Backgrounder

Cisco Internet Business Solutions Group, Global Service Provider Practice

Service Provider Community

The service provider (SP) industry consists of much more than traditional telcos and network providers. It incorporates all aspects of the new, digital value chain, including content creation and management, devices, advertising, and conventional network transport/service provision.

Service provider executives face a string of issues unique to their industry. For example, traditional network providers are experiencing unprecedented, double-digit growth in terms of network traffic, but just single-digit revenue growth. Meanwhile, over-the-top (OTT) providers are collecting revenue from customers, while treating the network as a commodity pipe to deliver services—potentially leaving money on the table as they struggle to find significant monetization models and approaches. The digital value chain continues to blur even further, as players along the chain look to adjacent areas for opportunities.

Furthermore, as an increasing number of offerings are delivered as managed or cloud services, SPs are struggling with how to participate in these new revenue-generating areas. The growing shift toward "open" technology platforms and interoperability threatens the competitive advantage of all players along the value chain. Above these concerns looms regulatory uncertainty about decisions governments might make that could negatively impact SPs' businesses. For instance, further restrictions on privacy, security, and network neutrality (open access of all Internet content and applications) threaten to constrain targeted advertising and erode economic return on their networks.

The Cisco® IBSG Global Service Provider Practice is committed to helping SP executives worldwide transform their businesses by addressing complex challenges they face today and capitalizing on the business opportunities of tomorrow:

- How quickly should I migrate my network from legacy to IP?
- What is my role in delivering cloud services? Which investments should I make?
- When, and to what extent, should I integrate my mobile and fixed networks?
- How can I collaborate with OTTs? Which programs should I implement?
- What should I do about a structural separation of the business? Will this be mandated?
- How do I monetize the huge growth in network traffic? Where do I need to invest?

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Opportunities for Service Providers

Despite these challenges, the SP industry is still growing, generating more than US$3 trillion in annual revenue globally, according to industry reports. Revenue comes not just from voice and traditional data services, but also from the growing areas of media, IT, devices, and new data services, such as mobile and ultra-high-definition video collaboration technology. Based on extensive research and interviews with industry analysts and SP executives, Cisco identified 10 major trends, or market transitions, that will be instrumental in shaping the industry's future:

1. **Economic uncertainty:** global economic slowdown and access to capital
2. **Massive growth in network traffic:** fueled by video, collaboration, new applications, and customer demand for quality
3. **Broadband and mobile reality:** increasing access to broadband and mobility
4. **Web-delivered digital media:** video and digital entertainment delivered by new web-based networks and business models across multiple devices
5. **Broadband as an economic platform:** near-unanimous acceptance by governments and regulators worldwide of the importance of connectivity in driving economic growth, innovation, and prosperity
6. **Rise of emerging markets:** growing demand in developing countries for sophisticated services beyond basic voice connectivity
7. **Cloud-delivered services:** the network as the platform for delivering all manner of IT services
8. **Device-centricity:** increasing power, sophistication, connectedness, and desirability of devices, encouraging "anytime, anywhere" customer behavior
9. **Business compatibility and open technology:** greater openness of networks, applications, devices, and platforms; improved compatibility among business models
10. **Green:** social and cost pressures forcing companies to assess the environmental impacts of their business

Transforming Service Models

As trusted advisers, with in-depth knowledge of both the industry and enterprise, the Cisco IBSG Global Service Provider Practice works with CXOs of Fortune Global 500 companies to define and successfully deliver new IP-based offerings that will generate revenues in data and value-added services. IBSG helps customers improve profitability by driving new services, improving go-to-market strategies, and creating operational efficiencies. Our expertise is focused in a number of key areas:

Cable Providers

Our experts partner with cable operators to build businesses in commercial services and IP telephony. One of the fastest-growing areas is next-generation managed services. Increasing 20 percent annually,[1] these services enable SPs to increase their value-add, define a differentiated role that emphasizes solutions rather than commodity services, and

[1] "The Market for Video Products—Live Streaming, On-Demand Streaming, and Video/Web Conferencing 2005–2010," International Data Corporation (customer report for Cisco), March 12, 2006.

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reap the benefits of higher margins. Cisco IBSG works with these companies on new managed services concepts and hierarchies, and the role they play in this growing sector. Cisco IBSG also helps them define new opportunities to increase revenue from both advertising and data.

Global Media, Satellite, and Web Service Providers

The Internet is changing the media and entertainment industry by converging with telecom to shape a "new media" supply chain and integrated services. This phenomenon is increasingly disrupting the way that traditional media companies create and distribute digital content. Our expert consulting team collaborates with customers and partners to address profitability in the following areas: precision advertising, multi- and cross-platform content distribution, "Connected Life" services, lean and energy-efficient data centers, and customer experience, among others.

Incumbent Local Exchange Carriers, International Exchange Carriers, and PTTs

Our team helps major incumbent carriers define new IP services, build solutions and services that meet the needs of specific enterprise verticals, and increase the overall operations productivity of incumbent carriers.

Mobile Service Providers

As the mobile voice market continues to mature, SPs are expanding traditional voice services by developing next-generation consumer and corporate data services. Cisco IBSG helps leading mobile operators catalyze the enterprise market with innovative services such as mobile virtual private networks and vertical-specific mobile service bundles. Two areas ripe for mobile offerings include:

- Femtocells—Femtocell technology allows wireless subscribers to seamlessly move from the traditional mobile network to a personal mobile network within the home, without replacing handsets. Through fixed-mobile-convergence strategies and solutions, Cisco IBSG helps SPs address the viability of femtocells in homes with less-than-ideal signal quality for voice calls, for homes seeking savings from potentially unlimited usage, and for home users who would benefit from faster download speeds.
- Connected Life—Connected Life services give consumers the ability to access entertainment, information, and social networks, and collaborate with others virtually anytime, anyplace using a variety of devices.

According to “Connected Life Market Watch,” a recurring study from Cisco IBSG, television viewing on the Internet is increasing; and half of U.S. broadband consumers want to bridge the video islands in their home, but 5 percent or less have an Internet TV video device. The main barriers to adopting a Connected Life are up-front costs to invest in technology, disparate technologies, and a lack of technical support. Mobile providers can accelerate this market by giving consumers seamless access to various components of the Connected Life experience, while saving them time and money. Time Warner Cable is one example of how Cisco IBSG is helping incumbent SPs implement advanced technologies for a Connected Life.

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"In terms of the TV, consumers are busier than ever, and their expectations for accessing what they want when they want have reached a new level . . . . We did a lot of work with Cisco on time-shifting programming, and we created a service to let customers 'start over' a show at the touch of a button without having to preplan. Today, we have this service available to over 4 million digital households."

Peter Stern
Chief Strategy Officer, Time Warner Cable

Telcos in Emerging Markets

Industry consolidation is pushing emerging telecommunications carriers to focus on strategic positioning, stabilization, and/or restructuring—while improving cost, flexibility, and service. Our expert team helps executives develop strategic business plans, grow their businesses, and secure a successful position in their markets. Cisco IBSG consultants also work with SPs and governments to define and execute strategies for country transformation that result in higher penetration of ICT and associated increases in gross domestic product.

Our thought leadership and rigorous consulting engagements are enabling a number of SPs throughout the industry to take advantage of this new digital value chain to reduce costs, improve customer responsiveness, and increase their own productivity and effectiveness over time while serving their customers. For more information about the capabilities of the Cisco IBSG Global Service Provider Practice, please visit our website, **http://www.cisco.com/go/ibsg/serviceprovider,** or contact:

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More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps CXOs and public sector leaders transform their organizations—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that address key CXO concerns.

For further information about IBSG, visit http://www.cisco.com/go/ibsg.

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