

Executive Q&A

Teleport Industry Becoming 'A Market Of Niches'



Robert Bell

A shift is emerging in the teleport business as operators are moving from just offering uplink services to offering more complete solutions to their customers.

The shift is highlighted in a report from the **World Teleport Association (WTA)** that establishes a series of benchmarks for the industry. The report, "Sizing the Teleport Market," highlights the revenues, geographic distribution, purchasing power and labor requirements of the teleport sector, and is the first of its kind, the WTA said.

WTA Executive Director Robert Bell spoke with *Satellite News* Editor Gregory Twachtman to discuss the report and other issues related to the teleport sector. Here is what he had to say:

Satellite News: *When you were pulling together the data for the report, were there any data points that surprised you?*

Robert Bell: The raw count was just an interesting exercise because it has never been done before. We went to all the published sources we could find, plus our own proprietary lists and tried to get rid of all the duplications and actually looked at each of these records to make sure the teleport was really there, because inevitably, people who are good marketers are going to claim they have facilities in places where what they really have is Earth stations in somebody else's teleport.

When we ended up with our count of about 830 teleports worldwide, it was not as much surprising as

it was interesting because we had been using the round number of 900 to 1,000 facilities. The biggest surprise was that the actual number was pretty close.

Satellite News: *Did assembling the report reveal any significant trends in the teleport market?*

Bell: The days of the plain vanilla uplink are dead. You could make money for a while in this industry in the late 1970s and 1980s just doing uplinking. You really can't do that anymore. The uplinking becomes a fundamental platform that you build value-added services on top of and offer a more complete service to the customer.

What we are seeing certainly in the teleport sector, and I also see signs of it in the broader satellite communications market, is it is all becoming a business of niches. You have to really know what a customer segment wants and deliver it and your competitive advantage ends up becoming your knowledge of the customer's needs and wants and your ability to deliver an end-to-end solution that address those needs and wants. There are all these people coming into this business who are specialized service providers who get that value add game and understand that it is not about the technology, it is really about delivering something to the customer.

It is becoming a more mature marketplace. I can't count the number of times I heard people at conferences saying, "The customer doesn't care how we get it there as long as we get it there," but I think people are actually just staring to understand what that means, that just getting it there is not necessarily the value.

The other thing that is going on that I find fascinating is that with the global

carriers entering the teleport sector and trying to put together these global networks. They are driving a value proposition which says, "You can enter our network anywhere and we will get you to the other end and we control it all and it will be cost effective." **Panamsat** has its Galaxy Gateway that allows content to enter the network anywhere and **Panamsat** will put it on the Galaxy neighborhood in the United States. **Intelsat** has a similar offering. **SES** has a similar offering. That is one kind of value proposition I am talking about.

You then have a whole set of other operators that have a completely different proposition, from a **Globecast** which has the third largest DTH platform in the United States for ethnic television to a company called **Mainstream Data** which delivers a tremendous financial news, video and other things to its customers' closed networks. That is the niche play where a company is going to drill down into the niche market deep as **Mainstream Data** can and deliver as much value up and down that chain as it can versus the horizontal play of the global carriers.

Satellite News: *Are there enough niche markets for a company like Mainstream Data to effectively compete in the teleport marketplace?*

Bell: What [a company like **Mainstream Data**] seeks to do is to dominate its niche. If I am going to be in a niche, I am going to try to be the number one or two or three player. That is the classic business strategy that has worked for everybody from **General Electric** all the way on down. Increasingly, I am seeing business-savvy people come forward and understand this about understanding the needs of the customers and making sure those

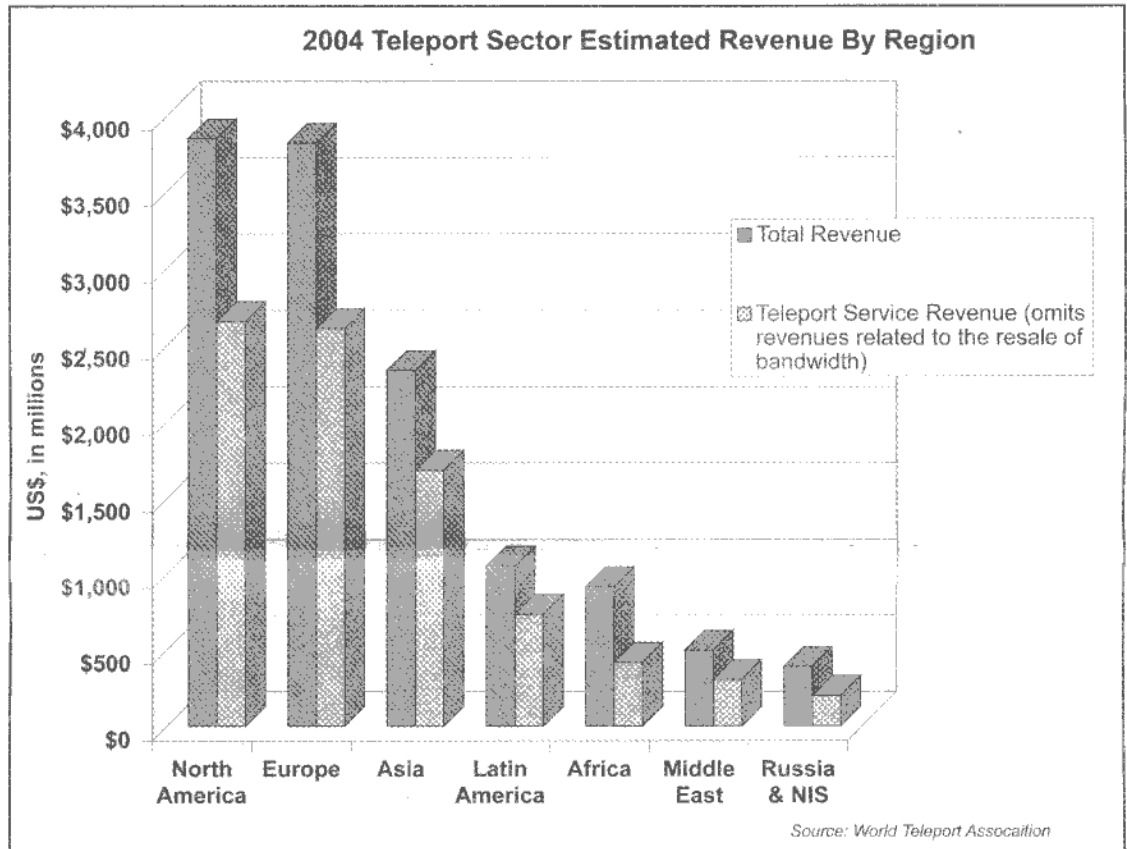
needs get delivered irrespective of the technology.

Satellite News: What niches are growing at a particularly fast rate?

Bell: A number of them are growing quite well. The traditional niche for the industry is broadcasting and it has always grown at a steady, stable rate. Within that, the ethnic channel market is growing very fast. The specialized data delivery market is growing. I know companies that are doing quite well delivering Internet backbone to developing nations. That is something that a lot of companies lost their shirts in, but the people who really understand what they are doing in that marketplace are finding it to continue to be very strong.

Satellite News: The study breaks down geographically where the teleports are located. Based on this data, are there any areas that you consider to be underserved and are ripe for expansion?

Bell: It is really hard to determine what the actual market potential is. The number one barrier to growth in markets is regulatory. If you look at the global picture, teleports are strong wherever there is a competitive market for satellite services. In countries where there are not, you just can't make any money. So much of Asia should be a lot stronger than it is given the huge population and rising standards of living. But in so many countries in Asia, there is a governmental decision that says, "We are going to have favored national operator and we are not going to let anyone else come into this marketplace." There are a lot of underserved markets, but they can't be served



until governments change their views on how they should regulate their markets.

Satellite News: Other than local regulations, are there any other challenges that need to be overcome to foster expansion?

Bell: When you go into any kind of new marketplace, particularly a different culture in a different country, the classic business rules have to be followed—you have to have in-country partners and they have to be people you can trust. For example, I think the satellite industry found out in its expansion into Latin America and its subsequent pull back as those economies went south and now the return, it is easy to say the words "Latin America" but there is no such animal. There are many separate countries, each with their own culture and regulatory and governing systems, so you really have to know what you are doing in each of those marketplaces. There is no shortcut to it.

Satellite News: Are you expect-

ing to see growth in revenues in the teleport market?

Bell: In general, I think you are going to see moderate growth all over the map. You are going to have some very fast-growing small companies that discover a niche and some of them are going to get bought out by bigger companies as they prove the success of a market or a business model. Whenever you see the waves of consolidation we have, there is no let up in market entry. I run into new teleport operators all the time who are coming in with some particular niche play that is working for them, such as figuring out how to offer good voice and data services into Africa, where there is a tremendous market potential. There is a lot of growth potential in the market, but it is going to be uneven and chaotic.

For more information on ordering the "Sizing the Teleport Market" research study, visit WTA's Web site at www.worldteleport.org.

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