

European telecoms could realize €39 billion by re-imagining the network

Challenged by anticipated growth in fixed, mobile and IoT traffic, European operators are devising new technology designs and standards, drawing inspiration from highly optimised technology and business design of their Cloud peers. A new report from global management consultancy [Arthur D. Little](#) (ADL) and Bell Labs Consulting, the industrial research and advisory arm of Alcatel-Lucent, Reshaping the future with NFV and SDN, predicts that the shift to becoming a Cloud Carrier has the potential to significantly redefine how the industry competes in the cloud era.



In the [report](#), ADL and Bell Labs present a first-of-its-kind analysis of the strategic value and impact of bringing Network Functions Virtualisation (NFV) and Software-Defined Networks (SDN) into the carrier network. **Key insights from the study include:**

1. Move early and purposefully to reposition the telecom operator

Network virtualisation technologies are opening up the market to new competitors that could rapidly erode traditional carriers' market share. As network ownership is no longer a prerequisite for service delivery, virtually anyone can become a service provider. Enterprise customers like banks, retailers or media companies could become powerful alternatives to the traditional telecom network, encroaching on the mass telecommunications market.

Traditional providers should both observe and capitalise on this new class of mass-market competitor and develop network functionality that enable them to tap into higher-value products and services segments e.g. the fast-growing 18 billion euro IT security business and 17 billion euro cloud services market and the emerging non-access-based wholesale businesses.

2. Co-create the future with lead customers and partners

As the telecommunications industry prepares to advance its networking functionality to a whole new level of programmability, operators must work even more closely together with manufacturers, vendors, and governments to ensure the new networks allow on-demand connectivity and are interoperable with new types of computing and multiple operator networks.

We propose that operators form an organisation equivalent to the StarAlliance or SkyTeam alliance in the airline industry, to allow facile agreement and exchange of services and capabilities between individual operators to form a global network that can compete effectively with webscale providers.

3. Streamline, converge, virtualise, and automate

For the last 20 years, IP modernisation in carrier networks has been restrained by the need to accommodate legacy

network functions and disparate management systems. By first consolidating network functionality and eliminating outdated hardware, telecoms operators will realise the systemic gains from full IP transformation and modernised operations.

The report findings show that the efficiency impact of onboarding NFV and SDN for these operators could be worth 14 billion euros per year in the network domain alone, which will be augmented by a further 25 billion euros per year in non-network operating costs through greater automation and simplification of business processes.

"The time is now for Europe's telecommunications industry to bring networking into the cloud era, it will not be trivial to execute programmability and automation at the scale required for success, but the prize is significant" said Jesús Portal, partner at Arthur D. Little.

Moving to the new 'cloud network' is no longer a question of 'if' for service providers but the real questions are 'how and when'. The answers and strategies can be very different based on the technology structure and business model for each operator, but there is no doubt the planning needs to start now." said Cassidy Shield, managing partner, [Bell Labs Consulting](#).

The study examined operators in 35 European countries. Collectively, these operators had adjusted revenues of 250 billion euros in 2013, with annual OPEX of 150 billion euros.

To download the full report, visit [Arthur D. Little](#) or [Alcatel-Lucent](#)

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