

10 Big Problems; 10 Practical Answers

By Gary Kim

All service providers face key challenges in today's market. In fact, there's nearly unanimous agreement on some "top of mind" issues, including "wireless substitution" and "business model change."

And the list of key executive issues is different than it was between 2002 and 2005, for example.

Not so long ago, the top issues were challenges such as revenue growth, operating expense reduction, capital expense reduction and even debt loads.

But new problems emerge even as older issues are dealt with.

So how are service providers responding to 10 of the newer—and biggest—industry challenges? In uncommon and creative ways you might not suspect.

Q 1. How do I create new applications at "Google speed" to compete?

"Only by harnessing IP and Web style innovation are service providers going to be able to move as fast as Google and other contenders, while keeping a quality edge," says David Axam, BT Design, director of transformation.

That means balancing "traditional telco standards" with market-driven, up-from-the-bottom virtual standards based on "what everybody uses," he argues.

"Mashups are a great example," he says. "As IT and communications converges, you want to customize communications just like

you do with PC and Web services."

Inevitably, that means more openness. "That's the traditional telco barrier," says Axam. "Telcos haven't been open because they were so rigorous about fairly custom-made telco standards."

"We are working really hard to bring down those barriers and bring IMS and Internet technologies to bear," says Axam. "We are trying to find a blend of Internet agility and also bring to this our heritage of high reliability."

"You can't build 20 voice apps," he says. "You have to take one or two and allow them to be used millions of times in different ways."

Both full support for legacy performance and openness to support new applications is what BT needs and its suppliers must deliver.



David Axam,
BT Design

Q 2. Where's the revenue? Voice services generate revenue today, but what do I do next?

"Coming from a conservative cooperative environment, we are now increasing our marketing research," says Tom Vitt, Horry Telephone Cooperative marketing director.

"We are looking at why customers left us, for example," he says. As it turns out, "calling area is an issue," adds Vitt. "An extremely high percentage of customers are annoyed by restrictive calling areas." So that means revamping HTC's unlimited calling options.

"At the moment, with slow growth because of the economy, we are focused on retention," he says. That doesn't mean HTC is sitting still though. It knows it must increase its share of wallet, and knows features are essential, in that regard.

"Most important: allowing people to add features, change features and control things themselves," says Vitt. "We must allow the subscriber to take advantage of the features that can make their lives easier and get there faster than the competition."

"So the MetaSwitch features will be important in terms of allowing people to add, change and control things themselves," he says.

Tom Vitt
Horry Telephone Cooperative



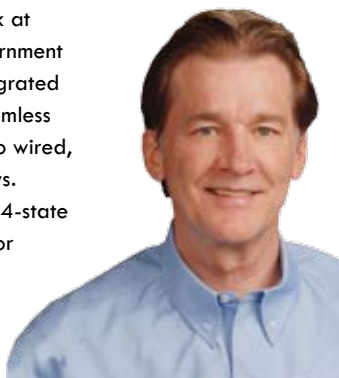
Q 3. Competition is coming at me from all sides - what do I do?

"Above all, exceed customer expectations," says Nick Sweers, Qwest Communications VP. "The old Qwest would have focused on products and services."

"Now, we have to look at consumer, business, government and provide simple, integrated solutions that offer a seamless transition from wireless to wired, video to Internet," he says.

"Getting outside the 14-state footprint also is crucial for business customers who

Nick Sweers
Qwest Communications



need secure service across the country," he says. Qwest's Ethernet services expansion and hosting services are other examples.

Qwest offers managed hosting from 15 centers, with fill rates above 90 percent. "The next step is to convert customers from simple co-location to managed services. "We recognize that a key area for growth is business on a national level," Sweers says.

"Another key pillar is partnerships, because no company can do everything," Sweers adds.

Qwest also knows its customers need more bandwidth at work, on the go and at home. So Qwest has accelerated its fiber-to-customer plans and now aims to offer 12 Mbps and 20 Mbps service in 23 markets, while upgrading its ultra-long-haul capacity to match.

Q 4. How do I retain/win customers when the regulatory protections disappear?

Lots of small, rural cooperatives and service providers depend on support mechanisms that many believe will dwindle. "We've been talking for eight years about what happens with support mechanisms," says Buddy Vaughan, ENMR*Plateau's chief strategy officer.

"We've made the assumption that 50 percent of the support goes away in five years, and we can't survive without replacing that."

So what does the cooperative do? Develop alternative revenue streams such as wireless, Internet, CLEC, business phone systems and networking services. Most important: sell services outside its traditional co-op service area.

"Most of our focus is outside our co-op services

area," Vaughan says. And the company is doing quite well in that regard. "We are taking 65 percent of the business from the locations we pass, out of territory," Vaughan says, "using an all-fiber overbuild."

The next step? Use its MetaSwitch platform to provide hosted PBX services, fax-to-email and other IP-based services to customers inside and outside its co-op area.

Buddy Vaughan
ENMR Plateau Communications



Q 5. How do I transform my staff in order to become a next-gen service provider?

"Technology and business model transformations are not the only practical issue service providers face," says Dave Martin, Blackfoot Telephone technology director.

"New networks really require that you prepare your company culture and work groups," Martin says. "The old rules don't apply, so you have to spend some time learning about what is happening in the industry and teaching that to everybody in the organization."

Internal reorga-

Dave Martin
Blackfoot Telephone



nizations—such as combining traditional information and switch technology groups—were also necessary. In other cases union contracts had to be restructured.

There are personnel strains as well. Because of market conditions, install crews are paid more than LAN technicians, even though above-market pay for data techs at Blackfoot is the norm.

His advice? Management must send a firm and unmistakable signal that next generation networks are coming and that the company is firmly committed to the path. "It's critical that the company make a strong statement and persist in moving forward, grinding through the changes," Martin says.

"MetaSwitch was with us every step of the way," he adds.

Q 6. To survive, I need the "millennials" as my customers – how do I do it?

In the past, "youth" was a customer segment. But there's a disquieting sense that things have changed so much, and so fast, that something much more profound is happening: a fundamental change in consumer demand that will also drive changes in the workplace.

"Millennials are able to multitask and expect rich, responsive interfaces," says Joe Weinman, AT&T VP. "They are driving a new applications infrastructure with new network requirements."

Consider online gaming, which is in many ways a precursor of what is coming. "It's a rich, multi-modal experience with not only text and voice chat, but graphics and video streams," says Weinman.

"These interface expectations are carrying over into the workplace, driving enhanced requirements for services and infrastructure," Weinman says. "And, social networking is increasingly driving webcam use for

video interaction."

"This means that video will permeate our lives even more than today," he says. "At AT&T, we are seeing a dramatic upswing in demand for video services, from mobile applications to workplace collaboration to home entertainment."

"Mobile and fixed communications also will converge transparently" he adds. "Millennials – and everyone else – want uninterrupted access to their content, services and experiences," says Weinman. "Teenagers are always texting and IMing today. What happens when they have live two-way mobile video everywhere, all the time?"

Joe Weinman
AT&T



Q 7. Do I really need to offer IPTV to protect my customer base from loss to cable operators?

"Yes," says Jeffrey Suhr, KMTelecom C.O. manager, though it is far from an easy business case for a company with 7,000 access lines and 450 IPTV customers so far. In fact, after originally deploying IPTV using DSL, it now is deploying fiber-to-the-home, in large part to provide better qual-

Jeffrey Suhr
KM Telecom



ity of experience and support for more video devices in simultaneous use.

But KMTelecom continues to look for new applications that create more stickiness by creating new experiences that meld together video and communications.

"We think MetaSwitch can come up with applications that are in the video voicemail area, for example, to create more stickiness, just as caller ID screen pops are valued by customers. These days, when the phone rings, everybody in my house now runs over to the TV to see who is calling," says Suhr.

Q 8. I need to go beyond residential: what do I offer commercial customers and how do I sell to them?

“What to offer is less the issue than how to offer,” says Don Helms, Bresnan VP of commercial telephone services. For Bresnan, that means slowly, with high quality control.

“Customers don’t buy technology,” says Helms. “They buy quality reliable service, for a good price.” So Bresnan has moved deliberately, starting with dial tone, adding Centrex and PBX trunks later. It will launch hosted PBX services by the end of the year.

“But adding interoperability with wireless, regardless of how the wireless works, that’s something I look to MetaSwitch to provide, with simultaneous ringing and integrated voice mail. MetaSwitch isn’t limited; we like that,” says Helms.

Don Helms
Bresnan



Q 9. Who do I trust? The risk of vendor selection in today’s environment.

To say there is now much more risk in the global service provider business is about as non-controversial a statement as anybody can make these days. To say there is more risk when choosing technology partners likewise is incontestable.

“One Communications does about as much due diligence when selecting a partner as it might if it were a person getting married,” says Russ Oliver, company EVP.

“We need to stick together for a long time, and a divorce can be really tough and

Russ Oliver
One Communications



stressful,” he says. Because core technology is changing so fast, and the supplier base is less stable than it used to be, companies just have to be more careful.

“You have to understand your partners’ finances at a deep level,” Oliver says. Also, “I need my vendors to help me build and improve my business, and bring me best practices, help me be more successful.”

“Pricing goes away after the relationship is established,” he says. What’s strategic is the value of the relationship over time, not initial terms and conditions of any specific deal.

“For us, we bought from a company that impressed us with their references, delivered and whom we trusted in terms of their road map and vision,” Oliver says. “They understand our strategy as well.”

Q 10. Open networks are open to problems – how do I keep my network secure?

By whatever ultimate method, service providers are going to have to adapt to networks that are more open, more analogous to the Internet in some ways, than they once had assumed.

“So they simply have to balance their needs for innovation, which might require more openness, with the need for security, which might mean limits to how open a network is to devices and applications,” says Sanjay Patel, Broadview Networks VP.

“The functionality is needed,” he says. But so are authentication, accounting and administration mechanisms. “We have to know who is entering and leaving the network, no matter what,” adds Patel.

The more functionality you provide, the greater danger that the network and its applications will be attacked. So Patel thinks carriers will have to spend more time and money thinking about how to balance the need for third party development with network security.

“Ideally, you’d create a plug and play application on a platform, with monitoring and billing and so forth,” says Patel. “That could be useful.”

Sanjay Patel
Broadview Networks



10 Big Problems, 10 Practical Answers, One Imperative

In yesterday’s market, most service providers looked and acted remarkably the same. As today’s executives point out, however, tomorrow’s service providers will look and act remarkably differently.

Flexibility, speed, dependability, adaptability and agility will be hallmarks of just about all the approaches, though. To get there, service providers need solutions that support all those requirements, solving today’s problems while anticipating tomorrow’s needs.

For more information about MetaSwitch, please visit www.metaswitch.com or call +1 510 748 8230.