

Survival Strategies:
Converging Resources to Create & Retain Customer Value
Wednesday, July 17, 2002
Silicon Valley World Internet Center

“IP Convergence”



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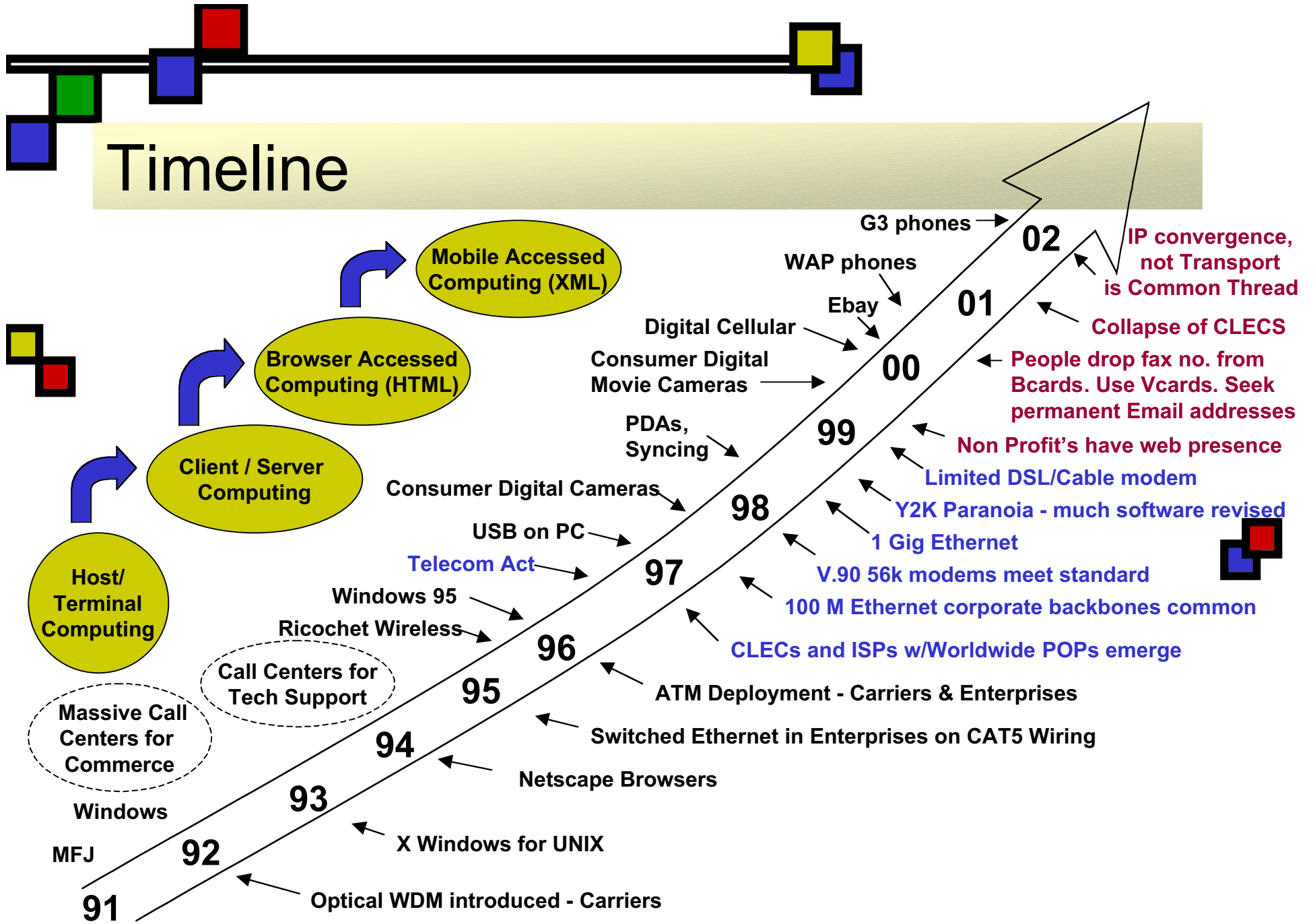


IP Convergence

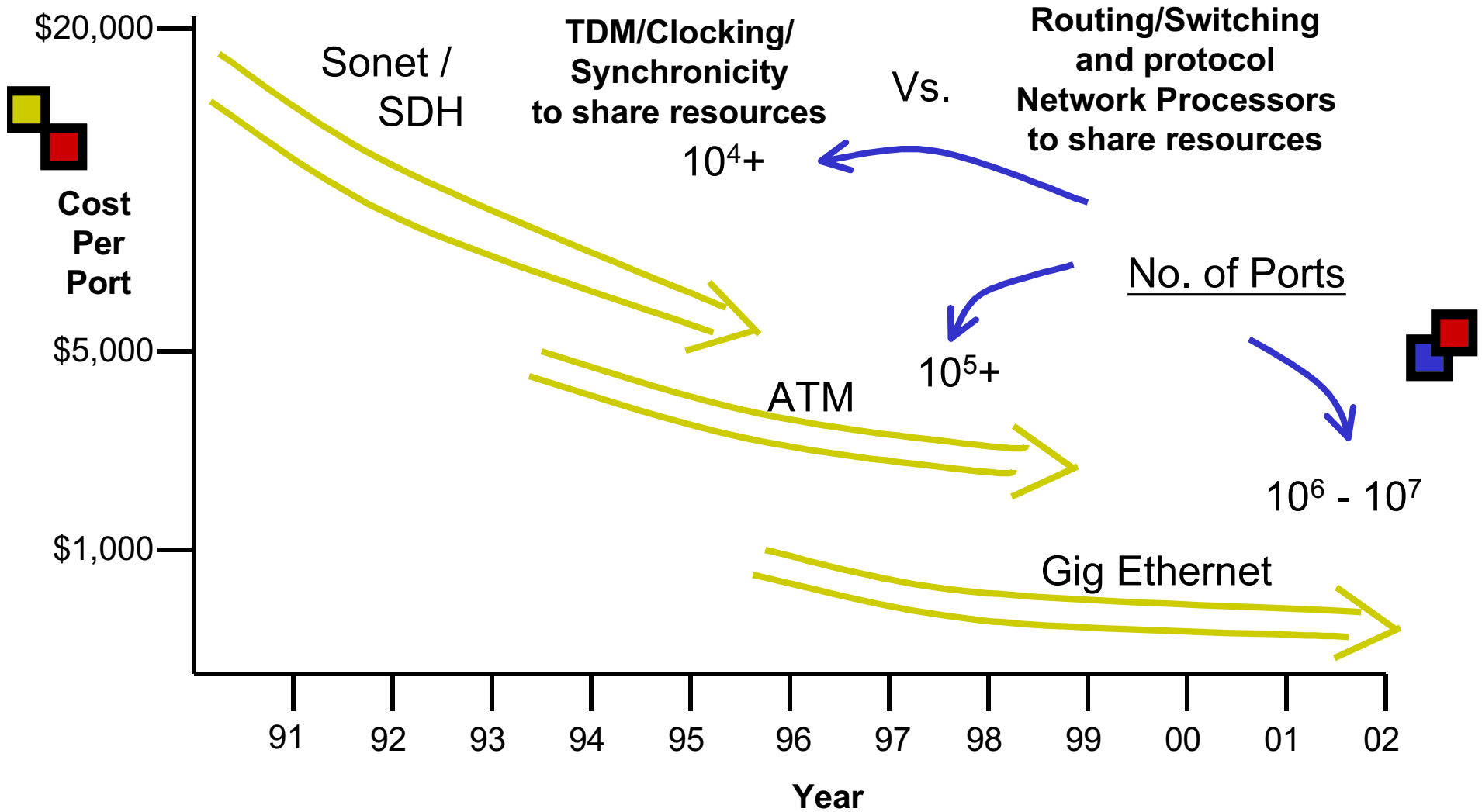
- Timeline
- Communication & Networking Technology (declining unit costs)
- Integrated Enterprise Solutions
- Complexity and the Pyramid



Timeline

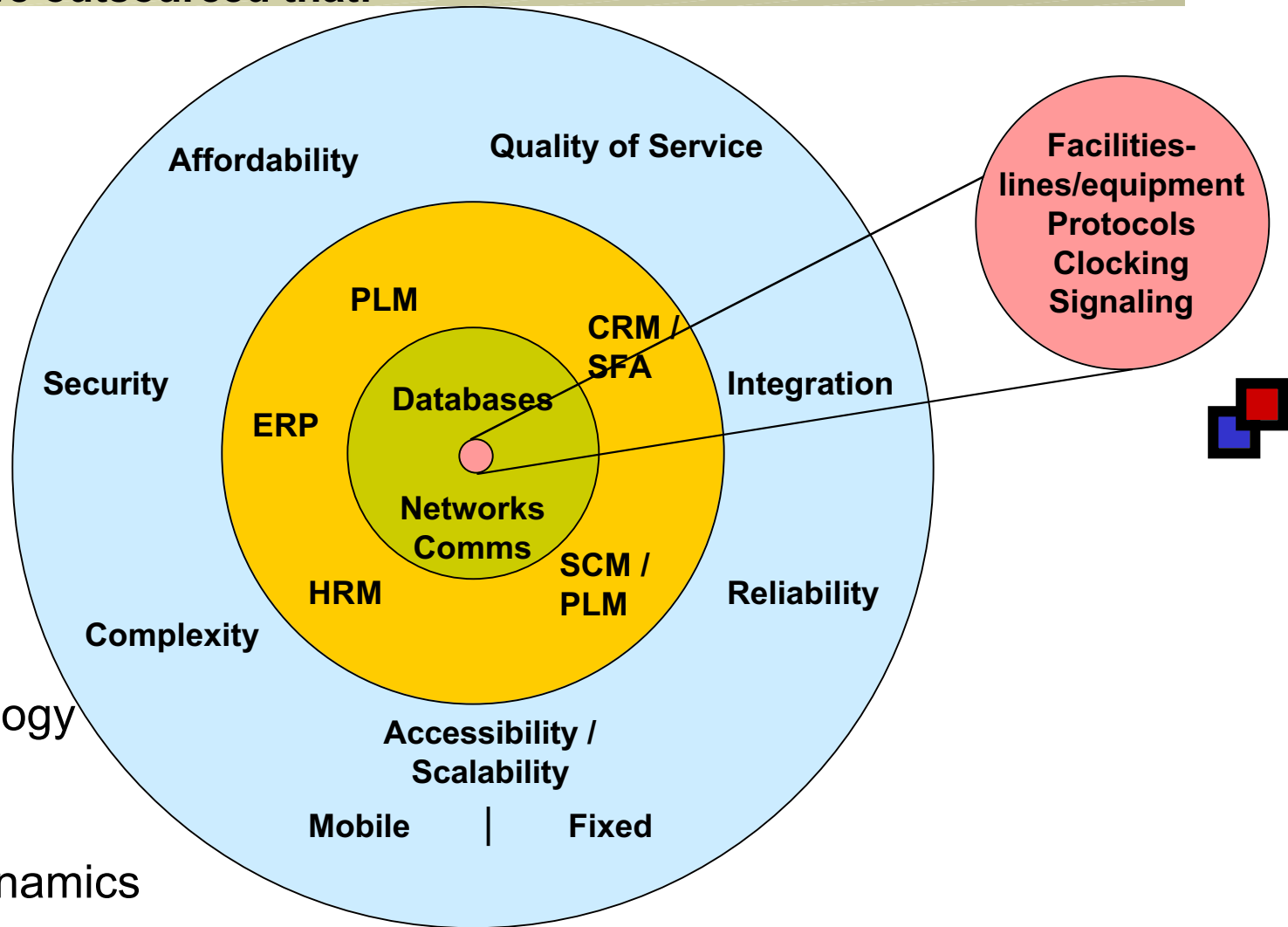


Communication & Networking Costs



Integrated Enterprise Solutions

“I thought we outsourced that!”

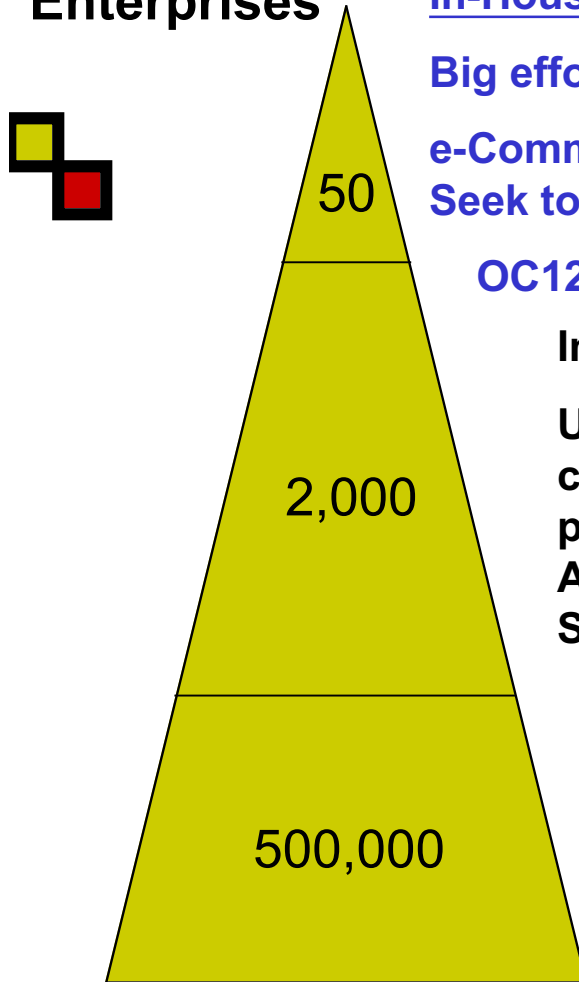


- Core Technology
- Infrastructure
- Applications
- Utilization Dynamics



IT Complexity Pyramid - IP is common ingredient

Enterprises



In-House IT – Technical Support Teams Drive Standards Needs

Big efforts since Y2K – Scale, Security, Cost optimization

e-Commerce is a way of life for their sales force and customers, 24x7.
Seek to add voice to web.

OC12 customers

In-House IT at HQ & Major sites – choose to use standards

Use PBX, call centers, purchased enterprise solutions. Must consolidate for comms and network cost control and to provide competitive service for customers. Are in transitions: ATM->GigE, PBX->VoIP, Web Catalog -> Web Commerce. Seek front/back integration and click-to-talk integration.



T1-OC3 customers

Barely able to configure a LAN or PBX.
Have Web presence. Outsource most everything.

T1/E1, DSL, ISDN customer





Deregulation and Icy Cold Wars

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- Modified Final Judgment rules from ATT breakup till Feb 96.
Judge Green is the man.
 - Feb 96 Telecom Act passed, first full revamp since Telecom Act 1934
 - FCC presides over “Managed Competition” in local telecom markets. Congress wants to abolish FCC
 - Bells must meet 11 point list – till then, CLECS grow to over 200 firms.
 - Bells trade competition in local market to get slice of long distance.
 - May 97 Reed Hundt FCC chairman resigns. Had auctioned airwaves for more than \$10B. Replaced with William Kennard.
 - Long Distance and CLECS form coalitions. Bells consolidate from 7 to 4 – Verizon, BellSouth, SBC Corp, and Qwest
 - George W. bush elected; FCC expansion stops. Michael Powell now FCC Chairman.
 - Long Distance rates sink to 3 cents per minute.
 - CLECs lost their reciprocal compensation payments. CLECs all die, 55 public companies among them.
 - 27 Feb 2002 Internet Freedom and Broadband Deployment Act passed (273/157)
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Icy Competitive Reality

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- 2001 Investors pumped billions in competitive phone companies. Realize cannot survive on their own with the implementation of 96 Act.
 - Pre-occupied FCC largely ignored wireless (no broadband frequency allocation till NII bands approved) and cable broadband.
 - Reaction to Internet Freedom and Broadband Deployment Act:
 - Act threatens livelihood of phone companies; ATT and others fleeing from long distance.
 - Worldcom with large UUNet investment faces four entrenched 'monopoly' competitors in data transmission markets.
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Possible Outcomes from the 2002 Act

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- Becomes basis for new generation fiber-optic services delivered by Bells, Stimulating cable, wireless and satellite Internet to provide competition. *Not likely*
 - FCC NPRM dismantles “managed competition” setting up true competition between segments of the Internet Industry. *Likely*
 - ATT/Comcast merge; DirecTV acquired by EchoStar
 - *Approval likely*
 - Consumer finally get high speed Internet (less than 10% have it now) ???
 - World Internet carriers transition from telecom communications (TDM) to Network Communications (Broadband equipment, Web Services, VoIP). Corporations demand integrated services. *Likely*
 - Intranets expand (Web Services via VPNs) *Likely*
 - Security demands a move to dynamically assigned “permanent” IP addresses/domains. *Unknown*
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Communications & Networking in Biblical Terms




- Regulation and De-regulation changes
beget
- Technology Improvements
which beget
- New Services
which beget
- New Products






Economics – What Price to Charge?

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- Communications and Networking Services are more valuable as more people use them – i.e. An *Information* good, but services are provided via *Capital* Goods

(Items which have diminishing value due to limited lifetimes and capacity.)





Partnerships Are Key

System & Network Integrators • VARs • Solution Providers • Web Integrators



ENTERPRISES NEED PARTNERS

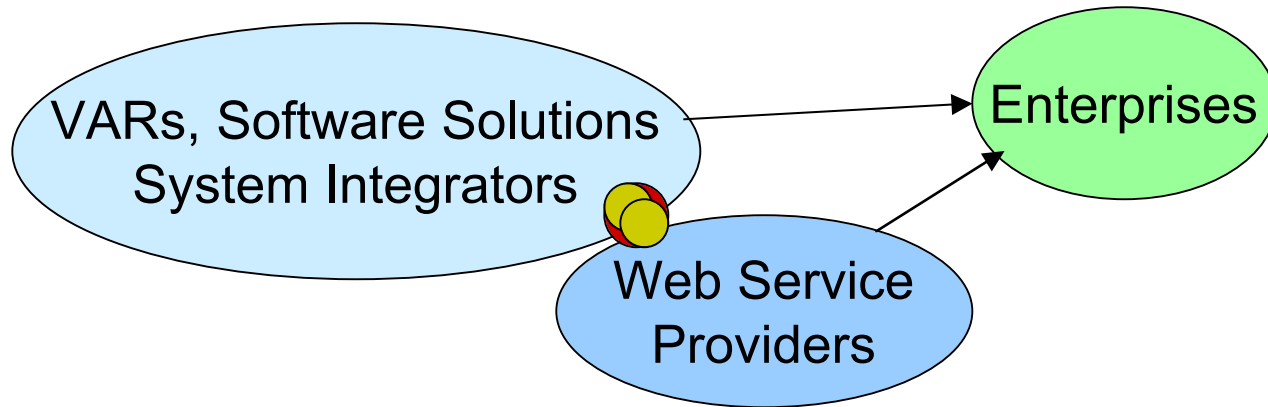
- Competence on Web Services implementation
- Competence on enterprise infrastructure integration
- Project management
- Training within enterprise
- New features: eCommerce to click-to-talk incorporation
- Secure solutions: VPN, SMON, and high performance

VALUE OF PARTNERSHIPS

- Worldwide accessibility of internet-centric solutions
 - Multi-Country market rollouts
 - Integrated billing: CRM
 - Vertical market access with best-in-class functions
 - Scalability at controlled CPOD
 - Predictable, dependable network services
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Partnerships



Enterprise Requirements

- Implementation
- Integration
- Project Management
- Training
- New functions
- Security & Performance

Partnership Value

- WW Access
 - International rollout
 - Integrated billing/CRM
 - Best-in-Class
 - Controlled cost /scale
 - Dependable
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