Cable Next-Gen Video Plans and the Future of IP

EXECUTIVE SUMMARY

North American cable operators are being squeezed by competitors on two sides. On the one side are direct-broadcast satellite providers that offer digital video services and a tremendous range of channels to choose from. On the other side is the emerging threat from incumbent telcos, most notably Verizon’s FIOS service and AT&T’s Project Lightspeed. These telcos are coming after the bread-and-butter business of the MSOs: video entertainment. And they are starting to scare the cable companies.

Verizon’s FIOS assault is shaping up to be particularly scary for MSOs. Just three months after launching FIOS in Keller, Texas, Verizon had gained a 20 percent share of the local paid-TV business there. In addition to Keller, FIOS has been rolled out in selected markets in New York, California, Virginia, Florida, and in additional cities in Texas.

Meanwhile, AT&T is ramping up its rollout of Lightspeed services throughout 2006. Although running over DSL lines (and thus ultimately providing less bandwidth to homes), AT&T’s rollouts will add another layer of anxiety for MSOs because Lightspeed will offer a true IPTV implementation. As Lightspeed rolls out across the U.S., cable MSOs will eagerly watch what types of new and innovative features AT&T adds to the mix and, more importantly, whether consumers find those new features compelling.

Although the ultimate success of telco IPTV remains to be seen, the threat to the MSOs’ core video business is very real, and the major MSOs we interviewed for this report are taking this threat very seriously. Recent history shows that the cable companies will not sit idly by while telcos accelerate their video and IPTV investments, and our interviews confirm that they are not.

Cable Next-Gen Video Plans and the Future of IP delves deeply into the next-generation video plans of North American MSOs as they prepare for the coming assault from telco IP and continue to defend against the competitive threat of direct-broadcast satellite providers. Specifically, the report analyzes their plans in the areas of:

- Digital simulcast
- Switched digital video
- Video on demand
- MPEG compression
- Video over Docsis
- IPTV
The report analyzes the evolution of cable video from both a technology perspective and a business perspective, focusing not just on how MSOs are changing their networks, but also on how they are changing their business models with respect to video on demand and the growing trend toward non-linear programming in general. The report delivers a complete analysis of the Next Generation Network Architecture (NGNA) initiative from CableLabs, the cable industry’s research consortium, including how and when NGNA is likely to be deployed by leading MSOs.

This report provides detailed profiles of the largest North American cable MSOs planning next-generation video networks, as well as a smaller U.S. MSO, to illustrate how smaller operators are also adjusting to sweeping changes in technology, competition, and consumer behavior.

Excerpt 1: Time Warner Cable VOD Content Additions, 2006

<table>
<thead>
<tr>
<th>VOD FORM</th>
<th>HOURS TO BE ADDED</th>
<th>% GROWTH IN HOURS (Y/Y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transactional Movie</td>
<td>+50</td>
<td>9%</td>
</tr>
<tr>
<td>Premium SVOD</td>
<td>+300</td>
<td>86%</td>
</tr>
<tr>
<td>Free VOD</td>
<td>+275</td>
<td>122%</td>
</tr>
<tr>
<td>Music</td>
<td>+85</td>
<td>340%</td>
</tr>
<tr>
<td>Kids</td>
<td>+100</td>
<td>200%</td>
</tr>
<tr>
<td>Local</td>
<td>+30-70</td>
<td>60-140%</td>
</tr>
<tr>
<td>Media Sales</td>
<td>+20</td>
<td>New in 2006</td>
</tr>
</tbody>
</table>

Source: Time Warner Cable

For a list of all the cable operators profiled in this report, click here.

The report also delivers a detailed analysis of the technology vendors selling into next-generation video networks, including vendors active in: optical transport equipment, VOD servers, M-CMTS equipment, video headends, distribution equipment, set-top boxes, middleware, and IP switching/routing. The report categorizes vendors by equipment type and provides analysis of products, customer traction, and strengths and weaknesses.

Excerpt 2: Cable Next-Gen Video Equipment Vendors by Equipment Segment (Sample)

<table>
<thead>
<tr>
<th>VENDOR</th>
<th>OPTICAL TRANSPORT</th>
<th>VOD SERVER</th>
<th>CMTS</th>
<th>VIDEO HEAD-END</th>
<th>DISTRIBUTION NETWORK</th>
<th>DIGITAL STB</th>
<th>MIDDLEWARE</th>
<th>IP SWITCHING/ROUTING</th>
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<td>Arris</td>
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<td></td>
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</tr>
</tbody>
</table>

Source: Heavy Reading

For a list of all the technology vendors profiled in this report, click here.
Report Scope and Structure

The data presented in this report is based on one-on-one, exclusive interviews with the largest U.S. cable MSOs and leading network equipment vendors selling into the next-generation cable video market, including large, established players and new vendors touting innovative technology. The interviews were typically one-hour telephone or face-to-face meetings, with follow-up discussions when necessary.

Cable Next-Gen Video Plans and the Future of IP is structured as follows:

Section I is an introduction to the report, with complete report key findings.

Section II provides an overview of CableLabs’ Next-Generation Network Architecture (NGNA) – why it exists, what it does, and how it affects the cable industry.

Section III provides detailed analysis of the key technologies that MSOs are investigating and implementing for next-gen video.

Section IV profiles five North American cable MSOs, focusing on their next-gen video strategies.

Section V profiles 13 key network equipment vendors marketing products to next-gen cable video networks, including vendor segmentation comparisons and analysis of the strengths and weaknesses of each.

The report is essential reading for a wide range of industry participants, including:

- **Cable MSO service providers**: What are the key technology and service deployment trends envisioned by your competitors and other cable operators? How can you best protect your market share in the video sector and boost ARPU through new services? What kinds of upgrades will be required to maintain leadership in the video market?

- **Equipment suppliers**: What is the most likely timetable for cable MSO deployment of next-gen technologies for video services? What choices are operators most likely to make? How significant is cable MSO investment in next-gen systems likely to be? Which operators are most likely to be first movers into this critical sector?

- **Telecom service providers**: Which are the most realistic technology options for cable operators, and how do those options match up to your video deployment plans? What are the key strengths that cable MSOs will be able to leverage in their efforts to protect market share, and how can your company respond to those strengths? What strategies can you deploy now to exploit the vulnerabilities of cable MSOs?

- **Investors**: How will the market share battle between MSOs and telcos take shape in the consumer video sector? What are the risks and rewards for each side in this showdown? Which technology providers are likely to emerge as the main beneficiaries of this battle, and when are they most likely to reap those benefits?

Cable Next-Gen Video Plans and the Future of IP is published in PDF format.