

Technologies And Strategies For Advanced DSL Services

Beth Gage, VP Consulting

TeleChoice, Inc.

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bgage@telechoice.com

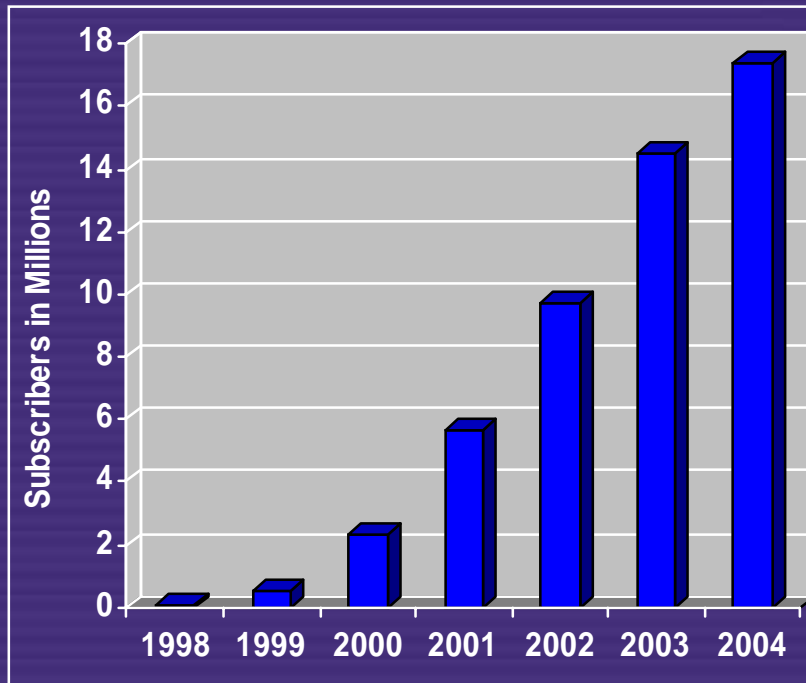
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North American DSL Q1 Statistics

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%
TOTAL	2,914,003	73%	27%
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

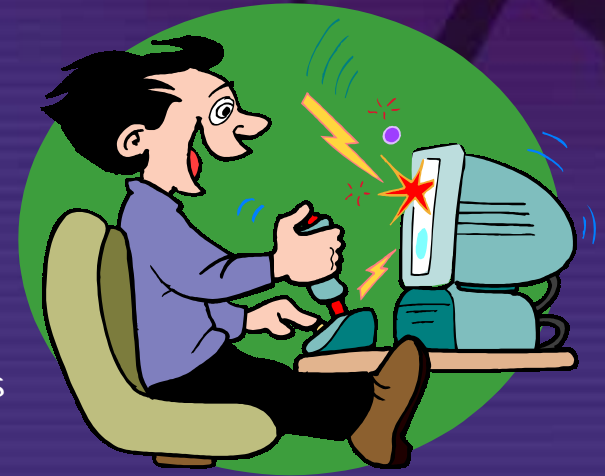
DSL Services Today

- Plain Vanilla Internet Access
 - Best Effort Service
 - “Basic,” “Enhanced” services offer only differences in speed and/or symmetry

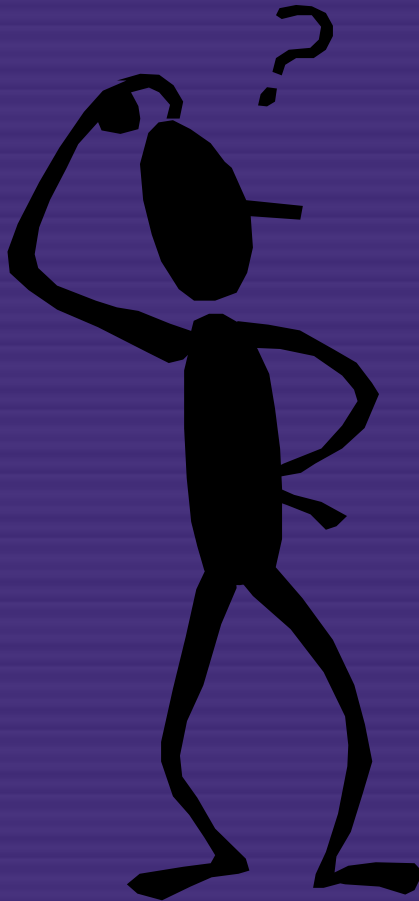
- Few Providers packaging applications, or even bundling
 - Residential market: a few providers offer video, apps-specific packages, or security
 - Business market: mostly VPNs, some bundling with voice, not very much

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



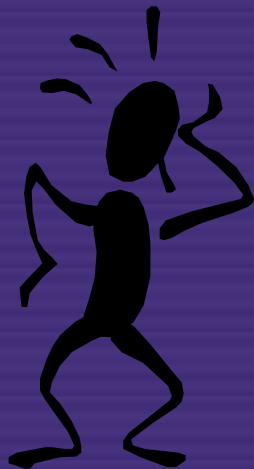
Do Advanced DSL Services Matter?



- 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 square 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 elliptical orbits.

Thank You!



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