilometres above the earth. Lastly, cable television is a means of supplying television via radio waves transmitted directly to televisions by coaxial cable.

Television over the Internet, the latest in television transmission, transforms films and television signals into a format that can be sent over telephone lines as well as data transmission lines. As a result, operators see TVIP as a new resource to increase the profits they get from their Average Revenue Per User (ARPU), which have been falling progressively over the last few years.

TVIP technology has several advantages. Perhaps the most important one, although shared with cable operators, is that it enables the integration of three services (Internet, telephony and TV, known as triple-play) into a single bill.

Another advantage is its user friendliness; one can easily select content with a remote control and onscreen help. Moreover, no installation is needed as the signal is taken directly from the phone line.

Another novelty of TVIP services is video-on-demand, which lets users access payment services at any time and enjoy them for up to 24 hours. The user can stop and rewind a film as if it were a video or DVD. Lastly, one can enjoy broadband access to the Internet from a computer or from the TV set.

However, the roll-out of such technology is not without problems. On the one hand, the telephone line must be able to support TVIP technology, so not all DSL lines benefit
from this service. On the other, set-top boxes are required, which eventually hikes up the final cost.

In Europe, the use of this technology is quite widespread, above all in Italy, Belgium, France and Scandinavian countries. The Italian e.Bistrom was the first telephone operator to offer this service. This company was set up in Milan in 1999 and at present has a portfolio of more than half a million customers.

In Spain, there is still only a small number of people who watch audiovisual content via their DSL lines. Imagenio, Telefonica’s service, has been operating since 2004 and has some 45,000 customers, although the company expected to cover all Spain by last July and have 200,000 users by the end of the year. It forecasts having a million subscribers by 2008.

Imagenio offers television and digital audio, broadband connection to the Internet, TV and computer with video on demand, all through the telephone line with DSL technology. Auna’s package – which will be rolled out in areas where Auna’s cable network hasn’t reached – is similar to Telefonica’s, although it provides an additional service: programme recording. This service lets the user record a programme and store it in Auna’s repository so that it can be watched at a later date.

Undoubtedly, this is a highly attractive market for telephony operators, for whom it means an opportunity to compete with the cable companies, especially within a context in which users spend more and more money on telecommunications. The competition will surely end up favouring customers by bringing down prices as well as providing a better quality service.

¿What factors must operators strengthen to corner the Television over IP market?

**Difficulty in making out the competition**

*Josep Valor, IESE professor*

The competition among telecommunications operators has spread to the telecommunications services. Three new offers will compete with Telefonica’s Imagenio before the end of the year.

Unfortunately, all the operators will use practically the same transmission infrastructure: Auna, Wanadoo and Jazztel will use part of Telefonica’s network and, although they depend on different technology providers, their services will be hard to distinguish from one another.

This is why they are going to find themselves in a situation not unlike the DSL market where competition boils down to a relentless price war. In the face of such a panorama of commoditization, certain attractive and exclusive content (especially fiction and sports events) is the only way to create competitive advantage over rivals. However, the TVIP operators won’t find it at all easy to get exclusive content. Firstly, Spain has declared football a “general interest” event and some games must be broadcast openly. Secondly, content providers have no qualms about closing deals with more than one platform in order to reach the largest possible audience. To sum up, it will be difficult for operators with the distribution rights of content from third parties and similar infrastructures to stop their falling margins.
Innovation is key to success

Sebastián Muriel, Senior Manager PricewaterhouseCoopers

The appearance of Television over IP (TVIP), as a complement to Voice over IP (VoIP), is the natural response of the operators to the main demand of the customer for greater commodity at a lower price.

In a context of a joint offer of three services in a single bill, otherwise called triple-play, the operators feel obliged to look for formulae to differentiate themselves from their rivals. Once again, the key to competition is content as well as the innovation required to launch services and applications suitably aligned with the customer’s value to the operator, based on his habits and degree of consumption. In other words, what the customer wants now and what he will demand in the future must be understood. This will allow the operators to segment and apply different personalized billing schemes as the tendency, in general, is not going to mean an increase in the monthly expenditure of customers in telecommunications. Moreover, the time the user has to see TV is still limited, so it is necessary to fight for his or her attention. The wide offer base undoubtedly favours on-demand consumer options.