Telstra's Digital Media Solution

EXECUTIVE SUMMARY

COMPANY PROFILE

Telstra is a premier Australian telecommunications and information services company. It provisions more than 8.6 million Australian fixed-line and 10.5 million mobile services, including 8.2 million 3G services.

COMPANY HISTORY

In 1975, the Australian government set up Telecom Australia to run domestic telecommunications services, separating it from the postal commission. In 1992, the telecom commission merged with Overseas Telecommunication Corporation. The merged entity was named Telstra Corporation Limited in 1993. The company was divested of government ownership from 1997 to 2006.

Challenge/Opportunity

Telstra's Digital Media Solution (DMS) is an IP-based solution that manages the delivery of programmed, scheduled content across national networks of terminals in various commercial locations.

Telstra faces the following challenges in effective deployment of DMS:

- Support a diverse client base, distributing content across multiple geographical sites, while providing true end-to-end connectivity and management.

- Meet the technical and commercial challenges of cross-platform delivery. Telstra's DMS solution will need to maintain scalability as solution traffic grows, integration of an IP network and the company's capabilities based on Cisco® technology, as well as the forthcoming integration of the Telstra content distribution network (CDN) and mobile networks.

- Identify a roadmap for expansion.

- Identify the right tariff structure and help ensure profitability. The addition of CDN and mobile capabilities will open up new markets and revenue opportunities. This challenge will require the development of new marketing channels, customer support processes, and revenue models (for example, managed service models), particularly for the small and medium enterprise (SME) market.

- Confront competition from IT integrators (for example, Fujitsu) that continue to develop and upgrade their own capabilities.

The Telstra solution offers several features that differentiate it in the market, such as high levels of quality of service (QoS) and an associated risk management framework, scale and scalability of infrastructure, financial strength, and the demonstrated capacity to deliver national solutions as well as a national workforce to support deployment and maintenance. The service also acts as a differentiator for Telstra in competition with IT integrators that lack their own networks, and entrenches Telstra's reputation for reliable, end-to-end solution delivery. Given these differentiators, Telstra can benefit from the following opportunities if they execute correctly on their strategy:

- "Release 2.0" of the solution, which is currently under development, will simplify the solution. It will also include functions such as Proof of Play to support advertising applications, and will incorporate new Cisco functionality such as Flash-optimized head-end technology.

- The product roadmap includes a 12-month timeframe for the integration of the DMS with Telstra's CDN. The possibility of integration with Telstra's Next G WCDMA network as part of the same roadmap is also being examined. This integration will extend the addressable market by enabling managed service revenue models across a wider customer base, particularly to smaller enterprises without server infrastructure.

- The extension of delivery across the mobile network also creates opportunities for location-based delivery of content to mobile terminals as a value-added service.

Alliances/Partnerships

- Telstra has partnered with Cisco and describes this partnership as a differentiator in the Australian market. The Telstra Cisco Alliance combines Cisco technologies and Telstra's managed services to create new solutions, delivered over Telstra's Next IP network. Telstra and Cisco have established a joint Advanced Engineering Lab (AEL) for prototyping, testing, design, and development of new products. The AEL supports 50 Telstra and Cisco engineers, supported by Cisco global development capabilities. Product development is managed on an accelerated 90-day cycle, minimizing go-to-market times and enabling rapid roadmap execution. Close collaboration with customers and the integration of marketing and technical functions are aimed at accelerating response to demand.

- Content programming and technical support services are provided through partnerships with Prime Digital Media and Broadreach, respectively, established providers of content programming and technical maintenance capabilities.

Experience Innovation

Telstra's DMS solution is based on its national Next IP network, and can support, for example, high-end IPTV, VoIPcasting, and internal corporate video applications. Media Players (terminals) are Flash-based and support high-definition display and sound. Typical locations include retail outlets, public information kiosks, and corporate training sites.

Telstra offers the following two solutions using the same hardware and management platform. These solutions can be concurrent or standalone active deployments:

- Telstra Digital Signage Solution delivers still images, animated flash content, and text.

- Telstra Enterprise Casting broadcasts video on demand (VOD) and IPTV to multiple locations within the enterprise. Customers can centrally store, manage, and broadcast live TV and on-demand video to multiple locations. Content creation and distribution are managed by the customer. Telstra provides equipment, management software, and support.

The Telstra Digital Signage Solution was first offered in April 2010, and was productized by mid-2010. Telstra Enterprise Casting was released in December 2010.

DMS is targeted at large corporate customers, which typically hold their own content resources and content servers, but lack an end-to-end network and/or capability to manage content delivery. Three main offers are available:

- **Core Solution**: For customers that have an established content management schedule and defined authors to manage updates as required.
- **Extras Package A**: For customers that require more frequent updates and content control, as well as more localized content and real-time content feeds.
- **Extras Package B**: Provides enhanced content workflow management, spontaneous schedule changes, ability to assign user roles, and detailed reporting. There is also the ability to sell advertising.

Success Factors/Metrics/Monetization

The market for digital signage services is estimated at US$46 million in 2011, and growing at a compound annual growth rate (CAGR) of 12 percent. Telstra has several contracts under negotiation, including one large one in the transport/logistics vertical comprising 3000 media player terminals.

The current revenue model is a fixed-price contract based on sales of equipment and associated services. At this stage, Telstra has not offered an operating expenses (OPEX) model. This model addresses the needs of the existing customers that are large corporations with their own infrastructure. The integration of Telstra's national CDN will open up the DMS suite to companies with limited infrastructure that want services on a hosted basis. This change could result in the emergence of a managed service offer, charged on a monthly basis.

Telstra remunerates its partners separately through sales of technology and services.

Company Background

- Read Telstra overview

Case Study Source: Cisco sponsored research developed by Ovum

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