SFR: 1+1>2

SFR is the second largest mobile operator in France and in 2008, acquired Neuf Cegetel, the leading alternative fixed operator. SFR's market share is at an all-time high, now covering all market segments with over €12 billion revenues and they are the number one fixed and integrated alternative carrier in France. According to their mission statement, SFR is aiming to be "the biggest, strongest non-incumbent in Europe." In an exclusive interview with *COMMUNICATE*, Mr. Pierre-Alain Allemand, Senior Executive Vice President of SFR elaborated on how the new SFR is transforming networks to achieve convergence, synergy and reach their lofty goals.

By Julia Yao

Towards convergence

The new SFR, now fully-fledged with both mobile and fixed capabilities, is in a strong position to develop strategies built around fixed-mobile convergence. How does SFR define convergence based on its understanding of consumer needs?

COMMUNICATE: In your view, what are the latest customer needs and service trends for converged services in the French telecom market?

Mr. Allemand: The SFR group, the second largest carrier in France, is a major player with strong expertise and a footprint in both mobile and fixed markets. Our understanding of the French customers' requirements regarding convergent services is the ability of the customer to experience the same services, voice or data, in a seamless manner, whatever the telecommunication media used.

Also interesting is the need for more simplicity of use and less technological complexity. For instance, the customer doesn't want to reconfigure the voice mail or the contact book just because he/she is using it from home, from the office or while walking on the street. This means

that we need to hide the complexity of the network from the customers in order to make their lives easier.

COMMUNICATE: Taking this into consideration, how does SFR define convergence?

Mr. Allemand: Regarding the customer needs and marketing/commercial issues, SFR views are that customer will demand a simpler access to the benefits of technologies. Therefore, we don't see convergence as introducing complex and cumbersome products with little perceived benefits. Rather, we think that an operator should work hard in building the ergonomics that will help the customer to understand and use technologies in a safe, simple way: quality of service, ergonomics, customer service and shops, online tools etc. This is why in our merger with Neuf Cegetel, the top priority has been bringing the products under a single brand (SFR) to the market and upgrading continuously the quality and ease of use.

Regarding networks, since the Internet is everywhere, we need to converge fixed and mobile networks (both access and core) in order to allow seamless usage (e.g. Wi-Fi and 3G for PCs) and massive reduction of unit costs in particular of mobile data.

Achieving synergies

The acquisition of Neuf Cegetel has expanded SFR's customer base by 3.9 million to a total of 23 million. The biggest value of the combination is the synergy that goes beyond customer gains.

COMMUNICATE: How does the acquisition of Neuf Cegetel contribute to your convergence goals?

Mr. Allemand: The acquisition of Neuf Cegetel by SFR enlarged the business scope to more than 23 million customers in mobile, DSL and fixed telephony, making SFR the second largest global carrier in France and the first largest alternative carrier in Europe. We are able to provide all different offers combining mobile and fixed services. We are now able to answer all the demands of our customers across residential, enterprise and wholesale markets. However, I would not speak about "isolated" networks but more about the great opportunity for SFR to simplify our global network architecture, also from a service provisioning and operating point of view.

Having said that, our challenge is to reorganize our systems to be able to manage and operate more end-to-end

"Our challenge is to reorganize our systems to be able to manage and operate more end-to-end services rather than specific mobile or fixed network components.

—Mr. Pierre-Alain Allemand, Senior Executive Vice President of SFR

services rather than specific mobile or fixed network components. This is one of our expectations vis-à-vis our vendors to support us in that way.

COMMUNICATE: SFR has often mentioned that SFR + Neuf Cegetel is a value creating combination owing to the significant synergies. Could you elaborate on the synergies in the networks?

Mr. Allemand: Top of the commercial synergies, one of the more obvious outcomes from a network view point is definitely the synergy in terms of available core capacity. Based on more than 50,000 kilometers of fibers, SFR benefits already from a full IP backbone originally used for its fixed business and now is also available for mobile business. Our goal is step by step to bring the IP capacity closer to the mobile customer without having to build an additional IP core network. This is the first step of synergy.

We also see synergy opportunities in leveraging on the existing fixed access loops to backhaul the mobile traffic, as well as in the usage of a common Service Platform for mobile and fixed services, like IPTV for example.

Empowering convergence

Network capability is the foundation of enabling convergence. How will SFR harness the combined network power to support the convergence?

COMMUNICATE: While the combination brings significant synergies, it would also result in a more complicated network condition. What is the biggest challenge in network management?

Mr. Allemand: I think the main challenge is to be able to come up with the core network connected to different access networks, 2G and 3G networks, DSL, FTTH, Wi-Fi and WiMAX networks in a seamless manner for the customer. The aim from a technological point of view is to offer the same usage experience to the customer whatever the access network he/she uses. This is complex. We are working actively with partners like Huawei and all the vendors in order to reduce the complexity of the technologies in these different networks.

Currently, we are in the phase of the rollout of IMS core. We are deploying IMS application servers, like telephony application server, IP Centrex application server, presence application server. The idea is to be more innovative and reactive in the launch of new services. That's what we expect from the IMS, to allow us to be more flexible and to speed up the launch of innovative services and also to push the convergence between fixed and mobile access.

COMMUNICATE: What will be SFR's major

plan for the access networks, in terms of both the fixed and mobile?

Mr. Allemand: On the fixed side, we have set an FTTH objective of 4 million homes passed by 2012 using GPON technology. However, the deployment will depend on the density of the area. We are a bit agnostic to technology. So we use GPON technology but also Ethernet technology. It depends on the situation and the capital investment. So if we take the examples of Paris and suburban of Paris, we will use both technologies depending on the situation and topology of the network.

On the mobile side, SFR was the first French mobile player to have invested in 3G technology, thus proving the group to have recognized leadership. As of the end of 2008, we covered around 99% of the French population with Edge, 3G and 3G+ networks. We still have ambitious plans to enlarge our coverage and maintain our high quality standards. As far 4G is concerned, we are testing different technologies like LTE but it is too early to make a final decision for a massive rollout and commercial launch. So, the first step is to continue to extend the coverage of 3G, and then implement HSPA+, and later we will talk about LTE.

COMMUNICATE: Andy MacLeod, Global Network Director of Vodafone once stated, "As Radio Access Networks are upgraded to reflect growing demand for mobile broadband services, it is important to ensure that the backhaul is able to deliver on that potential." This explains why mobile operators are investing heavily on backhaul construction, such as Vodafone's BEP (backhaul evolution program). Could you share with us your mobile backhaul status and future evolution plans?

Mr. Allemand: The current backhaul is microwave mainly and leased line. As I mentioned earlier, SFR has a great opportunity to benefit from its existing fixed access loops (both DSL and FTTH) to backhaul the mobile traffic. That should allow us to minimize our network unit costs while improving our access layer capacity. This should also result in our capacity to support increasing debit requirements for new services. We plan to use a tremendous amount of DSL and full IP in the future. So we need to make mobile access from the legacy technology, like ATM and TDM, to full IP technology.

COMMUNICATE: Neuf has been a pioneer in deploying 40G transport networks supplied by Huawei. What were the reasons for deploying 40G links and when do you expect a real need for 100G links?

Mr. Allemand: It was for the core network to support the growth of the data traffic. As we have

3.9 million DSL subscribers, data traffic is tremendously increasing on the networks. So, we needed additional huge capacity on our core network. That's why we decided to upgrade our network in the 10G WDM but also the 40G links in order to sustain the growth of the data traffic.

When will there be a real need for 100G? It is difficult to answer that question. But I would say within 2 or 3 years we will need additional capacity on the core network. The fixed data traffic boomed during the previous years. More increase is seen on the mobile loop as SFR's mobile data traffic increased by 10 times in 2008. We expect that the next five years will see the data traffic increase between 50 and 100 times. So, we need to ensure that the transport networks are adequate to sustain such huge traffic growth.

COMMUNICATE: Given that more sophisticated convergent services pose higher requirements on the application layer, how would SFR enhance the capability of the application layer?

Mr. Allemand: The major challenge is to design on the top layers a user interface hiding the network diversity including the access layers. The objective is definitely to offer a consistent usage feeling. Subsequently, we need to ensure service continuity whatever the customer uses to access their preferred and customized services, also consistent from a QoS point of view. This is what we call a "Service Oriented Architecture" building up a customer interactive layer over the enabling, middleware and back-office layers. That differentiation allows more flexibility in terms of new services development. We are currently implementing such an approach for the TV services and working on the IMS.

In addition to the network adaptation, convergence also requires transformation of all the IT systems around the network. We are making our IT system able to face the convergence. Today, we have a huge IT optimization program for the billing, the CRM, and all the different layers of our IT system in order to adapt to the network and convergence of new services. The program BIOS started two years ago and will be finished in 2012. **H**

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About SFR

With a 11.5 billion Euros turnover end of 2008, SFR is the second largest French telecommunications company and Europe's largest alternative operator supported by stable shareholders (Vivendi 56% and Vodafone 44%).

By opting to take control of Neuf Cegetel, SFR is now a global operator, with its own mobile and fixed infrastructures, capable of meeting the needs of its entire customer base: the mass market of residentials, professionals, businesses and operators. The launch of the "neufbox" by SFR in early October 2008 is an example of the quality SFR service strengthening the group's broadband offer.

At the end of the year 2008, SFR has 19.7 million mobile customers, including 5.9 million 3G/3G+ customers, 3.9 million high-speed Internet customers and 194,000 companies' sites connected.

For more information, please visit http : //www.sfr.com