



# TalkTalk the road to success

How does it feel to witness a network grow from nothing to the biggest UK residential broadband provider within just 7 years? Even better, how does it feel to build a brand new next generation network without dealing with the legacy systems? Like painting a master piece on a massive white paper? Clive Dorsman, Managing Director of TalkTalk Technology talks exclusively to *WinWin* about TalkTalk's road to success.

By Yingying Li



## From best of value to differentiation

**E**stablished in 2003, TalkTalk created a series of market No.1s: it is the UK's biggest residential broadband service provider, with a customer base of up to 4.15 million; it was the first company to launch free calls between its customers with a revolutionary home phone package; and the first company to replace historically expensive broadband with a free service.

Today, TalkTalk's innovative capability is a beacon to many other UK service providers and its impressive

achievements are highly regarded across the industry. More and more customers are switching to this rapidly growing company as well: 36,000 new customers joined TalkTalk in Q3, 2009, which is more notable given that the UK broadband market is almost at saturation point.

"TalkTalk offers the best value," said Mr. Dorsman, Managing Director of TalkTalk Technology. As head of the Networks Division, he runs and develops the TalkTalk Group's next generation network and services. "And we aim to provide this by offering great performance, service and price – the key brand messages for TalkTalk, our residential phone and broadband brand."

Cost advantage has been a powerful dynamo behind TalkTalk's success. In 2004, the UK's telecom regulator, Ofcom, required BT to provide Local Loop Unbundling services to other operators, including TalkTalk, enabling them to connect directly to the consumer via BT's copper local loops and then add their own equipment to offer broadband and other services. This became a true enabler for emerging service providers, such as TalkTalk Group.

As a result, it was in a position to build its All-IP network at a scale that would support a very large residential customer base cost effectively. It also provides TalkTalk Group with an advantage over other competitors who still run TDM network to support legacy services.

TalkTalk's original ambition was just to compete with incumbent operators by offering a real choice in the marketplace. Today, it has become the biggest residential

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— Mr. Clive Dorsman, Managing Director  
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broadband provider in the UK. Being a follower is tough, but being the leader in the race can be even more difficult. “We've now set ourselves up as a target for others to knock us off the top spot,” said Mr. Dorsman. “People are constantly looking for value and a lot of that is about maintaining a competitive position. It's all about customer service, reliability of the service, so there are a lot of initiatives that really go that extra mile to retain customers.”

### Pioneer in Next Generation Network

TalkTalk Group is one of the first UK service providers to step into the Next Generation Network (NGN). Ahead of incumbent operators, it started to deploy its NGN in 2005. Three years ago, Dorsman's original plan was to deploy 700 exchanges covering 500,000 users within one year. Now the Group's NGN has leapfrogged to 1,750 exchanges and covers four million users. It is on track to upgrade another 300 sites this year and deliver 1Gbps capacity to each exchange by 2011.

Since there are now more devices in the home, content is getting richer, and the variety of streaming services is growing, data traffic is increasing at an alarming speed. “FTTx is critical for the future of the network,” said Dorsman. “However, at the moment there isn't a compelling reason for customers to adopt it. This limits our ability, at this stage, to innovate and provide additional services and value to our customers. But we are investigating all options including looking for our own infrastructure-based solution.”

In terms of voice, TalkTalk has migrated to a next generation converged voice solution. In TalkTalk's access and core network, it has spurned TDM and migrated to a next generation converged voice solution which delivers great cost benefits. While incumbent operators

are facing the conundrum of keeping the traditional voice service while migrating to next generation packet services, TalkTalk has already spearheaded Multiprotocol Label Switching (MPLS) enabled network, supporting QoS, circuit emulation and prioritization. “It's critical to have a resilient, reliable and diversified network, so we can deliver convergence and value added services to our customers.”

When asked when TalkTalk will start to slug it out with other UK incumbents, Dorsman smiled and said: “I think in the next few months, watch this space!”

### Innovate to be differentiated

TalkTalk is proud of its innovative credentials. “We do things in a different way than the incumbent suppliers,” said Mr. Dorsman. He leads a team of 500 IT/software developers, engineering and service management staff, from purpose-built offices in Manchester. Lean in terms of industry comparisons, this small team built and continues to maintain the UK's largest next generation network. “Our overhead is quite low because of the culture of our people – we're very fortunate in terms of how innovative and flexible we are. Historically we are also good at recognizing opportunities, innovating, delivering quickly and effectively.”

Such innovation is epitomized by TalkTalk's latest parental control product, an application completely developed from its network platform. Different from the traditional products that are integrated in the terminals and have a complex manual book, TalkTalk's service enables users to hand pick their criteria without any hassle: by simply logging into their account, choosing and clicking options – job done! Parents can filter the network, and control what their children access and/or the amount of time they spend on the computer. “This is a key differentiator. It positions TalkTalk as a ‘friendly’ face to our customers: we understand you, and we are here to



protect your family from malicious activities you'd rather not expose your family to. It's more about developing a deep understanding with our customers rather than just having tactical offers and choices."

Another bold move from TalkTalk saw it tear up the "one-size-fits-all" phone and broadband model by launching "Boost". It gives customers the opportunity to tailor-make the packages they want, from doubling the download amount to enjoying a 24Mbps download speed. "We've led on value for a long time and we got to No.1 on the back of it; now we need to go forward and talk about differentiation and quality, how to do things better for our customers rather than just lead on price." Mr. Dorsman commented.

## Embracing VOD

It is estimated that video services will account for 80% of all Internet traffic by 2013 and having a large IPTV service market share is the gem that many operators are longing for. In 2009, TalkTalk joined the BBC led "Canvas" project – a consortium backed by UK broadcasters and leading ISPs to deliver broadband connected TV into the living room. Several other UK operators have also started nibbling at the IPTV market. In January 2010, TalkTalk announced intentions to launch a new TV service too and is expecting to become a fully fledged TV operator in early 2011. "We got the view that other forms of content

delivery into the home are on the roadmap and we need to be supportive of that. If successful, the Canvas platform could be a big trigger for awareness and perception of our IP delivered services, providing a much richer living room-standard digital TV viewing model."

## Beyond residential market

Looking through TalkTalk's crystal ball, what else is on the horizon for 2010? A key area is the enterprise market. The UK telecoms market has gone through a period of consolidation, especially in the business community and only a small number of players have survived. Mergers and acquisition activity brings Opal, the TalkTalk Group's B2B brand, a big opportunity to make inroads into the business market. While the group's presence in the enterprise and wholesale markets is not as strong as its hold on the residential market, Opal still serves 150,000 small and medium size businesses.

It offers primarily fixed and mobile, voice and a small number of data services. This year, the business will launch more data services to existing partners. "We aim to bring in new partners who traditionally haven't traded with Opal because it only has been voice proposition. System integrators, value added resellers, ISPs, right the way through carriers, large system integrators are the new market for us." TalkTalk has already built a large

and flexible network and with four million residential customers on its side, now is the time for it to leverage this asset and drive up business volume. VPN, Ethernet and IP VPN services will be launched into the business community through TalkTalk's converged service platform.

In 2009, the group accessed the abundant dark fiber market to lease capacity and light it with its own DWDM infrastructure with a huge cost benefit. "We believe we can

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wholesale our services to any kind of customers, including the large telcos. We have the capability, product set, credibility and scale to provide services to those customers, whether it is managed services, partially infrastructure based, or connectivity. We've started conversations with Huawei around mobile backhaul, migration into the IP technology on that end of the spectrum. Our capabilities enable us to serve any level of customer in the future, whether it is end customer, enterprise, service provider or carrier."

### Acquisition and consolidation: 1+1>2

In 2009, TalkTalk acquired Tiscali, another UK broadband provider at a price of £234 million. The acquisition increased TalkTalk's market share in the residential market to 26%, ahead of BT's 25% and Virgin Media's 24%. The move also beefed up TalkTalk's ability to run a triple play service in the foreseeable future. Inevitably though, acquisition comes with duplication: currently around 1000 exchanges have overlapped equipment inside so how is TalkTalk going to achieve synergy on the network side? "There are some consolidations we can do particularly in the backhaul network," Mr. Dorsman stressed. "Moving Tiscali's large number of customers onto TalkTalk's unbundled network will deliver significant cost benefits. We are committed to extending our network by 300 new exchanges too and plan to go further where the economy is viable given the combined customer base we have."

TalkTalk also has many IT and billing duplications resulting from previous acquisitions. Network consolidation on platforms that include billing, CRM, customer care system and IT system will require focused effort for TalkTalk Technology. Acquisition is not just about adding up things, it's about synchronisation, tripling or even quadrupling network synergy. By leveraging its NGN network and 4.2 million customer base, TalkTalk will keep gaining momentum and consolidate its market position.

"For us, 2010 is about maintaining our cost efficiencies, keeping our heads down, maintaining our capacity to innovate and building on the success we've already delivered. We are confident about the future." Dorsman added.

To achieve a bright future, TalkTalk Technology is keen to foster a partnership with vendors, including Huawei. TalkTalk first started to work with Huawei in 2005. In the past five years, the relationship has gone from strength to strength. "It has been a successful partnership," Mr. Dorsman commented. "Huawei and TalkTalk are culturally aligned: we are both trying to achieve success quickly through innovation. Huawei has shown its appetite to be flexible, to innovate with the resources it has. The quality of those resources on the technical side can stand up to any kind of scrutiny or comparison. We are really happy to work with an organisation like Huawei." ■■■■

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