

In the News:

Innovation and Diversification

By Phillip J. Britt

As cloud computing and other IT services become more centralized, managed services, video, and other new business models are providing more revenue and more potential for service providers.

According to a survey from UK-based Teneo, an infrastructure itemization company, over half (52 percent) of all IT managers polled are planning to increase the use of managed services in order to thaw deeply frozen IT budgets and reduce total cost of ownership.

Jack Schwab, IT infrastructure practice co-leader for Seattle, Wash.-based consulting firm Point B, added

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that companies have downsized staffs but need to keep up with technological advancements, and managed services provides them a way to do this while focusing on their core competencies rather than on the vagaries of the technology.

That's why, for example, Australian-based Sensis, an online advertising and digital mapping business, in late July inked a deal with Amdocs to support and develop its customer relationship management, production and provisioning platform and other associated IT managed services. The new agreement includes application support, data-center services and additional managed services in Sensis. This new contract expands the relationship between Amdocs and Sensis, which have worked together for more than 20 years.

In Asia, China Mobile Hebei, a provincial company of China Mobile, selected Ericsson as the sole managed services partner for all its 22,000 2G/3G (GSM/TD-SCDMA) base station sites through a three-year field maintenance agreement. The Hebei province has a



population of 70 million and its area is almost the size of the UK.

The agreement enables China Mobile Hebei to improve its network quality and operational efficiency and further increase its focus on its core business, the subscribers, while Ericsson takes full responsibility for the field maintenance work of all the base station sites.

The cooperation between China Mobile Hebei and Ericsson has also gained support from the Government of Hebei Province, which has expressed its hope that Ericsson will make the best use of this opportunity and set a benchmark for field maintenance services in China as well as a base in northern China.

China Mobile Hebei, China Mobile's subsidiary in the country's sixth most populated province, is one of Ericsson's most important customers and strategic partners. The two parties have had a partnership for more than 23 years.

In a similar vein, AT&T will be managing wireless and Internet services for Hilton Worldwide, which includes more than 3,200 properties in the United States, Canada, and Puerto Rico.

AT&T will manage and operate Hilton Worldwide's "Stay Connected" program, which provides guests with access to high-speed Internet services. Hilton Worldwide's properties will receive fast AT&T wireless and wired connectivity over a common high-speed Internet access platform.

AT&T has provided Hilton Worldwide with network equipment, design and installation since the inception of the "Stay Connected" program in 2005. Over time, Hilton Worldwide will systematically transition to AT&T all management and support

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“FiOS, U-Verse, managed health care records, cloud and other managed services are likely to continue to grow.”

functions for its online operations across its portfolio of hotels in the United States, Canada, and Puerto Rico. AT&T will oversee network operations, guest Internet support, network engineering, software development, and 24/7 network monitoring for Hilton Worldwide’s wireless and Internet services.

With this agreement, AT&T becomes part of the Hilton Worldwide Innovation Collaborative. Through the Innovation Collaborative, Hilton Worldwide is joining with world-class technology providers to maintain its position as the leader in hospitality technology.

Verizon is going after some bigger game. In the middle of the month, the company announced that its Verizon Health Information Exchange was going to consolidate clinical patient data from providers and translate it into a standardized format to be securely accessed over the Web.

Through the Verizon Health Information Exchange, participating providers will be able to request patient data via a secure online portal, regardless of the IT systems and specific protocols the providers use. The goal is to enable providers to obtain a more complete view of a patient’s health history no matter where the data is stored.

Electronic medical records are one of the key initiatives of the recently passed health care reform legislation, with stimulus funds helping to promote the initiatives and planned cutbacks in federal Medicare dollars for health care providers who don’t adopt electronic medical records within the next few years.

Verizon will charge for the service based on a provider’s patient-record volume.

Managed Services Aid Telcos

Managed services are becoming more critical for the revenue streams for AT&T and other telecom carriers.

In its second quarter earnings statement, AT&T reported that managed services and wireline data provided 25 percent of its \$30.8 billion in revenue, up from 23 percent of \$30.6 billion a year earlier. Wireless services, based on solid fees from services delivered over iPhones, provided another 46 percent

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of the revenue, compared to 43 percent the year earlier.

Expect even more contributions from iPhone (and the new iPad) in the third quarter. According to the latest available figures, 1.7 million consumers bought iPhone 4s in its first three days of sale. According to Yankee Group, those same consumers will be worth more than \$1.8 billion to AT&T this year, and more than \$9 billion to it over the next five years.

“Apple iPhone owners shop more, buy more and remain more loyal to their phones than users of other devices,” says Carl Howe, Yankee Group research director and author of the report. “Our surveys tell us that Apple is the most popular choice of consumers shopping for a new smart phone. Because those subscribers will earn more revenue for operators, mobile operators worldwide should be courting them.”

Sometimes it's the consumer making the choice regarding the carrier, regardless of the exclusivity deal. In late July, the Library of Congress added new exemptions to the Digital Millennium Copyright Act, which enable users to legally break through copyright protection on their mobile phones in order to “execute software applications, where circumvention is accomplished for the sole purpose of enabling interoperability of such applications.” So users can unlock firmware that ties a mobile phone to a particular wireless network. This enables iPhone owners to add non-Apple approved software to their phones, as well as take those phones to a different carrier.

Video Also Growing

Though by category, (wireless was the dominant source of revenue for AT&T and Verizon in the second quarter), both companies are seeing good growth in their video offerings as well.

AT&T recorded its first ever billion-dollar revenue quarter for its U-Verse services, with 209,000 U-Verse TV subscribers, bringing the total to 2.5 million. Verizon added 174,000 FiOS TV subscribers to bring that total to 3.2 million.

FiOS, U-Verse, managed health care records, cloud and other managed services are likely to continue to grow as more companies see the changing technologies as too expensive to keep up with in anything but a collaborative environment.

Microsoft founder Bill Gates discussed the values of such collaboration several years ago when pointing out the value of Microsoft Office and similar products that had investments from several hundreds of thousands of buyers at a few dollars apiece, rather than the same amount of money from a handful of buyers who had customized versions. Salesforce.com took this idea to a new level in the Software-as-a-Service arena. In many ways, the managed services business and some of the other new business ventures are still in their infancies—so there is still a lot of untapped potential.

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