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Communications in the cloud, the operator opportunity

Communications Services Providers (CSPs) recognise the cloud presents them with an opportunity to jump out of the commoditised dumb pipe business. Doing so requires agility and a willingness to embrace new ways of doing business. Here Scott Stonham, vice president of marketing at CommuniGate Systems, explains the significance of the cloud opportunity for CSPs and MVNOs and cable providers in particular.

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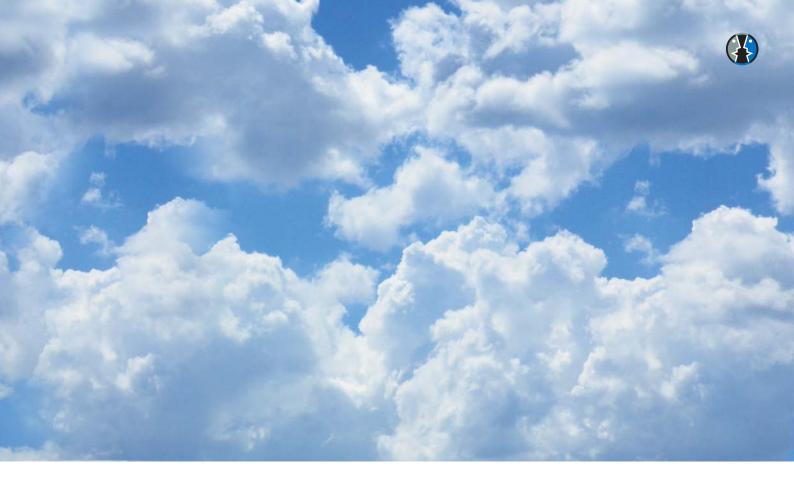
VanillaPlus: Can CSPs move quickly enough to address the cloud opportunity given that organisations such as Amazon, Google and, more recently, Apple with the iCloud are already bringing services to market?

Scott Stonham: Agility is the bane of the telecoms industry today. Like many other industries, with success and maturity comes complacency and an inability to react. If the past five years have shown us anything, it is that no matter how much the industry tries, it is being out manoeuvred by companies that simply do not have the same kind of operational and political encumbrance. The challenge facing the industry is one of focus and strategy. Whilst profitable businesses can be made out of being either a pure network operator, or a value-added service provider, they require different strategies, different organisations and different management. The issue is that to the date most telecom operators have been trying, ineffectively, to be both, thus allowing over-the-top (OTT) providers to capitalise on the ensuing confusion and hesitance.

Tomorrow's telecom market will consist of network operators that focus on delivering high quality, reliable and profitable network access, and providers of services over those networks. In theory, it is possible for the operators to do both, but it requires significant organisational change to allow the service provider to operate independently of the network operator. Such models are beginning to appear with the network operators gradually increasing their focus on network operations and the beginnings of the realisation that MVNOs can be channels, not competitors. However, I think there is more pain to come before they can realise that model, allowing the OTT providers to entrench themselves more deeply.

VP: What makes CSPs suited to delivering cloud services? Are their existing trusted relationships with customers and their ability to charge enough?

SS: Yes, but the question is to whom? A recent post in the MVNO Cloud Services LinkedIn group highlighted that if studies are to ▶

believed, consumer trust in mobile operators is at an all time low, with them being trusted less than banks. I believe the role of the telecom operators will be as both a network provider, be that a value pipe, a smart pipe or whatever other type of pipe they want to be, and a cloud solution provider. Which role they enact will depend on their audience. I believe the consumer market has been pulled from underneath them by the more attractive, more agile OTT providers such as Apple, Skype and Facebook. Yet there are a plethora of other demographics and communities including enterprise, media, health, and expatriate communities that have requirements that the operators are still best suited to fulfil. Operators should focus on coverage, capacity and localised customer service

VP: How attractive is the cloud opportunity for cable operators? How can they provide OTT services in the cloud?

SS: One of the traditional pain points of a cable operator is that their customer is only their customer when they are attached to the modem or set top box. As soon as their customer leaves the office or home, they are no longer their customer and use services from someone else like Skype. There are obvious notable exceptions to this including Sky, Virgin and Comcast, but the cloud opens up opportunities for every cable operator to reach their customers wherever they may be, on any network, even their competitors. The opportunity for cable operators is to make their service available to their customers 100% of the time.

VP: What cloud-based services could MVNOs provide? How might cloud transform the MVNO business?

SS: Cloud technologies can benefit MVNOs both in terms of reducing capex and increasing flexibility, but also in the services they can offer and their market positioning. MVNOs can capitalise on the cloud trend, positioning themselves as cloud communication providers, providing single number reach across any device and any network. MVNOs can offer turnkey cloud communications solutions that enable their subscribers to use their services across any network, fixed or mobile, with the same package benefits including a single phone number that can be used whether the subscriber is using a mobile phone, a PC or a fixed phone. They could offer cloud services that can be easily tailored by the end user for their exact requirements with little to no cost to either the operator or user, allowing their customers to choose exactly what they need for their purpose.

VP: How big is the cloud opportunity? How does it help CSPs set up syndicated services?

SS: The size of the cloud opportunity is particularly difficult to grasp because of its nebulous nature and layered definitions. However, let's take it from another perspective, that of an existing cloud provider, say Facebook, Skype or even now Microsoft plus Skype. The recent ruling by the Dutch parliament disallows mobile operators from charging additional fees to users wishing to use Skype over their network. This significant ▶

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decision could mark the beginning of an opening up of networks for OTT VoIP services, and with this we could see a rapid convergence of MVNO, cable, and OTT. Consider Skype and its China Mobile-sized user base of circa 600 million users, what if they became an MVNO? What about cable operators? Cox Communications recently launched its MVNO service over Sprint, meaning Cox customers can access their services from anywhere. Communications in the cloud is often overlooked when talking about the cloud, in favour of storage, music or software, yet it stands to be a significant area of growth for both cloud and telecommunications in general.

VP: How does CommuniGate Systems help CSPs address cloud services?

SS: CommuniGate Systems provide software that powers the SaaS and cloud communication solutions of almost 300 telecoms operators around the world. With CommuniGate 1Number, telecom operators and OTT providers can deploy 'single number reach' communication solutions in the cloud. The white-label technology enables operators and OTT providers to extend their customer reach across any network. The device agnostic client, Pronto! delivers rich multimedia and HD Voice services to Apple and Android smartphones and tablets, and virtually any computer desktop. CommuniGate Systems' technology has been built from the ground up to enable efficient, high performance multi-tenant cloud communication services that include messaging, HD voice, video, presence, collaboration and much more in one totally reliable platform.

VP: Is the cloud environment really as complex as is being made out? The concept seems straightforward.

SS: In a word, no. Although now more evolved and refined, the idea has been around for a long time, previously known by an abundance of other terms including Hosted, ASP, SaaS and, I suppose, even mainframe embodied many of the concepts of cloud. What has changed today is availability of affordable, high-speed access. At the turn of the century whilst I was working in one of the large mobile operators we were integrating network APIs and functions into Microsoft applications. Apart from the inevitable battle of the brands, the biggest hurdles with that turned out to be ubiquitous access to the network and transparent pricing structures. Like many of the innovations we brought to market back then, it was just too soon. Nine years later, the launch of Google's Chromebook demonstrates the level of device, application and network integration we had envisioned, but now it's called cloud instead of Network APIs or the Service Delivery Platform.

VP: Do you think CSPs have got what it takes to make cloud services a core part of their business?

SS: Absolutely, but it requires a clarity of focus and stakeholder buy-in that often eludes them in times like this. To successfully provide cloud services you need to have the three A's; asset, access and availability. These are all things operators can do very well, better than any other entity in the market, the biggest question is what will their 'asset' be. On one hand this can be SLA-guaranteed transport, traffic management, malware protection and billing, or could be fully featured turnkey communication packages enterprises and small businesses.

VP: How do you see the role of CSPs in cloud services in two years' time?

SS: In two years we will be heading in the right direction, with many of the telecom operators having already split their businesses to address both value added services and profitable network operations. The core networks will be operated and supported by the entities we see today, but in much leaner than forms they are today. The market for MVNOs will be more competitive, with the network operators' realisation that once they focus on operating the network, the delivery of value added services becomes the purpose of the MVNO and as such, MVNOs become more of a strategic partner than they are today. OTT providers will be driving consumer usage of the networks. Within the next three to four years I expect to see an OTT launch its own telecom offering, it will be similar to what we call an MVNO today, but more evolved. If Tchibo finds value in offering an MVNO service, you can be sure someone with several hundred million users, like Facebook, can also see a value.