

IP-Prime - RIP

The holiday shopping Last month, SES announced plans to discontinue its slow growing IP-Prime content aggregation and distribution service. In an announcement, Rob Bednarek, president and CEO of SES Americom-New Skies was quoted “In line with its plan, IP-Prime has contracted IPTV signal delivery agreements with 70 small telecom operators, of which 37 have so far reached commercial stage. However, with a subscriber base of less than 10,000 at the end of November and after more than two years of service, the consumer uptake is insufficient to justify continuing operations”. This raises the issues: what went wrong? And, is there a winner here?

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First, a quick introduction: IP-Prime is an in-house initiative by SES to create a “new and improved” version of Comcast’s HITS (Headend In The Sky), a programming aggregator and distributor that has been providing a service that distributes a block of video programming for cable systems. Unlike HITS, IP-Prime has been marketed primarily to rural telephone operators, although it also is applicable to cable systems. Also unlike HITS, IP-Prime uses IP formatting and MPEG-4 compression, which greatly reduces bandwidth needs and provides streams in IP format ideal for IPTV for rural telecom operators.

Following its program launch in 2005 and subsequent service launch, uptake for IP-Prime has proven to be quite slow – as documented by the numbers related above. When we queried some industry players, they cited several factors that, in combination, have played a significant role:

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- High cost of MPEG 4 set top boxes (mitigated to an extent more recently)
- Slow rollout of IPTV among rural telcos
- Inexperience in marketing to the sector
- Budget constraints at tier 2 and tier 3 IPTV operators (in marked contrast to the well funded Verizon and AT&T, which have rolled out IPTV service to millions)
- Competitive pressure from Avail Media, HITS and other programming delivery methods



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Given the timing of the announcement, it is reasonable to assume that the 2008 financial crisis was the final straw – by reducing access to capital for rural telcos and their ability to accelerate planned IPTV rollouts – which are capital intensive.

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Who wins? For now at least, the direct winners are IP-Prime's competitors: Avail Media (closely associated with SES competitor Intelsat), Falcon IP/Complete and DISH Network, which stand to pickup most or even all of IP-Prime's customer base. Less directly, manufacturers of transcoding equipment that can offer a means of taking MPEG-2 streams from HITS or elsewhere are likely to see a bump in orders. And finally, service providers that directly stream content over the public internet and offer solutions ready to hook up to TVs could also see a surge in business form rural telcos facing pressure from DBS operators.

What happens to IP-Prime? While SES has agreed to continue to run the service through July 31st at least, we would not be entirely shocked to see a buyer emerge for the business unit. With a low cost basis from buying the equipment at pennies on the dollar, and content deals in place, an operator with execution capabilities that can help fill in IP-Prime's gaps could well make a go of it.

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