Enabling business success for telcos with video

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Successful telcos position video as a strategic priority for driving broadband development, growing user numbers, and increasing broadband service ARPU. In this sense, video is not just a value-added service.

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The one to watch

Video and cloud services will be the driving forces behind ultra-broadband development. Telcos should position video, especially 4K, as a basic service, and develop it in the same way that they developed their voice businesses in the past.

Over the past year, two questions have been the subject of extensive research, discussion, and debate at Huawei. How should telcos develop their video business and achieve business success? And on that journey, how should Huawei position itself – what initiatives should we take? Internally, we've already reached some consensus on these questions.

Let's take a look at how telcos around the world are developing their video business. We can begin with China. Its video industry has gone through a lot over

the past decade, and all industry players seem to have agreed on two key factors behind the development of video and broadband.

The first factor is ubiquitous fiber connectivity – providing all households with Fiber-to-the-Home (FTTH) access. China's top three telcos – China Telecom, China Mobile, and China Unicom – all recognize the importance of ubiquitous FTTH.

Video everywhere

The second factor is providing a premium video experience, what we call Video Everywhere. The idea is to develop video services as a way to leverage the advantages of optical networks, increase ARPU and the number of broadband subscriptions, and stimulate broadband development.

It took more than 10 difficult years before Chinese telcos were able to recognize the importance of these two factors. Between 2005 and 2008, they simply viewed video as a value-added service, offering it in the form of IPTV. They weren't making any money from it. Back then, Huawei provided a video aggregation and distribution platform – and we didn't make any money from that either. After exploring the video industry for a while, almost all telcos cut back on video investment. As a result, the video industry went into a downwards spiral.

Sichuan lights the way

The situation continued like this until about three or four years ago, when China Telecom's Sichuan Branch began to approach broadband differently. They deployed FTTH across Sichuan province and integrated broadband with video. They no longer pitched "bandwidth" to their users; they shifted their focus to promoting ultra-high-definition, high-definition, and standard-definition videos, giving substance to abstract bandwidth statistics by presenting a perceivable experience that consumers could truly feel. These efforts paid off: Its broadband subscribers soared, and included 10 million video users. This success story has inspired other telcos across China

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and their provincial branches to re-position video and redesign their broadband development strategies. This has also led to the widespread recognition of the two success factors for video and broadband that I mentioned previously.

Outside of China, about 140 telcos have launched IPTV services, but they vary enormously in how well they're doing. Between 2014 and 2016, IPTV subscriptions outside of China grew by only 14.7 percent. And only 26 of these 140 IPTV telcos attracted more than 50 percent of their subscribers to IPTV broadband. These telcos include Orange, Telefonica, Belgacom, PCCW HKT, and South Korean telcos such as KT, SKT, and LG U+. It's clear that the video-related challenges faced by telcos around the world are similar to those that Chinese telcos faced many years ago.

Three measures

In general, some telcos are succeeding at video, but others have stalled and some have written it off as a dead-end business. Telcos that have managed to succeed have positioned video as a strategic offering, not just a value-added service. They have taken the following three key measures:

- Leveraging video to drive broadband development, grow their user base, increasing the ARPU of their broadband services, and incorporating video as a basic service in core service packages.
- Assigning an influential executive to oversee the video business from end to end, and streamlining organizations and processes from end to end, with video at the core.
- Redesigning networks to provide the best possible video experience.

We've taken a long, hard look at the market, researching the problems and challenges that telcos face in the video sector. Obviously, providing voice services is easy: You build the network and then launch your voice services – you don't need to consider the ecosystem. But video is very different because it involves an extremely complex ecosystem. If telcos want to become successful video players, building networks is simply not enough – they have to win support from the device ecosystem and develop capabilities in platform deployment, content aggregation, video operations, and user experience management.

Five challenges

Findings from our survey reveal that telcos face the following five major challenges when developing their video business:

> We will help telcos decide how to position their video business strategically, how to deliver superior services and a premium video experience to consumers, and how to optimize their organization and processes to support video.

- They aren't sure how to position video in their broader service portfolios.
- They haven't found a way to acquire content easily and cost-effectively.
- The upfront investment in video platforms is high.
- They cannot get a clear picture of the video experience they're providing because there is no end-to-end management or control on their networks.
- Device costs are prohibitively high.

If these challenges aren't resolved, telcos cannot grow their video business. This is particularly true for small and medium telcos. Through extensive surveys, analysis, and discussion over the past year, Huawei has recognized that we need to clearly position ourselves if we wish to help telcos grow and succeed in their video business. We've decided that we must position ourselves as an enabler – one that develops video into a basic service provided by telcos and helps them achieve business success in video. Huawei is a global company and, with resources and talent from around the world, we can develop the end-to-end capabilities necessary to enable telcos' business success in video. To that end, we will undertake six strategic initiatives.

Six answers

First, we will build business consulting capabilities for video to enable telcos' video businesses to succeed.

We will build a team of experts with a deep understanding of the entire video industry. This team will keep researching models for developing the video business. It will also deliver strategic and business consulting services that help telcos find the path to video success, and take into account the regulatory environment in the countries in which they operate, their content partners, business environments, and the unique features of the telcos themselves. We will help telcos decide how to position their video business strategically, how to deliver superior services and a premium video experience to consumers, and how to optimize their organization and processes to support video. Our strategic and business consulting services will enable telcos to develop video into their basic service portfolio and achieve business success in video over the long term.

Second, we will develop capabilities in content aggregation to make it easier and less costly for telcos to acquire content and boost the efficiency of video operations.

> Huawei – as a partner who provides products, solutions, and services to telcos worldwide – must take the initiative to invest in content aggregation.

For telcos to develop a video business, they must resolve problems around the acquisition of video content. There are more than 1,000 content providers worldwide. If we look at the national level, there are over 600 telcos around the world. For these 600-plus telcos, it's extremely difficult to engage in content partnerships with more than 1,000 different content providers. This is especially true for small and medium telcos. Content providers also find it difficult to deal with so many different telcos. Thus, a gap has opened up in the ecosystem. If this gap isn't closed, it'll be impossible for telcos to push their video business forward, much like the chicken-and-egg dilemma.

Huawei – as a partner who provides products, solutions, and services to telcos worldwide – must take the initiative to invest in content aggregation. We have an edge in providing global consumers with smart devices, integrated devices, and cloud services. With these competitive advantages, we should try to bridge the gap and make content acquisition easier, less costly, and more efficient for telcos.

Third, we will build a cloud-native, convergent video platform to help telcos develop and operate their video business efficiently and open up their video capabilities.

The existing video platforms of all telcos are not yet really cloud-based. They cannot rapidly respond to customer needs or be fully convergent, which hinders the development of video offerings. We will build a cloud-native, convergent, open video platform. It will support both fixed and mobile access, as well as a variety of video services such as OTT, entertainment, communications, VR, AR, and industry video. Our video platform will enable telcos to rapidly respond to customer needs, boost their operating efficiency, and give consumers a ROADS experience – one that is Real-time, On-demand, All-online, DIY, and Social. Such a platform will also allow telcos to expose their video capabilities to ecosystem partners, driving more open innovation and sustainable business success. But we need to take this one step at a time. In this phase, we will focus on entertainment video and achieve cloudification and fixed-mobile convergence (FMC). The next phase will be the move to industry video.

Fourth, we will increase investment in STB chips and open up middleware to build the ecosystem around STBs and smart TVs.

Huawei has invested for many years in the chips of set-top-boxes (STBs) to make the devices more accessible to telcos. Going forward, we will invest more in STB chips to continuously drive advances in video technology. We will also open up the

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middleware on our chips to make it easy for STBs to connect with video platforms. This open approach will foster a more prosperous ecosystem around STBs and smart TVs, and meet the video needs of telcos in their markets. All of our STB chips support both HD and 4K video, providing a solid foundation for telcos at all stages of investment in video.

Fifth, we will build end-to-end networks that position video as a basic service and deliver a premium video experience.

A premium end-to-end video experience requires an end-to-end network to support it. Huawei can meet these requirements by optimizing the entire network architecture to make it video-ready, from home networks and access networks to backbones. In this way, the network will sustain a superior video experience. The key measures we will take include the following: First, we will deploy distributed Wi-Fi networks for seamless Gbps access in the household and ensure products can be plug-and-play. Second, we will provide Gbps access over any media, including twisted pairs, cables, optical fiber, and hybrid networks. Third, we will adopt a flat, convergent video network architecture, and decrease the O&M costs for distributed broadband remote access servers (BRAS) by enabling centralized management. Finally, we will increase investment in network technology and architecture innovation to better support high-quality video experience and operations.

Sixth, we will develop capabilities in video business planning, design, integration, and experience management.

In addition to building networks with a superior video experience, we will also build a team of experts in planning and design consulting for the video business to provide customers with end-to-end services for platform and network planning, design, integration, and optimization. Our expert team can help telcos optimize and reconstruct their networks in a way that delivers a premium video experience. In addition, we will work with industry partners to create and optimize a video experience evaluation system and ensure that video experience is measurable. We will also establish a video-centric Service Operation Center (SOC) that uses big data and artificial intelligence to visualize, manage, predict, and sustain the end-to-end video experience. Our tools and technologies will enable telcos to manage the user experience in real time and optimize it dynamically.

Through these six initiatives, we aim to help telcos make the most of their video business and achieve business success in video.