A Cisco converged platform spearheads Belgacom's IP strategy for the SMB market

Executive Summary

CUSTOMER NAME
- Belgacom

INDUSTRY
- Service provider

CHALLENGE
- As the leading Belgian telecommunications provider, Belgacom has to achieve a fine balance between protecting its core business and finding new revenue streams

- In an ongoing collaboration with Cisco Systems, the company is pro-actively seeking new converged IP opportunities

SOLUTION
- Belgacom has launched a Cisco CallManager Express solution, which offers SMB companies an outsourced managed LAN service bundling together IP Telephony, Internet access and security

- SMB companies are reluctant to spend substantial sums on technology and a 'pay as you grow' pricing strategy allows customers to only pay for what they need

BUSINESS VALUE
- Belgacom is protecting annual revenue at risk of some €9 million, and pro-actively selling the CallManager Express solution

- The offer is opening the door to the full-blown CallManager sales into multi-sited organisations

- SMB customers are experiencing benefits of a converged and outsourced IP-based model

For Belgacom, identifying new service opportunities is essential to future growth, and the company collaborates with Cisco to assess the market potential and financial viability of new services. The latest offering – based on Cisco CallManager Express – provides managed IP Telephony, Internet access and security. Flexible pricing options have made this 'office in a box' an attractive proposition for SMB companies.

CHALLENGE

Belgacom is the leading telecommunications company in Belgium and a market leader in areas such as retail and wholesale fixed line telephony services, mobile communications services, and broadband data and Internet services. Belgacom also provides voice and data connectivity and capacity services to telecommunications operators and service providers worldwide. The Group has total revenues of over €5.5 billion (year ended 31st December 2004).

Like all incumbent service providers, Belgacom must achieve a delicate balance between protecting its core voice revenues and developing new services such as broadband access and IP-based converged voice, data and video. The company already used Cisco Systems' equipment extensively in its own data networks, and recognised Cisco's technological excellence. It was therefore natural for Belgacom to collaborate with Cisco on identifying potential opportunities for converged services.

"It's not enough just to have an IP network; you have to be on the customers' premises to develop a close relationship and influence their future decisions," says Scott Alcott, Chief Operating Officer of Fixed Lines Services Operations at Belgacom. "Cisco was already one

CISCO SYSTEMS

Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

of our key vendors and we felt that their technological strengths, as well as their presence in our customers' networks, made them an ideal partner when it came to converging voice and data services."

The two companies started to hold regular quarterly workshops in which Belgacom's product management team and Cisco Systems' Internet Business Solutions Group (IBSG) assessed the viability of particular service offerings. The first output of these sessions was the highly successful launch of a Managed IP VPN service in 2001.

> "OUR COLLABORATION WITH CISCO IS PARTICULARLY FRUITFUL. THEY HELP US TO DEVELOP BUSINESS CASES AND DEFINE THE CUSTOMER PROPOSITIONS. I HAVE ALWAYS BEEN IMPRESSED BY THEIR APPROACH, BECAUSE THE WHOLE PROCESS IS ABOUT CISCO WORKING WITH US TO ACHIEVE RESULTS. WE ARE ABLE TO LEARN FROM THEM AND LEVERAGE THEIR IP EXPERIENCE."
>
> **Scott Alcott, Chief Operating Officer of Fixed Lines Services Operations, Belgacom**

SOLUTION

The latest service is based on Cisco's CallManager Express product, installed on a Cisco router located on the customer's premises. Belgacom has initially targeted SMB companies with up to 120 employees (CallManager Express is able to support up to 240 users, so offers additional growth capacity). The solution offers IP Telephony, Internet access and security packaged together as a managed LAN service – in fact a novel way for SMB companies to concentrate on core business by outsourcing both their voice and data needs to Belgacom.

Cisco brought in a broad team to help Belgacom analyse the opportunity, contributing market intelligence from its own data to ensure the highest possible accuracy. Belgacom and Cisco held a series of workshops over several months, collecting and analysing information to create and refine a business plan that included calculated investment and return, as well as a detailed customer proposition. The business case took into account the value of customer retention as well as pure revenue generation.

The scale of the opportunity was shown to be significant. In the target segment there is an installed base of some 60,000 PBXs – worth around €55 million – of which Belgacom has a market share of around 40 per cent. With a yearly churn rate of around 20 per cent, the annual revenue at risk for Belgacom is some €9 million, but the upside of pro-actively selling a new IP-based outsourcing model is substantially higher. In addition, the process of migrating customers from traditional voice to converged IP services had significant strategic advantages.

Kris Vervaet, Vice President of Market Management at Belgacom, comments, "We've worked with Cisco on this type of project before and each time we get closer. They don't just rely on general market surveys or European data; they have a good understanding of what's happening in the Belgian market. Their input takes into account our position as an incumbent, and the need to achieve a fine balance between protecting our core business and developing new revenue streams."

A joint presentation was made to the service provider's executive management team and, with the plan approved, Belgacom – again with Cisco's support – was ready to go to market. A flexible

'pay as you grow' pricing structure, based on experience with the Managed IP VPN service, makes the purchase simple and attractive. SMB customers pay a monthly charge for the service (per user or per port) – and get an agreed service response time – allowing them to avoid capital investment and better control their IT costs.

"Technology is not too important to many SMB companies and they don't want to spend a lot of money on it," explains Kris Vervaet. "The 'pay as you grow' option on the Cisco CallManager Express service is important because it minimises the importance of the purchasing decision and allows customers to pay only for what they really need."

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Kris Vervaet, Vice President of Market Management, Belgacom

BUSINESS VALUE

The new service was launched in February 2005 and – as well as its positioning as an outsourcing model – it provides a roadmap to convergence for SMB customers that allows them to consolidate voice and data services onto one network. All customers will benefit from cost savings and a secure, reliable solution that provides technical and financial peace of mind.

The service is strategically important to Belgacom. Apart from developing IP-based revenue streams it helps the company to retain existing SMB customers while intensifying its relationships with them. It is important to Belgacom in an evolutionary sense, because the company wants to migrate SMB customers to IP Telephony before competitors step in. Belgacom also views the new service as a springboard to other revenue opportunities.

Karen Van De Woestyne, Manager Corporate Markets at Belgacom, explains: "The Cisco CallManager Express service opens the door to applications that we have not been able to offer before in this market. So, although it might slightly affect traditional voice revenues, we can compensate for this by exploiting opportunities to offer different services such as contact centres on the new platform."

The service provider's results since the February launch of the Cisco CallManager Express service are tracking against the targets set and – of special note – the sales force is also selling the offer into full CallManager installations for multi-sited organisations. By 2007, Belgacom expects to see an almost equal split between contract renewals from existing customers and new business.

Scott Alcott concludes: "Our collaboration with Cisco – and the IBSG team in particular – is particularly fruitful. They help us to develop business cases and define the customer propositions. I have always been impressed by their approach, because the whole process is about Cisco working with us to achieve results. We are able to learn from them and leverage their IP experience."

TECHNOLOGY BLUEPRINT

Cisco CallManager Express is a software solution that turns a Cisco access router into a private branch exchange (PBX), providing call processing functionality for Cisco IP Phones. It is ideal for companies of up to 240 users, and small sites or branch offices of larger organisations, as it is easy to deploy, administer and maintain. It delivers a robust set of features, including IP Telephony, voicemail; firewall security and virtual private network (VPN) services.

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Belgacom currently installs Cisco CallManager Express using a Cisco Catalyst 3500 XL Series Switch with one of three Cisco 7900 Series IP Phones (Models 7912G, 7940G or 7960G) and a Cisco 1760 Modular Access Router (or a Cisco 2600 Multiservice Platform or a Cisco 3700 Series Multiservice Access Router) with the ability to set up VPN connections via Belgacom's Managed BiLAN IP VPN network.

Remote management of the router and the switch is included in the Belgacom service. Optional services include voicemail software and the Windows-based application, Cisco IP SoftPhone, which provides telephone functionality via a computer screen. Customers can use Cisco IP SoftPhone anywhere in the world, provided they have access to a high quality Internet connection.

MORE INFORMATION

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