Guest column: Positive opportunities in communications during turbulent economic times

The financial results are in for the year 2008 and they are very positive! The global FSS (Fixed Satellite Services) operators all reported annual revenue growth in the 8%-12% range and EBITDA margins from 78%-82%. Certainly, this is good news for the operators and it should trickle down to some extent to the larger integrators such as Caprock, Artel, Globecomm and others. Smaller integrators however, are struggling under the pressure of tight credit, high capacity utilization, and costs associated with creating support infrastructure. New satellites have been launched successfully and there are more under construction. Overall, 2008 was a good year in the industry.

… Most organizations … are proceeding cautiously in 2009 and managing their businesses based on the key performance indicators

Most organizations in the industry are proceeding cautiously in 2009 and managing their businesses based on the key performance indicators of revenue, EBITDA, capacity utilization, new sales contracts and contract renewals. Increasing productivity per employee, responding effectively to regional trends, as well as understanding key 'demand drivers' will be essential to continuing industry health. The global economy is presenting a challenging environment and will require solid management analysis, evaluation and actions. The FSS industry's financial performance has historically lagged recoveries from economic downturns.

… The industry's greatest challenge will be to dig below the high level indicators… and provide a foundation that will grow regardless of the global economic climate

The industry's greatest challenge will be to dig below the high level indicators and exercise strategies that can change some of the underlying dynamics in the industry and provide a foundation that will grow regardless of the global economic climate. Improving the underpinnings of the business rather than simply sustaining the improved operating efficiencies created over the past decade means 2009 can be the year when the industry drives its performance and energizes the global economy.

The current economic climate creates an opportunity for companies that can focus on action and implementing strategies for change while others are focusing on 'maintaining the status quo" in these difficult conditions. An outline of differentiating strategies are listed and several critical differentiators for sustained success could include:

- Energize the industry by taking stock of the benefits and advantages of the services you offer and actively promoting those solutions to target markets that are looking to improve efficiencies:
  - Broadband solutions can provide a positive impetus to the global economy
  - “Sell what is in the wagon”- The Satellite Industry owns assets that have been paid for and operate at less than 80% capacity utilization-
    - 20% underutilized capacity equals sales opportunity without significant capital costs
    - The unutilized capacity is not always in the most attractive areas, but still presents opportunities
    - New satellite construction has NOT been stopped. Business plans and projections have to have NEW perspectives
    - Ground segment is significantly underutilized and overbuilt providing opportunities for cost-effective solutions

… coming out of this global economic downturn, fresh and interesting applications will give … an immediate advantage over competitors …

- Develop and provide applications that will make a difference. Innovation has always been important, but coming out of this global economic downturn, fresh and interesting applications will give you an immediate advantage over competitors that spent the last few years “hunkered down”. Now is not the time to eliminate new product planning and development.
  - Opportunities to drive the advantages of reach, speed, and cost
  - Technology solutions for security, IP
  - Market analysis
    - Distance learning is now a concept that is 20 years old and still very limited in actual usage
    - Business continuity has been discussed but nothing new has been introduced
    - Emergency response and management interoperability still have few accepted standards

- Improve the Industry employment demographics
  - Average age of Industry employees is near 50 years of age
    - Need to draw more energetic, ‘new Idea’ engineers right out of college to be mentored by the excellent veteran engineers in the industry

… If all you do is what you've done, all you'll get is what you've got,'

        - Attract newcomers to sales with high activity thresholds
    - 'If all you do is what you've done, all you'll get is what you've got,'

- Improve the relationship between Operators and Integrators
    - Integrators and service providers should be viewed as partners
        - a distribution channel for the operators rather than as customers
    - Operators should partially share the enormous margins they receive by reducing the capacity cost.
        - This would result in greater capacity utilization, a more motivated distribution channel, and more hard dollar profit with a slightly lower % of profit over revenue.

- Develop a mix between Commercial and Government customer targets
        - Fortune 1000 accounts are multinational, require security, desire control of communications, and
        - Government has requirements in the areas of Defense (military), Diplomacy (State), and Trade(commerce). Knowledge of contracting process required

… operational plans that can step outside of "the way it has always been done" will position the industry … with credible growth strategies

The news for 2008 was very positive and the outlook for 2009 is solid, but there are opportunities for those who seize the moment to drive the industry to new levels of excellence in the years ahead. The development and execution of operational plans that can step outside of "the way it has always been done" will position the industry to come out of the global economic downturn with credible growth strategies in place. These companies will not only avoid that lag and grow throughout the downturn but excel as the recession recedes.

By Patrick K. Brant

Patrick K. Brant formerly served as President and CEO of Loral Skynet