

CABLE MODEMS:

STRATEGIC POSITIONING AND MARKET FORECASTS TO 2001

Cable modem markets stand to gain from development of new media content for the Internet. The Microsoft investment in WebTV networks and the Microsoft-Comcast acquisition represent concrete examples of investment in infrastructure likely to benefit from a cable based broadband network. TV set top converters are becoming digital and beginning to look like a computer. TV sets and monitors are merging as a market segment.

Bell Atlantic and Microsoft illustrate large companies investing to create new media content for the Internet. Microsoft has invested recently in WebTV Networks and Comcast. This puts cable at the forefront of the communications industry, providing an infusion of capital, expected to reap significant growth. Comcast owns the QVC home shopping cable channel. Its iQVC Web site is selling \$1 million a month worth of merchandise. Rapid growth is expected.

Cable modems supply high speed, continuous connectivity and Internet access to the PC or TV through the cable network. Adapting core technology into systems designed to address specific market applications is occurring.

Marketing activities are targeted to cable telephony systems. Ongoing product development and testing adapt technology and products for specific market requirements. Field trials and pilot systems are working well, promising a rapid deployment of cable modems.

New cable modem technology provides improved price performance ratios to drive cable modem markets. A broadband communications infrastructure, changing market conditions, and regulatory shifts are contributing to the increased demand for cable modems. Both the telephone and cable television industries are expected to use cable modems for telecommunications systems connectivity to the Internet.

Integrated communications services provided by telephone and cable television industry participants will provide broadband to subscribers at a cost below or competitive with that now paid for communications services. PC computing capability and telephony cable modem capabilities are expanding market opportunities. Internet and Intranet access represents an opportunity to participate in high growth cable modem markets.

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Report No. A 791497220	250 + Pages	85 Tables and Figures	1997
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