



**Event:**

Net Neutrality Legislative Debates

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## Every Time You Vote Against Net Neutrality, Your ISP Kills a Night Elf

*Why online gaming will be the biggest casualty if ISPs prioritize packets*

*“Ten movies streaming across that, that Internet,  
and what happens to your own personal Internet?”*

Sen. Ted Stevens

### Synopsis

The debate over net neutrality<sup>1</sup> has often focused on video as the dominant medium that made the prioritization of packets either crucial or harmful. However, video is not the offering that will suffer the most if net neutrality becomes a wistful memory. Rather, the users that are likely to be most materially disadvantaged are those that utilize the Net for interactive communications – particularly voice over IP (VOIP) and online gaming. Of these two finalists for the dubious title of “innovation most likely to be stifled to the detriment of everyone by loss of net neutrality,” gaming is by far the more irreplaceable and senseless loss.

Unlike video and voice, ISPs are unlikely to have or be able to obtain a viable material stake in the gaming business and have no replacement for the service. As a result, consumers stand not only to lose their choice of the source of this product, but the very value of the gaming service itself.

### What Will Live

The battle over net neutrality is really a battle for latency (and jitter). It is unlikely that an ISP will make the mistake of repeating Canadian ISP Telus’ attempt at outright censorship<sup>2</sup>. Rather, the ISP’s gentle nudge towards the preferred offering or provider is likely to come in the form of slow and inconsistent network performance for services that refuse to pay what amounts to “protection money” to an ISP.

Contrary to popular opinion, latency will not kill online video. After all, while a video that buffers for a longer period of time (or requires an advance download) is an inconvenience, it is one with which we coexisted not too long ago, and does not prevent the viewer’s eventual enjoyment of the sought-after experience. In a fit of poetic justice for the converged content provider / ISP, latency and jitter may even drive users from semi-legitimate streaming services with some minimal respect for copyright (e.g. YouTube) to download-focused sources that publicly mock infringement notices (e.g. The Pirate Bay<sup>3</sup>).

<sup>1</sup> Detailed analysis of all the implications of the issue beyond the scope of this commentary can be found in articles including <http://www.wweek.com/editorial/3238/7815> and [http://en.wikipedia.org/wiki/Net\\_neutrality](http://en.wikipedia.org/wiki/Net_neutrality)

For a pro net-neutrality perspective, see <http://www.itsournet.org/> and <http://www.savetheinternet.com/>

For an anti-regulation perspective, see [http://handsoff.org/hoti\\_docs/aboutus/](http://handsoff.org/hoti_docs/aboutus/)

<sup>2</sup> <http://www.cbc.ca/canada/story/2005/07/24/telus-sites050724.html?print>

<sup>3</sup> <http://thepiratebay.org/legal>

This being said, latency and jitter *will* kill VOIP as we know it. While this is a Bad Thing for anyone not selling voice over copper, out of all the evils that can come out of the loss of net neutrality, it is the most easily remedied. Traditional means such as landline (including phone cards to reach VOIP networks closer to the backbone) or cellular will remain available, enabling voice communications to carry on, albeit at inflated rates. If the worst consequence of giving ISPs the leeway to abuse a monopoly power is several dollars out of our collective pockets, then we will have escaped easily.

### What Will Die

What will be murdered with no fallback or replacement is the nascent market of interactive entertainment – particularly online gaming. Companies like Blizzard Entertainment, Electronic Arts, Sony Online Entertainment, and countless others, have built a business on the fundamental assumption of relatively low latency bandwidth being available to large numbers of consumers. Furthermore, a large — even overwhelming — portion of the value of these offerings comes from their “network effects” — the tendency for the game to become more enjoyable and valuable as larger number of players joins the gaming network.

With the permanent barriers that the removal of net neutrality will erect for these uses, the worst-case scenario includes three waves of change:

- 1) One or more mainstream ISPs will introduce excessive lag that will effectively prohibit their users from participating in online games. The move will not be aimed at restricting usage per se, but rather to extract a fee from the game operator. However, as the Cablevision and YES dispute of 2002 showed us<sup>4</sup>, a fee disagreement between a cable company and content provider can effectively lock out the use of a popular service for over a year;
- 2) As online gaming guilds, clans, and partners disappear into the rifts created in the Internet fabric, players that derive value from the community of the game rather than the playing experience per se will drop off. This vicious cycle of scarcity of users will lead to diminished enjoyment for existing users which will lead to still fewer users, until more games follow Asheron’s Call to oblivion<sup>5</sup>;
- 3) Hardcore users will write strongly worded messages to their ISPs, who will classify them as unreasonable malcontents using more than their share of bandwidth.

For those who think this cannot happen, here’s a recent example: For years before the Web as we know it existed, Usenet was a core part of the Internet landscape. It was a factory for online discussion, exchange of ideas, and, ultimately, one of the better bulletin boards for content of all shapes and forms. However, as the Internet became mainstream, Usenet users were marginalized (typically with “cease and desist” letters citing excessive use of “unlimited” internet packages<sup>6</sup>). Their Usenet services were then unceremoniously dumped by their providers (AOL and Comcast being two of the more notorious).<sup>7</sup>

Where there was a substitute for Usenet through services such as Google or BitTorrent, there is no close substitute for online gaming. Killing off these blossoming networks, with their own economies (potentially taxable when converted into real-world cash<sup>8</sup>), would result in drastic, irreparable harm to consumers, technology developers, the economy and tax revenue – and even the ISPs themselves.

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<sup>4</sup> <http://tsn.sportingnews.com/baseball/articles/20030312/462601.html>

<sup>5</sup> <http://www.wired.com/news/games/0,2101,69848,00.html>

<sup>6</sup> <http://www.internetnews.com/xSP/article.php/2171881>

<sup>7</sup> [http://www.betanews.com/article/AOL\\_Pulls\\_Plug\\_on\\_Newsgroup\\_Service/1106664611](http://www.betanews.com/article/AOL_Pulls_Plug_on_Newsgroup_Service/1106664611)

<sup>8</sup> [http://www.legalaffairs.org/issues/January-February-2006/feature\\_dibbell\\_janfeb06.msp](http://www.legalaffairs.org/issues/January-February-2006/feature_dibbell_janfeb06.msp)

## The Place for ISPs in Gaming is as a Pipe

What is most painful about the potential outcome of the elimination of net neutrality is that a typical access provider has few, if any, prospects of building a genuine business around gaming. No matter how magnificent their delusions of grandeur, ISPs have no true focus, no core IP to leverage, no pre-existing partners to prop up or acquire in gaming. In other words, if they kill off Blizzard Entertainment or Sony Online Entertainment, they will not receive any profit that would not immediately be absorbed in the call center handling customer satisfaction issues due to loss of existing games.

Unlike video and voice, where mainstream ISPs tend to have at least some competency depending on their heritage (cable vs. DSL), most access providers have no idea about what it takes to create and maintain a viable value proposition in the world of gaming, especially online, interactive gaming. To date, not a single top gaming company has been owned or funded by an ISP – and with good reason. The first tangible manifestations of an ISP's gaming strategy<sup>9</sup> are little more than casual gamer portals, dozens of which are already on the market<sup>10</sup> with marginal branding and success rates.

Of course, the failure to date of a massively multiplayer online role-playing game to emerge from an ISP is not a particularly damning statement given that even top-notch developers have flopped in fostering true game communities (see Sims Online for example). However, the mere glimmer of success in multiplayer online gaming is nowhere to be seen for today's ISPs. No set top box or other interface provided by an ISP can provide an experience similar to a console or PC, even for single player games. At best, it can be the platform for a casual gamer whose taste extends no further than card games. Given that online gambling is not something an on-shore company will want to touch with a ten foot pole, the upside on an ISP's venture to provide games is highly limited in both reach and potential revenue per user, with annual gross/net revenues topping out at seven figures at most.

On the other hand, building and maintaining a truly open pipe for low latency broadband can and does fetch a premium. If the ISP is not in the business of telling anyone what to play or how much to play, but simply sells a bigger, faster pipe, the upside is astronomically larger. For example, Verizon's FIOS is expected to reach profitability by 2009 with potential revenues well into the billions. Compared with the pennies to be made on building another version of Solitaire for the set-top-box, there is no contest.

## Parallels with Mobile

To see the gaming world of tomorrow without net neutrality, we can look at the fate of mobile gaming. When RampRate conducted a primary research study on mobile application and game developers, we saw that despite some bright spots, the majority of developers were a sorry lot. To list just a few complaints, developers:

- Were forced to assume substantial business risk with limited upside due to draconian revenue shares;
- Waited on overdue payments from carriers for months with no leverage to collect;
- Had no access to the end consumer to determine customer satisfaction and potential for future offerings;
- Lived and died by their placement in portals or "decks" which was determined by methods that were at best inscrutable and at worst corrupt and arbitrary;
- Were repeatedly let down by operators, distributors, and retailers in developing coherent marketing resources.

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<sup>9</sup> <http://stlouis.bizjournals.com/stlouis/stories/2006/10/02/daily59.html>

<sup>10</sup> [http://en.wikipedia.org/wiki/Game\\_portals](http://en.wikipedia.org/wiki/Game_portals)

In short, when the network controlled the content, developers could not effectively iterate towards improvement or be fairly rewarded for their accomplishments. Their businesses and products suffered, which in turn severely retarded market development. Mobile gaming today is probably better on an original GameBoy than on the latest smartphone. And for all the limitless possibilities of using unique portability and location features to create new gaming communities, there is no World of Warcraft or Everquest or Second Life on mobile. If IP networks become akin to mobile networks in their restrictiveness, we may all find out why billion dollar revenue generators such as these die off.

### What Next?

The course of action is clear for each party involved. Gaming communities are powerful, profitable, and yet very fragile. Hasty change in this area can drastically undermine that which has already been accomplished – reducing the total size of the pie to the point where no entity will benefit. Regardless of position in the value chain, we should take careful steps towards change while retaining the basic premise of net neutrality. Specifically, we recommend the following steps:

#### For ISPs

If ISPs are granted veto power over packets in their networks, the best course of action is to let gaming live as it does today. Considering the load on call centers, the publicity fallout, and the resultant future regulation that could be more stringent than that proposed today, any move to restrict gaming carries dangers far in excess of potential rewards. ISPs should understand that gaming is not a core competency in any sense, and better revenue opportunities from packet prioritization exist in taxing Google and locally monopolizing VOIP instead. By far, the best value proposition in this industry is to become the best pipe a gamer can buy, and make fast, neutral access a strength of the portfolio.

#### For developers and publishers of online games

Flexing some muscle as both big spenders and influences on the user is the optimal path for guarding the status quo. Given that operators of online games have spent millions on network infrastructure and hosting contracts, directing the spending to ISPs that commit to keep their network neutral can be extremely powerful. From a consumer perspective, gaming companies have on occasion succeeded in forcing regional European monopolies to build better peering networks because they directed users to complain to the ISP about slow performance. It may be difficult to invigorate the entire horde of gamers to engage in direct political action (to paraphrase South Park, “how can you mobilize that which has no life?”). But game developers have many carrots to dangle in front of an unmotivated user – from virtual gold to über equipment -- and creativity is their strong point, so perhaps some incentive can walk the fine line between mobilization and buying petition signatures.

#### For commentators and press

The media should understand the value and fragility of the online communities being threatened. Instead of focusing on video as the dominant metaphor of net neutrality, there are profound stories to be written about gaming as a social network that, in mere months of existence, has already produced deep human relationships — passions, jealousies, even marriages. There are stories about how it added billions to our GNP and became a top export from the U.S. to Asia; how it helped push the boundaries of software and hardware development; and how it added cross-cultural and cross-continental communications in a fragmented world. Each of these stories bears a mention about how it is threatened by the loss of net neutrality.

### For defenders of net neutrality

The coalition built to protect net neutrality should explore the ramifications of gaming as a threatened species. Potential allies exist in publishers, developers, network operators, and players. Gaming also opens up legal avenues to finding precedents for blocking packet prioritization on the basis of the irreparable harm done to gaming communities.

### Conclusion

Out of all the victims of the loss of net neutrality, online gaming is likely to be the most fragile and irreplaceable. However, the immediacy of the harm and the lack of any tangible alternatives by ISPs may serve as sufficient cause to block actual widespread packet prioritization policies with regards to online games, whether by overburdening support resources (bottom-up action) or by tying up the matter in courts under the principle of irreparable harm (top-down action).

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### About RampRate

RampRate is a data-driven [sourcing advisor](#) that saves clients millions in misdirected IT services expenditures and weeks of strategic planning and procurement time. With clients like CBS, Intel, Microsoft, Sony, and Yahoo, RampRate has radically transformed the way that technology services such as hosting, content delivery, networking, and support are bought and sold. RampRate's [strategic research](#) practice creates actionable business planning and go-to-market strategies based on current and concrete customer data from the SPY Index of historical transactions as well as customized primary and secondary research.

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