

Market Requirements Definition: Cable Broadband

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Target Market

- Cable broadband service providers
- Multiple systems operators (MSOs, “the cable companies”)
- Integrated communications providers (ICPs) offering various menus of cable and telecom services
- Cable/broadband divisions of large global or regional service providers

Cable broadband providers are by and large well-funded entities with the customer bases and critical mass to pose the most serious challenge ever to the incumbent telcos in two world regions, North America and Europe, picking up where the mostly-defunct CLECs and DLECs left off.

The U.S. ILECs have taken various turns trying to enter the cable arena, and most have fallen on their faces or quashed what promising cable initiatives did exist in acquired companies. With a few exceptions, the ILECs are not prospects.

Market Characterization

Unlike the ILECs, PTTs and other established telecom service providers, the cable broadband service providers (CBSPs) have a relatively short history (15-20 years), and they are entertainment entities, focused on content over infrastructure. Like the ILECs, the segment of the cable broadband market with the most purchasing power, the MSOs, are *de facto* or actual monopolies with no fundamental perceived for OSS/network management; any money plowed back into the business normally goes to fund content.

Our challenges in selling to this market include the need for an education process—“Why OSS/network management”—and, even as we display our expertise and ability to help them, to avoid being seen by the CBSPs as bringing an outsider’s view of their internal need.

Sample Prospects

- Current customer: Comcast
- Prospects:
 - AT&T Broadband
 - BellSouth
 - Buckeye Cable Systems
 - CableOne
 - Charter Communications
 - Classic Communications
 - Cogeco
 - Cox
 - Cablevision
 - General Communications
 - Insight Communications
 - Jones
 - Mediacom LLC
 - Midcontinent Media
 - Northland
 - RCN Corporation
 - Rogers Cablesystems
 - SBC (Ameritech region)
 - Service Electric
 - Shaw Cable
 - Tele-Media
 - Time Warner
 - UPC (Telekabel)
 - U.S. Cable Corp.
 - WideOpenWest



Competitors

Competition is light and fragmented in this market once you get beyond the large customer care & billing vendors. Our major competitor, Sigma, has just been acquired by a global interactive TV player that will undoubtedly boost its financial wherewithal but will also draw it further into the realm of “TV specialist” against which Visionael can most effectively compete. Main competitors:

- Alopa Networks – upstart vendor with few broadband service provider customers but a strong lineup of network equipment vendor alliances.
- CSG Systems - long-time customer care & billing player with designs on (and some solutions in) the service management arena.
- Sigma Systems – acquired in July for US\$62 million by global player Liberate Technologies (U.S. HQ: San Carlos, CA), a US\$80 million provider of interactive TV platforms.

Customer Needs

- In a five-year span, cable service providers have gone from least to most in terms of the need to manage a diversity of services. While telecom-focused service providers have largely failed in their attempts to become cable providers, cable companies – through their success in offering both a “cash cow” service (cable TV) and the most widely-deployed internet access service (cable modem) – must by definition manage a diverse set of offerings. For those (such as Cox) who are gaining take-up of their digital telephone offers, the complexity is threefold.
- As cable broadband providers increasingly offer a menu of services including voice, data and video, interactions between front-office software and network provisioning solutions grow increasingly complex and generate high transaction volumes.
- They need a comprehensive solution that defines and controls the processes required to deliver an integrated menu of diversified services, empowering them to create more dynamic networks that easily adapt to changes in less time and at lower cost. An innovative approach to managing their networks that helps them differentiate themselves based on breadth, quality, flexibility and cost of services.

Key Selling Proposition

If you can conceive it and your network can support it, with Visionael you can deliver it.

FIRST CONCEPT: *Visionael ServiceBase is the multi-service creation engine that helps you make more money today and positions you for the future by helping you leverage your network infrastructure investments to deliver an integrated package of voice, data and video services – cable telephony (VoIP), high-speed internet (cable modem), and videoconferencing – while providing true end-to-end automation of the video-on-demand and cable TV service ordering processes that are keeping your margins razor-thin.*

CURRENT STRATEGY: original precept of selling ServiceBase as a multi-service creation engine, which has some validity in the telecom service provider market, does not work well for Visionael in the cable broadband market. What resonates is that you as a cable broadband service SP need real-time knowledge of all cable network devices, their availability, and the communications necessary to activate them, and that Visionael 6 network resource management provides the solution.

ServiceBase may have a play in this market, but only after Visionael has solution-sold Visionael 6 and other essential components into a cable broadband SP, and in one of two “Phase II” scenarios:

- ServiceBase as an AUTOMATION solution for provisioning not of services but of network elements. Visionael gained traction at Comcast for the idea of a ServiceBase solution to automate the daily (and currently manual) provisioning of universal broadband routers (UBRs)—which in broadband networks are analogous to an Ethernet router—installing cards and ports, to reduce the labor (and opportunity) cost associated with this repetitive task.
- ServiceBase as service creation engine for cable MSOs looking to move into VPN services—or who want to replace “digital phone” services they currently offer (i.e., H323 gateway to the telecom switch). They can execute their rollout plans with ServiceBase plus IPsec or MPLS Service Creation Blades. When it is no longer a “set and forget” environment, there may be a play for ServiceBase.

ROI/Benefits

Those closest to the Comcast sale and deployment have been able to obtain nothing approaching hard ROI from the customer because [a] the deployment only occurred in 1Q2002 and [b] most SPs, cable and otherwise, have a grasp of ROI on their deployed OSS that ranges from spotty to nonexistent. Another prospect, AT&T Broadband, has a simple benchmark: OSS/network management must cost a maximum of 10% of the promised/realized savings. In other words, to sell AT&T Broadband an OSS/NM project for US\$2 million, you must be able to quantify US\$20 million in savings.

Soft ROI and benefits are as follows:

- Gain control over your assets and the entire engineering life cycle.
- Build “lat/long” (latitude/longitude) location awareness into your systems to enable fast, accurate headend and equipment placement, topology mapping, and capacity planning corresponding to demographics.
- Retool your operations to perform fault management of your network(s) and reduce your existing mean time to repair (MTTR) to levels that support customer retention instead of generating customer churn.
- Position your business to make the move to ISP-style services and voice over IP.
- Get on the road to FCAPS: pave the way for finally getting management control of your networks.



Supporting Messages

- Visionael’s comprehensive solution unifies and streamlines the entire network lifecycle from discovery, design, installation, and provisioning all the way through to operations. A unified organization allows you to respond to customer requests faster, more effectively, and more cost-efficiently; it puts you in the driver’s seat with your customers and in head-to-head competition with the telecom incumbents.
- Visionael solutions manage the coexistence of deployed equipment such as cable voice units and Class 5 switches with next-generation VoIP/data platforms. Their open architecture also provides the ability to integrate with third-party content servers, internet service providers (ISPs) and retail/wholesale trading partners to facilitate an open, e-Commerce environment.
- To capture new market share and increase customer loyalty, you must introduce new interactive services to subscribers quickly and effectively. Subscribers want a single point of contact for help or answers to questions, and that requires an integrated approach to customer service, where customer-facing applications interact seamlessly with those in the back office. Visionael provides the foundation for this integrated service delivery and customer management business model.
- For now, you can still count on the ILECs’ inability to break the 18,000-foot barrier and thus fail to reach subscribers in exclusive outlying areas outside major metros who are prime markets for DSL, cable modem, and other value-added services. However, this distance barrier is falling—products are emerging that extend the telcos’ reach to the 32,000-foot range, and competitive broadband providers such as Covad are establishing POPs to reach subscribers the ILECs still cannot—so your advantage is evaporating fast.
- Competitors [e.g., Sigma] who knock at your door as “the cable guy” may handle your cable TV needs this month or this quarter in semi-automated fashion, but they’re not going to help you win the end game. Visionael is proven across multiple markets, services, networks, technologies, and device types including the cable broadband environment.

Solution Description: OFFER & PRICING

Core network resource management (NRM) of the IP data switched network:

- Network autodiscovery and advanced data collection utilities that access multiple data sources
- Validation and reconciliation of network equipment and configuration
- Engineering and network change management
- Circuit management
- Engineering design and workflow
- Alarm correlation (logical to physical) and fault recovery
- Out-of-the-box integration with leading service assurance solutions

Our experience with Visionael's first cable broadband customer, Comcast, provided clues to the size of Visionael 6 NRM object database that may be required for a large cross-section of today's MSOs. Comcast counts as of July 2002 were: one million customers, 700 UBRs, 500,000 objects in the Visionael 6 database.

CORE OFFER & PRICING:

<i>Part number</i>	<i>Offering</i>	<i>List price</i>
NRM-001	Visionael 6 NRM: Visionael 720 = up to 720,000 objects	US\$365,000
MOD-001	Spares Management module	50,000
MOD-002	DCM module	100,000
	GIS module [currently in R&D for Comcast at "charter pricing" of US\$25,000; not yet released for productization; no part number]	75,000
CRT-002	Micromuse Netcool cartridge [or CRT-004, RiverSoft Fault Manager cartridge]	50,000
CRT-003	Remedy (Peregrine) Action Request System (N/C)	0
DEV-001	APICentral	25,000
SRV-003	Failover Controller	25,000
	TOTAL PRE-MAINTENANCE	\$690,000
MNT-001	GOLD Maintenance (21% of list price) – ANNUAL	144,900
	GRAND TOTAL FIRST YEAR	US\$834,900

PHASE II OFFER & PRICING:

<i>Part number</i>	<i>Offering</i>	<i>List price</i>
SVB-001	ServiceBase extended platform including Blade Development Kit	US\$550,000
SVB-003	Cisco IPSec VPN Service Creation Blade	600,000
	TOTAL PRE-MAINTENANCE	\$1,150,000
MNT-001	GOLD Maintenance (21% of list price) – ANNUAL	241,500
	GRAND TOTAL FIRST YEAR	\$1,391,500

CORE + PHASE II PRICING:

	CORE	US\$690,000
	PHASE II	1,150,000
	TOTAL PRE-MAINTENANCE	\$1,840,000
MNT-001	GOLD Maintenance (21% of list price) – ANNUAL	386,400
	GRAND TOTAL FIRST YEAR	\$2,226,400

Role of Channel Partners

- Most SIs are not experienced nor established in this market, which may be why Sigma, in particular, has hurt itself in the market by taking on not only ISV tasks but also squandering resources by also performing SI functions. Business Edge is an SI that reportedly has a number of successful cable deployments, but after initial discussions Visionael has not further pursued this potential business relationship.
- Given the cable broadband market's tendency (even more so than the telecom market) to take its OSS cues from the network equipment vendors, Visionael's best technology partners in this market could be cable broadband equipment providers including AM Communications, Arris Interactive, Com21, General Instrument, Motorola, Scientific-Atlanta, Siemens, and Tellabs, plus content/set-top box hybrid players such as Moxi and Tivo.
- Five software & solutions vendors hold marketshare or mindshare or both in this market and thus could assist Visionael in gaining a broader foothold here:
 - Alopa came fast out of the gate launching alliances with Com21, DST, Scientific-Atlanta, and Terayon, and as such it may quickly open the door for Visionael at some of the cable broadband-specialist equipment vendors. Alopa began acquiring somewhat of a black eye for "great hype no product," and to date counts only one major broadband service provider (WideOpenWest) among its customers, and to boost its credibility is currently including the likes of Motorola and ADC as customers. Alopa definitely merits the high-level meetings being held at the time of this writing (August-September 2002), but Visionael would do well to slice through the hype and quickly identify what the vendor can truly do to help us gain a foothold in the cable broadband market.
 - Convergys is best known as vendor who manages 41% of the wireless billing in North America (former moniker: CBIS). It has a cable SMS offering adapted from its original wireless product but acquired an Israel-based SMS vendor, Wiztec, to provide convergence-ready feature functionality with a more efficient footprint. Similarly, Convergys has delivered an inventory and provisioning solution (named BASKAL) on a one-off basis at Swisscom, but may be interested in partnering (or acquiring) to obtain Visionael's off-the-shelf NRM.
 - CSG offers billing and customer management (known in the cable sector as service management systems, or SMS) and needs a capable partner in our space to fill out its portfolio. CSG formerly resold CommTech's FastFlow provisioning products, and its current expansionist mode is reflected in its recent acquisition of the Kenan assets from Lucent.
 - DST Innovis is the former CableData, an SMS provider that like CSG is product-focused and has ventured outside that niche only as far as a billing service bureau. [The other half of the \$1.6B DST Systems organization is DST Output, a billing presentment/payment vendor that drops 2% of all U.S. mail.] DST has extended its core billing, customer management, and invoice-based marketing capabilities into a variety of non-telecom verticals but has never expanded horizontally and may be ripe for a move in that dimension.
 - Sigma Systems is broadly seen by cable broadband SPs and industry analysts as a Visionael competitor, and indeed, when Visionael VP/GM Poonacha Machaiah attempted to leverage his friendship with Sigma's Chief Executive Officer & President Stephen E. Nicolle to launch a Visionael-Sigma alliance, Sigma concluded Visionael was more competitor than partner and walked away. Yet in point of fact, Sigma's strength is from the headend and outward, managing everything from UBR or IP cable router out to and including set-top boxes, while Visionael's forte is managing everything from the router into the core network. Now that Visionael has realigned its thinking on the cable broadband market to focus on the core network (and its own core competency), perhaps this is an alliance that can be revisited.

Risks/Issues to be Managed

- OSS companies and telecom providers of every stripe have looked hungrily at the well-funded cable providers for five years and most have slunk away hungry as the cable providers fished for ideas and threw back vendor proposals. Cable broadband service providers may be well funded but they are rarely well informed when it comes to OSS. They have historically focused on billing/SMS, device-specific alarm management, and little else. We must change this mindset to open doors.
- Once those doors are open, service providers in this market who are investing in provisioning are mainly doing so with Sigma Systems. We must shake their faith in “the cable guy” and sell them on current benefit + future positioning.
- On the flip side: Comcast was the first cable provider to name a VP OSS and it is no coincidence that innovative ISVs such as Visionael, CommTech (now ADC), and AI Metrix have won the opportunity to work inside Comcast...although in the case of AI Metrix, its entrée had more to do with its benefactor Microsoft’s \$1B investment in Comcast. Comcast recognized the value of OSS across all process areas six years ago and where that mindset exists in the cable broadband community – or where a cable provider has done significant hiring of former telecom engineers with an OSS-ready mindset – Visionael should focus attention and resources there first.
- Cable broadband is a new market for Visionael, and despite now having brought some knowledge of this market in-house and winning its first project at a cable company, it will undergo a potentially costly learning curve.

How Visionael is Positioned

Our inventory/NRM capabilities are already generating acclaim at our first cable account, Comcast; Accenture has used Visionael 6 to autodiscover the Comcast network that supports its high-speed cable modem services in less than 60 days. Visionael is becoming positioned as a lead vendor in the cable broadband market by analysts such as RHK and Yankee Group, who are recommending we leverage our deployed IP expertise to seize the advantage vs. MetaSolv, Granite and Cramer.

Yet we fight an uphill battle against Sigma Systems and CSG, who if they remain competitors instead of becoming partners are dangerous to Visionael because they are well-entrenched known commodities in this market.

Conclusion/Call to Action

The cable broadband market appears to hold lucrative potential, and Visionael is already gaining a foothold at arguably the most OSS-savvy MSO, Comcast. That should translate into additional business at Comcast and serve as a reference site for other cable broadband service providers. Visionael’s strengths as an NRM core play in the telecom, enterprise, outsourcer and government markets translate directly into cable broadband, where Visionael is positioning itself as a manager of physical network infrastructure and logical topology...secondarily as automating the provisioning of network equipment such as UBRs...and opportunistically as a creation and engine for IP VPN services. Visionael should also showcase its out-of-the-box integrations with the likes of Siebel and Micromuse to provide wider solutions to this market.

If the cable broadband companies continue to be reluctant to spend serious money creating or upgrading their OSS, Visionael could suffer the same results as other vendors who in the past five years have eyed the cable market: it could come away almost empty-handed. Yet if Comcast is any indication, the cable broadband space holds great potential for Visionael and should be actively pursued via the offers and strategies outlined here.