

CFP Presentation Notes: *After the Triple Play*

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- Topic: Broadband (BB) ISP industry and its future
- Too much capital and interest in BB business to let it fail...
- ... but over ten years there have been and will be lots of change
  - o In 2000, BB was only starting, there were 7000 dial-up ISPs
  - o Current ISPs won't die but they will change
- Video experience will be interactive, social, available anytime and anywhere -> the existing value chain will blow up
- Computing is technology made plastic
- Triple play will erode over time, inevitably but slowly
- Comcast net earnings from 2008 annual report
  - o \$41 per month per customer for video
  - o \$39 per month per customer for Internet
  - o \$25 per month per customer for phone
  - o -> Comcast needs both video and Internet
- Content will not be free because it is a \$26 billion per year industry
- HD video turns wireless BB into complement to wired BB
- Charging consumer more for Internet to compensate for the cost of video
- Before video, cost of transport less than a dollar per month per customer
  - o After video, maybe two dollars in 10 years
  - o But usage costs are variable
- System design to reduce cost
- Akamai revenues 2.5% of Comcast: CDN commodity business today
- Phone: stop thinking minutes, start thinking experience
- Vonage: bad business, bad service (visible in churn rate)
- Skype: new experience, not substitute
- VoIP will be a commodity, there will be price erosion
- DVR
  - o Half of households will have one in 2012
  - o Channel for selling
  - o Redefining experience
- "Watching TV" will morph beyond definition
- Advertising the next battlefield: where does TV spending go?
- Ads over the top video
  - o Standards needed?
  - o Privacy issues?
- He who controls the experience controls the money

Discussion

- Content production industry will remain but profits uncertain
- Broadcast vs. video on demand: live TV very small part of the traffic volume, no special infrastructure needed
- Marketing and customer retention costs larger than technology costs