



## Market Snapshot: Spring 2005

By Elisabeth Rainge

The OSS market in 2005 is enjoying the benefits of a revived spending environment and the hard work of 2002-2004. IDC projects the worldwide market for software-based fulfillment, assurance, and billing solutions (excluding customer care) to top \$9.9 billion in 2005. With increased consolidation among service providers (SPs), especially in North America, the 2005-2006 market is poised to become more serious in tone again. The acquisition of AT&T Wireless by Cingular; the announced acquisition of AT&T by SBC, as well as the likely acquisition of MCI all mean a more concentrated market of customers for OSS solutions.

The stakes in Tier 1 accounts (i.e., RBOCs, PTTs) are higher than ever before. The top SPs are increasingly aware of their power to negotiate with suppliers in terms of pricing and deliverables. Many OSS vendors have already seen the pressure increase in the past year, especially larger vendors with more complex deals. Medium and smaller OSS players are seeing less broad-based intensification of pricing and product pressure but this may increase in 2005. In reaction to this, we see savvy vendors rethinking their role in the market from an ecosystem perspective, as well as product portfolio perspective. The result of such vendor pro-active responses and overall market conditions is increased merger and acquisition activity among OSS vendors.

Specific buzzwords and issues that are catching the attention of SPs and their suppliers alike include VoIP, IPTV, and IMS (IP Multimedia Subsystem)/FMC (Fixed Mobile Convergence). Few SPs are prepared for the full OSS complexities of the SIP-based IMS architecture or IPTV. As a relatively known quantity, VoIP is already being addressed by SPs with OSSs that includes both custom and COTS solutions. Both traditional facilities-based voice and data telecom operators and cable operators are concerned about the potential decoupling of services from network infrastructure and the emergence of virtual network operators. However, the OSS commitments associated with these initiatives and concepts are not usually directed toward the strategic goals concerning the separation of network from service. In this regard the OSS community of SPs and vendors together has a good deal of work to do. Too often, we see OSS objectives being focused on "business" goals that are only about cost savings or cost cutting rather than growth. While a more efficient lean operator is certainly the goal for global SPs, the long term position of the SP will rely on a balance between cost containment and investment for the future.

Many OSS vendors are following the cost containment and/or ROI approach in 2005, and with reason since SP buying decisions are based on such key criteria. However, the network equipment providers (NEPs) are blazing a new trail in 2004-2005 with a focus on IMS and the future of telecommunications infrastructure. We have found very few OSS vendors – except for groups within or very closely associated with NEPs – that are capable of articulating a position of how they would fit into an IMS-like or IPTV infrastructure.

As we look at the swings in influence within the OSS market, we see that, over time, NEPs have relatively more or less influence on the shape of the OSS. For example, in the current market we see many NEPs growing their professional services practices through deal wins as well as strategic intent. As challenges around the management of advanced services appear to be growing in importance to key Tier 1 accounts, OSS vendors need to step up to the challenge. The question is whether NEPs are building the kind of momentum that will marginalize the efforts of independent OSS vendors.

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