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**InfoCom says IPTV reveals as customer-retention tool rather than as driver for new revenue streams.**

**Multi-play service bundling established as standard offer — Positive effects of bundling strategies now more apparent — TV bundle component works as retention tool rather than as business model driving fresh, substantial revenue streams.**

Stuttgart, Germany — In advanced TV markets in Europe and North America, multi-play service bundling established as a standard offer to consumers. Most of players providing TV or telecom services offer multi-play bundles combining broadband, fixed and mobile telephony together with TV services.

“During the early days of IPTV, ”a Senior Analyst at InfoCom commented, “telecom carriers were banking on the TV service to drive take-up of broadband services and create alternative revenue streams through new services”. And to achieve this aim, providers lured customers through attractive prices, where bundles cost proportionally less than the single services. The bundles were specifically targeted towards new customers, especially those who were subscribers of competing platforms like CaTV and satellite TV. And in fact, IPTV take-up surged, for instance, in Western Europe where subscribers doubled year-on-year. “As a result”, the Analyst continued, “only-TV platforms felt the impact of this strategy, at least to a certain extent, and their subscriber net additions dwindled”. To counterattack, especially CaTV carriers started to offer bundled services as well. Subsequently, in Europe and North America, multi-play service bundling established as a standard service offer and most telecom as well as TV access providers offer bundles combining broadband, telephony — fixed and or mobile — and TV services.

Although a bit slow to materialise, some positive effects of these bundling strategies are now more apparent, although perhaps not those hoped at the beginning. Some carriers, for instance Belgacom or Portugal Telecom, have reported that bundling has contributed to mitigate their fixed line losses. For a while, for instance, Belgacom had exhibited a 3% fixed

line loss (YoY, 2Q09), while, thanks to bundling, the carrier was able to reduce the disconnections to 0.5% (YoY, 2Q10). Portugal Telecom, as well, was able to mitigate fixed line disconnections posting a 2.6% line loss (YoY, 2Q10) from over 5% previously (YoY, 2Q09). Other carriers — such as AT&T, France Telecom and KPN — stated as well that customer churn was brought down thanks to their bundled offers. AT&T, for instance, claims that loyalty rate for broadband services when bundled with TV is higher than 90%.

As a matter of fact, the television component of the bundles has worked more as a customer retention tool rather than a business model able to generate fresh, substantial revenue streams. With the majority of IPTV subscribers taking dual- or triple-play packages, telecom carriers indeed increase the blended ARPU of the service. But overall, in reality, the “TV” component of the basic service bundle contains generally only free-to-air channels, so subscribers are actually not paying for TV services, rather for additional features, such as time-shifted TV, recording and EPG (Electronic Guide Programme). In addition, in most markets, telecom carriers must subsidize set top boxes or lure customers with premium packages offered free-of-charge for a certain period.

So far, bundling strategies with TV had some disruptive effects for the market overall – for instance putting in competition telecom and TV platforms, which were not antagonists before. And, therefore, creating a new market landscape with some new rules. But until now, and several carriers state it, bundling acts more as a loss-mitigation and customer-retention tool rather than an instrument to increase customer take-up and gain money.

**About Quarterly Monitoring Service TV Scenarios:** This extract is based on InfoCom Quarterly TV Monitoring, providing TV market data from 2004 to the current year + 5 year forecasts with a large amount of figures and indicators for households, broadband and FTTx; TV watchers by access platform; TV subscribers, with IPTV; market share of TV players. If you wish to know more about InfoCom, do not hesitate to contact us. Talk to us. We listen.

**About InfoCom:** InfoCom is a market research and consultancy company with over 20 years experience providing strategic analyses and planning assistance to stakeholders in the telecommunications, IT and multimedia industries. InfoCom's independent and fact-based analyses highlight trends and opportunities, supporting decision makers to understand market dynamics in order to improve their competitive advantage.

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