

## Chunghwa Telecom and Cisco Systems Partner to Bring “Big Business” E-Solution Services to Small- and Medium-Sized Enterprises

### Executive Summary

#### CUSTOMER NAME

Chunghwa Telecom

#### INDUSTRY

Telecommunications

#### CHALLENGE

- Taiwan’s telecom services market has become ultra-competitive, resulting in low margins for traditional broadband service providers.
- E-solution adoption among SMEs (small- and medium-sized enterprises (SMEs) is fueling continued growth in the market.
- A high percentage of these SMEs are small businesses with five or fewer employees and no onsite IT support.
- The Taiwan telecom services market is highly volatile, but further growth is likely, driven by new applications such as voice over Internet protocol (VoIP).

#### SOLUTION

Chunghwa Telecom introduced a new bundled service, known as “Managed Network Services for Small- and Medium-Sized Enterprises.” This leased service, developed with the Cisco Systems Internet Business Solutions Group (IBSG) consists of:

- Broadband ADSL, fiber to the building (FTTB), and Network Management services.
- Cisco provided enterprise-level networking router services and equipment maintenance and IT support.
- Future service offerings include Internet phone services, such as IP exchange and video conference products; Internet contact center; video monitoring; and e-commerce services.

#### BUSINESS VALUE

- SMEs can lower total cost of ownership of a typical e-service infrastructure by at least 30 percent.
- E-service solutions are available on a “pay as you go” basis, smoothing cash flow.
- Chunghwa Telecom expects to gain a market share to over 70% of the SME e-market in Taiwan while simultaneously moving into higher-profit service offerings.

**Chunghwa Telecom**, previously a state-owned enterprise now being privatized, has always been the biggest telecom service provider in Taiwan. The company has 13.26 million fixed-line customers, 8.16 million mobile service customers, and 3.9 million Internet service subscribers. In 2004, the company posted revenue of US\$5.6 billion, with a registered capital of US\$3.1 billion. In addition to standard fixed and mobile connections, Chunghwa Telecom offers data communications, broadband access, intelligent networks, virtual networks, e-commerce, enterprise integrated services, and other value-added services.

#### BUSINESS CHALLENGE

With a population of 23 million people, it comes as no surprise that Taiwan has more than one million SMEs (small- to medium-sized enterprises). Of the total number of local enterprises, 95 percent are SMEs with less than 500 employees, a high percentage of which employ fewer than five people. Increasingly, these small companies see the advantage of large-scale enterprise-inspired e-solution applications, to their operations. However, electing to make the necessary investment in both equipment and headcount is a painful decision for many owners and business managers. SMEs were looking for complete, affordable e-solutions, conveniently packaged and delivered.



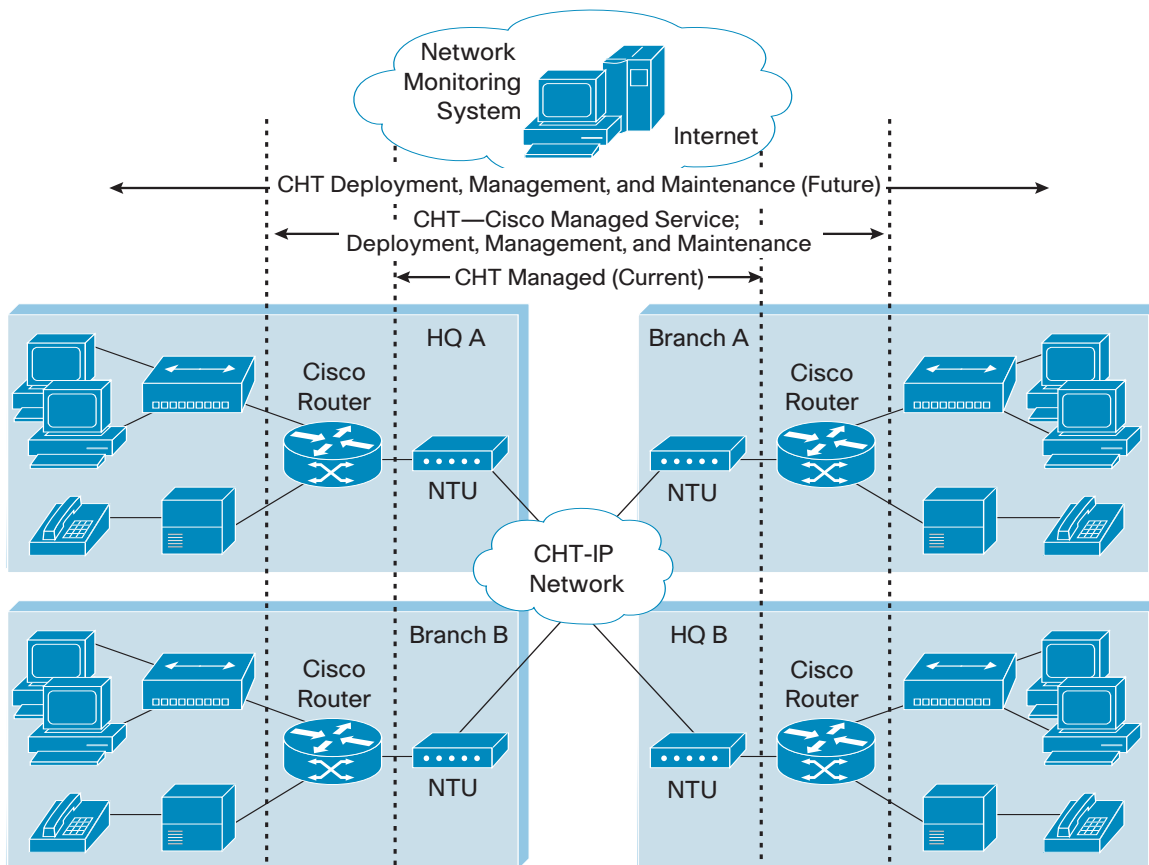
Prepared by Cisco Systems, Inc.  
Internet Business Solutions Group

**SOLUTION**

The Cisco Systems® Internet Business Solutions Group (IBSG) first analyzed the network equipment structure required by the SME market segment and provided a detailed brief and planning proposal for e-services based on those needs. Given the volatile nature of the e-commerce market in Taiwan, the flexibility offered by a virtual service team able to adjust strategy in accordance with changing market conditions was considered mandatory. The two companies agreed upon a partnership in which Cisco supplies the professional network infrastructure expertise and Chunghwa Telecom provides the installed bandwidth and strong customer base. The combination of the two companies is a perfect match.

In 2005, Chunghwa Telecom and Cisco began jointly offering their innovative “Managed Network Services for Small- and Medium-Sized Enterprises.” The new service is helping Chunghwa Telecom evolve from value-added telecom service provider to a professional e-service solutions provider. It provides local companies with a completely new network service framework, using rental services as part of a one-stop shopping model. This “pay as you go” bundle of hardware, software and Internet connectivity has numerous benefits for Chunghwa Telecom, as well as its customers.

**Figure 1. Network Architecture**



A good example is a small chain of three photo-developing outlets in Taipei, Taiwan's biggest city. Unfortunately, high capital costs for photo-developing equipment used to mean that when one of the shops received a request from a customer to print out digital photos or produce a multimedia disc, for example, the staff was often required to travel among the three shops to process the order. Using the new Chungwa Telecom service, all three of these outlets have been converted into virtual e-photo printing stores. The stores are now linked using a VPN service, which allows real-time data transmission from one shop to another, eliminating much of the physical shuttling of hard media. The network allows the stores to effectively utilize shared resources in a secure environment, vastly increasing operational efficiency.

### EMPOWERING SMEs

In the past, the installation of such a complete Internet infrastructure would have been extremely costly and likely unaffordable for such a small business. Previously, when SMEs wanted high-speed Internet, firewall, private enterprise networks, monthly Internet volume control, and other networking security services, they needed to simultaneously buy software and hardware equipment, broadband, and even retain IT professionals.

The country manager of Cisco® Taiwan, Mr. Chuan-hui Wu, says, "This new program is helping deconstruct the myth that professional-managed network services are a privilege reserved solely for large enterprises. It's empowering local SMEs in their efforts to keep up with the pace of world-class enterprises in the age of the Internet economy."

**"THE COOPERATION BETWEEN CHUNGHWA TELECOM AND CISCO IS UNIQUE IN OUR MARKET. NETWORK MANAGEMENT SERVICES AND FLEXIBLE EQUIPMENT LEASING MODELS ARE ENABLING OUR CUSTOMERS TO LOWER OPERATIONAL COSTS AND BECOME MORE COMPETITIVE. PROFESSIONAL E-SOLUTION SERVICES PRODUCE HIGHER PROFITS AND LOWER CUSTOMER CHURN, WHICH ARE THE KEY TO OUR SUCCESS."**

—Tan Ho Chen, Chairman of Chungwa Telecom

Chunghwa Telecom provides a broadband Asymmetric Digital Subscriber Line (ADSL) Internet network and fixed IP, using a Cisco 1841 Router and firewall. Cisco "virtual e-commerce team," incorporating both global and local resources, offers professional consulting and installation services to meet the needs of local SMEs. With the rental model, SMEs can choose to terminate services and return the equipment when the lease expires, renew the lease under the same terms and conditions, or renew the lease and upgrade to more powerful equipment, depending on their own individual needs and budgets. The new initiative jointly combines Cisco Service Provider Sales Channel, Marketing, IBSG, and Service Consulting team from its Taiwan operations, along with technical resources from Cisco headquarters in the U.S.

The joint service is being introduced to the market in three stages. The first stage, which began in August 2005, will feature network security products, such as firewall and VPN services. Internet phone services, such as IP exchange and video-conference products, will be offered in the second stage, with Internet contact center, video monitoring, and e-commerce services to be rolled out in the third and final stage.

## BUSINESS VALUE

From a customer standpoint, the elimination of a large capital investment in expensive networking equipment along with a significant reduction in technology risk and integration costs makes the program very attractive. For Chunghwa Telecom, having a standardized portfolio of reliable, professionally engineered local-area networks (LANs) at its customer nodes, reduces tech support costs and increases overall system performance and reliability. In addition, this product offering is moving Chunghwa Telecom into the highly profitable network services sector. With Internet Service Provider (ISP) connectivity increasingly becoming an undifferentiated commodity product, this is a huge business advantage.

By transforming itself from a provider of fixed-line and mobile communications services to a high-quality provider of professional integrated enterprise e-services, Chunghwa Telecom has significantly upgraded its value. Customer loyalty and profitability are increasing as accounts are moved to higher-profit offerings. As Mr. Tan Ho Chen, chairman of Chunghwa Telecom says, "For us, the age of price competition has passed. Our future is now in professional e-services."

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## MORE INFORMATION

For further information on Internet business solutions, visit <http://www.cisco.com/go/ibsg>

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