

New Operating Model Helps Vodafone Generate Incremental Revenue, Cut Costs, and Improve Time to Market

Executive Summary

CUSTOMER

Vodafone Group Plc

INDUSTRY

Service Provider

CHALLENGES

- Increase average revenue per user (ARPU) for voice services
- Boost market share in enterprise and small and medium-sized business sectors
- Expand expertise in connectivity

SOLUTIONS

- IP-based collaboration and voice/data communications service based on Cisco WebEx Meeting Center
- Operating model and services roadmap based on Cisco WebEx Meeting Center solution
- Standard process and best practices for working with multiple partners
- Third-party partner ecosystem blueprint using internal and external operations-level agreements

RESULTS

- New operating model expected to drive incremental revenues in voice-call and data minutes, improve TTM, lower implementation costs, decrease business risks
- Vodafone estimates potential incremental revenue will total \$162 million by 2013
- Partner ecosystem model enabled Vodafone to reduce time required to launch a new service by 50 percent
- OpCos in the United Kingdom, Spain, Portugal, Czech Republic, and India have expressed interest in bringing the service to market during 2010

Background

With roughly 315 million customers, Vodafone Group Plc is a leading mobile telecommunications company with significant presence in Europe, the Middle East and Africa, Asia Pacific, and the United States. The company was looking to improve sales and profit margins in the face of declining mobile voice-minute and roaming revenues by launching innovative, new services. Vodafone turned to the Cisco® Internet Business Solutions Group (IBSG) for assistance in designing, creating, launching, and deploying a web-conferencing service based on Cisco WebEx™ Meeting Center.

Challenges

Vodafone, like many service providers (SPs) in today's challenging economic climate, has experienced a decline in average revenue per user (ARPU) for voice services. While mobile offerings are the core of Vodafone's business, the company recognized the need to introduce a new, IP-based collaboration and voice/data communications service to counter this decline, and to increase market share in the enterprise and small and medium-sized business sectors. Vodafone established a new "Unified Communications and Collaboration" division to spearhead its agenda and drive incremental revenues from related services. The company chose the Cisco WebEx Meeting Center web-conferencing solution to gain traction in the rapidly expanding web-based collaboration services market.

The move challenged Vodafone to expand its expertise in connectivity by adopting a more complex business and support model for its web-conferencing service. Due to the 2009 economic downturn, Vodafone was under-resourced in areas essential to launching the new service. Vodafone asked Cisco IBSG to help it define a new operating model and services roadmap based on the Cisco WebEx Meeting Center solution and its mobile capabilities. Working with multiple partners required a standardized process and a set of best practices that would enable Vodafone to create a third-party partner ecosystem blueprint using internal and external operations-level agreements. This blueprint needed to be scalable and replicable across Vodafone's operating companies (OpCos) and subsidiaries worldwide.

“As businesses continue to look for ways to reduce their overhead while improving productivity, we believe that the flexibility and ease of use offered by Vodafone Web Conferencing presents a compelling proposition. Through our partnership with Cisco IBSG, we are giving customers greater ability to choose how and when they use web conferencing to drive their business forward in a more efficient and cost-effective way.”

Tom Craig
Director of Business Services
Vodafone Group Plc

Solutions

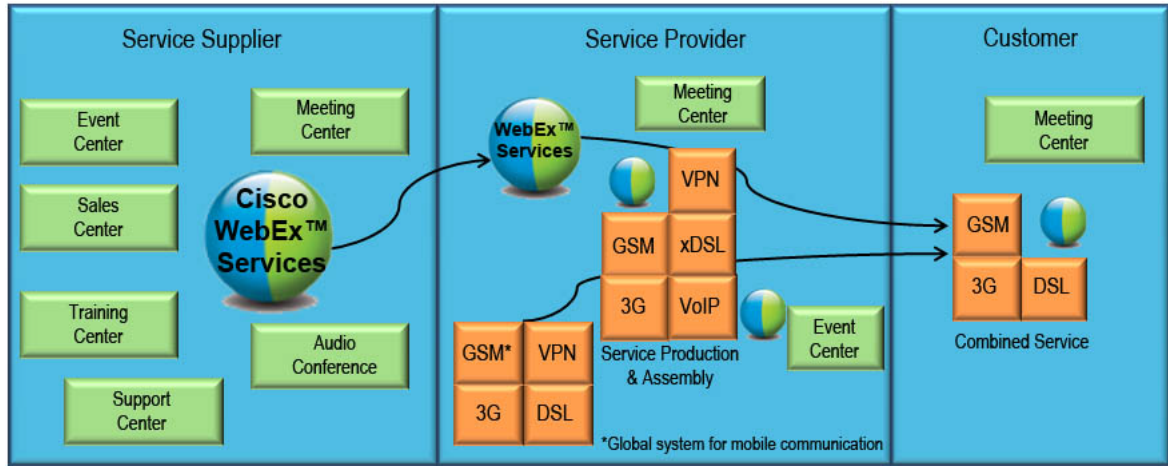
Partner Ecosystem: After assessing Vodafone's key operational areas, including service design, OpCo operations and support, marketing, and go-to-market (GTM) activities, Cisco IBSG identified major challenges Vodafone had to overcome before it could implement a sustainable partner ecosystem:

- **Sales:** The Vodafone sales teams and resale channel partners were used to selling mobile tariff plans and calling options. The language of web-conferencing services, however, was new to them. As a result, Cisco IBSG educated Vodafone's sales staff on the new vocabulary and provided appropriate tools, support, and compensation plans to help them sell these new services effectively.
- **Service Operations:** Different working procedures and practices were needed to reduce risk and simplify key operational areas. New services such as web-based conferencing would align Vodafone business operations that were previously separate. A new set of processes and operational interlocks was implemented to allow different parts of the business to interact with each other and with external partners and agencies.
- **Billing Systems:** Billing integration is a major component of the service-operation model, and one of Vodafone's most challenging areas. Billing integration is influenced by different service-pricing packages such as pay-per-use, flat fee, or a combination of the two. Specific billing requirements, such as daily billing feeds (files), 100 percent accuracy of billing data, pre-rated service prices from third parties, blended call data record, and consolidated invoices, can further complicate the billing integration process.

Furthermore, Vodafone OpCos have different IT system outsourcing partners, which affects their operational capability and flexibility in billing and other key areas. Because of this, Cisco IBSG recommended that billing requirements should be well-drafted and agreed on by the third-party supplier in the early stages of the on-boarding process. Only through early involvement will both companies align billing capabilities with business requirements and implement a cost-efficient and standardized billing solution.

By addressing these challenges, Vodafone and Cisco IBSG developed a partner ecosystem blueprint based on an agile business model for delivering WebEx Meeting Center services. Employing a software-as-a-service (SaaS) approach, this model uses the Vodafone partner ecosystem as the sales, delivery, and Tier 1 support channel (see Figure 1).

Figure 1. Delivering Next-Generation Managed Services via an Agile Business Model



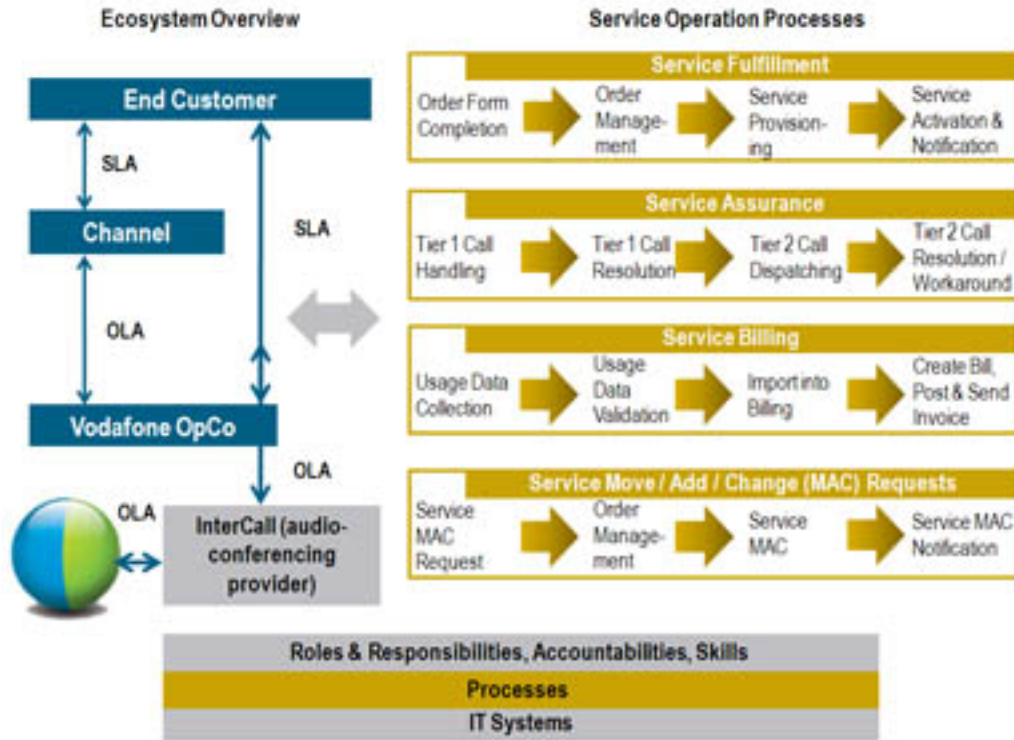
Source: Cisco IBSG, 2009

Vodafone Service-Operation Model

Service operation is the core of any SP's business. This is where technology and products are converted into services and revenues. Vodafone's ability to deliver highly qualitative services at competitive prices and healthy margins is influenced largely by service-operation performance, including that of its partners.

By out-tasking certain activities such as service fulfillment and assurance, Vodafone can reduce the need for additional resources and avoid dramatic changes to its business processes and IT systems. Based on its original assessment of Vodafone's operational practices, Cisco IBSG recommended changes to Vodafone's internal and external service-operation process. From there, IBSG developed a modular set of processes for the web-conferencing service. Figure 2 provides an overview of the process flow. One benefit of the operational blueprint is that Vodafone can apply it to other services, such as unified communications.

Figure 2. Vodafone's Operational Blueprint for Service Fulfillment



Source: Cisco IBSG, 2010

Results

The new operating model is expected to drive incremental revenues in voice-call minutes and data minutes, improve time to market (TTM), lower implementation costs, and decrease business risks. Vodafone estimates that potential incremental revenue from the WebEx Meeting Center solution, plus expected pull-through revenue from other Vodafone services, will total US\$162 million by 2013.

The flexible nature of a SaaS-based WebEx service model will enable Vodafone to deploy the new service with a number of pricing structures—including pay-as-you-go, licenses, and named hosts—through a variety of direct and indirect channels, depending on the market dynamics of the host OpCo country.

Cisco IBSG worked long term with Vodafone, from the original concept in early 2008 to the successful deployment of the Meeting Center service at Vodafone's OpCo in Greece in July 2009. By using the partner ecosystem model, Vodafone reduced the time it takes to launch a new service by 50 percent and is looking to replicate this operational model in 15 countries during the next two years. OpCos in the United Kingdom, Spain, Portugal, the Czech Republic, and India have expressed a desire to bring this service to market during 2010.

Next Steps

As the WebEx service is rolled out to more OpCos, the following steps will help Vodafone redefine and optimize important areas of its overall business architectures and develop a successful partner ecosystem model with third-party suppliers:

- Implement a standardized and scalable partner ecosystem that drives service innovation and reduces TTM
- Optimize service operations to integrate third-party and Vodafone services, along with end-to-end service-management processes
- Align GTM service-branding strategies with those of third-party suppliers, and identify and optimize the right channels to accelerate service sales and improve the customer experience

Cisco IBSG is working with Vodafone's product management and marketing teams to create collateral and best practices that can be shared with other OpCos to accelerate global deployment of the WebEx Meeting Center service.

The Vodafone engagement proves that SPs can navigate today's challenging business landscape by collaborating closely with third-party suppliers and integrating new offerings into their existing portfolios. The potential for integration is great, and web-based conferencing and collaboration tools are ideal candidates.

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>



Americas Headquarters
Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters
Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters
Cisco Systems International BV
Amsterdam, The Netherlands

Cisco has more than 200 offices worldwide. Addresses, phone numbers, and fax numbers are listed on the Cisco Website at www.cisco.com/go/offices.

Cisco IBSG © 2010 Cisco and/or its affiliates. All rights reserved. Cisco, the Cisco logo, and Cisco Systems are registered trademarks of Cisco and/or its affiliates in the United States and certain other countries. All other trademarks mentioned in this document or website are the property of their respective owners. The use of the word partner does not imply a partnership between Cisco and any other company (1002R)

KK/ 0810