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There's the Rub: Pain Points for Service Providers.

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Recently we asked a sample of service provider executives to tell us what keeps them awake at night, to describe their business preoccupations, their sources of botheration.

The many comments we received fall mainly into three categories: investor pressure; service price/performance; systems problems. More specifically:

- **Investor pressure:** Generating customers, revenue and profits to meet the demands and expectations of investors.
- **Service price/performance:** Meeting customer expectations for new services at low prices, while increasing the speed with which new products and services can be developed, implemented and supported.
- **Systems problems:** Managing the ever-increasing complexity of the network and IT infrastructure – and finding more and more money to pay for the care and feeding of the legacy IT environment.

One of our respondents, a CIO in a competitive service provider, pointed out that his list of challenges, the things that keep him awake at night, is pretty much the same as the list he would have drawn up ten years ago, when he worked for a large long-established telco in a non-competitive environment.

Surely that can't be right! We've moved a long way in the last ten years, and one would think that the new competitive environment would change the pain points, at least a little.

And if it is true, is anything happening in the industry to suggest that things will be any different in a further ten years?

Let's look at these three areas a little more. First, the discovery that investors want a return on their investments will not cause much surprise. It has ever been thus, in all industries. What has been different in the telecom industry over the last few years is that some investors expected very rapid returns from their investments. New entrants gave them business plans that fueled these expectations. In contrast, ten years ago investors in telecom expected steady growth, and modest returns over many years, not months. Today's special challenge for service providers is to manage the fall-out from those overly-optimistic plans and convince investors that profits are possible if they swallow their disappointments and hang in there for the long term.

To reassure the investors, service providers now need to show a clear and specific track to profitability, which brings us to the second set of sources of botheration.

Consider all of the problems surrounding bringing services and products to market: keeping costs down, improving service reliability and availability. It should be no surprise that customers continue to expect better service at lower prices. This, after all, is one of the reasons governments worldwide have been changing the rules to allow competitors into telecommunications. Talk to managers in any other industry – car manufacturing, airlines, home appliances, supermarkets – and they will describe the same set of challenges related to product performance, value and competition. No surprise there, then, either.

So what's different in telecoms? It seems that many of the frustrations are linked to the difficulty and cost of creating services and managing operations. Many service providers find that the available tools are not completely up to the job. Managers find that they spend too much time fixing the tools or finding workarounds, instead of using the tools to make money. It's as if the driver needs to keep stopping to fix the engine of the car, instead of concentrating on finding a good route and keeping the car on the road.

So, digging down a further level, we come to the specific complaints and concerns about business and operations support systems. Executives in all functional areas commented on the persistence of old problems such as the need for manual workarounds, inadequate views of customer data, incomplete information about network assets, the high cost of integrating systems, data integrity, multiple systems in the same functional space and so on...

There is a causal chain here. Investors cannot be satisfied unless companies generate profits. Profits come from serving customers well, at a price they are willing to pay. But good service and tight cost management need tools that work, and too many service providers tell us they do not have an *operational environment* that is truly fit for purpose. Few service providers will assert with confidence that there are no stranded assets in their networks, that all customers are being charged the right amount for their services, that there are no failures in customer service due to poor information, and that they receive all inter-carrier settlements due to them. This is not to say that there are not good OSS/BSS products available on the market – there are, and we all have our favorites. But the total operating environment, for many service providers, is still not an enabler for success, it is a source of frustration. The challenge over the next few years is not just to do better than competitors, it is to survive in what is inexorably going to become a commodity market. A prerequisite for survival will be not just highly cost-effective networks, but also lean, low cost, low overhead, highly automated, highly functional environments that enable tighter management of costs, assets and customer information.

So, in ten years time will things be the same? What are the indications that things will change? First, we hear from some service providers that they are going to be much smarter and firmer in dealing with application vendors and systems integrators. And, secondly, that determination is coupled with an increasing realization (seldom voiced aloud) of what being a facilities-based service provider business entails: It is essentially a commodity business in which the commodity is connectivity.

When we poll our service provider executives in ten years time, will the answers be

different? No doubt, they will still lie awake thinking about how to be competitive, how to manage costs, how to make customers happier, and consequently keep the investors on board. Only if service providers and their suppliers succeed in developing the super-efficient processes and support systems needed to make profits in a commodity connectivity environment can service provider employees expect to spend more of their time behind the driving wheel and less time fixing the engine.