

# DSL Market Overview

Claudia Bacco  
Executive Vice President  
TeleChoice, Inc.  
[cbacco@telechoice.com](mailto:cbacco@telechoice.com)  
[www.telechoice.com](http://www.telechoice.com)  
[www.xdsl.com](http://www.xdsl.com)

Supercomm 2001

# Agenda

- The US Market Today
- The European Market
- Current Trends
- Succeeding in an Evolving Market

The top left of the slide features a decorative header with a green and yellow grid pattern, a small white box containing the letter 'v', and several overlapping white squares. A solid red horizontal bar runs across the top of the slide.

# The US Market Today

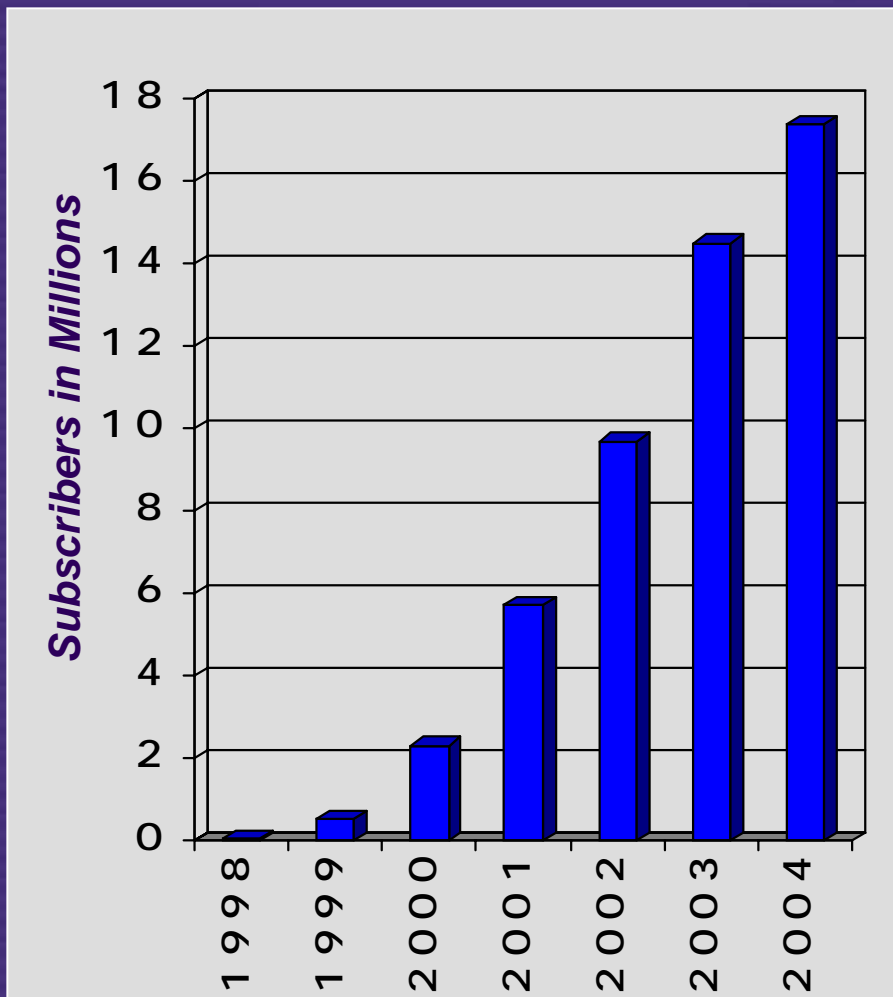
A large, stylized atom graphic is positioned on the right side of the slide. It consists of three dark grey spheres (nuclei) connected by three intersecting elliptical orbits, all rendered in a dark purple color against the blue background.

# Overview Of The US Market

- Strong historical growth
  - YE 1998 - 39,000
  - YE 1999 - 504,000 / 1192% growth
  - YE 2000 - 2,430,000 / 382% growth
- Growth rate in 2001 will be 135%

| 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>       |

# Overview Of The US Market



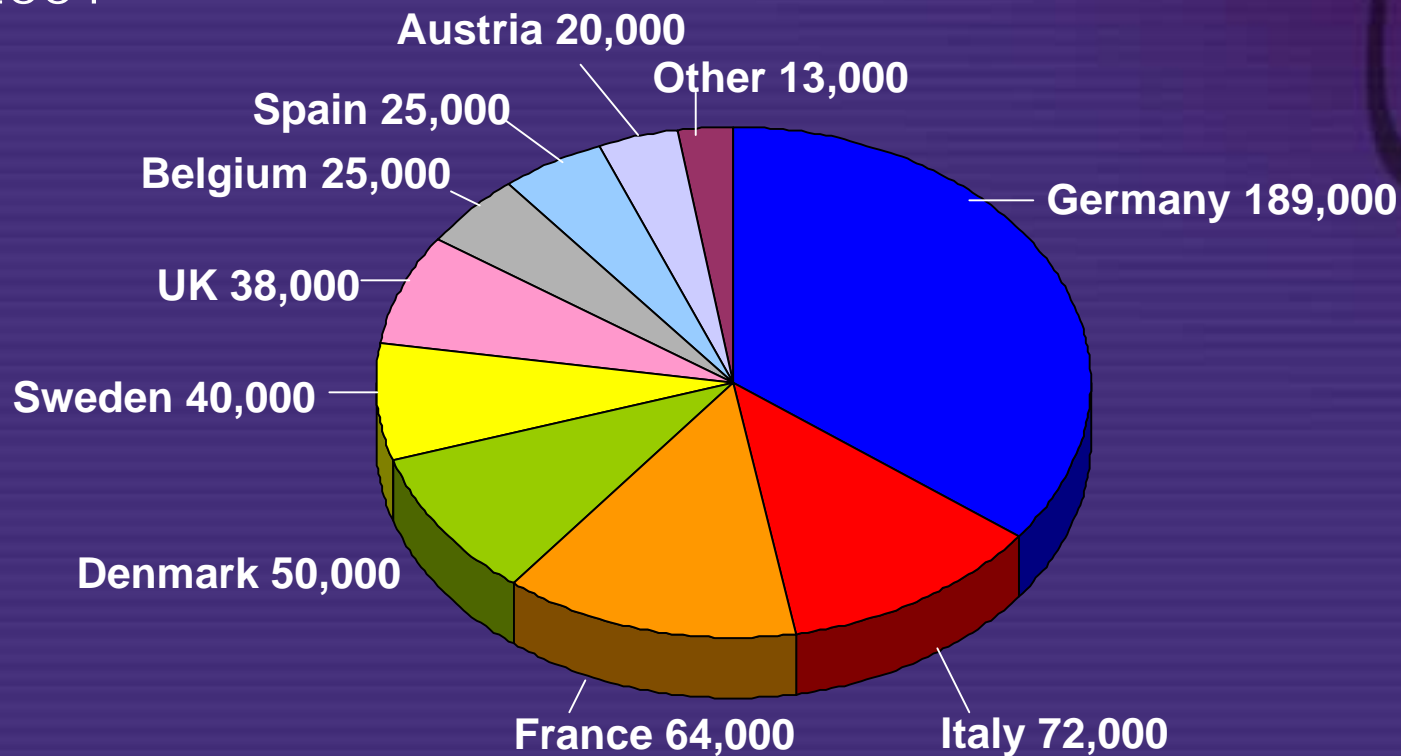
- TeleChoice predicts the market will continue to grow at a very rapid rate
  - YE 2001 - 5.7 million
  - YE 2002 - 9.7 million
  - YE 2003 - 14.5 million
  - YE 2004 - 17.4 million
- Main driver is still data
- VoDSL rollout still in its infancy
- Cable with 4.4 million subscribers at the end of February 2001 (Kinetic Strategies)

The top of the slide features a decorative header. On the left, there is a collage of images including a globe, a circuit board, and abstract patterns. A red horizontal bar spans the width of the slide below this collage. On the right side, there is a large, faint, stylized graphic of an atom with three orbiting spheres.

# The European Market

# European Market

- Total subscribers at EOY 2000 = 538,000
- Projecting substantial increase to around 1.5 million by end of 2001



Source: Point Topic

The top of the slide features a decorative header. On the left, there is a collage of images including a green and white grid, a close-up of a circuit board, and a glowing orange and yellow abstract pattern. A red horizontal bar runs across the top. On the right side, there is a large, faint, stylized graphic of an atom with three spheres and intersecting elliptical orbits.

# The Bad News First

# The Bad News

## ■ Shakeout to continue

- The wholesale model hasn't proved successful to date
- Accountability issues between ILEC, DLEC, ISP caused customer turmoil
  - NorthPoint
    - Poor financials
    - Declining stock
    - Bankruptcy
    - Sale of assets to AT&T
    - Customers out of service
  - Rhythms
    - Poor financials
    - Declining stock
    - CEO resignation
    - Up for sale?? Is there a buyer or a bankruptcy in its future?

# More Bad News

- Covad
  - Poor financials
  - Declining stock
  - CEO Resignation
  - Possibly a turn-around in its future?
- Not only the DLECs are victims of the downturn
  - HarvardNet: Dropped DSL, remaining assets got acquired by Allegiance Telecom
  - Digital Broadband: Laid off of 85% of staff, Chapter 11, For sale
  - Flashcom: Chapter 11, disconnected or transferred customers
  - Zyan: Chapter 11, transferred customers to Covad SafetyNet
- Prices are going up
  - SBC, EarthLink, and Speakeasy price increases - how will this affect the customer take rate?

# And More Bad News

- Provisioning time still not acceptable
  - Flow-through provisioning
  - Self-installs
- Majority of service offerings are still plain-vanilla
  - ILECs, DLECs currently only offering transit at varying speeds, no widely available value-added services
  - Look for ISP partners to offer needed value-added services
    - Speakeasy.net, Telocity
- Business market deployment still slow
  - Providers are still focused on basic transport
  - Quality of Service options are still lacking
  - Performance guarantee options are still lacking
  - G.shdsl might offer hope

# Current Trends (a.k.a. Good News)

# Current Trends

- Providers scrambling to pick up NorthPoint's 100,000 subscribers
  - Covad with SafetyNet Program - 25,000 lines
  - Verizon kept NorthPoint loops in service at no charge
  - BellSouth created a special toll-free number to assist business customers without service
  
- There is good news
  - Demand for broadband will continue to be strong
  - More self-install, especially with the RBOCs
  - More line sharing - DLEC line sharing around 90% of new residential customers

# Current Trends

## ■ Value-adds slowly rolling out in 2001

- VoDSL - Regional CLECs with service in the market, RBOCs may be selecting vendors
- Firewall security, Virus/SPAM control to be offered by ISPs and providers alike
- Increased PC OEM partnerships
  - BellSouth with Compaq
  - Verizon with IBM
- Increased retail availability
  - Verizon with CompUSA and Staples
- Video on Demand stalled, but picking up
  - Broadwing and Intertainer.com - service to 40K subscribers
- VDSL
  - Qwest trialing service in Phoenix, expanding to Denver
  - Small regional players also exploring this option - Myrio

# Current Trends

## ■ Business-focused examples

### ■ XO Communications

- Local voice
- Custom calling features
- DSL transport
- Internet Access, email, and hosting
- VPN functionality
- Packaged by business size

### ■ New Edge Networks

- DSL with VPN functionality in regional markets

### ■ Exario Networks

- Bandwidth choices: DSL through T3
- Performance: QoS, CoS
- Security: Firewall, encryption authentication
- Virtual Routing/VPN
- Voice

# Current Trends

## ■ Consumer-focused examples

### ■ Speakeasy

- Targeting leading-edge residential consumer with high value-added services
  - Gaming, day trading, sys/admin packages
- Instant dial-up connection allows minimal customer service
  - Subscribers put at ease - can monitor provisioning
- Spending little on marketing - mostly word of mouth

### ■ Telocity

- Connect and Protect add-on package
  - Firewall support
  - Virus protection
  - Spam filtering
  - Multi-computer support

The background is a dark blue gradient. In the top left, there is a collage of images including a circuit board, a globe, and some abstract patterns. In the top right, there is a stylized atomic model with three spheres and intersecting orbits. A thick red horizontal bar runs across the top of the slide, just below the collage and logo.

# Succeeding In An Evolving Market

# Two Words: Reliability, Differentiation

## ■ Providers must ensure reliability

- The rules of the game have changed
  - Profitability vs. lines at all cost
  - Focus on generating revenue rather than network build-out, subscriber generation
  - Pacify your investors

## ■ Services that offer reliability are essential

- Focus on hassle-free and fast provisioning
  - For CLECs: continue expanding line sharing and begin self-installation
  - Utilize other technologies that will reduce truck rolls
  - Increase turn-up of DLC line cards to maximize customer penetration
  - Reduce complexity at the CO
- Attract the small business consumer with performance guarantees, quality of service, and security options

# Two Words: Reliability, Differentiation

- Am I differentiated? What is my value proposition?
  - The Residential Customer
    - Why do I need DSL?
    - What can I do with DSL that I can't do now?
    - How will DSL help my family?
    - How will DSL help me work at home?
    - Will DSL change my lifestyle?
  - The Business Customer
    - Is my data secure?
    - Is DSL reliable?
    - Can I get different qualities of service for different locations?
    - Can I get different classes of service for different users?
    - What are the consequences if these things don't happen?

The Strategic Catalyst™

**TeleChoice**

for the Telecom Industry