

# **Network competition or integration: Insights from the video industry<sup>1</sup>**

**Claudia Loebbecke**

Chaired Professor, Department of Media Management and

Director, Media Science Center

University of Cologne

Pohligstr. 1, 50969 Koeln, Germany

Tel 0049 221 470 5364, Fax -5300

claudia.loebbecke@uni-koeln.de, www.mm.uni-koeln.de, www.mzk.uni-koeln.de

## **Abstract**

Television is a traditional form of providing video content services and is by the far the most popular application used in private households. Hence, it is interesting to investigate whether and under what conditions 'TV technology' could serve as a promoter of large scale IP-based services (e.g. eBusiness, eGovernment). Among different distribution technologies, the most feasible one of promoting broadband using television would be cable, ideally digital cable. However, certain levels of profitability would have to be reached before cable operators could take advantage of such business opportunities.

Cable as a means of distributing content services plays a role in most developed countries, even if the relative importance in comparison to other distribution technologies differs from country to country. In general, cable operators increasingly face competition from satellite operators in the market for video content services. This is especially true for analogue cable. Furthermore, possibly upcoming technological innovations such as fiber optics, amplifier upgrades, and compression technologies, as well as intelligent, high storage set-top boxes put economic pressure on cable operators' traditional business lines. At the same time, however, such innovations would enable them to enter the market of 'information services', especially high-speed Internet access and cable telephony service.

This paper provides an introduction to the cable operators' view on the markets of content and information services. It analyzes the reasons for fundamentally different developments in the United States and Germany. After introducing the cable industry in both countries, we investigate cable operators' current market positions and their potential in both, the markets for content and information services. The work will show that the successful roll-out of cable for Internet access, as it can be observed in the US, fosters eBusiness and also eGovernment diffusion in the so-called 'Business-to-Consumer' field.

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