Telecom: business is in the extreme
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The business of carriers has seen better moments. Investment has abandoned telecom signal transportation between operators -a mature business with low margins and void possibilities of differentiation- to focus, although without much excitement, on those providers that take advantage of local loop to offer technologies, services and content with added value.

Big operators' lines, built years ago by long-distance incumbents such as ATT, Cable & Wireless or MCI-Wordcom, cover today the whole planet, supplying more transport capacity than is needed. Analysts estimate that only 4% of Europe's fibre is really "lit" at present. Even those networks on stream are underused. Overcapacity of networks is still higher in US, where baby bells have covered the country with idle fibre, very costly to deploy and of doubtful profitability.

Big providers believed that the differential value lied in the possession of an enormous web. In the mid-nineties, the Internet fever was caught by the main operators, who thought they had found extraordinary business opportunities in the growing data traffic. Following their traditional model, they started to wire the world to meet those opportunities.

The volume of transmitted data has increased indeed but not in the expected exponential way. Moreover, today's technology has increased the capacity of the networks considerably: one sole fibre optic cable is now able to channel multiple services. In this context network redundancy is meaningless, as KPNQwest's failure shows. During its almost four years of existence, this provider felt obliged to lay 25,000 kilometres of fibre optic cable, while its competitors offered an identical service with already deployed networks and, therefore, with more competitive margins. For the moment the investment market is punishing the telecom market, making no distinction between providers that limit themselves to signal transport and those who focus on value added services to end users. The former behave as mere carriers in a saturated market and their only differentiation point is price. The latter, who understand that the telecom business is in the extreme, try to offer value to end users through pay services (specially those delivered by broadband). Gradually investors will better distinguish between the possibilities of both strategies.