

Network service provider revenue

by Jim Clarke, Director for Global Carrier Sales, Telstra International

Users are demanding more bandwidth and faster connection speeds at increasingly affordable rates to take advantage of the new services and applications available on such new devices as smartphones and tablets. Operators find it extremely difficult to control costs and to simultaneously provide more bandwidth. For service providers in the telecommunications industry the signs are very clear: they need new business models, based on partnerships with other ICT enterprises, to share the infrastructure and cost of delivering what customers want.



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Echoes of the past

This time of the year typically allows people to reflect - not only on the past year, but also on the year ahead. Now, as we enter 2011 and prepare for the opportunities and challenges it brings, we can look back on the truly remarkable first ten years of the new millennium. The last decade was bracketed by two significant events - 9/11, and the global economic crisis. Our society has also quietly shifted to an Internet-centric model, marked by the rise of social media, the devices and tools we now use to connect with

others and access vast amount of information like never before.

The pace of change has been startling. While it took three years for the Internet to reach 50 million users in the early 1990s, industry sources forecast that the iPad will reach somewhere near 28 million users after just one year. Meanwhile, governments across the world recognize the pivotal role that the Internet plays in national development and, consequently, more people than ever before are gaining access to technology.

So what can this remarkable decade of change, disruption and opportunity tell us about what to expect in 2011?

May you live in interesting times!

For service providers in the telecommunications industry the signs are very clear. With the proliferation of new data-centric devices such as the iPhone and iPad, and the consumerisation of IT, users are demanding more bandwidth and faster connection speeds at increasingly affordable rates. We even see some larger

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companies behaving like carriers and service providers, purchasing capacity services directly to support their mission critical systems. In 2009, our IP traffic grew 23-fold even without iPhone and iPad traffic. Cisco estimates that global IP traffic is set to increase five-fold from 2008 to 2013, while the Internet will be nearly four times larger in 2013 than it was in 2009¹.

On one hand, this is good for consumers as the cost of telecom services decreases. However, delivery costs are concurrently increasing for telcos as they race to put out more bandwidth. At the same time, utility billing approaches are gaining acceptance and traditional, predictable flat rate ‘buffet’ billing approaches are proving less viable.

These changes present a dilemma for service providers. It is becoming extremely difficult to keep up with accelerating demand while maintaining a profitable and sustainable business. Telcos typically make ten to 15-year network infrastructure investment plans, and do not have the funds or time to keep pace with this rapid change.

Change or be changed

It seems the industry is at a tipping point for a new outlook and business model, based on partnerships, in order to deliver what customers want - or what we call Whole of Business Contracting.

This concept essentially places strategic growth and customers’ needs at the centre of all decision-making processes. It seeks to cultivate an environment where partners coalesce around mutually rewarding strategic ambitions based on customer needs. This is also an approach that promotes developing a sustainable partnership framework that conduct open and transparent conversations about customers’ requirements, and meeting these requirements through telco-to-telco partnerships that create specific value propositions without compromising a profitable delivery of services.

With the convergence of IT and telecoms, telcos need to do more than they have so far in building partnerships with regional carriers and IT partners to make use of one

another’s infrastructure investments and core competencies in order to optimise new opportunities. Network-to-network-integration (NINIs) and point-of-presence (PoP) agreements are only the beginning of the innovation in business model and technology approach under the umbrella of Whole of Business Contracting.

Co-opetition

Many businesses today have multiple offices in various regions and countries. Others are looking to expand into new territories. The customers’ need to connect disparate locations creates an opportunity for telcos to collaborate and capitalise on each other’s network assets. These businesses will find it attractive to work with a single service provider that can consolidate their IT needs and provide a comprehensive end-to-end connection. In fact, telcos that work with one another, as well as with non-traditional IT hardware/software partners, could find themselves in good standing with such businesses as they offer a complete portfolio of network services.

Additionally, with cloud services gaining more attention in the business community, telcos have the opportunity as Infrastructure as a Service (IaaS) players to lead conversations with enterprise customers and software as a service (SaaS) or platform as a service (PaaS) players to build an effective cloud services ecosystem. After all, even the best-designed IT infrastructure relies upon low network latency, resiliency, and reliability in order to deliver fast, agile cloud services to customers.

Change is not just coming - it’s already here. Our private and commercial lives have blurred; new devices are driving new behaviours; economic change has opened doors to opportunity and expansion, and a shift in global power centres; and businesses are looking at new technological models to manage costs. If the telco industry believes it can continue with the same model as before, it will become sidelined and commoditised. Our success has to lie in shared responsibility for, and ownership of, the effects of this change. Forward thinking service providers recognise that customer needs have become

so sophisticated that, at the moment, no single company can meet them alone. Nor do they need to. ●

1 New Cisco Visual Networking Index Forecasts Global IP Traffic to Increase Fivefold by 2013 - http://newsroom.cisco.com/dlls/2009/prod_060909.html



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