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contents

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Strategy

UltraBrowser, Opera sing praises of finely tuned browsers

Software firms are increasingly pitching customized browsers to ISPs and portals in the belief that such tailored products can boost stickiness and drive revenue growth.

Last month, Tiscali rolled out its "Tiscali 10.0" customized browser on its home turf, and the Italy-based pan-European ISP/portal plans to progressively launch local versions in the remaining 13 European markets in which it operates. The offering, developed by U.S. software development outfit UltraBrowser, boasts added functionality, providing, for example, a single sign-up service to Tiscali applications such as instant messaging, chat and the company's proprietary Voicespring voice-over-IP product.

"The challenge with [developing for] Tiscali is that it had been buying a lot of other ISPs, so there has been a lot of back-end integration," said Yassine Sbiti, UltraBrowser's CEO.

UltraBrowser is now working on browser development for Tiscali's non-Italian ops that need to be localized. "It's not just a question of the language," Sbiti said. "It's also the look and feel."

UltraBrowser has made a name for itself in Europe with its work on customized browers for a number of high-profile sports outfits, including top soccer teams AC Milan, Juventus, Napoli and Parma in Italy and Bayern Munich in Germany, grand prix auto racing portal Formula1.com and UK portal Sportal.

Sbiti said his company is working on browser development with other major European ISPs but would not divulge names at this stage.

Sbiti said customized browsers were a way for these firms to get closer to their customers in what are difficult times. "AOL and Microsoft have their own browsers, and they are able to control the sessions and drive the traffic," he explained. "We are able to go to the ISP and can provide a tool to the end-user that makes the site stickier ... and customized browsers certainly help with branding."

Sbiti is also bullish on the revenue-generation capabil-

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Access

FRIACO margins improving, but is it just a stopgap?

UK-based research/consulting outfit Analysys sides with the likes of AOL Europe in promoting FRIACO as an effective migration path to broadband (*IM*, v.2, n.20).

"FRIACO will have a significant market for at least five years and … will not delay, but rather promote, the spread of broadband, by effectively building up and preparing a user base ready to take broadband services," said Rupert Wood, author of the new Analysys report *FRIACO: How Capacity-based Interconnection Strengthens the Internet Market.*

While Europe's incumbents are largely anti-FRIACO, Analysys believes the former monopolists will be the main long-term beneficiaries of the model, since FRIACO-based services provide the best migratory path toward broadband access, an area they dominate.

UBS Warburg's European Internet Equity Research estimates that the FRIACO offer of Wanadoo-owned ISP Freeserve is running at negative gross margins (see chart) but will be gross-margin positive next year. Cost reductions, rather than price hikes, will drive positive margins, says the bank. Port costs will fall 10% by end-2002, while contention ratios will improve.

Freeserve's current contention ratio is 8/9-to-1, but by end-2002 the ISP is aiming for a ratio of 10-to-1. Together with the network cost decline, this will bring the cost per port down to £7.70 ($11.20) in 2002 from £10.80 now, forecasts UBS Warburg.

But although viable narrowband models are re-emerging, the bank remains cautious. "From a valuation perspective … the key is broadband," it states. "When valuing the enterprise value of the ISP portals, 70-80% of the [enterprise value] lies in the terminal value, i.e. post-2010, when at least 80% of online households are taking broadband access."

Freeserve FRIACO gross margins

£/month/sub	Today	2002
Gross subscription	12.99	12.99
Revenue (excl. VAT)	11.1	11.1
Port cost*	-10.8	-7.7
Billing cost**	-1	-1
Gross profit	-0.7	2
Gross margin (%)	-6	21

*Port supplied by Energis; **Includes customer care
Source: UBS Warburg estimates

continued from page 1

ities of customized browsers. "We can create an environment for [ISPs] to be in the faces of their users to push traffic to partners," he said. "It's a way to facilitate e-commerce."

Germany's T-Online launched its T-Online Browser in August, promising easier orientation and fast access to its own portals and services. The offering boasts a multimedia window that allows Netizens to run, say, streamed content or news tickers while surfing, and it also informs users about incoming mail and has an integrated search engine.

A good number of customized browsers, UltraBrowser's included, are not stand-alone apps but are actually based on mainstream offerings such as Internet Explorer and are known in the parlance as "skins." But Norwegian developer Opera Software, which bills itself as the world's third-largest browser after IE and AOL/Netscape's Navigator, is in the business of providing alternatives built from scratch.

Opera is developing a TV-based browser for use with settops for French pay TV giant Canal+ and also provides the default browser for the Symbian venture comprising the world's largest mobile outfits. The company has approached major portal players such as Yahoo! and Lycos Europe to pitch the benefits of customized browsers, but to date none of them have bitten.

"These kinds of companies are in disarray," said Dean Kakridas, vice president for desktop products at Opera. "They are restructuring. They are bleeding. And that means they don't have the time and don't have the energy to discuss this right now. But we will eventually have deals."

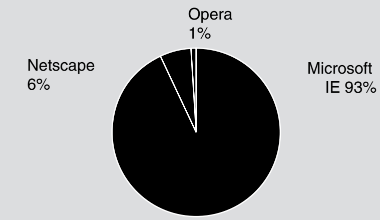
Kakridas explained, though, that the portals have responded well to the idea of a browser alternative to IE and Navigator because they have a need to get closer to their users. "We have the advantage that we are a non-competitive indie browser, and we won't try and take control of eyeballs," he said. "With IE, Microsoft has the potential to get a piece of the business, and you are putting your own users at risk."

Opera also believes the timeline is in its favor because people will initially learn about the Internet with IE or Netscape but will then move on to more advanced apps. "When you are ready to own your Net experience, then you move to Opera," he claims. "There are benefits to not having Microsoft or AOL know everything about you, what you look at, where you go and determining also how fast you do it. ... Some people don't want their Net lives ruled by one company."

Germany and the UK are Opera's best markets. "Europe is more willing to try alternatives than the U.S.," Kakridas said. "And we like to call ourselves the European browser, though we also have high hopes for Asia, especially in China and Japan."

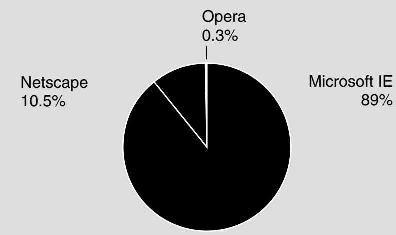
Last month, Opera had a run-in with Microsoft after a number of non-MS browser users, some of Opera's among them, were denied access to the new MSN portal and were instead rerouted to a site where they were advised to download IE in order to see the content. MS claimed Opera buffs were denied entry because the browser does not support the latest XHTML standard.

Sweden browser usage share, Oct-25



Source: WebSideStory's StatMarket

Global average browser usage share, Oct-25



Source: WebSideStory's StatMarket

Opera maintains, however, that it is renowned for its strict compliance with international Net standards. "Maybe Microsoft should take a look at its lack of respect for the World Wide Web Consortium's international Internet standards before bad-mouthing others," it said in a public statement.

The Norwegian outfit said MS' behavior was an acknowledgement of the threat Opera had become and claimed some 6 million copies of Opera browsers have been downloaded from the company's web site and installed in the last year by Windows users.

MS decided Oct. 25 to open up the portal to Opera and other users.

According to research published last week by the StatMarket unit of U.S.-based e-business intelligence provider WebSideStory, Opera usage is highest in the Swedish market, where the browser has a 1% market share, compared to an average of 0.33% elsewhere in the world. But IE boasts a 93% share vs. less than 6% for Netscape Navigator, compared to global averages of 89% and 10.5% for those companies' browsers, respectively.

On the other hand, Netscape does much better than its global average in a number of markets, WebSideStory reports. At mid-October, Netscape had a browser usage share of 20.3% in Germany and of 18.8% in Switzerland. The world's second-ranked browser also performs well in Canada (17.3%) and the U.S. (15.8%).

"Compared with the global average of Netscape users, these countries are a very strong market for Netscape," said Geoff Johnston, vice president of product marketing for StatMarket. "In some countries, the percentage of Netscape users is so small that there is virtually no market share to support. The data makes it very clear that when it comes to making browser support decisions internationally, one size does not fit all."

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Portals

SOL owners aim to sell, but maybe it's Plan A

The controlling owners of Nordic portal Scandinavia Online (SOL) have issued a letter of intent to jointly sell their combined 76% stake in the company. But shareholders Telia (Sweden), Telenor (Norway) and Norwegian media outfit Schibsted may well find that there's little general appetite for the asset.

Last week, the three large owners issued a joint statement saying they believe "one focused owner" would better be able to exploit economies of scale in the portals business.

SOL CEO Birger Steen was unfazed by the move. "From our point of view, nothing has changed," he said. "These are arm's-length business owners."

As the only pure-play portal among the top five players in its target markets, SOL is "the odd man out," reckons Steen. He sees "pure upside" in a sale to a strong backer. But what if no buyer comes forward? "Then it's back to plan A, which is to be profitable by the end of 2003," he said.

One sector analyst said the letter of intent suggests the owners had not received offers for the business in response to a proposed sale. The analyst believes most of the leading ISP/portals are not interested because they have no existing assets in the region and Scandinavia is not in itself a major market. He said acquisitive Tiscali could not be discounted, but the Italian ISP/portal would not comment on whether it was interested in acquiring SOL.

The analyst cited Lycos Europe as the front-runner, and the company already owns significant assets in the region through its purchase of Spray Networks for €674 million ($613 million) in 4Q00, so there are obvious synergies. LE also refused to comment.

Finland's Jippii Group has also been touted as a possible buyer, but the firm nixed the idea. "In the past we have done a lot of acquisitions, but we have just made a big loss in Germany [because of the purchase of German ISP Gigabell]," said a spokesperson. "At the moment, it's very unlikely that we would be interested."

SOL has a cash balance of SKr474 million ($45 million), and, says the analyst, interested parties will likely want to pay no more than a symbolic SKr1 above that amount to take control.

The company posted an EBITA loss of SKr64 million on revenue of SKr36.8 million in 2Q01, with the latter 15% less than the previous quarter. Advertising accounts for 77% of the firm's revenue, with an unhelpful 40% of ad revenue from dotcoms.

SOL operates in four countries – Sweden, Norway, Denmark and Finland – through portals passagen.se, sol.no, sol.dk and suomi24.fi, search engines Evreka.com, kvasir.no and kvasir.dk and consumer info site dinside.no. The firm had 7.1 million average monthly unique users in 2Q01 and served 7.5 million daily page impressions over the same period.

Content

Gorillas lend weight to ratings bandwagon

U.S. Net giants AOL Time Warner, Yahoo! and MSN have adopted the Internet Content Rating Association's voluntary web-ratings system, and the move could head off regulation.

ICRA, whose aims are to shield children from potentially harmful material and to protect free speech on the Net, generates metatags that enable online outfits to label their content so users can screen out objectionable material, such as porn.

More than 40,000 sites have registered with ICRA since it was founded in 1999, and it now has close to 200,000 members, including sites signed up to its predecessor, RSACi. Major industry players such as AOL Europe, BT, T-Online, Microsoft, IBM, Bertelsmann, Yahoo! and the EuroISPA are all represented at board level in the association.

ICRA CEO Stephen Balkam hailed the decision by AOLTW, Yahoo! and MSN to go with the system as "a tremendous coup." He added: "I think first and foremost, [the big online players] all believe in our mission."

Support for a voluntary web-ratings system could also neutralize the threat of legislation, he explained.

ICRA provides a protection through a range of measures, including bots (automatic checker programs), human checkers and reports from online users. But, says Balkam, "there's no filtering system anywhere that's 100% foolproof."

A study by NetProtect, a project backed by the EC, reveals that of 50 commercially available online content filters, none has all the desired qualities of effectiveness, configurability, transparency and usability.

ICRA aims to ensure its system is fully integrated with Microsoft browsers. The organization will also launch its own browser-independent filter, available this spring, as a free download.

Strategy

Spain's Terra Lycos needs to build on its strong position in Spain and should seek to make solid acquisitions to boost its pan-European presence, according to recent research from Current Analysis. In lowly penetrated Spain, the Internet analysis outfit recommends that Terra work with Telefonica to promote the Net to Spanish consumers in the same way Deutsche Telekom has done in Germany with its T-Online ISP unit. "Terra Lycos has had some success in increasing the proportion of new users on paid and broadband Internet access plans, yet the numbers remain low when compared to free narrowband users," adds CA. "Terra Lycos should push broadband and work with partners Telefonica and Bertelsmann to offer attractive broadband rates and compelling audio and video content."

Content

Internet Markets' roundup of the latest content deals

Internet Markets Content Monitor

Date	Participant	Activity	Deal
22-Oct	Yahoo! (U.S.)	Desktop	Yahoo! launches Yahoo Essentials, which bundles IM, e-mail, browser toolbars, photos and file storage facilities and allows users to set them as defaults on Windows XP.
23-Oct	AltaVista (U.S.), RosBusiness Consulting (Rus)	B2B	AltaVista inks deal with RosBusinessConsulting to develop corporate solutions for Russian companies.
23-Oct	Planet Internet (Bel), HotSMS.com (Neth)	Messaging	Belgian ISP Planet Internet signs agreement with HotSMS.com to offer SMS services to businesses.
24-Oct	Delfi (Lit), One (Lit)	Portal	Portal Delfi & Baltic mobile portal outfit One launch mobile offering in Lithuania.
24-Oct	@Home Benelux (Bel)	Portal	@Home revamps broadband portal.
25-Oct	Clix (Por), Antepo (U.S.), Jabber (U.S.)	Messaging	1 million-sub Portuguese ISP/portal Clix signs with Antepo & Jabber for the provision of IM services.
25-Oct	Google (U.S.)	Searches	Search engine considers vertical search & subscription services, according to local reports.
29-Oct	Euskaltel (Spa)	Portal	Basque cable outfit Euskaltel is aiming to cut costs for its Canal 21 portal & is looking into possible alliances with other Spanish portals.
29-Oct	EresMas (Spa), Tele5 (Spa)	Portal	Leading Spanish portal EresMas may take a stake in Tele5's Jumpy.es site. EresMas could get a 50% stake in Jumpy in return for funding and technical expertise.
29-Oct	Tiscali (Ita), Ultra Browser (U.S.)	Browsers	Tiscali launches customized browser in Italian market (see page 1). U.S. software development outfit UltraBrowser also developing products for other Tiscali markets.
29-Oct	Yahoo! (U.S.), Carsey-Werner Distribution (U.S.)	Broadcast	Yahoo! Broadcast to provide full-length TV episodes & popular TV movie & music clips from the Carsey-Werner eDistribution library.
30-Oct	ONO (Spa), Bloomberg (U.S.)	News	Cabler ONO to launch a Bloomberg channel with a direct feed from Bloomberg TV.
30-Oct	Sonera Zed (Fin), ASCAP (U.S.)	Music	Mobile portal Zed links with music performing rights organization ASCAP, giving it rights to develop mobile ring tones for ASCAP's 7 million copyrighted songs.
31-Oct	Vizzavi (Fra), Vodafone (Spa)	Portal	Vizzavi, the multiaccess portal jointly owned by Vivendi Universal & Vodafone, acquires 80% stake in Spanish portal Navegalia, to be renamed Vizzavi Espana.
31-Oct	Cable & Wireless (UK)	E-mail	C&W launches its bulk e-mail messaging service eMessaging in the UK. The offering provides templates for setting up mail, preset delivery schedule options and delivery reports.
1-Nov	Lycos UK (UK), Mobile Channel (UK)	SMS	Lycos UK inks deal with Mobile Channel, allowing Lycos users to opt to receive SMS messages along with advertising for £0.05 ($0.07)/ad. Customers can also choose to allocate the money to charities.
1-Nov	MTV UK (UK), BSkyB (UK)	iTV	Music giant MTV to launch iTV over Sky Digital.
1-Nov	Yahoo! (U.S.)	Music	Yahoo! Music features Lenny Kravitz as "artist of the month." Content includes an exclusive interview, live performance footage, videos and memorabilia auctions.
2-Nov	Google (U.S.)	Graphics	Google is reportedly experimenting with providing graphical representations of web sites to accompany searches.
5-Nov	Terra Lycos (Spa)	Portal	Lycos unveils new-look site, aiming for a magazine rather than a directory look. There are fewer ads/page, and advertisers are given "greater flexibility" in terms of placement.

Source: Internet Markets

Results

T-Online has reported preliminary EBITDA losses of €158 million ($144 million) on revenue of €809 million for the first nine months of the year. EBITDA for 3Q01 totaled -€35 million, compared to the second quarter's -€57 million. Access accounted for €685 million of the nine-month revenue total, with portal services contributing some €108 million. While CSFB had forecast an EBITDA loss of -€46 million, the investment bank repeated its "sell" recommendation because of the company's reliance on the low-margin access business and also because of its low profile outside Germany. The German ISP/portal boasted some 9.8 million subs at end-September, vs. 7 million at the same time last year. The number of T-DSL customers surged in the third quarter, up 73% to 578,000.

France stays web shy; does Minitel need an upgrade?

A mere 6% of French citizens envision going online within the next 12 months vs. 19% one year ago, according to a recent report from the office of the French Secretary of State for Industry, Christian Pierret. And that in a country with an Internet household penetration rate of just 26% at mid-2001, compared to 47% in the UK, 38% in Germany and 33% in Italy.

Explanations for French reticence toward cyberspace are myriad.

"It is because of factors such as low PC penetration and other cultural reasons," states Laurent Brandon, director of strategy at leading ISP/portal Wanadoo.

French PC penetration hovers at a rather conservative 34%, compared to Germany's 48%, the UK's 46% and 41% in Italy, according to metrics outfit Nielsen/NetRatings.

And, culturally, France's love affair with ubiquitous text-based service Minitel gets the blame for a certain apathy toward the PC and the web.

"The French experience with Minitel is seen as a low-cost and fast way of doing many of the same things people can do on the Internet," said Sandra O'Boyle, senior analyst at U.S.-based outfit Current Analysis. "The high cost of PC ownership and the complexity of the technology has also meant that Internet access has not reached mass penetration in France, and only 10% of French businesses have a web site."

O'Boyle suggests that a natural progression for the French public would be an upgrade of Minitel to a basic Net appliance that would allow users the same Minitel-style services but with a whole range of new Internet services. "One option would be for Internet operators to do what AOL has done in Spain by offering a simple web appliance device along with Internet access," she explained.

O'Boyle pointed to the launch two months ago by AOL Europe of an Internet appliance/access device costing some $16/month and aimed at the Spanish market, where PC penetration stands at just 30% (*IM*, v.2, n.18).

But Jean-Christophe Le Toquin, the permanent delegate to the Association des Fournisseurs d'Access et de Services Internet (AFA) – the French ISP organization that comprises ISP heavyweights such as Wanadoo, AOL France and Tiscali LibertySurf – is not at all convinced Minitel has been a barrier to e-growth in France.

"Minitel is still alive and well but no longer competes with Internet access," Le Toquin said. "The number of French consumers going online may have been affected by Minitel in the beginning – say between 1995 and 1997 – but the problems now are the price of Internet access, the complexity of the technology and the lack of an unlimited-access product."

Top 10 French domains by reach*

Rank	Domain	Unique visitors (000s)	Reach (%)
1	Wanadoo.fr	4,646	54.3
2	Lycos.fr	3,145	36.7
3	Free.fr	2,926	34.2
4	Libertysurf	2,563	29.9
5	Yahoo.fr	2,345	27.4
6	Multimania.com	2,278	26.6
7	MSN.fr	2,137	25.0
8	Viola.fr	2,111	24.7
9	Microsoft.fr	2,089	24.4
10	AOL proprietary	2,001	23.4

*Sep-1
Source: Jupiter MMXi

Wanadoo's Brandon disagrees with that analysis, however. "The fact that France is behind other major European countries like the UK and Germany in Internet penetration is not because we have no unmetered offer," he says.

But unmetered access is the cause celebre of the French market. Comments throughout the year by both Pierret and the head of French regulatory body ART, Jean-Michel Hubert, had raised consumer expectations that an unmetered-access product costing about FFr200 ($27)/month was set to be launched this fall.

"These statements have put tremendous pressure on the ISPs to come up with such an offer," says Le Toquin. "Based on France Telecom's current interconnection fees for un-

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limited access, most of our members agree that they cannot offer unmetered access for less than FFr300, which is about the same as ADSL."

Discussions are under way between FT and ART for lower interconnect tariffs with a decision expected shortly, and Le Toquin believes the two parties have to move quickly. "If ART and France Telecom cannot agree on a cheap tariff now, our members won't be able to offer unmetered access until 2003," he says.

AOL is the principal campaigner for unmetered access, not only in France but also across Europe. Simon Hampton, AOL Europe's director of regulatory affairs, told *IM* recently that the experience of unmetered access in the UK, where 40% of Internet users have now adopted some kind of unmetered package, has led to greater Internet usage plus an acceleration in Internet penetration rates. He also believes it provides a steppingstone to prepare users for broadband (*IM*, v.2, n.20).

But Le Toquin sees unmetered access in France as simply a way to get consumers connected to the Net. "To get users online for around FFr300/month [the average cost of ADSL in France] would be difficult," notes Le Toquin. "But an unlimited-access offer at a good price of FFr200/month or less might be the answer."

But Olivier Beauvillain, an analyst at Jupiter MMXi, believes that the opportunity to launch unmetered access in France has all but disappeared. "Unlimited access in France may have been possible about a year ago, as in the UK," he says. "But between France's ADSL offer and the bundled [limited-access] packages, I don't think there is much space for an unmetered access model."

Beauvillain explains that the UK was the first European country to introduce free access and then unmetered access, but that the cost of ADSL at about £40 ($58)/month is high. He believes that the gap between free access and ADSL in that market is big enough to provide room for a competitive unmetered package.

"The situation in France is different in that Wanadoo and AOL France first of all resisted the free model," he adds. "Then most French ISPs launched bundled packages of so much for so many hours and French people are happy with this."

Typical of these bundled packages are those offered by Tiscali Liberty-Surf and Club-Internet. Tiscali's package starts at FFr35/month for five hours online and goes up to FFr95 for 50 hours, while Club-Internet's offering starts at FFr19.68/month for three hours, rising to FFr59 for 20 hours.

With French ADSL coming in at FFr300/month – much cheaper than in the UK – Beauvillian believes unmetered access is redundant, especially when the problems of getting decent tariffs out of FT are added to the equation.

Wanadoo shares the view that unmetered access is irrelevant, although for different reasons. "We do not believe that unmetered access provides a good customer experience on the Internet," said Wanadoo's Brandon. "Narrowband services are extremely disappointing. We have a 1% churn/month [from Wanadoo's services] in France, and 25% of our customers leave us because they believe the Internet is useless. That is why we want to push our broadband offer."

Wanadoo has been aggressively pushing ADSL. At end-3Q01, the company had racked up 227,000 subscribers, almost 200,000 more than at the same time last year. According to Brandon, Wanadoo is signing up 1,000 subs/day to its 512Kbps downstream/128Kbps upstream service. The product is priced at FFr298/month, with the modem and installation kit costing a one-time FFr990.

With the incumbent still in control of the local loop, there is little rival operators are able to do to compete with the entrenched Wanadoo in the way of providing attractive and imaginative packages. Tiscali and Club-Internet each provide ADSL at about FFr300.

"ISPs are not comfortable with the wholesale ADSL offer which they can only buy from France Telecom," said Le Toquin. "As long as France Telecom has a monopoly the ISPs won't be able to offer better ADSL prices for the consumer. There needs to be competition in the local loop among other telcos for this to happen."

There is a small glimmer of hope for ISPs, however. Until now, it has not been easy for them to provide national ADSL coverage because there have been incompatibilities between different sections of FT's network and the modems ISPs offer with their ADSL packages. The ISPs, therefore, have to ask their potential customers to check directly with FT as to whether their homes

French Internet universe

	End-Mar 01	End-Jun 01
Narrowband users*	6,177	5,968
Broadband users	n/a	351,000
Personal web sites hosted (000s)	2,139	2,432
E-mails sent (000s)**	3,434	3,934
Hours connected/quarter (000s)	71,393	67,558
PC penetration/household (%)***	n/a	34

*Paying or active within last 40 days (000s); **end-Apr 01 & end-Jul 01, respectively; ***according to Nielsen/NetRatings

Source: AFA

French Internet usage Oct-00 – Sep-01

	Oct-00	Sep-01	Growth (%)
Unique visitors (000s)	6,030	8,560	42
Time spent online (mins./uv/mo.)	265.4	393.0	48
Male (%)	65	64	-1
Female (%)	35	36	1

Source: Jupiter MMXi

can be connected to a particular ADSL product.

"This problem will be solved in December as ISPs will then have a server that will allow them to check network compatibility with their modems, so customers don't have to go to France Telecom any more," explains Le Toquin. "That means ISPs can handle the whole ADSL connection process Until now, ISPs felt that it was uncomfortable for customers to go to France Telecom … and get advice on connecting to a rival operator."

While the narrowband operators struggle with the economic and regulatory issues, CATV operator Noos has come up with its own solution for unmetered access at narrowband speeds. In its former guise as Lyonnaise Cable, Noos was one of the first cablers in Europe to provide cable Internet services, launching in the city of Annecy back in December 1997. Since then, a series of network management disputes with former shareholder FT prevented infrastructure upgrades and stalled the cable modem service at about 28,000 subs for six months in 1999. The Noos rebrand in March 2000, the relaunch of the cable offering as Noosnet two months later and the dumping of FT in favor of new owners ntl and Morgan Stanley Dean Witter have seen Noos' cable Internet product emerge as France's leading broadband alternative to ADSL. The company has some 90,000 subs, mainly in and around Paris, and last month launched a series of new tariffs to compete with ADSL and provide a substitute for unmetered access.

"We have introduced the new DOCSIS system that allows us to offer different speeds at different prices," explained a Noos spokesperson. "We are now the only ISP to offer unmetered access for less than FFr200/month."

By virtue of having its own networks, Noos has been able to offer high-speed unlimited access over cable since 1997, but now the DOCSIS system provides the ability to strip the bandwidth down to narrowband levels. Noos' basic offer – Noosnet Primo – which comes in at FFr10 less than the magical FFr200/month advocated by ART and the Secretary of State for Industry, supplies the user with 64Kbps/downstream and 40Kbps/upstream speeds, slightly faster than the narrowband norm.

Noos also offers an ADSL equivalent for FFr299, plus Noosnet Pro with download speeds of 1.1Mbps for FFr583. With the ability to bundle Internet access and CATV, Noos is offering Noosnet Primo together with NoosTV all for FFr190/month.

Wanadoo is the preferred ISP of the incumbent's cable networks, which pass some 2 million homes. "As far as Wanadoo Cable is concerned, France Telecom is commercializing the [high-speed Internet] service, billing the customer and handing back some revenue to Wanadoo," says Wanadoo's Brandon. "The Wanadoo Cable price is slightly lower than our ADSL offer, but ADSL provides better upstream speeds."

Wanadoo Cable costs FFr203/month, plus an extra FFr37/month for non-FT customers. The service is available in 15 towns and regions across the country, including Marseilles, Bordeaux, Tours, Metz and Montpellier.

The disparity in upstream speeds is a useful differentiator in areas where FT has both ADSL and cable. "In Marseilles, it works well even though we have both ADSL and cable," explained Brandon. "FT Cable will advise heavy users who may be concerned with upload speeds to take ADSL instead."

Cabler Numericable, wholly owned by French media outfit Canal+, also offers a high-speed Internet access product in conjunction with AOL France, though Beauvillain believes the latter is not really committed to the venture. "AOL has a few thousand subscribers in France through Numericable," he notes. "But AOL doesn't have much of a broadband play in Europe, and it is not really pushing cable Internet. AOL France just seems to be focusing on dial-up and unmetered access."

One other cable company pushing broadband Internet access is UPC France, a subsidiary of pan-European mediacomms outfit United Pan-Europe Communications. At end-June, UPC France boasted some 18,500 subscribers.

Wanadoo dominant

On the narrowband side, Wanadoo continues to rule the roost, with a 35% share of the dial-up market. At end-3Q01, Wanadoo boasted 2.6 million dial-up subs, an increase of 240,000 over the previous quarter.

As an ISP with pan-European aspirations, Wanadoo finds itself competing on its home turf with those it goes head to head with overseas. AOL says it has "more than 1 million subscribers," while Tiscali LibertySurf boasts some 1.1 million French subs. Leading German ISP T-Online is also present in France through its Club-Internet ISP, which had about 665,000 subscribers at end-1H01.

"Wanadoo's key strengths are that we are the market leaders in

Wanadoo operating data

	End-2Q01	End-3Q01	Growth (%)
Dial-up Internet subs (mil.)	2.33	2.57	10.3
ADSL subs	177,000	227,000	28.3
Mobile subs (mil.)*	15.9	16.6	4.4
Page impressions/quarter (mil.)	1,087	1,112	2.3
E-commerce transactions/quarter	44,500	28,600	-35.8
Online directory advertisers	173,600	184,100	6.0
ASP hosted sites	48,600	47,200	-2.9
Connection revenue (€ mil.)	133.0	141.8	6.6
Portal revenue (€ mil.)	12.7	23.8	87.4
E-commerce revenue (€ mil.)	5.5	10.1	83.6

*Via Orange France

Source: company reports

the UK and France and in a strong position in Spain, the Netherlands and Belgium," stated Brandon. "Tiscali is too widespread and relatively weak in each country, Terra Lycos is not so powerful in the access business in terms of subscribers, while T-Online is not very international. Our main competitor is AOL, which has all the tools and content of its mother company and can launch extremely aggressive marketing campaigns."

Current Analysis' O'Boyle agrees that AOL France is a worthy rival to Wanadoo. "AOL seems to be doing very well in France," she says. "Users find [the software] easy to install and use for the first time, and they really do have a good customer service. The French also seem quite happy to embrace AOL, even though it has such a global identity compared to a purely French one. It appears to have done a good job with its portal and its French content."

True to type, Tiscali has consolidated its position as a leading French ISP through a series of acquisitions. The Italy-based outfit snapped up LibertySurf in January in a deal valuing the French ISP at about $855 million. That move was followed up last month by the purchase of the Infonie and Lokace ISP/portals from the Infosources Group – majority owned by Belgian incumbent Belgacom – which added another 250,000 users to Tiscali's Gallic stable.

Beauvillain believes all the ISPs have work to do. "The main players have pretty much established their positions," he says. "The market is tough right now and they have to focus on what they do best. Wanadoo needs to concentrate on access, both dial-up and ADSL, while Tiscali has made a lot of acquisitions which it needs to consolidate and to deliver on what it has done."

Wanadoo's strength lies in access rather than in content provision, with metrics suggesting Wanadoo users go to the site initially and then head elsewhere. Figures from Jupiter MMXi placed Wanadoo as France's leading domain in September with 4.65 million unique visitors and a 54.3% reach – way ahead of AOL, which ranked 10th with just over 2 million unique visitors and a 23% reach. When it comes to time spent online, however, AOL tops the rankings with a huge 363 average minutes per unique visitor, compared to Wanadoo's 32nd place, with some 37 average minutes per unique visitor.

Wanadoo is now trying to integrate its mainstream Voila portal into its brand so it can begin to compete with the likes of Yahoo!. The outfit also intends to make the broadband experience a more meaningful one.

"We have now launched a specific Wanadoo portal for broadband users, with more sound, video and animations," said Brandon. "We are preparing other broadband content in-house, especially through [games channel] Goa for games and Wanadoo Music for music channels."

Whether this is enough to entice customers away from narrowband services remains to be seen. "As far as moving straight into broadband is concerned, I don't think Wanadoo will be successful with broadband unless it is able to provide the content and services people are willing to pay for," said O'Boyle. "It will probably manage with the heavy users, but it will be difficult for it to attract the mass market."

Wanadoo's access revenue continues to outstrip that from portals and e-commerce activities by a ratio of some 4-to-1. Financials for the nine months to end-September show access revenue at €385 ($350 million) compared to a combined €96 million from portals and e-commerce. And the directories and business services remain the money-spinner for the company, racking up €614 million over the same period.

Wanadoo puts great faith in its ability to attract advertisers from the print version of its Pages Jaunes (Yellow Pages) directory service to the web and now boasts some 184,000 online advertisers, an increase of just over 10,000 on the previous quarter. Recent research from Credit Suisse First Boston, however, suggests the French ISP will be hard-pressed to capture significant online value-added revenue from its directory services user base because of moderate investment in its e-commerce trading platforms and the limited reach of its directory business.

On the portal side, Lycos Europe has also begun to make its play in the French market, acquiring community site Multimania last April. According to Jupiter MMXi figures for September, lycos.fr was France's second-ranked portal in terms of unique visitors (3.15 million) and reach (36.7%), with Multimania in sixth spot with 2.29 million unique visitors and a 26.6% reach.

In terms of stickiness, however, AOL is still the portal to beat. Apart from the company's ability to leverage the rich content of its Time Warner parent, AOL France has more than 50 e-commerce partners, for which it can offer national, pan-European and international platforms. Typical of such commercial leverage is a recent deal struck with car rental outfit Europcar under which AOL customers can receive a 15% reduction on car rentals booked online, while AOL Internet connection kits are distributed at Europcar agencies.

The strength of AOL's parent in France was all too evident during recent events. After the attacks on New York and Washington, Time Warner's CNN.com became the French web site of choice, with Jupiter MMXi figures showing that the news site attracted 339,000 unique visitors and a 4% reach during September, while it had not figured on the data radar in the months previous. CNN's September showing outstripped those of French online newspapers *Le Monde, Le Figaro* and *Liberation.*

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Top five French e-commerce sites*

Site	Unique visitors (000s)	Reach (%)
Fnac.com	849	9.9
Amazon.fr	777	9.1
Alapage.com	454	5.3
Kelkoo.com	337	3.9
Cdiscount.com	318	3.7

*Sep-01

Source: Jupiter MMXi

Regulation

Cookies to crumble?

The cookie, the identification carried by all Netizens when surfing, could be banned under a proposed EC privacy directive because Brussels is concerned about the electronic tag's ability to provide information on users without asking for specific approval. The cookie is slated to come up for vote in the European Parliament Nov. 13 as part of an amendment to a report on e-data collection and privacy. The Interactive Advertising Bureau UK is calling for its continental counterparts to join forces in a "Save our Cookies" campaign, because it believes outlawing the tags could negatively affect e-commerce and ad revenue.

M&A

Tiscali goes Dutch

Acquisitive Italy-based ISP/portal Tiscali has snapped up Dutch ISP WISH-NOKNOK for €2.3 million ($2.1 million). The activities of the acquired company, which has 130,000 active users and 70 million minutes of online traffic per month, will be transferred to Tiscali's Dutch subsidiary. The Italian oufit has also acquired a 20% stake worth €4.45 million in Italian carrier Netchemya. Tiscali says the move will allow it to provide ADSL services in Italy "with miniumal technical investment." Netchemya, also owned by consulting firm KIWI II (55%) and German carrier QSC (25%), has access coverage of 3.8 million lines in 29 Italian cities.

NetRatings snaps up Jupiter

Net metrics outfit NetRatings is acquiring rival Jupiter Media Metrix in a deal valued at about $71 million. NetRatings is also buying the 80% stake in the ACNielsen eRatings.com metrics outfit it does not already own. NetRatings is 64%-owned by Dutch media concern VNU.

TPSA buys Polish portal

Poland's TPSA is buying a 25% stake in second-ranked Polish portal Wirtualna.pl for some $9 million, with an option to acquire the rest of the company. TPSA will fold Wirtualna into its TPInternet unit.

EuroproNet scales back

Austrian ISP EuroproNet has dropped plans to acquire additional service providers overseas, according to local reports. The company, which already operates in Bulgaria, Bosnia and Croatia, had been aiming to build a pan-Balkan ISP network.

Delfi at one with One

Lithuanian portal Delfi is joining forces with mobile portal operator One to develop new services. As part of the joint venture, last month Delfi launched a new Lithuanian site that provides ring tones, logos, news and games. The two partners may also launch similar services in Latvia. Delfi, owned by the MicroLink group, boast six portals in the Baltics.

Strategy

AOL Spain does Avant deals

AOL Spain has inked distribution deals for its Avant web terminals, launched in September in a joint venture with bank BSCH (*IM*, v.2, n.18). The Intel Dot.Station units can now be bought at 400 additional points of sale following agreements with retailers Alcampo, Carrefour, Expert Grupo Vips, Phonehouse and MediaMarkt.

TI may quit Spain

Telecom Italia may sell off its investments in Spanish communications outfit Auna as part of a debt-reduction strategy. The Italian carrier owns a 27% stake in Auna, which includes Retevision's telco and Net assets, plus cable interests and cellco Amena. Auna's largest shareholder is Spanish utility Endesa (28%).

Belgacom looks to security

Belgian incumbent Belgacom is offering a free online ADSL security test via a channel on its web site. Users will be able to take steps to bolster security on their systems as a result of the test, provided by Scanit.

Zed to shed 130 jobs

Some 130 employees will lose their jobs at Finnish mobile portal Sonera Zed. An additional 160 people will be cut at data security services unit Sonera SmartTrust. Incumbent Sonera has announced a 3Q01 net loss of €315 million ($295 million), compared with a net profit of €738 million for the same period in 2000.

Bertelsmann goes Napster

German media concern Bertelsmann said it will use Napster secure technology for its online BeMusic activities. BeMusic, with a reported 23 million users, comprises retailer CDNOW, music club activity BMG Direct and the myplay digital music locker unit.

Metrics

Ask Jeeves hit by Sept. 11

U.S.-based search engine Ask Jeeves posted a 3Q01 loss of $27.5 million, on revenue of $15.4 million, 8% down on the previous quarter's $16.7 million. The company said it had been on track to meet projections, but the attacks on the World Trade Center led to canceled or delayed sales and hampered work in the New York office. Ask Jeeves added that the months of November and December were showing signs of growth.

chello hits half-million

UPC-backed chello broadband passed the 500,000-sub mark last month. chello, which has been adding customers at a rate of more than 6,000/week for the last six months, has some 200,000 subs in its Netherlands home base.

Europe e-connected

Europe boasts three of the world's top five Net-connected cities, according to research from TeleGeography. London is second only to New York – 85.5Gbps of region-to-region bandwidth compared to the Big Apple's huge 150Gbps – and is connected to 61 countries, vs. New York's 71. Amsterdam is ranked third globally with 24.5Gbps, while Paris is fourth at 22.6Gbps, just ahead of San Francisco's 20.8Gbps.

Terra notches up 10k

Spain's Terra said it racked up some 10,000 subs since launching its ADSL Plus service Oct. 17. Terra now claims 100,000 ADSL users.

Results

German portal WEB.DE says it will restructure its startup business services division WORKWAYS on the back of third-quarter results below analysts' expectations, though firm details of the restructuring are not available. The firm posted an EBIT loss of €8.1 million ($7.4 million), compared with Credit Suisse First Boston's €6.3 million estimate. Revenue was €4.8 million, 10% more than 2Q01, with €3.1 million from e-commerce and €1.5 million from online ads. But those figures were below CSFB forecasts, and the bank says it is "a further indication that the European online portal industry continues to be weak." Credit Suisse reckons WORKWAYS, which offers unified messaging services and was launched at end-2000, will close during 2002, but the bank reiterates its forecast of EBITDA breakeven for WEB.DE in 3Q03.

Telenet leads Belgian charge into broadband

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Belgian cabler Telenet was able to boast a European first when it launched high-speed Internet access over cable in the Flanders region in September 1997. Four years later, the company has managed to exploit its first-mover advantage, having racked up an impressive 137,000 broadband subs at end-1H01. But now the company faces aggressive ADSL rollout plans from Belgian incumbent Belgacom and its Skynet ISP.

"Broadband competition is now rampant in Belgium to the absolute benefit of the consumers," said one Internet executive. "KPNT in the Netherlands has not felt the same competitive pressure to develop ADSL because cable companies there have made a mess of broadband. But Telenet's position in Flanders has forced Belgacom to roll out more aggresssively."

"When Belgacom started selling its ADSL services last year, we had a 100% share of the broadband Internet market in Flanders," said Luc Temmerman, Telenet's director of sales and marketing. "At that point, we were working hard on our telephony service rather than Internet. When Belgacom started to become aggressive with ADSL, we changed our focus to broadband Internet. We now have a 70-75% market share, which we are pleased with, but we want to maintain it at that level."

Telenet is now operating in Europe's most bouyant broadband market. According to the Belgian ISP Association, Belgium has more broadband connections than any other European country except Germany – and the country boasts about 60 broadband connections for every 1,000 households, while Germany has just 12. Belgian ISPA figures to end-September show that, for the first time, the number of residential broadband subscribers (253,875) surpasses the number of paying narrowband subscribers (211,423). And both Telenet and Belgacom have targets of 200,000 broadband subs by year-end, with Belgacom looking to make greater inroads in Brussels and the Wallonia region, where Telenet has no presence.

At end-2Q01, Belgacom posted some 87,000 combined residential and business ADSL subscribers. Telenet offers its cable Internet service with downstream speeds of up to 10Mbps for BFr1,499($34)/month, slightly less than Belgacom's BFr1,595 for ADSL with downstream speeds of 750Kbps and Internet access via Skynet.

DIY Internet

To maintain its leading position in the residential market, Telenet pushes not only the quality of its customer service but also the product's faster speeds. The company's advertising campaigns use data from Antwerp-based software- and hardware-testing company Data TestLab that show Telenet's service to be about 50% faster than that of its nearest ADSL competitor, even at peak periods.

But it is Telenet's partial self-install Internet service, launched in June and thought to be the first in the world for a cabler, that could prove to be the killer app in the battle against ADSL.

"It is usually the ability of ADSL operators to offer self-install that allows them to grow faster [broadband] than the cable companies," said the Internet executive. "In Belgium, both Telenet and Belgacom have the back-end technology and systems properly in place to provision their services. The problem, therefore, lies in how long it takes to install the service. With self-install, Telenet now has a scalable solution that enables it to provision the mass market."

Belgian residential Internet services

	End-Jun 01	End-Sep 01	Growth (%)
Free active users (within last 30 days)	581,291	642,084	10.5
Paying subs & ISDN	254,318	211,423	-16.0
Residential broadband subs	183,912	253,875	38.0
Of which Telenet	137,000	n/a	n/a
Of which UPC	18,800	n/a	n/a
Of which others (largely Skynet)	28,112	n/a	n/a

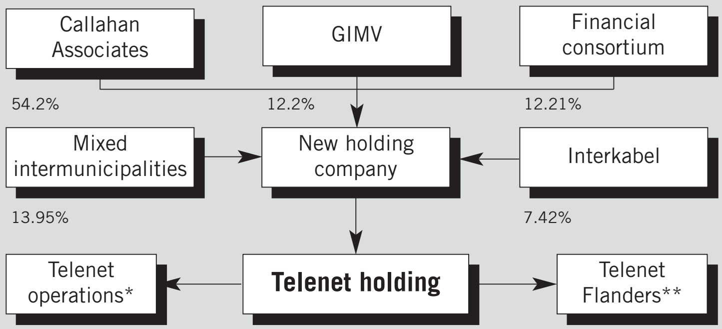
Sources: Belgian ISP Association, company reports`

Telenet subscribers

	2H00	1H01	Growth (%)
Internet	88,000	137,000	55.7
Telephone lines	122,000	175,000	43.4
Total	211,000	312,000	47.9
Enterprises	232	362	56.0

Source: Company reports

Corporate structure



*Responsible for investment backbone network, marketing & operation of services; **has use of 52,000km of coax network owned by regional cable networks

All holdings 100% unless stated otherwise

According to Temmerman, Telenet's partial self-install means that a technician still needs to enter the household to put in the unit necessary to connect the property to the cable network. After that, however, the customer is left to do the internal cabling, connect the modem to the computer and install the requisite software.

"It is [the internal cabling and software installation] that takes up the technician's time," says Temmerman. "With partial self-install, our technicians' time is freed up considerably, and we can now have both self-install or technician-installed services completed within five or six working days from purchase."

The partial self-install costs BFr1,999, compared to the full installation carried out by a technician, which comes in at BFr4,999.

"The partial self-install is doing very well, with most of our new customers taking that option," reports Temmerman.

Back story

Telenet has an interesting, if short, history. The firm was founded in 1996 as a joint venture comprising 16 local CATV companies, a group of Benelux finance houses, the Flemish government-owned GIMV investment bank and U.S.-based mediacomms outfit U.S. West International (later known as Media One). The venture's initial undertaking involved $1.2 billion worth of investment over 15 years, with most of the capex going into the construction of a fiber backbone network and the upgrade of 52,000km of coax in the local networks. Telenet Holding (see chart) oversees the activities of the two separate arms of the venture – Telenet Operations and Telenet Flanders. Telenet Operations is responsible for the investment in the backbone ring and the marketing and operation of services, while Telenet Flanders is responsible for the investment in the coax networks of the local cable operators. It is important to note thats at this juncture, Telenet Operations had use of only part of the bandwidth of the local cable networks to provide Internet access and telephony services. The 16 local cablers retained ownership of their networks and continued to broadcast their own CATV services.

Media One decided to withdraw from the consortium in August 1999, and Telenet looked around for another strategic partner, which eventually came in the form of global telecoms investment company Callahan Associates. CA has a stable of European broadband operators in France, Germany, Spain, Portugal and Belgium that boast 22 million franchise homes, some 15 million of which have been passed by cable.

In April, CA bought a 54.2% stake in Telenet in a transaction valuing the Belgian operator at €1.8 billion ($1.6 billion). It is in the process of purchasing the cable networks of the venture's 10 mixed intermunicipalities – owned jointly by the local municipality and electric utility Electrabel – for BFr37.6 billion, with the deal expected to be closed by year-end. The remaining six cable oufits, owned solely by local municipalities, have decided not to sell.

Once the mixed intermunicipalities are integrated into the company, Telenet will own a state-of-the-art, 1,200km fiber backbone ring plus 35,000km of upgraded local coax networks and 1.5 million CATV subs. It will continue to have access as an Internet and telephony service provider to the networks of the other cable operators, which add another 17,000km of upgraded coax and extend the total franchise area to 2.7 million homes.

"The advantage of integrating the mixed intermunicipalities into Telenet is that we have more-efficient cost management and operations of our networks," explained Temmerman. "We will also be able to cross-sell our products more easily as one company rather than as a separate company for cable television and another company for Internet and telephony services."

The new shareholding structure will also give Telenet access to CA's pan-European assets and know-how. "What Callahan brings to us is that we can share knowledge and experience among their companies," said Temmerman. "It can also make a difference to the deals we get from suppliers of technology and content if we have a large company behind us and not just Telenet working alone. Callahan are also experts in raising finance for the investments we have to make to develop the company, such as iDTV."

It is the integration of the intermunicipalities' cable networks that allows Telenet to offer iDTV over its own infrastructure. A trial involving a couple of hundred homes is set to begin next spring, with full commercial launch slated for end-2002.

"We are looking at settop boxes that will give our customers interactive digital TV, broadband Internet and IP telephony," said Temmerman. "But research among our subscribers has shown that our existing broadband Internet customers see iDTV as a complementary service, rather than as a replacement for what they have."

By the time Telenet launches iDTV, the company is hoping for a relaxation of Belgian legislation regarding bundled packages in the B2C space. At present, companies are allowed to create bundled packages but are not allowed to offer these packages at a price less than what it would cost to offer these services separately.

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Q&A

Overture's Nick Hynes

Nick Hynes is managing director and president for Europe of Overture (formerly GoTo.com), a U.S.-based pay-for-placement search listings provider. By 2003, Forrester Research forecasts 83% of all online advertising will have a performance-related element.

Q: Overture's UK affiliates include Freeserve, Ask Jeeves, Excite and Alta Vista. What are the benefits of such partnerships?

A: We have to have the right partners in place in order to get reach. In the UK now, our reach is 50%; in the States it's 75%. Those partners want two things: a great experience for their users and, secondly, revenue. We've turned what was traditionally a cost into a revenue stream. We typically do a rev-share deal with major partners – the Freeserves of the world. What that gives us then is an opportunity for advertisers to present themselves to the consumer.

What's important to distributors today is how many customers are returning. The focus is on what they have to do to provide a quality product. If they don't provide a quality product they can't afford to reacquire a customer.

The company went through a massive strategy change in 2000 after its IPO to move from destination services into distributing its services through existing search portals and sites. The name change is the last piece of the strategy. It was very important to us that our partners, particularly in the U.S., see us as what we are today, which is a wholesaler of marketing services. We are no longer in any way, shape or form involved in destination-site business.

Q: What's in it for the advertisers?

A: We market to three main groups: the SME marketplace, via agents such as media buyers and directly to corporates. We've never had a corporate turn us down.

The advertisers get three key benefits: They can decide in real time how many customers they want to acquire. They can decide how much they want to pay for those customers. And they can control when they come through the door.

In order to be an advertiser promoting yourself through the search process to the consumer, you have to go through a number of basic hurdles, but the most important one of all is relevancy. We only get paid by the advertiser if somebody clicks on the result – 17% of all listings are rejected for not being relevant.

Relevancy really ensures we maintain a quality product. We have content editors who check listings. That content editor takes six months to train. We have a bible called our relevancy guidelines and those guidelines are specific to each market. Those relevancy guidelines are a living document, changing all the time. Of all the intellectual property that this company owns, that is the most important.

We aim to get the top three players in each major e-commerce sector. It's important for us to get what consumers are looking for.

Q: What are they looking for?

A: Consumers want fast and relevant results – this is the permission marketing model in real time. Consumers choose when they want to look for something. They choose what they are looking for. That's why today on mortgages, people are paying £3+ ($4.38) to be No. 1.

We've learnt that for the long term, the most important things are the quality of the search results and the integrity of the marketplace. For instance, what is critical for any advertiser is to know that they've got adequate fraud protection. That is something we continually invest in. We're here for the long term. We want to be the No. 1 player in this market.

We are like Christie's here – it's an auction process. We don't offer free clicks, we don't try and build the marketplace by manipulating manually and we don't do cost-per-acquisition deals.

Q: You've just posted a very strong set of third-quarter results. How are you able to buck the market trend?

A: When you're in a recessionary phase, marketing mix tends to be focused around ROI. That's good news for us. Unlike virtually everybody else in the online marketing world, we've been consistently moving up our estimates rather than moving them down. The business was set up in the U.S. to make a profit on bids of $0.01, and our minimum bid in the UK is £0.05. We had a business plan which allowed, for month 34, for us to be profitable. We are now in month 11 and we will dramatically beat that forecast.

Q: What next for Overture in Europe?

A: We're launching at the end of the year in Germany. We have already signed up several major distributors, and we're in the process of signing advertisers, and we go live just after Christmas.

After Germany, it will be France, which is the third-largest market and the fastest-growing, and that will be spring next year. Thereafter, I'm confident we will be in Spain and Italy, but this is about balancing the cost of distribution via our partners with the revenue potential. We've only focused on profitable [distribution] deals. There are no loss leaders in our business at all. We don't need to do that.