

Enterprise Private Network Sales:

Driven by Service Packages and Speed

by James Careless



BULLISH: THAT IS THE WORD THAT DESCRIBES DR. ARUNAS SLEKYS' OUTLOOK ON PRIVATE SATELLITE NETWORK SALES TO ENTERPRISE CUSTOMERS. AS VICE PRESIDENT OF HUGHES NETWORK SYSTEMS (HNS), WHICH HAS MORE THAN 750,000 BROADBAND SATELLITE SYSTEMS SHIPPED OR INSTALLED WORLDWIDE, SLEKYS IS ABLE TO SPEAK ABOUT THIS MARKET SEGMENT WITH AUTHORITY.





Photo courtesy of Spacenet Inc.

Private network service packages are forecast to be worth \$2 billion in the next five years.

So how are sales going? “Excellent, especially in the area of private network service packages for enterprise,” he replies. “In this emerging sector, where we provide end-to-end packages for satellite-delivered services such as digital signage [customized in-store video programming/advertising], sales are projected to grow by 16 percent annually. The latest forecasts peg in the next five years, this sector to be worth \$2 billion a year or more, and we expect to maintain our 50 percent or more market share position.

“Meanwhile, equipment sales and basic services are forecast to grow at a respectable five to six percent a year, with estimates of 2010 annual value exceeding \$500 million,” Slekeys continues. “Overall, private network sales for enterprise are doing very well indeed.” HNS is not the only satellite service provider doing well in the private network space. Many content service providers are steadily growing their enterprise private network business.

WHY SERVICE PACKAGES SELL

In itself, the popularity of private network service packages is good news for satellite providers. The even better news, however, is that service packages represent a relatively new revenue stream for them; who historically made their money from hardware sales, installations and bandwidth rental to customers.

“In the past, businesses wanted to buy equipment and spectrum from us, then run their networks themselves,” says Jeff Carl, Spacenet’s director of marketing. “Today, this has changed: businesses want to concentrate on their core competencies and leave peripherals such as satellite network management to the professionals. In this scenario, they just want the whole thing to work, thus giving carriers like us the chance to sell them end-to-end solu-

tions. The fact that enterprise customers can avoid heavy capital expenditures by using our services at a monthly rate is also a major point in our favor.”

“Satellite technology is the enabler for moving enterprise traffic, but technology is not what we are selling,” says Steven Corda, SES Americom’s vice president of product development. “Instead, we’re selling private network services to our enterprise clients, which is a win-win for everyone. Carriers win because they can now sell more than earth stations and spectrum; clients win because they get the services they need without running these services themselves.”

Actually, clients who are buying private network service packages are a new breed of customer. “They are the CEOs and marketing VPs; executives who are concerned with the emerging big picture of broadband —unlocking value to uplift sales and improve ROI; rather than just per-unit costs and data rates,” says Slekeys. “For satellite providers, this allows us to move our sales focus away from per-unit equipment costs and data rates, and onto increasing revenues and profits for our customers.”

As an example, Slekeys points to digital signage; the customer in-store video feeds sent by satellite to retailers such as the U.K.’s Tesco. With 2,318 stores and 326,000 employees, Tesco is one of the world’s three largest retailers. Some of its success is directly attributable to the company’s “Tesco TV” video feeds, which guide customers to in-store sales and specials and are supplied via HNS’ IP-based Direcway satellite broadband platform.

“According to Tesco, the company is exceeding expectations for sales of certain products and sections advertised in-store on Tesco TV,” says Slekeys. “This kind of payback makes the business case for private network service packages: The ROI speaks for itself.”

IT CENTRALIZATION: PLAYING TO SATELLITE’S STRENGTHS

The surge in service package sales should not blur success in other sectors of the private network enterprise market. One of these is good ol’ business networks, the national and

international data backbones that keep business LANs connected over WANs.

In this sector, the trend toward IT centralization in both business and government is playing to satellite’s advantage, says Corda. “In organizations large and small, there is a push on to rationalize and cost-effectively manage data networks,” he explains. “Typically, this means centralizing the management and control of private networks at a single point in the organization. When this happens, private satellite networks are well-poised to become an organization’s telecom solution of choice.”

The reason satellites can triumph over terrestrial networks is due to what could be termed ‘technological fragmentation.’ Specifically, the terrestrial telecom market is comprised of many regional players, each of which make their own decisions as to which data delivery technologies they implement. This technologically fragmented approach has led to different terrestrial carriers deploying different broadband platforms and protocols, IP notwithstanding. As long as a multi-regional/multi-national company manages each office’s data communications locally, this is not a problem. But try to pull all these different delivery platforms into a centrally controlled network and chaos can occur!

In contrast, a single national/international satellite-delivered network provides a single, coherent network structure that is easy for one office to manage. Hence, when a corporation decides to centralize its data transmission operations, the extra money paid to establish a single private satellite network is offset by savings in managing incompatible terrestrial networks. “Enterprise customers want homogenous solutions that can be deployed and managed enterprise-wide from a single point,”



Photo courtesy of SES Americom.

Selling private network services to enterprise clients is a win-win situation. Clients win because they get the service they need without having to run it themselves; Carriers win because they can sell more than earth stations and spectrum.



With rates now going up to 1 Mbps of upstream data—that is from a remote site back to the network's VSAT hub—the simplest of transactions are executed lightning-fast.

Corda says. "Terrestrial networks often fail to provide this capability, requiring a lot of extra IT people to be deployed in different locations to keep the enterprise WAN connected."

The Puerto Rico Department of Education, for example, is using satellite broadband services to connect more than 1,500 Puerto Rico schools to the Internet. With this service, the schools now have two-way Internet access plus the ability to make VoIP calls between the schools and the Puerto Rico Department of Education, all managed from a single location.

Of course, there are times when enterprise customers want the advantages of satellite, combined with the savings offered by terrestrial ADSL. No problem. Many satellite service providers offer both terrestrial and satellite links, combining the best of both worlds into a reasonably-priced, end-to-end solution for enterprise customers. "Our customers do not care how their data gets from Point A to Point B; only that it does at a reliability rate and price that they can live with," says Corda.

SPEED SELLS

The above discussion of service packages and IT centralization should not overshadow the fact that, when it comes to data transmission, speed sells. Fortunately, satellite carriers have taken this truth to heart, which is why they are doing whatever they can to boost satellite data rates.

For example, Spacenet is starting to deploy Gilat Satellite Network's new family of SkyEdge VSAT satellite terminals. "With SkyEdge, our customers can now move data at speeds that they could have only dreamt of a few years ago," says Carl. "SkyEdge's upstream data rate alone is 1 Mbps, with Spacenet planning to boost this to 1.5 Mbps later this year. Think of it: 1 Mbps upstream data; that

is from a remote site back to the network's VSAT hub! Not so long ago, telephone dial-up speeds of 56 kbps were considered impressive; now we are seeing broadband return rates via VSAT private network earth stations. It is a speed increase that enterprise customers want and are willing to pay for."

Like Spacenet, others in the industry also are providing similar broadband speeds for private network enterprise users. In doing so, carriers are changing the way enterprise users see satellite service, even for communications as data-light as credit card transactions. "In the old days of slow-speed on-demand network access, it would take a few seconds for a credit card number to be verified," says Carl. "With always-on satellite broadband, this has changed: the simplest of transactions are executed lightning-fast. For retailers, this speed means happier customers and faster turnover at the till. For customers, this means a more enjoyable shopping experience and yet another reason to come back to the store they are in."

ONCE SOLD ON SATELLITE, ENTERPRISE STICKS WITH IT

Enterprise customers are notoriously difficult to sell: They often take years to make up their minds on adopting satellite technology, which requires patience and deep pockets on the part of satellite carriers seeking their business.

On the positive side, once enterprise customers have invested in satellite technology, they tend to stick with it. This is why "more than half of our business is with repeat customers," says Slekeys. "The truth is that, unless a carrier [is negligent] in delivering service to an enterprise client, these clients are committed to satellite for the long-term."

For satellite carriers and the equipment manufacturers who support them, a committed enterprise client base translates into solid future sales prospects and a continual sales channel for upgraded/new network services and equipment.

SELLING CONNECTIVITY TO TERRESTRIAL CARRIERS

Finally, the performance of private network satellite broadband is opening up a new market, namely selling remote service extensions to terrestrial carriers.

"There are times when a terrestrial carrier is required, as a term of license, to extend service into remote, sparsely-popu-

lated areas," says Corda. "In order to save time and money, they get in touch with us to extend services via satellite. We provide the long haul carriage from their network to the remote region, then they wire in local service as demand justifies. This allows the carrier to meet their obligations without spending millions stringing wires through under-populated terrain."

FUTURE OPPORTUNITIES FOR PRIVATE NETWORK ENTERPRISE SALES

We now know that enterprise customers want satellite-delivered solutions, such as digital signage, which add profits to their bottom lines. We also know that enterprise customers do not care how they get their services, only that they want them to be reliable, fast and capable of being managed from a central point in the organization. Finally, we know that once enterprises adopt satellite carriage, they tend to stick with it.

Individually, all these factors bode well for satellite carriers, but what do they mean when considered as a whole? "It means that there are lots of businesses out there that are ripe for private network satellite solutions," replies Slekeys. "The kind of in-store digital signage that boosts sales for Tesco can do the same for all kinds of retailers—from cars, to clothes, to shoes. Indeed, the same broadband, end-to-end solutions being implemented by multinational corporations can be deployed by governments and non-profit agencies; anyone with a far-flung network can realize the primary advantages of satellite multi-casting and ubiquity. Finally, the cost advantages provided by carrier-provided satellite solutions—a monthly fee with a measurable ROI, rather than millions spent installing a network, and more spent on managing and upgrading it directly—can make this option irresistible for many enterprise users."

In this context, the future of private satellite networks in the enterprise market looks bright indeed. "This is why it is such a great time to be in the private network market," Slekeys says, a sentiment shared by many satellite service providers offering private network solutions. ♦



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