

C insight

Blessed are the incumbents

SMBs represent a huge, largely untapped market, which Bob Emmerson thinks is best served via added-value services. However, incumbents only talk the talk, which is good for kit vendors and the channel.



The branch offices of large organisations only need a smart router in order to employ a centrally hosted IP Telephony service and its applications. That is one of the key features of the technology. Thus, all a service provider needs to meet the ICT needs of the huge SMB market is some carrier-class kit, a portfolio of baseline apps and high-speed feeds into the customers' offices.

The DSL feeds are there now, although the UK has been notably slow to implement broadband services. BT started late and set the initial price too high (no surprises there) and the cable operators also neglected the opportunity. Thus, given the leisurely pace of progress it would seem that kit vendors and their channel partners have little to fear from the incumbents.

At a recent analyst event a well known carrier gave a presentation titled "How do we get UP?" The title says it all. One slide asked key strategic questions like "Can we produce a cost reduced convergence infrastructure to support public voice, Internet and other data services?" I kid you not. Even more amazing was the statement that the carrier's intentions should not be seen as commitments. Predictably, they were mauled.

One analyst, modestly prevents me from saying who, pointed out that by the time they actually got round to producing that infrastructure they would find that competing carriers were already there with a comprehensive portfolio.

For example: FastWeb, an Italian SP, offers network storage to its corporate customers in addition to data and both VoIP communications services. The same massive storage facility is employed for the company's video-on-demand service for consumers, who can also get

Internet access, regular telephony and video telephony from the same one-stop source.

FastWeb is therefore providing all the communications, entertainment and connectivity needs of its customers.

Thus, not only can it be done, it has been done. The company built a broadband infrastructure that met the needs of the whole market: large and small enterprises as well as consumers. The only significant constraint is the geographic reach.

You can also provide good services using an innovative business model such as that of Face2Face, which launched a U.K. video service in June.

Video conferencing facilities are available in major cities; they've been there for many years, but calls have to be scheduled in advance and trips made to city-centre locations. Establishing nation-wide networks sounds expensive, but why not replicate the wireless 'hot spot' model. For example, if the hotel chains frequented by business travellers put video conferencing facilities into their business centres then local companies would surely use them, and maybe stay on for lunch, thereby generating additional revenue for the hotel.

The market for affordable video services is clearly there and it would not be a hard sell. Systems costs are no longer an issue, service providers have spent large fortunes building out their networks and they badly need the additional revenue that video services would generate. RADVision predicts combined worldwide sales of US\$10B by 2007, the three biggest geographic markets being the USA, China and the Far East. Thus, if anybody should be in the driving seat and going after all those dollars it is the service providers, but the

wake-up call could and should have come much earlier.

The obvious model to adopt is that implied by the term service provider, i.e. provide the added-value services that the market needs and for which it is prepared to pay. This means moving on from merely transporting IP packets back and forth. Instead of focusing on the VPN/WAN bit in the middle, SPs should offer end-to-end solutions, i.e. managed services that take in LANs, desktops and conference rooms. At first sight this sounds like a logical, but unlikely development. Logical because they own the wide area infrastructure and need to sell a lot more bandwidth. Unlikely because it's an innovative concept that involves a seismic change in the corporate culture of service providers.

The situation seems to be changing in the US. AT&T has partnered with Cisco and Avaya in order to offer a managed IP PBX service that integrates with its global network at layer 3. Similar partnerships with Mitel, Nortel and Siemens are likely. The hardware stays on the customer's premises but is managed by AT&T. The official announcement only makes reference to Voice over IP, but video represents the obvious second step. The company is also migrating its IP network from H.323 to SIP.

As Mr. Punch would say, "that's the way to do it", but don't hold your breath. CPE rules on this side of the pond. That's good for the channel but not the market or the economy.

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