

Unique Triple-Play Offer Proves Instant Success for Germany's Leading Cable Network Operator

Executive Summary

CUSTOMER NAME

Kabel Deutschland GmbH, Germany

INDUSTRY

Service Provider

BUSINESS CHALLENGES

- Transform the company from an infrastructure provider to a marketing organization
- Respond to increasing competition from telecommunications players

SOLUTIONS

- Develop Kabel Phone service to complete triple-play offering
- Acquire input from the Cisco Systems Internet Business Solutions Group on business model and service definition

BUSINESS RESULTS

- The number of revenue-generating units (RGUs) for Kabel Highspeed and Kabel Phone rose from 12,000 on March 31, 2005 to around 101,000 at the end of fiscal year ended March 31, 2006
- Kabel Deutschland will invest a total of €500 million into the cable network by the end of fiscal year 2008/2009
- Kabel Deutschland on track for continued growth as it evolves into a triple-play provider

Kabel Deutschland's unique triple-play package has enabled the company to offer a real alternative to customers: attractive bundles of Internet (Kabel Highspeed) and telephone services (Kabel Phone) via cable, as well as analog and digital TV—all from a single source. The company's triple-play offer, completed with the support of the Cisco Systems® Internet Business Solutions Group (IBSG), means that German subscribers no longer need to buy DSL bundled with an analog telephone or ISDN line, saving customers the basic fee for telephony.

BUSINESS CHALLENGES

Kabel Deutschland is the leading cable network operator in Germany and one of the largest in Europe, serving approximately 10 million households in 13 of the 16 German federal states. The company has 2,500 employees and posted revenue of over €1 billion for fiscal year ended March 31, 2006.

In 2004, Kabel Deutschland introduced Kabel Highspeed, a pilot service offering high-speed Internet access via cable. At the same time, the company was also scoping out a telephony service that would complete its triple-play capability.

“As a major business opportunity, triple play is important to our future,” says Joseph Lichtenberger, vice president, finance and business development at Kabel Deutschland. “It also represented a challenge for our operations—a challenge that we had to meet in order to get in shape for the increased competition that is coming from telecommunications operators.”



Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

SOLUTIONS

In August 2004, Kabel Deutschland began working with the [Cisco® Internet Business Solutions Group \(IBSG\)](#) to help accelerate the process. Their initial brainstorming session focused on voice as the service necessary to complete Kabel Deutschland's triple-play offering. Voice was also a market area with great potential because of Kabel Deutschland's unique ability to offer a voice-over-cable service over the same line as television and Internet access. In Germany, DSL services were bundled with an analog telephone or ISDN line, but only Kabel Phone from Kabel Deutschland would be able to offer a real alternative that allowed customers to completely switch to a new supplier and realize clear price benefits.

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Joseph Lichtenberger
vice president, finance and business development
Kabel Deutschland

An intensive period of collaboration followed between Kabel Deutschland and the IBSG team, beginning with a series of workshops and concluding with hands-on sessions for experts from both companies to work out the finer details. First, an opportunity assessment exercise was created to allow Kabel Deutschland to scope out the projected revenue from a new telephone service and gather much of the data that would go into its business plan.

Next, Kabel Deutschland began to define its new service and build a business model. A parallel review allowed the cable operator to work with [Cisco](#) on the technical issues involved in physically delivering such a service, which was outside Kabel Deutschland's core expertise.

“There is no doubt that Cisco IBSG helped us to bring this challenging new product to market more quickly,” confirms Lichtenberger. “They gave us valuable information and best-practice insights at every step of the way; it really was an end-to-end approach.”

In order to deliver Kabel Phone, Kabel Deutschland needed an IP-based, next-generation network (IP NGN) that was capable of delivering converged voice, video, and data. The company selected a Cisco solution, formally launched in May 2005, which gives customers access to digital telephony services—in addition to TV, radio, and Internet—over the same cable broadband connection. The Cisco infrastructure seamlessly integrates IP-based networks with the public switched telephone network and can scale to serve millions of subscribers.

“Before this project, Cisco was just another vendor out of around 2,000 others,” comments Lichtenberger. “However, they have shown us that they are a valuable business partner, and we expect that relationship to continue as we go forward.”

Kabel Phone was first piloted in the city of Leipzig from March to June 2005. Initial customer feedback was very positive, and this was reflected in high take-up rates. Kabel Deutschland then began upgrading its network to the IP NGN in order to launch the new service, which was first introduced in the two German states of Rhineland-Palatinate and Saarland in October 2005.

Kabel Phone is available both as a standalone option and as a bundled option with the Kabel Highspeed Internet service. Customers who purchase the bundle can plug their telephones and computers into one box and have a choice of Internet access speeds up to 6.2 Mbps (as of July 2006).

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BUSINESS RESULTS

Kabel Phone and Kabel Highspeed were an instant runaway success with customers, outstripping Kabel Deutschland's projections. By March 31, 2006 (the end of Kabel Deutschland's fiscal year), the number of revenue-generating units (RGUs) for the two services had reached around 101,000—compared with 12,000 the prior fiscal year—and jumped to around 174,000 RGUs by July 2006, allowing the company to celebrate a very successful sales launch of its triple-play products.

The company's success provided hard evidence that Kabel Deutschland had produced a winner in a market with high levels of untapped demand. The combination of simple and affordable products with excellent customer service was the right strategy. Kabel Deutschland has now further accelerated the upgrade of its cable network to provide customers with Internet access and telephone services even sooner, investing in a total of €500 million by the end of fiscal year 2008/2009.

Kabel Highspeed and Kabel Phone also have acted as catalysts for cultural and organizational change within Kabel Deutschland, as the operator of analog cable TV networks transforms into a fully fledged service provider in the digital world of the future. The launch of Kabel Highspeed and Kabel Phone allowed Kabel Deutschland to hit a triple play by offering its digital TV services alongside the telephone and broadband Internet bundle.

Now on track to become the biggest competitor to Deutsche Telekom in the German market, Kabel Deutschland will continue its evolution from an infrastructure provider into a marketing organization focused on the triple-play model.

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco Systems, helps Global 500 companies and public organizations transform the way they do business—first designing innovative business processes and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

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



Corporate Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com

Tel: 408 526-4000
800 553-NETS (6387)
Fax: 408 526-4100

European Headquarters

Cisco Systems International BV
Haarlerbergpark
Haarlerbergweg 13-19
1101 CH Amsterdam
The Netherlands
www-europe.cisco.com

Tel: 31 0 20 357 1000
Fax: 31 0 20 357 1100

Americas Headquarters

Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706
USA
www.cisco.com

Tel: 408 526-7660
Fax: 408 527-0883

Asia Pacific Headquarters

Cisco Systems, Inc.
168 Robinson Road
#28-01 Capital Tower
Singapore 068912
www.cisco.com

Tel: +65 6317 7777
Fax: +65 6317 7799

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