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Cable Operators Make a Play for the Enterprise

By Martin Creaner

While enterprises spend billions of dollars every year on telecom services, a disproportionately small amount of this spending goes to cable operators. The MSOs (Multiple Systems Operators), however, are not accepting defeat on this potentially lucrative opportunity. Instead, they are increasingly focusing on the commercial enterprise and what they need to do to be competitive against the telcos that have been entrenched in this market for decades.

A recent In-Stat report on Enterprise Cable found that while worldwide cable telephony subscribers hit 30 million in 2007, up 7.5 million from 2006, the best of the leading MSOs in the U.S. had only a few hundred thousand business subscribers. And while cable numbers are estimated to grow by around 20 million per annum over the coming few years, the key question for MSO's is whether they can increase the % of small and medium enterprises (SMEs) opting for cable voice and data.

MSOs may be facing an uphill battle when it comes to the enterprise. After all, the cable companies have a years-long reputation as primarily residential service providers, a perception that might be hard to overcome. Cable operators have to shift the enterprise mindset to one where the winning package of the price and the service reliability they require can be obtained through their local cable provider just as well as through their local telco.

It's not clear what this winning formula is. Do they try to replicate their consumer offering to the cable market (i.e. bundled voice, data & video), or do they try to offer a standalone voice product? All options are potentially viable, but there is no certainty as to which will deliver the killer blow. As a result, the companies have been trying a variety of approaches.

Despite this, cable operators are having some success gaining business voice customers. The In-Stat report notes that MSO's are adding a steady 15,000 to 20,000 new business subscribers each quarter. Of course 10 years ago, residential cable phone service was struggling to break into residential voice service – so we've been here before and we all know the results of that particular battle.

Challenges Ahead for Cable

Creating a shift in perception is key for cable companies to successfully infiltrate the enterprise market. Not only do the MSOs have to look at what they need to do to make inroads into enterprises – particularly small and medium enterprises (SMEs) – but they also have to guard their backs as the telcos start to make a play for their traditional strong area: broadcast video.

Telcos of all sizes are improving their IPTV offerings, which will only make their product portfolios that much more attractive to customers and potential customers. However, the cable companies are slowly starting to find that the small and medium enterprises are just as open to buying voice and data services from cable companies as they are from telcos. This is being helped greatly by the maturity and acceptance of voice over IP (VoIP) services, but whether cable will succeed in capturing significant telco market share depends heavily on the perception of customer service, the partnerships the MSOs can force with outside partners, and the management of devices.



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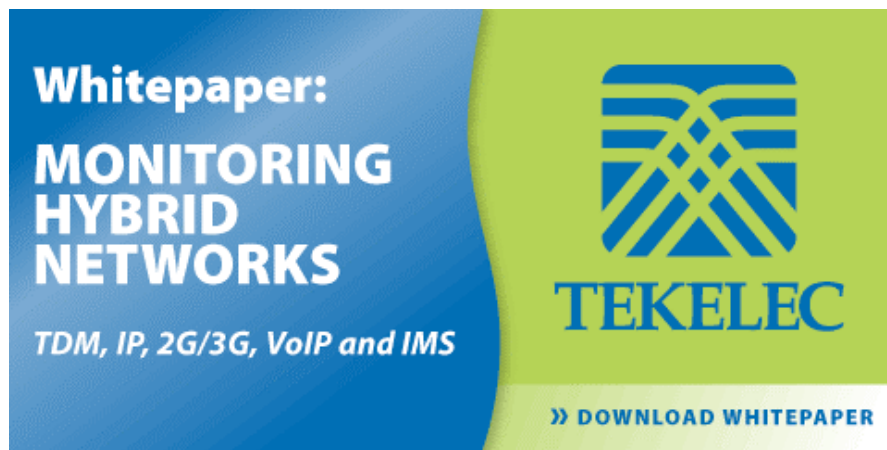
In the residential environment, telcos traditionally have had a perceived advantage in terms of customer relationships and loyalty, as telcos could boast robust billing & CRM systems and data repositories of valuable customer data. However, the MSOs have a crucial advantage in that they are seen to be more flexible – lacking the huge inflexible legacy systems which haunt and restrict the telcos. This absence of heavily monolithic systems built decades ago for voice and analog services might be an advantage for MSOs, allowing them to readily leapfrog ahead to accommodate the QoS and personalization demands of digital services.

The other key disadvantage MSO's have in selling to enterprises is their strict geographic limitations. Apart from the smallest enterprises, who are very often single office businesses operating in a single town, many small and medium businesses operate out of multiple locations. For these customers it is a lottery as to whether the cable company can offer them services in all their locations. Experience has shown that most enterprises prefer the convenience of a single stop shop for their communications needs, and this seriously disadvantages the cable offering. The MSOs are countering this issue by partnering with each other to deliver a pseudo one-stop-shop offering - but its unclear as to how successful this is being received.

Using Standards as Part of the Winning Formula

From a TM Forum perspective, we tend to view the changing business environment as a series of opportunities to which we can apply standards to solve management issues, regardless of whether the business scope is fixed or wireless, telco or cable, residential or enterprise. For years we have been developing standards, frameworks, and guidebooks to help streamline operations, reduce management costs, and improve business flexibility. The implementation of these has resulted in improvement of telco management capabilities, especially around the areas of QoS, process

automation, service level agreements, and revenue assurance. More recently, we've seen a strong trend for cable/MSO companies to pick up and apply these frameworks to achieve similar business results.



In the end, it will come down to who more deftly manages the customer experience, and who shows the greatest flexibility and responsiveness to an ever-changing business landscape. And that's where TM Forum can help make a difference. In the past year we've launched several activities focused on bridging this gap. Examples of these projects will be demonstrated throughout Management World Nice this year and include measuring customer experience across the increasingly complicated value chain.

Although these initiatives are strongly driven by a substantial telco following, the resulting work and evolving standards are not telco-centric. Improved execution of the business processes benefits all, and enables both telcos and cable companies to reduce cost, operate more efficiently, improve customer responsiveness, and reduce revenue leakage.

There are no crystal balls here, but it's a fairly safe bet to say that MSO's will continue to make inroads into the SME market, and in doing so drive more innovation into the telco space to enable them to compete effectively. And the only guaranteed winner in this battle is the consumer!