

MSOs' approach to business customers varies

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In the battle between telephone companies and cable multiple-system operators (MSOs) for business customers, the dynamic reverses that of the residential battlefield. Here, the MSOs must lay siege to telco territory. Analysts and sources within the MSO camp report that the strategies employed to wrest customers from the ILECs can vary widely within individual MSOs, never mind among different cable companies. However, a consensus appears to be growing that metro Ethernet technology delivered over optical infrastructure will become a primary weapon.



How aggressively MSOs chase the business services market often varies within each carrier.

The ability to deliver voice and data services over existing hybrid fiber/coax (HFC) architectures not only touched off the war over residential users, it also put MSOs in a position to offer something that business customers might want as well. “The large focus of most of the major MSOs has been on small and medium-sized businesses that they can, for the most part, serve with their existing networks,” offers Geoff Wilbur, senior analyst at market research firm New Paradigm Resources Group (NPRG; www.nprg.com).

“Where MSOs see a convergence of opportunity, where they have networks running into or close to central districts, they’ll approach the enterprise market aggressively,” agrees Jeff Kestrel, who has looked at MSO activity as part of his coverage of metro Ethernet for NPRG, where he also is a senior analyst.

However, this aggressiveness isn’t necessarily uniform throughout a given MSO’s footprint. “A lot of the MSO decision making is decentralized,” explains Wilbur. “Certainly if you’re talking about building extensive fiber networks into central business districts and office parks, that can vary broadly within an MSO. And while serving businesses by leveraging the existing HFC infrastructure represents a ready path to the market, some MSOs have increased their commitment to enterprise customers via optical networks. Wilbur admits that he had expected a year ago that there would be more infrastructure development than he has seen recently. However, he points to carriers such

as Optimum Lightpath, the large-business services arm of Cablevision, as examples of MSOs that have made significant investments to penetrate the business services market.

Wilbur says that when positioning themselves against the incumbent telcos, MSOs may enjoy better brand recognition than the average CLEC. However, Kestrel says that recognition isn't always an advantage. "One thing that I've had cable guys tell me is that they sometimes have trouble getting business customers in general-and especially as you work up towards your [large] enterprise customers-to take their calls," he says. "They kind of get pigeonholed as, 'That's the cable guy, that's the TV guy. Why do I as the IT director want to be talking to him?'"

Making the approach

As reported previously in *Lightwave* (see "MSOs Rely on Ethernet for Business Services Delivery" by Meghan Fuller, November 2006, page 1), Cox Business Services Omaha has relied on Ethernet technology to give IT managers a reason to speak with them. "When we go in and speak to customers, as soon as we mention the word 'Ethernet,' they automatically want to know more," Craig Dassner, senior sales engineer with Cox Business Services Omaha, told *Lightwave* at the time.

The aforementioned Optimum Lightpath (www.optimumlightpath.com) also has ridden Metro Ethernet Forum (MEF)-certified Ethernet to success within its footprint, which covers parts of Connecticut, New York, and New Jersey. The work of the MEF in promoting Carrier Ethernet has eased Optimum Lightpath's marketing efforts, says Brian Fabiano, senior vice president of network services at the carrier. "They're becoming much more educated. They're actually very familiar now with the Metro Ethernet Forum and their work and trying to push carrier-grade Ethernet and establish the standards for everyone to follow," Fabiano says of the IT managers to whom Optimum Lightpath sells. "In fact, there are even customers who will ask us whether these services are certified by the MEF."

The use of Carrier Ethernet technology (principally provided via equipment purchased from Atrica in the last mile, which will soon be supported by Cisco-delivered multidegree ROADMs in the backbone) also has helped overcome the positioning issue Kestrel raises. "We put an extra spin on [on our branding]...and talk a lot about our reliability and the fact that our network is a connection-oriented network, so you're guaranteed your bandwidth and you're guaranteed five-nines reliability," explains Kevin Curran, senior vice president of marketing at Optimum Lightpath. "So that's the only time we have to spruce up the Optimum name is on the reliability side and assure businesses that they're getting dedicated facilities."

The commitment to Ethernet helps position the carrier against both incumbents and CLECs in the tri-state area. "We think of ourselves as a next-generation business broadband service provider," Curran explains. "And what we mean by 'next-generation' is that (a) we're fully optical, all the way to the premises and always have been for 17

years; (b) our services are IP based; and (c) we're like a super-regional-we are operating in a very dense area of the country from a telecommunications perspective, and we are very much experts in moving information around the metropolitan area."

Wilbur and Kestrel expect that other MSOs will follow the lead of carriers such as Cox Business Services Omaha and Optimum Lightpath. "Certainly where there is new equipment being put in place, where there are new markets being served, metro Ethernet or Carrier Ethernet is the direction of the future," Wilbur says.

Such a future is inevitable, he believes, because market forces will push MSOs to build more infrastructure to meet the needs of larger enterprises. "As they grow more into the SMB market, they'll really need to serve the [large] enterprises to be a complete service provider and to be competitive," he concludes. "I think the only thing that's up for question is the timing."