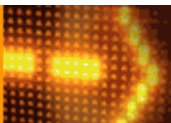


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### Research

## Customers begin to demand VOD

14/05/04 11:10 - by **Tim Marshall**

As operators begin to look more closely at the types of services and applications to be delivered over broadband networks, new research suggests that rather than being an expensive add-on, video-on-demand could well provide a viable proposition as a mass-market service in the near term.

Buoyed by reports that advanced markets such as South Korea are experiencing solid use of VOD over broadband, operators are starting to seriously look at rolling out the service over the next few years. "Positive feedback from the users of existing services, who prove to like VOD," is leading a re-think on VOD, Point Topic says, despite several damaging false starts over the past few years.

"We estimate that as of May 2004 there were at least 230,000 DSL and fibre subscribers worldwide with access to true VOD. Many operators are now pushing forward with ambitious rollout plans which should take subscriber numbers over 1 million within 12 months," said Point Topic senior analyst John Bosnell.

Aside from reports of customer approval, Point Topic suggests several reasons for a renewed focus on VOD, including improved DSLAM and network technology allowing more efficient and cost-effective distribution of video content, lower backhaul bandwidth costs, greater willingness by the film studios to agree content deals, and suggestions that customers will less likely churn away from a service provider offering the service.

"Taking these factors into account, business plans for DSL VOD can expect reasonably early break-even rather than a long period of heavy losses. Indeed we estimate it is currently possible to build a viable business case based on marginal revenue of around \$40/user/month, and that's coming down month on month," Bosnell said.

Interestingly, just this week, US company MatrixStream announced a drive into the Hong Kong market, which after failed attempts by Hong Kong Telecom almost 10 years ago, the company says is more than ready for VOD. With broadband penetration now over 50%, the company says Hong Kong is an ideal market for its services, especially as service providers begin to

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