Lack of last mile connectivity has been one of the biggest impediments in achieving ubiquitous broadband coverage. In such a scenario, multiple service operators (MSOs), with their established wireline infrastructure, are well-positioned to deliver broadband services, particularly in remote areas. Further, the growing demand for high speed data and the government's strong digital push will strengthen the business case for MSOs. Industry experts share their views on the role of MSOs in broadband, the key challenges and the future outlook...*(from left to right: Hemant Joshi, TMT Leader, Deloitte India; Vidya S Nath, Research Director, Digital Media, Frost & Sullivan; T.V. Ramachandran, President, Broadband India Forum)*

How has the role of cable service providers evolved in the Indian broadband space and what are the emerging trends?

Hemant Joshi

Cable service providers are mostly known for media and entertainment services, but with the rising demand for high speed data services, cable operators and MSOs are now venturing into the broadband space. MSOs have a strong pan-Indian presence and have penetrated well into Tier I and Tier II cities. The low penetration of broadband services in rural India and the exponential growth of the broadband market have provided new opportunities to MSOs to offer broadband services along with pay TV. Bundled services are also witnessing demand in Tier I and Tier II cities.

Vidya S. Nath

In our analysis of the pay TV services market, we found that very few MSOs have been successful in gaining major traction in the broadband services space. (There were about 4.5 million users in 2017.) This is because in India, growth for data continues to be driven by wireless broadband and there is subdued growth in the fixed broadband market. That trend is not changing. About two years ago, there was a view within the industry as well as the Telecom Regulatory Authority of India (TRAI) that the cable industry can actually drive the growth of fixed broadband in the country. However, when we look at the broadband subscription base, compared to the total telecom user base, it is a very small percentage. But the growth for cable TV operators seems to be more promising in the broadband connectivity services segment rather than in television subscription. Leading MSOs have carved out separate companies under their group businesses to drive broadband services. We anticipate that there will be double digit growth in the near term as well as in the mid-term.

T.V. Ramachandran

One of the biggest connectivity challenges in India is the limited last-mile reach of mobile and broadband services in rural and remote areas. Cable TV, which has a pass-through of 110 million households (a large number of which are rural households), offers a huge potential to accelerate broadband penetration in India. Emerging global trends indicate that cable network operators have upgraded to become integrated multimedia and convergent service providers. Comcast, which started off as a cable company, has expanded into video-on-demand and then into delivery of broadband services as an integrated service provider offering satellite and Wi-Fi services. Most MSOs in the US and other parts of the world today offer IPTV, broadband access and IP-based data services to individual customers and enterprises. Integrated offerings make the highly competitive broadcast business viable, as the same networks can be utilised more efficiently to deliver enhanced value/benefits to customers. Convergence has truly arrived and the policy and regulatory regime must be flexible enough to permit integrated services, including broadcasting and broadband-based services, in a seamless manner using the same infrastructure and networks.

How does the cable industry compete with conventional players like telecom operators and ISPs in the broadband segment? What are the distinguishing factors?

Hemant Joshi

The digitisation of cable TV has resulted in the emergence of a large number of pay channels and improved content. MSOs are creating a niche market by bundling value-added services (VAS), broadband services, video-on-demand and localised content services, while telecom operators and internet service providers (ISPs) are only focusing on broadband services. Localised content and VAS are helping generate more ARPU while MSOs are able to differentiate themselves from ISPs by providing relevant advertisements based on the location and user base.

Vidya S. Nath

It is not so much a distinguishing factor, but an advantage that cable operators have over telecom operators and ISPs. The cable industry in India is a strong network of thousands of small local cable operators (LCOs) that have tremendous territorial strength. These operators have captured many customer segments in semi-urban and rural areas where there is high potential to grow fixed broadband services. This includes multi-dwelling units, apartment complexes and community dwellings. Because of this network that these cable operators have established over a lifetime, they can be quick to serve the existing customers. On the other hand, while the telecom industry is well established, its growth largely lies in the mobile broadband segment. All of them are focused on either driving it through mobile phones, or through connected devices. It is not in their best interest to create customers for fixed broadband because it is a highly fragmented ecosystem that they have to tap into.

For the non-telecom ISP market, apart from a handful of major providers, the ecosystem is fragmented, with the emergence of several small ISPs that are chasing smaller customer bases. These smaller ISPs are typically resellers. Such ISPs refrain from significant investments to enable customer acquisition since they have to market aggressively and gain customer confidence through quality of service (QoS) over a period of time. Hence, they consider collaborations with cable operators through a revenue sharing arrangement in a bid to offer broadband services along with television services. These trends can potentially be useful for cable operators that have an established and well-distributed subscriber base across urban, semi-urban and rural India.

T.V. Ramachandran

Today, there are minuscule offerings of broadband over cable as compared to other forms of broadband. As per Telecom Regulatory Authority of India's (TRAI) statistics, fixed broadband subscribers are entirely based on DSL technology or through fibre-to-the-home (FTTH/FTTx). There is little or no reference to the deployment of broadband using cable networks yet. This illustrates why cable broadband is not yet in competition with the other modes of broadband. However, India is a vast country and taking broadband technology using fibre and mobile towers everywhere is neither feasible nor cost effective. Cable broadband offers a sitting alternative for deployment of broadband to over 500 million subscribers and, therefore, needs to be enabled as soon as possible.

What are the key challenges faced by MSOs in providing broadband services and what, according to you, are the possible solutions?

Hemant Joshi

The rising demand for data services, along with content, has helped MSOs access a new revenue stream and increased ARPUs in the past few years. Still, there are many potential opportunities in the market for MSOs. However, there are some challenges that MSOs are facing currently, as discussed below.

• Competition from operators: Operators with the presence of superior broadband infrastructure and new technology are also venturing into media and entertainment by providing bundled services to end users.

• OTT players: Over-the-top (OTT) players are now challenging the traditional cable service providers by introducing versatile content and online streaming services along with superior content quality and on-demand services.

• Technology convergence: Broadband, fixed, mobile and Wi-Fi services are converging to provide a seamless network experience to end users, and services are available any time, anywhere. Due to the lack of technology and limited infrastructure, MSOs find it hard to compete from the technology aspect.

Vidya S. Nath

Setting up infrastructure for providing broadband internet services by MSOs in the country is still an expensive proposition. The cost incurred in laying FTTH is very high. The industry is facing cash flow problems given that the traditional businesses of pay TV service have been declining or are already mature. Hence, they are not able to drive significant capex investments to provide scalable data services. The second challenge that MSOs face is the existing competition from other participants such as telecom service providers (TSPs) and ISPs. This is still a new business avenue for many MSOs. Telecom operators are better equipped to provide these services because of their legacy. They have already established certain practices in terms of QoS and quality of experience that they can provide to customers. For MSOs, many of them are equipped to meet several types of customer demands. Investments are required not just in technology but also in the accompanying infrastructure and personnel to support customer care and troubleshooting services to a large customer base. That is the biggest challenge for the industry. One of the possible solutions for this industry is increasing the pace of consolidation. This is because with the consolidation of assets, operators are able to streamline operations at a larger level and they will be able to save a lot more on bottom lines. This will also provide a greater push to the investments required for infrastructure, customer service and other applications related to business. Currently, the market is looking at consolidation within the ecosystem with the merging of LCOs, inter-MSOs, or MSOs acquiring LCOs. But we anticipate that consolidation will be moot and will cross-pollinate the larger media industry – cable, satellite, broadcasters.

T.V. Ramachandran

There are several stumbling blocks in delivering broadband over cable TV network. These include…

• The mandatory requirement under the applicable rules for individuals/partnerships (who are fully eligible to offer cable TV service) to take a unified licence for broadband service.

• Inability of a small LCO/MSO to take an expensive full-fledged unified licence to enable the delivery of converged integrated services.

• Delay in getting right-of-way (RoW) permissions from the concerned local/ state authorities for rolling out cable broadband networks.

In terms of possible solutions, there is no difficulty with regard to the first two challenges, as Section 4(1) of the Indian Telegraph Act, 1885 clearly states that “the central government may grant a licence on such conditions and in consideration of such payments as it thinks fit”. An alternative route for interested cable TV operators could be to take the option of becoming a reseller or franchisee of the operator or become a virtual network operator. Telecom and internet and broadband policies should clarify the availability of all these solutions. As regards RoW, a similar problem impacting telcos has been addressed by the Department of Telecommunications (DoT) taking the recourse available in the Telegraph Act to formulate suitable rules. This has started resolving the difficulties of telcos in the field. It may be noted that on similar lines as provided in the Telegraph Act, Section 4B of the Cable TV Networks (Regulation) Act, 1995 provides for formulating rules to remove the difficulties of cable operators. Also, there is a need for a sustained, long-term awareness campaign, skill development and training workshops for LCOs to make them aware of integrated broadband and broadcast offerings. Further, there is a need to educate local bodies to set up common ducts for the deployment of large fibre bundles, which could be then leased to TSPs, ISPs and cable MSOs and LCOs.

What is your outlook for the fixed broadband market and what will be the growth drivers?

Hemant Joshi

Fixed broadband subscription has been stagnant for quite a few years now due to the high demand for wireless internet and Wi-Fi services in India. But the large investments in fibre infrastructure by different telecom operators and the BharatNet project, which is aimed at connecting 250,000 gram panchayats, are expected to increase the demand for fixed broadband. The high bandwidth and low cost of fixed broadband, along with rising demand for bundled services, will help in greater fixed broadband subscription.

Vidya S. Nath

The fixed broadband market will continue to have a lower growth rate compared to what we

have seen in wireless broadband. The regulator is doing everything in its capacity to accelerate growth and we are seeing government initiatives to connect a lot of gram panchayats and investments in that direction. The growth drivers for the industry are primarily government initiatives. Digital India is a priority today and the government is looking at providing services that will have to be driven on a connected platform. For example, e-health, m-governance and e-governance have all made tremendous progress, but if these are to become universal, the only way is through broadband connectivity. The way India is built and the terrain that we have in many parts of the country, it is a much better way to achieve this objective through fixed broadband rather than wireless broadband. The second growth driver is the growing universe of small ISPs reselling fixed broadband services. This will also push the adoption of fixed broadband services. In the past few years, we have seen the emergence of video services and then, in turn, a jump in data usage due to Reliance Jio Infocomm Limited. Today, Indian consumers have tremendous exposure to a number of mobile applications. But many of these applications are convenient to use only with high-speed connectivity and it is challenging to connect all these apps through wireless media. What we are seeing is that a lot of ISPs are bundling their offerings with some of these apps. This interesting bundling of offers is also going to drive the adoption and growth of fixed broadband services.

T.V. Ramachandran

The importance and role of fixed broadband for India cannot be understated. In my view, fixed broadband is not limited to wireline or optic fibre. There exists the very potent medium of cable broadband that can deliver high-gigabit capacity and high-speed broadband access. Hence, there is a need to urgently leverage the readily available, but inadequately utilised, infrastructure of Indian cable TV networks. The Broadband India Forum lauds the regulator for recommending the waiver of licence fees for a period of five years for fixed broadband services to give an impetus to the sector. The same treatment needs to be perhaps recommended for giving an impetus to cable broadband services also.

The growth drivers for the sector are:

• Explosive growth of data and surge in the use of video (expected to touch almost 70 per cent of all data traffic)

• Upcoming 5G technology

• Infusion of new technologies such as internet of things, machine-to-machine communications, big data, machine learning, artificial intelligence, etc.

• New applications such as e-commerce, financial inclusion, tele-medicine, video-based education services, etc.

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