

# Technologies And Strategies For Advanced DSL Services

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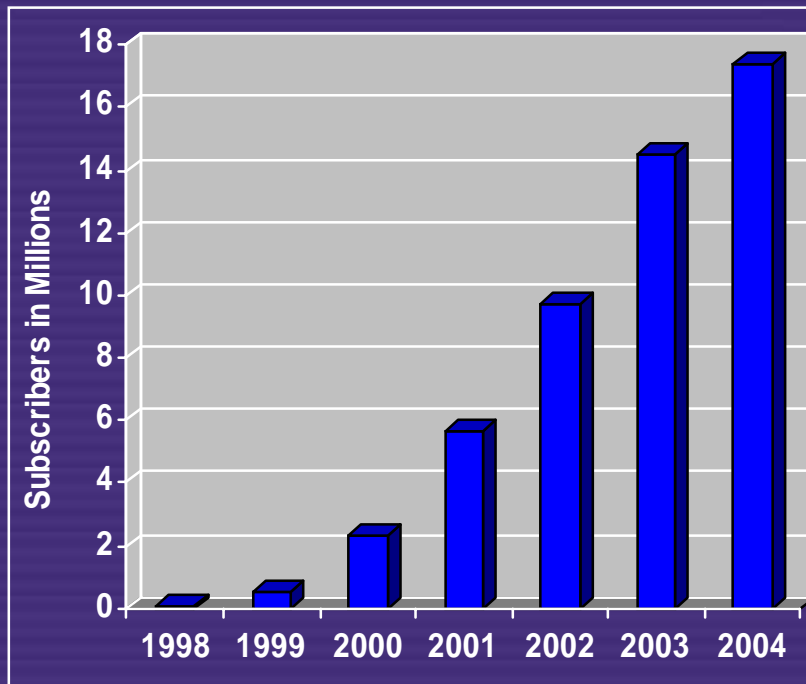
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# North American DSL Q1 Statistics

Type of Provider	1Q 01 Lines In Service	% Lines Residential	% Lines Business
ILECs-USA	2,419,285	80%	20%
CLECs-USA	470,718	43%	57%
IXCs-USA	24,000	15%	85%
<b>TOTAL</b>	<b>2,914,003</b>	<b>73%</b>	<b>27%</b>
ILECs-Canada	590,351	85%	15%

Source: TeleChoice, 2001

# DSL Growth Projections



Source: TeleChoice, 2001

- We've seen robust growth for the past few years
  - 39,000 - YE 1998
  - 504,000 - YE 1999
  - ~2.3 million - YE 2000
- TeleChoice predicts the market will continue to grow at a very rapid rate
  - YE 2001 - 5.7 million
  - YE 2002 - 9.7 million
  - YE 2003 - 14.5 million
  - YE 2004 - 17.4 million

TeleChoice projections available at [www.xdsl.com](http://www.xdsl.com)

# DSL Services Today

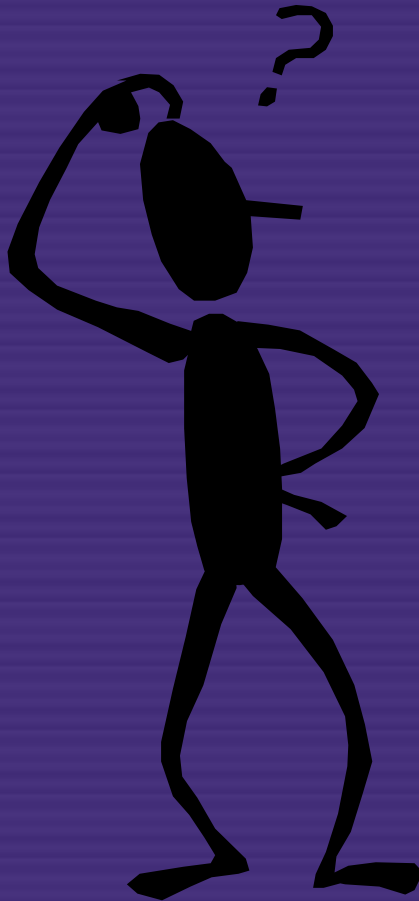
- Plain Vanilla Internet Access
  - Best Effort Service
  - “Basic,” “Enhanced” services offer only differences in speed and/or symmetry
  
- Few Providers packaging applications, or even bundling
  - Residential market: a few providers offer video, apps-specific packages, or security
  - Business market: mostly VPNs, some bundling with voice, not very much

# So What Is "Advanced DSL"?

- Based on today's environment, "Advanced DSL" could include
  - QoS or performance upgrades
  - Preferred customer service
  - "User-profile-specific" packaging
    - Gamers, telecommuters, sys admins, etc.
  - Complementary services or options
    - Home networking support
    - Wireless LAN capabilities in modems or gateways
  - Totally new services or applications
    - Video broadcast, narrowcast, conferencing
    - Data backup/storage
    - Additional voice lines and features
    - Bundling with mobile voice
    - Unified messaging
    - Security solutions



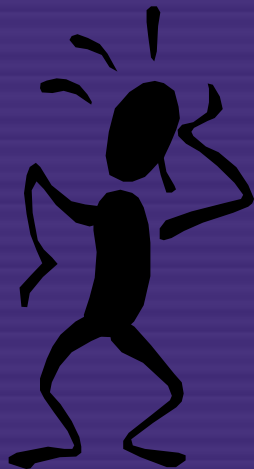
# Do Advanced DSL Services Matter?



- Advanced DSL is critical for long-term picture for service providers
  - Important Revenue opportunity for providers
    - Therefore improve profitability over time
  - Options for differentiation and improved competitive positioning
  - Increase service stickiness
    - Lower churn
    - Attract competitor's customers

# Why Haven't We Seen Much So Far?

- Offering Enhanced DSL services is not a silver bullet
  - Educating the customer is hard
    - Takes time, investment
  - Changing customer behavior is harder
    - Takes time, critical mass, and word of mouth to help
  - Can't skimp on basics
    - Must still meet table stakes on the basics like easier installation, responsive customer service, reasonable pricing



# Is It Too Late To Even bother?

- Mass market is not *really* ready for anything but cheap Internet access
- DSL providers are still struggling with delivering the basics and improving to meet cable service standards
- By the time Advanced services are ready to deploy to mass market, will the boat have passed by?



# Bottom Line - Risk vs. Reward

- Providers must be planning their advanced service strategies now
  - Cable competition is coming from an “entertainment” perspective; DSL providers must find the “secret sauce”
    - Voice bundling will very quickly be “come-to-the-party” requirement
    - Video capabilities must not only be met, but exceeded
  - Fail fast, fix it, and move on
    - Window of opportunity probably 12 months shorter than current provider timeframes for offering new capabilities
  - Increase value of DSL services in competitive landscape
    - Strengthen market positioning
    - Add new revenue streams and lock in customers



# Final Words

- *Providers must make sure “Advanced DSL strategy” aligns with corporate as well as product strategies*
  - Enhancing a “Wal-Mart” experience is drastically different from enhancing a “Lexus” experience
  
- *Vendors - providers will look to you for guidance!*
  - Market research, education
  - Prepackage to help providers launch quickly

The background is a solid dark blue. In the top left corner, there is a decorative graphic with a green and yellow grid pattern, a small white box containing the letter 'v', and several overlapping white squares. On the right side, there is a faint, stylized graphic of an atom with three dark grey spheres and intersecting black elliptical orbits.

# Thank You!



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