

VoIP and the *Other* Cable Companies

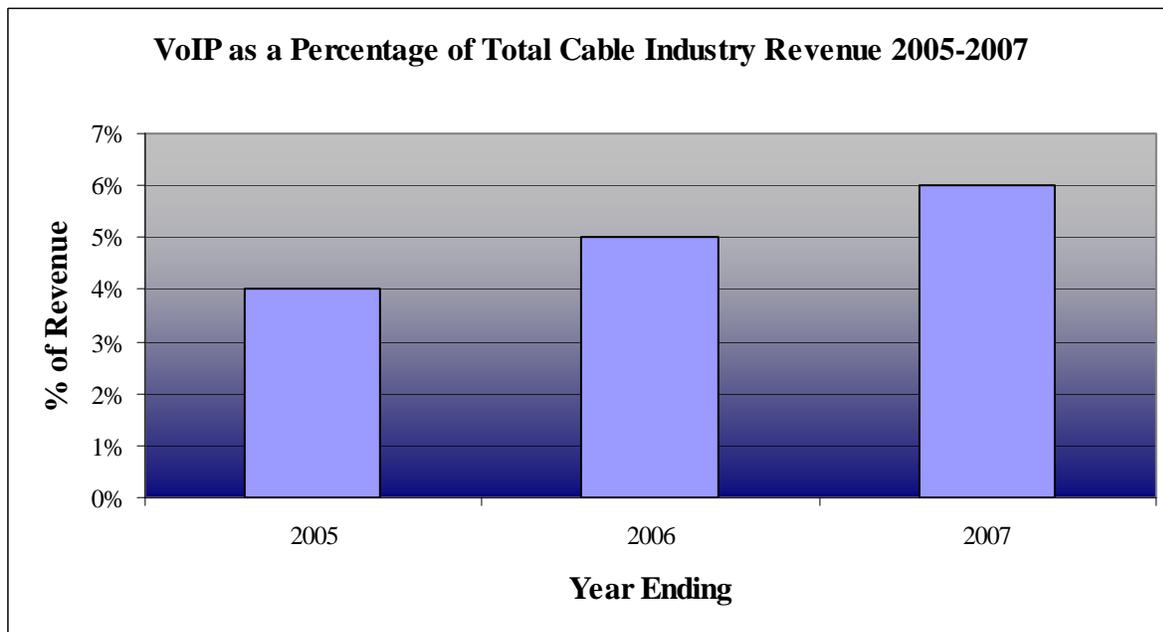
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The Cable Industry Before Telephony

Due to various circumstances that existed during the cable industry's first 30 or so years, these video entertainment service providers were effectively shut-out of the lucrative telecom services market. They faced a number of high barriers to providing voice telephony services including: technological ones (their network architectures were primarily engineered to deliver television services one-way, to the customer), regulatory ones (public policies at the time did not permit competitive entry in telecom markets), and business ones (the cable video markets experienced high growth rates, presenting little motivation to look into other market opportunities).

These circumstances have changed dramatically. Technological advances now permit cable companies to leverage their previously uni-directional networks to now offer a richer set of communications services. The regulatory landscape has shifted dramatically, not only permitting but mandating competition in communications markets. Finally, growth in the core video entertainment market has slowed and cable companies are now in the position of looking for greener pastures.

VoIP services provide cable companies new opportunities for growth. By coupling technological advances with new regulatory policies, they are able to extend new, high margin services to their embedded customer base.



Source: New Paradigm Resources Group, Inc.

¹ ¹ New Paradigm Resources Group, Inc. (NPRG) is a Chicago-based research and consulting firm focused on identifying, analyzing and forecasting emerging technologies and industry trends, fostering mission critical decision-making processes for service providers, technology developers and financial institutions. This article is derived from NPRG's coverage of the cable telephony sector (see <http://nprg.com/SERVICES/tabid/281/Default.aspx>) or call NPRG at (312) 980-7848 for additional information.

Today's Other Cable Companies and VoIP

Similar to the telecom industry, the cable sector is dominated by a handful of multi-billion dollar MSOs, like Comcast, Cox, and Time Warner Cable, while hundreds of smaller cable companies are serving niche geographic markets across the U.S. While much is written on the dominant players, these smaller system operators—which we define as providers with less than \$150 million in annual revenues and fewer than 150,000 customers—receive significantly less attention. These cable companies, however, are experiencing surprising success in deploying VoIP services.

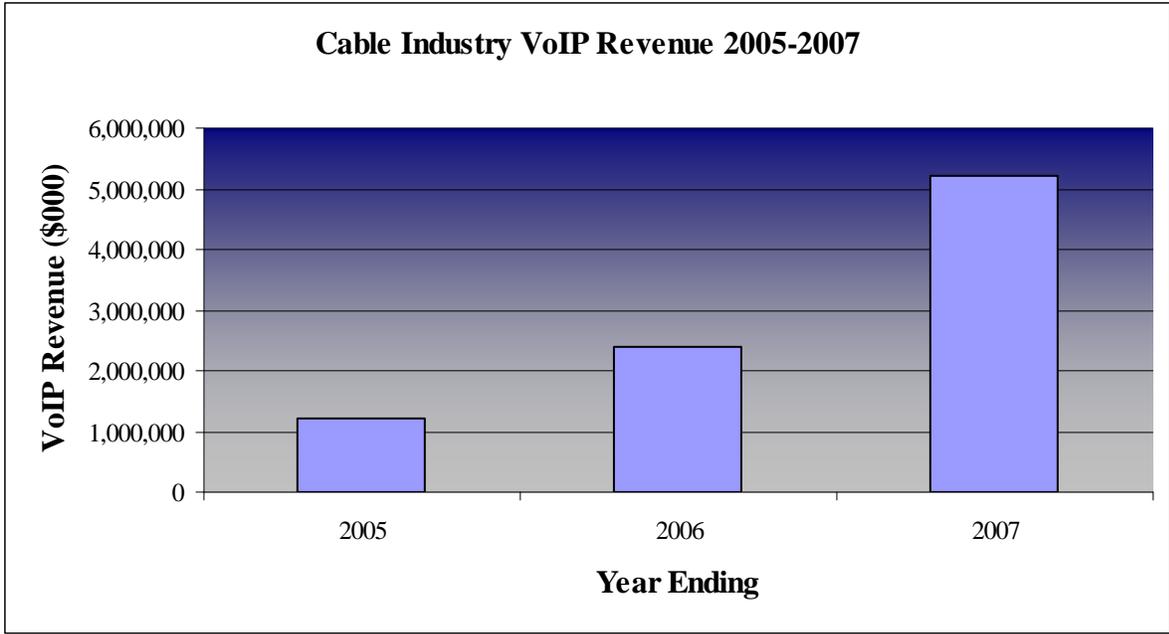
Generally, small cable operators lack the financial backing and personnel to launch an entirely new product line, let alone launch a line quickly as was the case with VoIP. The customer growth and revenue for these cable companies are considerable. For example, Bresnan Communications, a mid-sized cable operator serving in the western U.S., has added more than 50,000 VoIP subscribers, or nearly 20% of its total customer base, since unveiling the service in 2004.

There are numerous explanations for why these other cable companies have done well in the VoIP space in spite of some apparent disadvantages. For one, these companies can efficiently promote new services such as VoIP to tens, even hundreds of thousands by coupling their marketing initiatives with customers' monthly bills. For another, they have peer marketing and sales initiatives, which market directly to consumers and through larger affiliate groups, such as community institutions, which have many members and thus multiply exposure to their voice services. A third explanation is the “stickiness” of service bundling and single billing, which has been proven to reduce customer churn. All of these factors play a part in smaller cable companies' success with VoIP.

Cable and VoIP's Future

While we shouldn't expect to see these “other cable companies” to experience hockey-stick type growth due to VoIP deployment, they will continue to show healthy growth into the foreseeable future. These companies' success in rolling out new products to capture what was once a telco-only revenue stream are a pleasant surprise. For more information about this trend, refer to NPRG's [*Continuous Information and Advisory Services*](#) as these companies continue to develop, expand, and market VoIP and other value-added products to new and existing customers.

New Paradigm Resources Group, Inc. (NPRG) is a Chicago-based research and consulting firm focused on identifying, analyzing and forecasting emerging technologies and industry trends, fostering mission critical decision-making processes for service providers, technology developers and financial institutions. The author is an Analyst at NPRG and can be reached at glane@nprg.com or (312) 980-7848.



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