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Building the Business Case for Transformation

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Nobody doubts that reducing total cost of ownership (TCO) is vital for service providers, especially in today's economic slump, but increasing revenue and decreasing customer churn may well be better weapons in the fight for survival.

It might come as a surprise that by increasing sales performance, responding better to competition, and having more attractive offers (including larger discounts), service providers could ultimately profit more than they would by simply reducing TCO.

When calculating the return on investment (ROI) for BSS/OSS transformation projects, it is advisable to not only calculate the TCO reduction, but rather, also to take growth engines and efficiency enablers into account. Examples of these include reducing time-to-market of new products and services, product upsell, the ability to launch new services, increased contact center efficiencies, reduced customer churn, reduced revenue leakage, and the ability to stand out against tough competitors.



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The current BSS market consists of several vendors - some best-of-breed and others with a complete BSS suite. An integrated suite enables a coherent view of customers, their installed services, end-to-end flows, and the ability to track processes to ensure customer satisfaction at the end of the day. While these requirements have become the foundation for any suite of products, service providers should all be aspiring for systems that give them a competitive edge. This can be achieved by providing customers with the hottest services on the market – *personal lifestyle* services. Even in the

current economic downturn, voice and home video have become important commodities. Service providers should leverage these to sell content and increase their average revenue per unit (ARPU).

As an example of the potential this content revenue has, Gartner says that *"The amount of money that mobile phone users spend on music received on mobile handsets will reach US\$32.2 billion by 2010."* (Source: Gartner, *Consumer Spending on Mobile Music Will Surpass US\$32 billion by 2010, January, 2007*) With this in mind, service providers should also be aware of new competition to mobile music, like streaming and full track downloads, that will come from device vendors, record companies, and other s providers. Another example is advertising revenue for "Protail video" (the segment that lies between professionally-produced content and user-generated content, and consists of short clips), which Gartner claims could potentially reach *\$1.5 billion by 2012.* (Source: Gartner, *Advertising Revenue for the Protail Video Market Has Potential to Reach \$1.5 Billion by 2012, November, 2008*)

Effective retention programs could also be managed better to stem significant revenue loss (churn rates range from 1% to 2% per month; high growth developing markets such as India and China are experiencing churn rates of between 3% and 4% per month). Bundling is just one of several program keys to creating customer stickiness by providing additional services with discounts and generating revenue for a longer period.



To support these new services and the customer's personal lifestyle, service providers need to transform their business processes and systems. Service providers that consider waiting until the economic crisis has passed to transform should reconsider this decision, as they are likely to face business challenges and even revenue loss to competitors that are ready for this new generation era. *"No doubt there are numerous hurdles to still overcome and there are a lot of uncertainties still to be defined, but 2009 should prove to be a good year for CSPs that stay the course and complete the transformation work already in process,"* says Stratecast in a December, 2008 publication entitled "OSS/BSS Consolidation Shows Market Maturation but New Business Needs Push the Innovation Envelope."

Business transformation is a journey with numerous obstacles along the way, due to the large number of systems, business processes, requirements, sales channels, and services which all need to be aligned to play in sync. To ensure this, service providers should seek the best possible products, and more importantly, vendors with proven expertise and best practices to pave the way to their success.

Regardless of the economic slowdown, it's evident that customers are willing to give up other spending in order to retain their lifestyle-enabling mobile services. This implies that service providers need to transform their business systems; however, the business case for that sometimes can't be justified, especially today. I believe this conflict can be solved, as it is not just about reducing the TCO. Increasing the revenue line item with such new revenue streams will substantially affect the profits, even more than decreasing the TCO will.

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