

Monetizing Innovation – Why and How the Communications Industry is Transforming

By P. Lopes



End users and service providers are currently benefiting from a flood of new services, applications and content creation opportunities. As a result, service providers are changing how value is created, managed and monetized in communications networks. A growing number of service providers are redefining their strategic goals and transforming how they bring new services to market.

The communications industry is fundamentally shifting its focus from a network-centric view of the world to a new view centered on end-user needs and desires. This shift in focus is enhanced by significant new technology developments, such as IMS, digital TV, SOA and Web 2.0. These new services allow service providers to offer a rich array of blended and personalized services that are available anywhere, anytime, via any device.

This fundamental change begs the question: What are the critical factors for successfully navigating this period of rapid transformation?

We are dedicating the current edition of *Enriching Communications* to this question. While this question can be explored from many perspectives, a prevailing theme recurs: “profitable innovation.”

In this ever-changing environment, standing still is not an option. Only those who can introduce new methods, ideas and create opportunities to monetize value will drive profitability in the converged industry that is currently taking shape. Accordingly, innovation is at the top of nearly every communication industry executive’s mind these days.

In 2008, Alcatel-Lucent teamed up with researchers at Heavy Reading to survey service providers around the globe on what they saw as requirements for service innovation and profitability. From our findings, we developed a top 10 list of elements that are driving why and how service providers are transforming how they bring new services to market. There is no question, based on the list, that innovation is critical to success, and transformation is a requirement at the root of every single factor (Table 1).

Table 1: **Drivers for Innovation**

Top 10 drivers for successful service innovation according to service providers	
1	Improve time-to-market of new services, reduce time to integrate new services
2	Increase flexibility in how we deliver new services (such as across network infrastructure)
3	Prevent revenue erosion and increase customer loyalty
4	Gain access to new revenue streams via new business models (such as advertising, revenue sharing with third parties, QoS SLA enforcement)
5	Reduce cost of service creation
6	Serve new customer segments and markets
7	Develop close relationships with enterprise customers by telco-enabling their business processes/workflow systems
8	Access to large communities of developers and engage with third parties in the creation and provisioning of new services
9	Access to new content-based value chain (such as third-party content)
10	Leverage end-user generated content and media (such as social networking)

Source: ©2008, Heavy Reading, Alcatel-Lucent Analysis.

In this edition of *Enriching Communications*, we explore these service innovation drivers and delve into the exciting lessons emerging from our clients' efforts to remain competitive as unexpected competitors and evolving end-user demands overtake yesterday's business models.

In the pages that follow, we investigate best practices in end-user segmentation so that service providers can plan and develop profitable service delivery and customer loyalty strategies. Such strategies will be critical in preventing revenue erosion and increasing customer loyalty. We explore the impact of convergence on service providers, shedding light on the key challenges and opportunities associated with the "free services" economy currently spreading from the Internet industry into the communications industry. Understanding these principles will be important to service providers who seek new revenue streams via new business models. We also review how specific players are managing critical aspects of their networks and business transformation initiatives.

This issue's technology section takes a look at meeting the climbing demand for entertainment services, including IPTV and Mobile TV – an important new avenue to reach new customer segments and markets. The technologies behind this new category of services represent our most dramatic examples of technology innovation, opportunities and challenges. Today, our industry is capable of putting a TV in every consumer's pocket, as well as allowing consumers to develop and share their own multimedia content – forever blurring the lines between consumers and producers of content. Success in realizing the tremendous commercial potential of entertainment services will be conferred on those service providers flexible and agile enough to deliver them.

The multimedia experience is not limited to the "small screen." We also look at how new technologies allow end users to have an integrated experience as content is moved over IP infrastructure from phone, to PC, to Laptop, or to the high-definition plasma screens increasingly outfitting the living rooms of families around the world.

In addition to examining major opportunities to cash in on entertainment in the converging industry, we also detail opportunities associated with integrated IP communications and messaging services.

Content management is another critical issue for service providers, especially in the mobile networking arena. Mobile service delivery platforms (SDPs) support rapid service creation and lower total cost of ownership, which enable new and innovative services and revenue streams. They can transform an operator's service delivery capabilities – SDPs are low-hanging fruit for mobile operators. We discuss how several operators have proven that a coherent, pre-integrated mobile content SDP can dramatically lower the effort required to expand a content offering, increase service consumption and evolve to include additional PC and TV screens.

All of these new developments are having a dramatic impact on our industry's business processes and systems. This edition also reports on the importance of modernizing payment applications and how a solid operational transformation strategy can facilitate service innovation.

Our readers tell us they want to achieve key business goals such as creating a user-centric experience, generating new revenue streams, optimizing cost efficiency and accelerating service creation. We intend that, as you read this magazine, you take away some practical business perspectives on strategy and technology considerations to exceed your business goals in the converged marketplace. ●

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