Pipeline

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Pipeline Q&A: Stephen Waldis

A Model for Business Process Outsourcing with Synchronoss Technologies

By Edward J. Finegold, Editor-in-Chief

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Pipeline: Synchronoss is quite different from the typical vendor. Tell us about your company and your focus.

Waldis: Synchronoss is in its fifth year and our primary market is all Tier 1 service providers like Cingular, MCI and AT&T. We service three market segments – wireline, wireless and the cable MSO space. We provide automatic service fulfillment for our customers, primarily focused around the time when a customer wants to purchase a cell phone or Blackberry, or a voice, data or broadband circuit until that circuit is up and running and being billed properly. Ours is a 'software as a service' business model, which has gotten stronger every year. The differentiation we offer is in taking over the whole fulfillment function and giving our customers a fixed cost per transaction and a guaranteed service level for each transaction. We guarantee a fixed cost on a per transaction basis. That transaction has certain service levels associated with it that we guarantee to the customer. We can, for example, ensure a mobile phone activation, give the operator a guaranteed cost and timeframe,, and stand behind the SLAs associated with that transaction. We've taken the risk out for the provider.

All of our service providers private label and push our services out to their customers. So, if you log onto an MCI site, it looks to you like MCI but it's actually our site. We service MCI's largest business customer, so when they order frame relay or an IP circuit, they go to our site to place that order. We also service consumers. If you go to AT&T Wireless or Cingular.com your order flows through to the Synchronoss platform. We do everything from the credit checking all the way through to activation. Again, that's private labeled – you're getting that provider's customer experience but it's our technology enabling it. In a wholesale example, for Level 3 Communications, another Synchronoss client, as they sell their VoIP services to AOL Time Warner. they use our technology for number porting order management.

We've built our ActivationNow® platform – a gateway and workflow management application that tracks every order from the time we receive it through test and turn-up. A lot of orders are not provisioned properly. We've focused on automating the workflow process so we know what status all [our customers'] orders are in and so they have visibility into that fulfillment world.

Pipeline: Explain a bit about how you tie your pricing to performance, and how you work savings that you create back into what you charge your customers.

Waldis: Part of our model is partnering with our customer and being able to give them guaranteed savings, efficiencies, and SLAs. It's a classic 'put your money where your mouth is' scenario. We will take SLAs – shipped as ordered, provisioned as ordered, etc. With a cell phone order, if you go to a carrier website and place an order by 6 pm, you'll have that phone the next business day and get the Fed Ex tracking so you can track that right to your doorstep. Our customers are getting assurances that our approach is to make the customer experience better, cheaper, and faster and we guarantee that to them.

Pipeline: Who do you consider your major competition?

Waldis: We have several competitors with different models. First, we have to show that we have more efficiency than the service provider might build internally. I think we've had success in this, and that service providers view what we do as mission critical but not core to their business.

The second type of competitor is an SI that wants to offer off-the-shelf software, build it together and run it inside the customer.

Lastly, there are a lot of outsourcing shops today throwing bodies out there. They offer like for like for less, but more often based on the human element where they can get labor to do the same things at a better cost. These are the typical large outsourcers like IBM and EDS that might be managing parts of the network and want to move more upstream. This doesn't take our approach where we can also help automate the organization.

Pipeline: If I'm a massive carrier, why should I trust critical operations to a smaller company like yours? Why can you run a carrier's operations better than it can run them itself?

Waldis: One of the points we are able to prove – if you go back to who we are – we are so focused on service fulfillment. Take any major carrier – they all have different flavors of VPN with different brand names – but basically the order is the same and we are so focused on the process that we can take that efficiency and scale. We go to our service providers and say 'this is all we do for a living' and that helps them answer 'why Synchronoss?'

If you look at people that have been successful in software as a service there's two elements – they are attacking a specific problem and doing it in a narrow and deep way from a business process level. We transform orders intocustomers as fast and as well as possible.

They also manage that whole end-to-end process, and owning our own data center is a critical differentiator. We've not only built our own software, we have process engineers that bring our experiences back into our software, and we run our own data center so we

have total control. If you look at a (service like) salesforce.com, they run their own data center as well. We're solving a business problem not a technology problem and we own the whole value chain, all under one roof. That gives us the confidence to walk in and offer these SLAs that are not common in the marketplace today.

Pipeline: With so much outsourcing being done offshore, why would a carrier keep certain processes closer to home with a company like yours, as opposed to sending that work to India, for example?

Waldis: From our perspective we use Canadian and Indian resources as well, but that kind of outsourcing from a labor point of view is an interim solution. If you're looking at getting cheaper labor overseas, you're missing the big picture. We want to automate [fulfillment processes] so the human intervention and manual touch points are eliminated. If you're just trying to get like-for-like cheaper, we're not the answer. But if you want something that scales and gives you tremendous volume and efficiency per gross add, that's where we can help.

Pipeline: Given that you provide the back office capabilities for large carriers' enterprise telecom management offerings, where do you see this business headed, and how are IP and Ethernet-based services affecting it?

Waldis: We're coming at it from wireline roots, so the growth we've had has been from two areas – one is wireless, the other is IP. The future of telecom is definitely a wireless one, a mobile one. Blackberrys are phones, etc. Wifi and new technologies emerge and get more secure and reliable and that adds transactions and value added services. It creates more customer demand for services, and our software plays a major role in fulfilling those transactions.

The same would hold true with IP and Ethernet-based services because as VoIP gets deployed more, the truth is business customers are deploying it for mission critical apps. VoIP has a great cost structure, but as a business customer you need a gold service, so we're seeing a lot of classes of service being deployed. The future is in that area and we want to be the provider that the big guys look to in order to enable those services.