Carriers have to do more than just invest in the network

Erik Marell, BT Telconsult's Regional Director of Southeast Asia, speaks exclusively to IQPC on the trends challenges and untapped opportunities in the wholesale telecom sector.

Erik has more than 15 years in the telecommunications industry, with more than 10 of them in the Asia Pacific region. His experience covers such areas as planning and launch of wireless broadband operations and value-added media services, including licensing and development of regulatory frameworks.

He is responsible for BT Telconsult's client engagements in Southeast Asia, assisting telecom operators with Strategic Transformation, Sales & Marketing, Business Process & Organisational Development, and Infrastructure consulting. BT Telconsult is a leading telecommunications management consultancy; it leverages BT's global capabilities, expertise and experience.

IQPC: What are some of the current trends that you see in the wholesale telecom industry and how will these trends shape it?

Erik Marell: First let's take an over-all look at our industry and then consider the wholesale business.

Cloud computing is re-shaping the approach to networked IT services. Now that businesses can use services enabled in the cloud - for instance, Infrastructure as a Service, Platforms as a Service and Software as a Service – they can gain flexibility in the way they provide IT applications.

Devices and applications are converging more and more. A given device can now manage many applications – for example, social networks, business process applications, messaging and calendaring. And the applications can use multiple devices - smartphones, netbooks, etc. All of this adds up to Unified Communications. The users of those devices and applications are increasingly mobile and they're exploiting the new flexibility.

On the wholesale side, as our industry consolidates and traditional wholesale services become commodities, carriers are trying to save costs everywhere they can. The commodity factor and disruptive models from Over-the-top players make the business case for long-term investments in traditional networks more challenging.

Traditional services are still very important because of the revenue they generate, so some carriers are taking new approaches to networks and considering how they can collaborate with each other. They are partnering and co-operating all along the value chain from laying fibre cables jointly (the Europe India Gateway and East African Submarine Cable System are two such cable systems) to leveraging high-end technological capabilities.

In fact, BT is taking some new approaches to handling its legacy networks and I'd like to share a couple of examples with you:

In June of 2009 we signed a voice services agreement with Tata Communications Ltd. Tata became BT's primary supplier of International Direct Dial (IDD) and other voice termination services outside our own footprint countries, and BT became Tata's main distribution channel for its IDD traffic into the UK – soon to expand into other markets across Europe. By consolidating some of our supplier relationships, the arrangement ensures that we have a competitive cost base for IDD for the foreseeable future.

Some people think BT is withdrawing from traditional voice, but we just changed our approach from trading it to selling it. In fact, we offer a unique global voice proposition based on our supplier agreements and our footprint. BT's offer includes a quality layer for functions like back-up routing and managed services, with a built-in migration path to IP-based voice services and applications.

Here's another new approach: you may have heard about BT's partnership with Alcatel Lucent for some of the BT Global Services legacy networks in Europe. We transferred management and operation of these networks to our colleagues at ALU. Here the point for us is focus: we want to concentrate on deploying our 21st-century platform without the distraction of running those particular legacy networks. Last year Global Telecoms Business magazine presented BT Global Services and Alcatel-Lucent with the Innovation Award 2009 for Managed Services for this achievement in legacy network transformation.

IQPC: What about the trend toward next-generation networks?

Erik Marell: NGN transformation enables new possibilities and some carriers are taking advantage of them to move up the value chain, offering solutions and capabilities instead of simply services and capacity. We are seeing a lot more managed services and increasingly solution-oriented one-stop-shopping. Service providers look to combine their own geographical strengths with complementary elements from wholesale offerings.

The transformation to NGN started some time ago and continues now. Almost all carriers are doing it, but many still need support to maximise the opportunities and minimise the risks.

I'd like to say here that our BT Telconsult telecoms consultancy offers professional services to help carriers with transformation. We are organised around consulting practices – Strategic Transformation, Sales & Marketing, Infrastructure, Business Process & Organisational Development, and Telecoms Management – which give you a view of where and how we can help.

We focus on emerging markets, including Asia Pacific, but also engage with major players in Western Europe. As you may imagine, our customers are sensitive about being named but I can share some anonymous case studies with you. (http://bt-telconsult.com/case_studies.html)

IQPC: What key factors must be taken into account to ensure that you maximize your NGN investment strategy?

Erik Marell: In BT we think that innovation in the wholesale portfolio is key, especially in IP and value-added services, to respond to the growing demand for solutions that range from connectivity to content to applications.

There is still room for innovation in traditional services, especially in international and emerging markets. We recently launched BT SMS Hubbing to carriers globally, and we are expanding on our RoamConnect offer, for example, to accommodate the SigTrans standard protocol for voice signalling. BT also offers fixed-to-mobile convergence with our Home Area Services.

We are also investing in new-wave services to develop such products and service enhancements as our Wholesale VoIP (European Reseller System) and IP Voice Virtual PBX.

We are especially excited about our new interoperability propositions for fixed and mobile providers, including ENUM, security, transaction and value-added services. Cloud services and converged devices and applications require delivery by multiple providers across multiple networks. Dumb pipes and best-effort interconnectivity are not viable anymore so carriers need true interoperability that links networks at the application layer.

Interoperability can enable operators and providers to pay and get paid for IP-based services, so it has the potential to open up new opportunities in voice and business services. And because it provides integration between traditional TDM- and IP-based infrastructures, it supports a smooth and CAPEX-friendly evolution.

IQPC: What are some of the current untapped opportunities in the wholesale telecom sector and what is being done to tap into them?

Erik Marell: Many carriers, including BT, are investing to upgrade wireline and wireless networks from copper to fibre and deploy up-to-date routing and switching technologies so they can provide more competitive offers and better service. Off-network technologies and declining ARPU threaten the business of wireless carriers, and innovative content and application providers are building new revenue streams on the wireless carriers' own networks. At the same time, broadband wireline is increasingly just a commodity.

So carriers have to do more than invest in the network. If they can differentiate themselves with high-margin applications, they can attract subscribers who are now going to new entrants for new services. These entrants often disrupt the business models of established infrastructure providers, and their offerings may sometimes lack security, integrity and quality assurance.

Here is the untapped opportunity for carriers: If they offer compelling new applications to drive usage and return on their network investments, their reach and resources put them in a good position. The market for feature-rich, communication-enabled subscriber applications is already bearing fruit in the internet and computing industries.

And carriers can bring some things to the table that most entrants lack: decades of experience providing high-availability platforms, integrity and security. Most of all, their customers trust them.

So BT's Global Telecom Markets (GTM) unit is enhancing its portfolio of wholesale solutions to help operators and communication providers make the most of this opportunity. We are leveraging BT's recent acquisition of Ribbit, a Platform as a Service (PaaS) enabler for communication applications. The Ribbit PaaS provides an open programming environment, applications, new developer communities, and development services that make it possible for carriers to get new value from their existing networks.

IQPC: Could you please explain the challenges with regard to data and product strategy in order to deliver an increased target ARPU?

Erik Marell: Data services are increasingly being offered on a flat-rate basis where subscribers get (almost) unlimited data usage for a fixed monthly fee. This is true for both mobile and fixed broadband operators and service providers. Competition is increasing as markets mature over time. Hence ARPU falls while prices decrease and data usage increases - almost exponentially in some markets.

The challenge in these market conditions is two-fold: Can the service provider maintain profitability by increasing efficiency and reducing its "cost to serve"? And can the operator introduce new value-added products and services to make up for the ARPU reduction, or even make it possible to achieve higher target ARPU?

On the cost side, cost optimization and network and systems rationalisation are paramount. We can see operators sharing infrastructure to a larger extent to reduce operating costs. We can also see a clear outsourcing trend where operators let a third party manage their infrastructure and thus achieve benefits of scale. As I mentioned earlier, BT is a company that has experience in network outsourcing to optimise costs – and we can share this expertise with our wholesale customers.

Operators aiming to increase their target ARPU must also develop new and innovative product strategies that can create incremental revenue streams. Increased broadband penetration and new devices such as smartphones in the mobile world enable new services and applications to be introduced with short lead times. However, there is no guarantee that operators will get the lion's share of these incremental revenues. They have to address the risk of becoming suppliers of only the connectivity services that the mass market needs; they have to make sure they can participate across the value chain.

Mobile operators are looking at other market segments, in particular enterprise/SME customers, to make up for decreased revenues from consumers. But moving from a consumer focus to enterprise/SME carries its own challenges in terms of capability gaps with regard to organisation, people, product portfolio, networks and IT. These gaps need to be closed. As a result we may see new partnerships between global operators, with a clear focus on enterprises, and local or regional mobile operators, who are traditionally more consumer oriented.

Erik Marell is a speaker at the Next Generation Wholesale Telecom Asia conference. For more information about the event please contact rani.kuppusamy@iqpc.com.sg or visit www.asiatelcomwholesale.com