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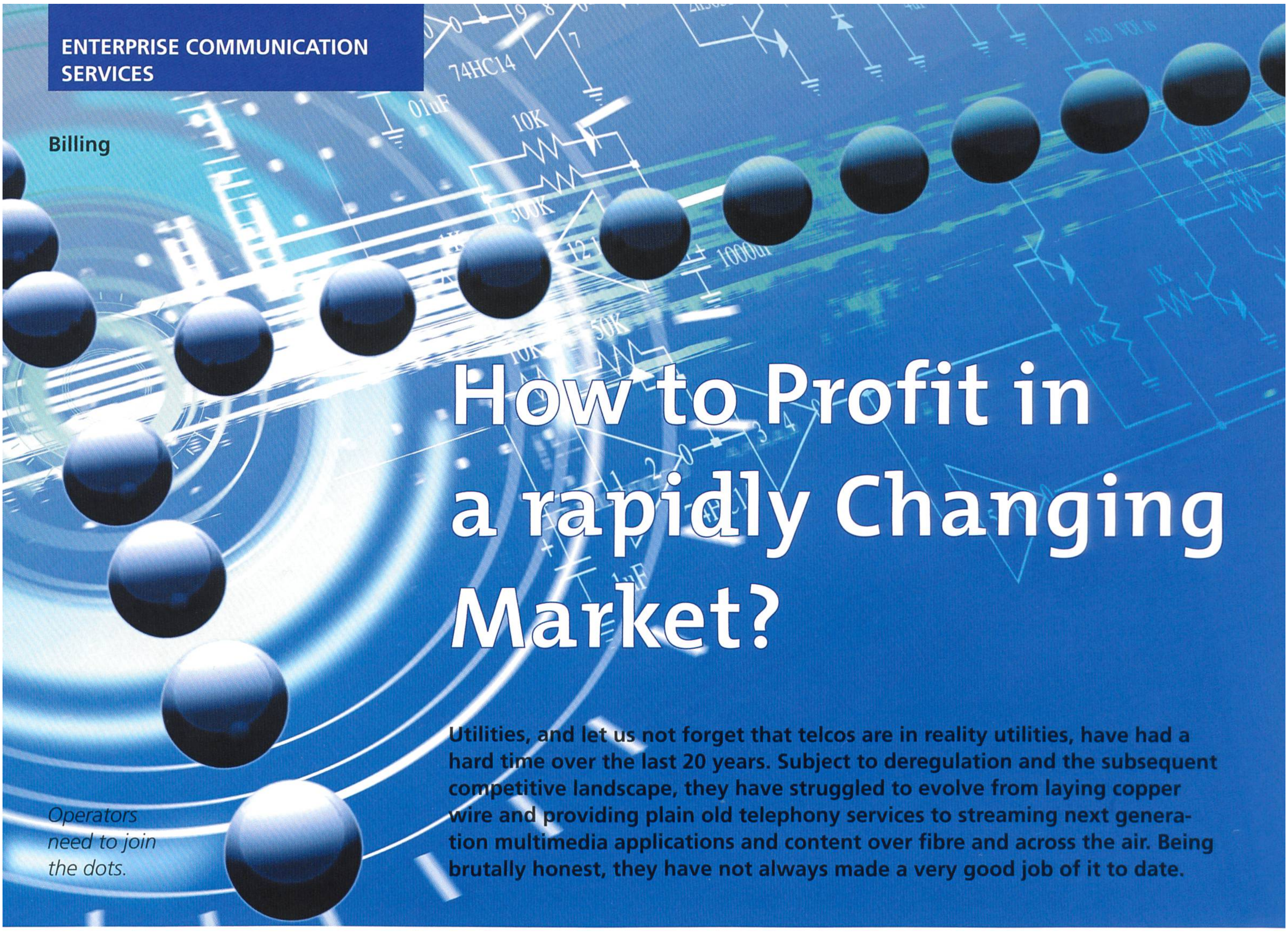

Operators need to join the dots.

How to Profit in a rapidly Changing Market?

Utilities, and let us not forget that telcos are in reality utilities, have had a hard time over the last 20 years. Subject to deregulation and the subsequent competitive landscape, they have struggled to evolve from laying copper wire and providing plain old telephony services to streaming next generation multimedia applications and content over fibre and across the air. Being brutally honest, they have not always made a very good job of it to date.

WARREN SAUNDERS

Supplying access mechanisms is one thing, but the content itself has proven more troublesome. WAP was an out-and-out failure, and MMS, which has all the ingredients to succeed, has already seen abdication on the part of the operators – who point to success in P2P messaging, but do not have any strong ideas for what else the technology will be used – let the people create their own content.

The right Connection

The biggest problem facing the operators is in joining all the dots together. Somebody within an organisation has a good idea for a service, and someone else is able to understand the capabilities and limitations of the bearer technology, but marrying the two has proven almost impossible. Someone in a marketing department thought that WAP really would be like "surfing the mobile Internet", someone else secretly knew it would be like mobile teletext, except uglier, slower and with less content. Services had to be marketing-led for customers to understand them, but the promise had to tie up with the reality. MMS, currently in its infancy, faces similar problems if the content and the resolution are not good enough. The man in the street may not be a technical genius, but he knows he can buy a serviceable digital camera for £ 100 and the quality is a whole lot better than either of the handsets currently available. He also knows he can go home and email the photo to as many people as he wants – free of charge. This discrepancy between the commercial and the technical requirements of a service is also being seen at a financial level:

- How much does a service cost to launch?
- How much revenue will it generate?
- How will I know if I am really making any money from it?

These are the questions operators need to ask themselves. In addition, operators need to understand the impact the new services will have on their infrastructure and whether more profitable traffic risks are being pushed on to other networks – affecting the bottom line. These are all good questions, and questions that in the next generation get much harder to answer simply. A relatively simple mobile data application may have a three-way revenue split, may cost customers a different amount depending on their tariffs, and may be devised, launched and scrapped within weeks. Take the recent Big Brother series as an example: It resulted in a massive increase in SMS traffic, which generated millions of pounds, but was the network ready for it, how did it cope with all the traffic and what was the impact on other, possibly higher value, services? These are all key issues for operators which remain relatively unaddressed.

Agreements necessary

It is clear that from a billing perspective, existing retail systems are ill equipped to tell the operator what is really happening in terms of profitability. In fact content and next generation data services are becoming much more like interconnect in their commercial frameworks. Slowly, more equitable i-mode-like agreements

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are coming into place between content providers and operators – and these will directly impact on revenues. Indeed it may be that an operator doing an exclusive deal with a content provider will be supplying content to users on competitive networks – creating a situation similar to an interconnect scenario, with "traffic" terminating on other networks, be they in the host territory or roamed across continents.
These services will often be very short-lived, and based on unique tariffs, with which existing retail billing systems are unable to cope. But in this climate of cost cutting and consolidation it is not possible to justify the purchase of a new retail system at many millions of pounds. In this scenario a "content interconnect" solution may prove most effective, acting as an adjunct to the existing primary systems. Well-deployed business intelligence systems will be able in real-time to understand if a profit is being made on short-term offerings with complex tariffing structures. Services can then be extended or even cancelled at a moment's notice if overall profitability is compromised.

Join the dots – and profit
Joined up business intelligence within the billing chain is one thing, but it will not tell the operator how its network is being affected, and as previously mentioned with new services being launched at the drop of a hat, the ability to model and cope with the impact is essential. In fact it is where operators can save enormous sums of money with relatively limited investment. In the old days of the nationalised telcoms industry, costs were of little concern and quality was all. Hence safety margins were often enormous and able to cope with any peaks in traffic with which the network would ever have to deal. As traffic grew and data became a real issue for the operators these margins were increased, and capacity was available for even very occasional peaks in traffic.
In this privatised and highly competitive industry landscape, it is no longer feasible to have enormous amounts of capacity sitting around waiting for traffic. It may indeed be more cost effective, for example, to hand traffic off to alternative providers rather than keep fibre unlit for twenty-three and a half hours a day. Understanding the impact of new services is essential. To do so, information from the network, including existing traffic and inventory statistics, along with marketing forecasts can be combined and subjected to analysis. It is then possible to understand "what if" scenarios: What happens if I launch this service tomorrow, do I need another SMS-C? Is this a long-term requirement for which new infrastructure needs to be put in place, or can I simply lease capacity for a few hours or days until things settle down?

So the message is clear enough: operators need to join the dots. They need to understand the impact new services may have on their network infrastructure, their revenues and their bottom line. That may sound much simpler than it really is, but operators already have all the data in their network somewhere – the trick is to find it and further integrate it into the business decision-making process. Operators are no longer simply providers of bandwidth. They are becoming more and more like media owners and broadcasters, and they have to integrate these disciplines if they are to thrive in the 21st century. Otherwise, someone who can do it better will come along and operators will retreat to what they once were, pipes, and then they truly are of no greater value than a utility. 2

Warren Saunders, *Business Manager, Anite Telecoms.*

Zusammenfassung

Rentabilität in einem sich rasch wandelnden Markt?

Telekomunternehmen haben in den letzten zwanzig Jahren eine schwere Zeit durchgemacht. Aufgrund der Deregulierung und des daraus entstandenen Wettbewerbsumfelds mussten sie sich darum bemühen, die Zeiten der Kupferdrähte und guten alten Telefondienstleistungen hinter sich zu lassen, und in neue Bereiche wie dem Streaming von Multimedia-Applikationen und -Content über Glasfaserkabel und die Luft vorzudringen. Das grösste Problem der Betreiber besteht jedoch darin, effiziente Querverbindungen innerhalb eines Unternehmens zu schaffen. Ein Mitarbeiter einer Organisation hat eine gute Idee für eine Dienstleistung, und ein anderer Mitarbeiter besitzt das Know-how über die Möglichkeiten und Grenzen der betreffenden Trägertechnologie. Es hat sich jedoch als beinahe unmöglich erwiesen, beides unter einen Hut zu bringen. Dabei können Betreiber genau hier mit relativ geringen Investitionen beachtliche Geldsummen sparen. Die Botschaft ist denn auch klar und deutlich: Die Betreiber müssen innerhalb ihres Unternehmens Verbindungen schaffen. Sie müssen nachvollziehen können, wie sich neue Dienstleistungen auf ihre Netzwerkinfrastruktur, ihre Erträge und ihren Gewinn auswirken. Betreiber sind nicht länger nur Provider von Bandbreite. Sie entwickeln sich immer stärker zu Medien-Besitzern und -Veranstaltern, was unerlässlich ist, wenn sie sich auch im 21. Jahrhundert behaupten wollen.