

How Established Telecom Operators Can Increase Their Revenue

Alex Winogradoff

Incumbent carriers need to fight new entrants by cutting costs, winning new customers, reducing churn and exploring fresh opportunities. Operators should try to know their customers better, and improve support for them.

ANALYSIS

Incumbent operators are struggling to replace voice revenue and profit lost due to competition, price declines, migration and substitution effects. To minimize losses, they have had to introduce products that might cannibalize existing offerings.

In the consumer market, operators have targeted broadband Internet access, value-added services, mobile services and are beginning to offer forms of entertainment. Bundling these services into triple- and quadruple-play offers has resulted in deeper penetration of services and reduced churn. But competitive pressure from cable companies, voice over Internet Protocol (IP) providers and mobile operators has driven pricing to the point where incumbents' revenue has not grown or has fallen, and margins have reduced.

Things have not been much better in the business market. While bandwidth demand continues to grow rapidly, competition from low-cost providers, plummeting prices per megabit, network grooming, displacement of inefficient private line and frame relay networks have produced minimal or no growth. In search of revenue, service providers have been pursuing managed service opportunities, offering customer premises equipment and services, and pursuing IT and applications, with and without strategic partners.

These challenges are critical in the short term and will persist until incumbents can evolve their network and operations to become more cost-competitive and flexible enough to meet the market's future demands for a high degree of customization. Incumbents have a high cost structure to support. This results from their still-significant investment in legacy copper plant and network equipment, their "carrier of last resort" obligations and personnel costs that are significantly higher than those of their competition.

Service providers should be very aggressive on multiple fronts. They must:

- Cut their operating costs (to preserve margins).
- Reduce churn to minimize loss of revenue.
- Seek opportunities to increase average revenue per unit for existing customers.
- Acquire new customers.
- Look for new revenue opportunities inside and outside the traditional telecom sector.

Vital to their success will be understanding their customers better and improving the quality of customer support. They need to invest time, resources and money.

Features

Market Segment Needs and Opportunities

"How Incumbents Can Succeed With U.S. Businesses" — What incumbents have to do to become preferred players in the demanding enterprise market. **By Alex Winogradoff**

"Three Imperatives Will Help Telcos Win in the SMB Market" — Designing the right offerings and forging effective partnerships to reach the small and midsize business (SMB) market. **By Elroy Jopling**

"How U.S. Incumbent Operators Can Profit in a New Mass Market" — An examination of the business, product and marketing strategies necessary for success in the mass market. **By Amanda Sabia**

Growth Markets — What and How to Sell

"How to Capitalize on Enterprise Ethernet Services in Europe" — Service providers must target Ethernet services to gain maximum custom from businesses. **By Susan Richardson and Neil Rickard**

"Market Focus: Case Study Highlights Challenges of Marketing Networking Solutions to Small Businesses" — The strategies to employ to achieve better IP virtual private network penetration in the SMB market. **By Charles R. Carr**

"How to Sell Fixed/Mobile Converged Services" — How products must change and what the different types of service provider must do to sell the benefits of converged services. **By Martin Gutberlet and Katja Ruud**

"Hosted Contact Center Routing Market Offers New Revenue Source for Service Providers" — What incumbents should do to exploit the opportunity presented by hosted contact centers. **By Drew Kraus**

Where to Invest

"How North American Incumbent Telecom Operators Slow and Offset Revenue Decline" — Identifies vulnerable revenue streams in North America and what incumbents should do to increase revenue. **By Margaret Schoener**

"How European Incumbent Telecom Operators Slow and Offset Revenue Decline" — Identifies vulnerable revenue streams in Europe and what incumbents should do to increase revenue. **By Lisa Uden**

"Incumbent Network Operators Should Invest in Content Distribution to Grow Revenue" — The investments incumbents should make to exploit content distribution as an opportunity. **By Scott Morrison and Jouni Forsman**

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