

Excite Customers Will Likely Get Continued Service from AT&T

Jay E. Pultz

Gartner believes that Excite@Home services will continue with the help of a major operator, probably AT&T, but enterprises and consumers should ready backup plans just in case.

NEWS ANALYSIS

Event

On 28 September 2001, Excite@Home announced an agreement to sell its broadband Internet access assets and related services to AT&T for \$307 million in cash. Separately, Excite@Home filed for temporary protection from creditors under Chapter 11 of the U.S. bankruptcy code. The Chapter 11 filing will enable Excite@Home to operate its high-speed cable Internet access services and related services during the sale approval process. The asset sale to AT&T is subject to the emergence of higher offers and closing conditions, including bankruptcy court approval.

Analysis

Gartner believes that Excite@Home's recent bankruptcy announcement will have a fairly small impact on the Internet service provider's (ISP's) customers — if a major service operator such as AT&T comes to its rescue and keeps Excite@Home operational. AT&T claims it is committed to working with Excite@Home's management, the bankruptcy court and cable providers (through which Excite@Home provides its services) to provide uninterrupted high-speed cable Internet service to Excite@Home's customers. One challenge for Excite@Home and its white knight will be the possible reaction of cable service providers, which might be less inclined to continue to use Excite@Home services if AT&T or another major operator fully manages Excite@Home.

In addition to high-speed Internet services, Excite@Home was rolling out an innovative content delivery network that Gartner believes represents the future of broadband services: Delivering premium value content (e.g., software, music and movies) via subscription or on a per-use basis. Enterprises that planned to subscribe to these services will need to stay tuned to discuss these plans with whoever ends up with Excite.

Gartner believes that by buying the struggling Excite@Home, AT&T can keep ISP operational and reduce any service disruptions to Excite@Home's customers. Still, given the continued uncertainties surrounding Excite@Home, enterprises using the ISP's services should review their contractual terms, discuss their services with AT&T and Excite@Home, watch this developing situation and create a backup plan.

Analytical Sources: Jay Pultz, Enterprise Network Services

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