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Is OSS Worth its Weight?

Why OSS is Undervalued and What to Do about It

By Edward J. Finegold

In places like Telecom Italia and British Telecom, OSS is beginning to be recognized for delivering value. But the sector still struggles to send a consistent value message to its primary customers – telco executives. Pricing models and contracts for OSS suggest that whatever the value of an OSS solution is, it is not agreed upon across the industry. Further, OSS hasn't yet become a top strategic priority for a majority of telecommunications providers. What's missing is direct communication of clear messages and measurable benefits between the OSS sector and many senior telco executives.

Pricing and Value Disparity

OSS is a buyer's market where customers dictate pricing. "That's been common not just in OSS, but across all the different software sectors for quite some time," says David Sharpley, vice president of marketing with MetaSolv Software. Buyer-driven pricing has resulted in a range of models from pay-as-you-go utilities to multi-million dollar, full-service licenses. It also is not uncommon for one service provider to pay ten times as much as another for a similar solution. This disparity can be attributed partly to scope, but also to differences in budgets, spending tolerance for OSS and prior experience.

Some vendors have also been guilty of undercutting the market in "all-in" attempts to earn accounts, but these are fading due to negative cash flow and wary buyers. "Pricing is starting to stabilize in the OSS sector. I think operators are being more sophisticated in looking at who best meets their needs - not just in capability, but in stability and financial breadth and depth. Those that are under-cutting have neither," says Sharpley.

The OSS Value Problem Defined*

- OSS lacks a common, measurable value proposition that matters to executives.
- Service providers too often dismiss OSS as something technical.
- Billing and CRM provide tangible benefits and are more highly valued than OSS - sometimes by a factor of ten or more.
- Vendors' business messages are too often lost in technology or operational specifics.
- Service provider managers lack a clear mandate from executives to adopt new, efficient processes.
- Vendors have not yet convinced most service providers that OSS is necessary to make their latest services – like DSL and IP – deliverable and profitable.

**Written in collaboration with Julie Wingerter, Chief Strategy Officer, NetCracker Technology Corp.*

Not As Valued As Billing
Even as OSS pricing stabilizes, there will still be an issue of determining their real value. For example, OSS systems consistently command smaller investments from customers than do BSS vendors. “Service providers spend hundreds of millions of dollars on CRM and billing initiatives,” says Julie Wingerter, chief strategy officer with NetCracker Technology Corp., “but are willing to invest only tens of millions of dollars in OSS.” The cost to produce billing or CRM software isn’t any greater than that of OSS, yet the price is far higher due to a far greater perceived value.

OSSs aren’t as easy to understand as billing systems, which sit directly in the revenue stream. Billing is easily embraced because it delivers measurable results and executives recognize they can’t operate without it. Rarely is any OSS solution’s impact so readily identified or highly regarded. For OSS to achieve 9-figure recognition, the sector needs to measure and show the value it delivers in the way billing does – through dollar figures. It’s important to keep the message clear and profit-oriented because many telco executives maintain a monopoly mentality that isn’t interested in cost saving efficiencies.

Why Don’t Executives Get It?
The mindset that overlooks operational cost is rooted in the rate-of-return regulation days. Cost was rolled into pricing, so inefficiency was never a concern. Some believe the current generation of RBOC management is so set in this mindset that it isn’t sophisticated enough to understand its own business problems. “You’re dealing with executive management staff that came to work for these companies out of high school and spent years inside the Bells before they went back for a degree,” says a former SBC employee-turned-strategic consultant. This is a harsh indictment, but if a monopoly mindset doesn’t change then it “may be a matter of a generation turning over to move [the Bell-era] mindset out,” says AceComm’s Jimenez.

Vendors, on the contrary, are sometimes so caught up in their software that they fail to address real problems. “Sometimes vendors forget that you’re not going to rip all the systems apart to put in a new one,” says Behzad Nadji, vice president and head of enterprise architecture for network, OSS and ITS for AT&T. He says many OSS products are still designed for greenfield environments. As a result, they don’t de-couple into components easily enough to fix the specific, between-the-cracks problems most large telcos face.

Some executives and managers will not listen to an OSS value proposition because previous vendors have promised too much and delivered too little. “There’s been a fairly chronic lack of delivery, so there are twice bitten-thrice shy guys out there that bought a story and after the honeymoon realized they weren’t a whole lot better off than they’d been with previous suppliers,” says Andrew Hurrell, vice president of marketing for Atreus Systems, a provider of IP-service creation solutions.

The Integration Tax Looms
Perhaps the biggest threat to the OSS value proposition is the integration tax. There's no way around systems integration costs in any OSS project, because no OSS stands alone. "OSS is not about a single application…you can have a stove, an oven, or a refrigerator, but without them all you can't really cook," says Kimber Lewis, strategic consultant and former GTE and OSS vendor executive. The problem is that the cost to cook dinner – that of integration - is significantly higher than the cost of the OSS ingredients. "When you consider the amount of money a carrier spends on OSS, 200 percent of it is spent on integration. That problem needs to be solved," says AT&T's Nadji.

Nadji argues that for carriers to accept a common value proposition for OSS, the economics of integration have to change and OSS developers must bring plug-and-play closer to reality. "I think the hardware industry got this down perfectly…I don't think a paradigm exists in the OSS space where I can buy an ordering system and just plug it into my environment," says Nadji. He points to standards efforts, such as those underway in the TeleManagement Forum and OSS/J, as being close to breakthroughs in this area and cites web services as a key enabler.

How Vendors Can Increase their Value
Vendors can begin to improve their value propositions by asking more questions about service providers' business problems before they target them as prospects. "What really impressed me as a buyer was when the OSS provider made it clear to me they had done their homework. They knew my business specific to my company, my priorities and my pain points," says Mark Feness, former network management director with a Tier 1 U.S. network provider. He says OSS offerings are driven too much by technology requirements, and not enough by business needs.

Sometimes this disconnect is due to the service provider's unwillingness to provide all of the information a vendor needs to propose a reasonable solution. "The service provider is often skittish to provide all the operating parameters for fear of empowering the vendor during subsequent negotiations," says Steve Noonan, chief marketing officer for Telcordia's Granite Systems SBU. The best a vendor can do in this case is demonstrate its capabilities to the service provider in a low risk way.

Proofs-of-Concept Keep Everyone Honest
As managers turn back to the vendor market for solutions, they are being smarter about which partners they'll invest in. Carriers are using Proofs-of-Concept (POCs) to conduct live-fire due diligence without taking on the risk of full blown projects. "The scarcity of capital has added diligence where none existed. That's what the industry is using to separate wheat from chaff, proof from story and reality from marketing," says Hurrell.

POCs are an appropriate way for vendors to prove their claims to carriers and begin building a long-term relationship. "OSS vendors need to do a POC to get some exposure with the carrier, and they learn about each other in the process," says Dan Baker, senior analyst with Dittberner Associates. A POC is a way for the carrier to know if the OSS provider is the right technical, cultural and financial fit. If POCs are a successful in demonstrating value, then it is important for vendors to share information about their methods and measurements.

The TeleManagement Forum May Be the Place

The TeleManagement Forum may be the right place to bring the value proposition together. Chairman and Co-founder Keith Willetts admits that the Forum has not done a good enough job for long enough in defining and communicating OSS' business value – as opposed to its technical value - to senior telco executives. Willetts says one should expect to see "a rising tide of that kind of message" coming from the Forum during the next few months, but adds that the hands-on technical aspects of OSS won't be overlooked. "Service providers need to get not only the value equation, but the 'how to' equation," says Willetts.

Some major telcos, such as AT&T and British Telecom, have lent significant and increasing support to the TeleManagement Forum and its working groups and have benefited as a result. Some of the large U.S.-based incumbents, however, continue not to participate in the Forum's activities at an executive level. "There's not enough enthusiasm from some of the other large service providers in supporting and participating in the standards efforts and the TMF," says AT&T's Nadji. Willetts agrees that many of the folks that work with the TMF "are architects and designers who don't often get into the board room," and he says the Forum plans to attract involvement from more "people who report to the CxOs" in addition to its current participants.

Beginning to Define the Measurements

Ultimately, it's going to take hard, empirical data to demonstrate that OSSs are effective and can have a startling impact on a carrier's bottom line. The only way to collect that empirical data is to define measurements that are practical, demonstrative and show results in time and dollars. Feness argues that for vendors and service providers to have relationships that work, they need to agree upon units of measure. These can clearly demonstrate that the promised efficiencies are being realized. He explains that some of the keys to defining value measurements are:

- Understanding and defining how the solution influences revenue directly or indirectly
- Identifying how the solution will influence or implement expense controls
- Recording baseline measurements of key business intervals and updating them periodically to demonstrate increasing value

It's up to the OSS community to identify the units that make sense and provide a list as a basis for a common set of measurements. Feness and MetaSolv's Sharpley each stated that the most revealing measurements for OSS involve the order-to-cash cycle and network expense reduction, but not necessarily revenue generation or cost of customer acquisition. Some of the examples they provide for common measurements include:

Order to cash cycle
- Periodically measure the timeframe needed to fulfill a service order and generate billing.
- Measure time and cost to provision
- Improvements demonstrate a reduction in the time to recognize revenue and thus increase revenue realization.
- Potentially the most critical OSS benefit from an executive's point of view.

Time to market for new services
- Measure the time from service conceptualization to launch and compare to historical data
- Measure how a distinct component affected the improvement

Accuracy of network data
- Demonstrate network data accuracy pre- and post-solution.
- Measure resulting benefits – such as order to cash cycle improvements and reductions in leased capacity.

Cost per order
- Measure pre- and post-flow through intervals and exceptions
- Identify areas where automation reduced or eliminated manual expense
- Identify relationships between order flow-through improvements and increased sales or customer retention statistics

Capacity Management OPEX and CAPEX Savings
- Reduction in expenditure for leased capacity
- Ability to decommission X-number of devices saves Y-management costs

Service Assurance OPEX and CAPEX Savings
- Mean-time-to-repair (MTTR) before and after new solution
- Increase in availability of network as result of proactive maintenance
- Percentage reduction in truck rolls and resulting savings

Total Cost of Ownership
- Should address the ongoing cost of maintaining an OSS solution
- Identify incremental costs to expand in integrated environments
- Demonstrate how solution will influence expense controls for the business

Working Toward a Common Value Proposition for OSS

To put the measurements in context, OSS needs a common value proposition. Once the sector agrees upon and promotes a shared message, vendors can differentiate based on how they deliver some aspect of the common value. Willetts has been arguing for some time that telecom carriers need to look to other industries to draw parallels that can help set an appropriate context.

“What we need is to borrow ideas from other industries which have got very high levels of automation, lower cost bases, and higher levels of service and customer self care,” he says, pointing to Toyota and Dell as examples of company’s that are flexible and highly profitable as a result of applying high levels of automation. OSS should be a priority for executives with fixed line carriers, Willetts says, because they all face declining prices and revenues and must achieve similar automation benefits to cut costs and increase margins. Thus far, cost cutting has focused on layoffs, “but at some point [carriers] can’t squeeze anymore out of what they’ve got,” he says.

With fewer people being asked to do more, the only way to reduce costs further is for carrier operations to be made less redundant, more all-purpose, and more automated. The ability to be agile and flexible at a low cost while delivering new services is critical to survival – and is an advantage cable companies have over telcos. Wiletts argues agility can give a carrier “the ability to price services wherever it needs to compete.” Further, it allows a carrier to battle “not just on price but on feature competition,” he says.

In the end, the biggest challenge is delivering the value message to the right audience. “When you talk to CEOs (about OSS) you see the ‘ah-ha’ factor,” says Willetts. “They say they didn’t realize how important it was, and that they thought it was something engineers dealt with in the depths of the company.” This kind of enlightenment has not occurred enough. While there may be six or eight carriers that embrace OSS as a strategic priority and 20 others that are beginning to do so, there remain hundreds that do not.