Pipeline

Knowledge Is Power

Upside for the BSS Space in a Tightening Market
By Ed Finegold

The telecom industry has suffered significantly less than other notable sectors in the declining economy, but service providers and their IT shops are feeling the pressure. Even where revenue hasn't fallen off, there's a feeling that now is a good time to throttle budgets back. Many CSPs, though, are in the midst of multi-year transformation programs. They've rolled out new technologies and services and are trying to simplify operations infrastructure and achieve customer-centricity. While capital expenditures may retreat, and some CSPs will always make the short-sighted mistake of freezing all development activity, transformational goals like efficiency, customer-centricity, and operational simplification may be more important in the current environment. There is an upside here for BSS suppliers, both within and outside of traditional telecom markets. Discussions with those in-the-know reveal pockets of opportunity for the BSS space in this tightening market.

Consulting the Oracle
One of the little secrets most analysts and journalists don't like to admit is that we're not always the most informed people in the industry. We have the luxury of collecting information from many sources and synthesizing an educated and informed viewpoint. If we're good at our jobs, we know where to go for reliable information, we understand that information, and we deliver it ways that make sense to our audiences. The folks who really know what's happening on the ground, however, are those who walk halls every day, talking to budget owners, reading RFPs, and trying to keep their offerings aligned with service providers' changing priorities. Brian Pawlus, Director of Product Marketing for Oracle Communications, is one of these people.

Readers might wonder what a marketing guy knows about CSPs priorities. Don't let the title fool you. Pawlus talks to Oracle's prospects and customers. He interacts with its sales teams. It's his job to know what's happening in CSP's inner sanctums as Oracle battles heavyweights like Amdocs, Comverse, and Convergys for leadership in the BSS space. What's more, in almost every business in which it is engaged, Oracle is accustomed to being the biggest dog. In the BSS space, Oracle is a relatively big dog, but not by any means the biggest. What keeps someone like Pawlus up at night is trying to find ways to make Oracle as dominant a player in this space as it is in nearly every other. That requires accurate, first hand market knowledge.

So when a press release crosses my desk touting Oracle's recent benchmark that demonstrates its Billing and Revenue Management platform's ability to support 100 million subscribers, I ask Brian, "Why would anyone care?" A story on benchmarking is likely to put readers into a stupor quicker than an after-lunch seminar on real estate law, but the back story is where the action is found.

"People are trying to do more with less," Pawlus says. "The two biggest drivers we see are that companies want to drive costs down. They have infrastructures with many billing and CRM systems…I've seen carriers with 35 operating companies and they want to get to one set of processes, if not one set of systems," Pawlus said.

In other words, winning in this environment means being the last BSS supplier standing. Your platform needs to be the one to which everything else is migrated. If you can't prove your scalability, you're too risky and you won't win. But will we actually see CSPs move all of their subscribers to one billing system?

"I don't think that's the plan, because you need to think about points of failure and other costs, but it is possible. We've talked to CSPs in India who say they might put 100 million on one system, or break it out to 30 to 40 million in various nodes, which is still a big number."

This brings us back to Oracle's position in the market. Unlike some of its key competitors, it's no secret that Oracle doesn't yet have that one, massive reference installation with 50 or 60 million customers running from one platform. Does it run 20 or 30 million? Sure. Could it tackle an installation with 100 million subs? The benchmark is meant to demonstrate that its BSS technology can. Few would question its databases or Oracle's ability, as a corporation, to support massive CSPs.

But getting to the top of the mountain means being the cornerstone in the world's largest IT shops. While Oracle's databases are already there, its billing and revenue management platform is still climbing that ladder. Are we sensing a need for Oracle to prove itself as it tries to muscle its way in beside the bigger heavyweights? "We want to give [the biggest CSPs] the confidence that we're tier one ready," Pawlus says. That might not make a benchmark fascinating, but it puts it into context. CSPs need to make tough decisions about what stays and what doesn't.
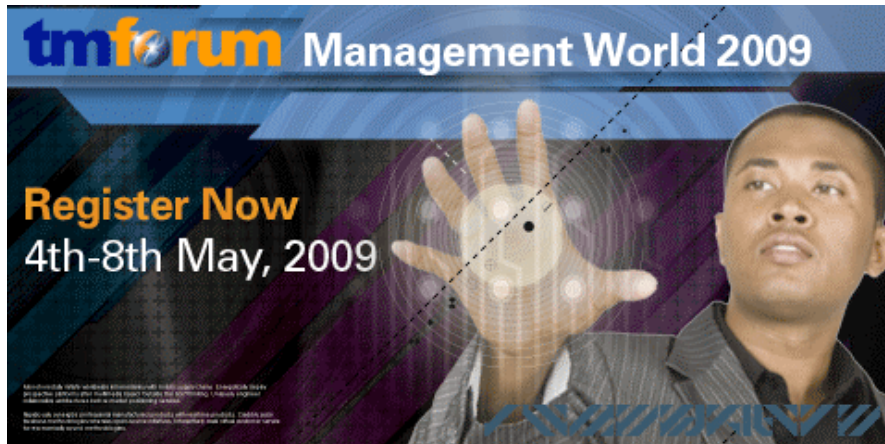
Zooming Out

In this still-worsening economy, it's clear that CSPs are wary of things to come. Pawlus says they are preparing for an environment where revenue growth for things like ring tones and mobile data isn't quite so strong. The specter of decreased revenue "fuels the fire to cut expense," he says, which is turn puts ongoing network and operations transformation programs under the microscope. Big questions revolve around what gets scaled down, and how much throttling back is too much. The consultants call it "risk avoidance" where Boards of Directors want to understanding the "what ifs."

If you stop a three year program in the middle of year two, what happens? Maybe you've built a new silo, adding more cost and complexity to operations without ever turning the corner to achieve simplification, cost and risk reduction, and customer-centricity. Maybe you've invested significant capital expense dollars in new network infrastructure, but it's never turned into new services that generate the revenue that bolstered the business case for the CAPEX spend in the first place. With these risks in mind, Pawlus says CSPs are coming to a point of view that asks, "How do we consolidate duplicate applications and simplify internal infrastructures?"

The answer brings us into contentious territory. Pawlus is of the opinion that, "they're looking to cut massive consulting projects and cut down on SI spend…" This can be taken several ways. Logic suggests that pulling back on scope and simplifying some projects helps pull the budget back. Cutting back on major development and integration projects in favor of fewer moving parts can cut down the time and risk involved in a major program. It's a move that many CIOs have embraced with success. The opinion could also be taken as a shot across Amdocs' and others' bows - companies that generate significant revenue from systems integration services (Don't worry. We'll give them all a chance to fire back).

Pawlus isn't looking to start a fight, but the subtext of the statement reveals a philosophical debate that's happening in our industry. Bespoke solutions with many moving parts have defined the OSS and BSS sectors for more than a decade. Ask CIOs and many will tell you they love hardware, as opposed to IT, because you plug in a box and the light is either green or red. If it's red, you swap it out. IT is almost always lit in shades of yellow. The telecom IT market has been shifting to more pre-integrated, well defined solutions for several years. Best of breed approaches have largely given way to "one throat to choke" supplier management philosophies. In today's economy, where risk avoidance and ROI are the priorities, science projects won't fly. The market looks like its turning to solutions that are more productized and less customized. That said, it's turning like a battleship rather than an aircraft carrier, but not at all like a ski boat.

Analyze and Personalize

One of the promising growth areas for the BSS market for several years has been the analytics space, driven by a shift to more customer-centric business practices and a desire to offer personalized services and advertising. According the Pawlus, these appear to remain priorities in the tightening environment. "I haven't seen a pull back in analytics and personalization yet. It's a core component. If CSPs are going to realize a decrease in revenues, they want to combat that through better customer information and interaction."

That point of view is hedged, however, by an emerging attitude that may prefer to pursue organizational change rather than throwing technology at challenges. That means "better training for CSRs, strengthening their brand, and messaging consistently through all of their channels," Pawlus says. From a strategic perspective, improving customer-facing activities will remain a priority, but in lieu of some spending on analytics and CRM technology, we may see more of a focus in the short term on improving how key business processes are managed.

Looking Outside of IT and Telecom

Because there is an increased focus on mining the customer information that lives in billing and CRM systems, and on crunching it with other market data to produce more personalized customer segmentation, BSS suppliers are engaged more often with CSPs' marketing teams than ever before. "Our programs frequently involve the marketing guys," Pawlus says. The example he chooses to give, however, comes from outside of telecom.

"We sold to Dow Jones in the U.S. who bought Oracle billing and revenue management," Pawlus says. "The IT folks were involved, but…we had several workshops where we got the business owners involved and they felt empowered, felt some ownership and didn't feel they'd have things forced on them." Further, Pawlus, says, collective workshops were effective because it helped the business owners understand what the new systems could do for them.

At first, he explains, thinking was limited by what existing systems and processes could accommodate. Once the people understood that the new systems would eliminate those limitations, they could think more freely about how they'd like things to run and what kinds of offers they'd like to roll out.

IT programs that succeed typically do so because they earn this sort of buy-in from across an organization. When IT operates unilaterally and forces change on other organizations, friction tends to emerge. If no one in the business understands how their teams can benefit, and they aren't engaged in the process, it's easier for CFOs to pull the plug when bad economic times hit or projects run into hurdles.

The upside that BSS suppliers can take away from this example is two fold. First, there are more opportunities like Dow Jones out there to be won. Pawlus says that with more companies "embracing the online model," they find themselves dealing with more "real time and event-based" business interactions and transactions, which in turn "fit really well within the capabilities of BSS and billing systems." This expands the addressable market for BSS products outside of telecom – a fact that many business developers who routinely suffer the exhausting IT sales cycles in telecom should welcome.

Further, BSS suppliers should be excited about their increasing relevance to marketing and sales organizations. These groups have clout, are ideal champions for ambitious IT programs, and make it easier for IT groups to generate the cross-organizational buy-in they need to justify and follow through on multi-year transformational programs.

Hall walkers like Pawlus, and many other seasoned experts who live and breathe program management every day, say that it is as simple as getting groups of people who depend on each other, but rarely interact, into one room. Workshops where everything from grievances to new strategies can be shared are critical to driving successful programs. As simple as this sounds, this is a low cost and low risk way for CSPs to understand the impact of potential cut backs, identify the

simple business improvements that can have the most upside, and prioritize near term investments in technology in ways that remain aligned with long term business goals. BSS suppliers have an opportunity to catalyze these exchanges and be part of the cost-cutting, revenue-generating strategies that come out of them.