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Microsoft Goes Rogue

By Scott St. John

The customer relationship management software (CRM) landscape for communications service providers (CSPs) has been largely dominated by industry-giants, Amdocs (NYSE: DOX) and Oracle (NASDAQ: ORCL). But why and at what cost?

Both companies have been on a bit of a buying spree for some time, gobbling up Independent Software Vendors (ISVs) at an impressive clip.In many ways, their acquisition strategies have led to their market dominance, providing them both with an impressive, sasquatch-sized footprint while reassuring their best-of-suite pedigree. However, their seemingly insatiable appetite for acquisitions has also left somewhat of a hole in the fabric of the OSS/BSS landscape; one that might be soon filled by software-bellwether Microsoft and a growing army of partners.

Prior to Amdocs' acquisition of Nortel's Clarify CRM in 2001, the CRM landscape was quite different. You saw companies like Clarify, Siebel, Peoplesoft, and Oracle slugging it out for a piece of the CRM market. And, like all good oligopolies, this competition was good for customers, but all that was about to change.

Amdocs' acquisition arguably removed Clarify as a major competitive threat from the enterprise marketplace, but it provided Amdocs with a best-of-breed CRM solution and an impressive list of nearly 300 customers, including many household names in telecom. It was a bold move by Amdocs and it wasn't entirely well received. Analyst firm, Forrester even urged Clarify customers to migrate to other CRM solutions at the time. However, coupling Clarify's CRM prominence with Amdocs' vertical telecom focus was a little divine inspiration. It gave Amdocs a significant advantage and head-start towards building a cohesive customer-experience management suite for communications service providers (CSPs). Since then, Amdocs has intentionally continued to consume specific companies that further round-out their OSS/BSS portfolio including such companies as Cramer, Longshine, SigValue, and, most recently, Bridgewater.

Not to be outdone by Amdocs, Oracle struck back with monster acquisitions like Siebel and Peoplesoft (collectively totaling over $15B), followed by smaller, but more telecom-specific, acquisitions of Portal Software, Metasolv, and Netsure. Notably, Oracle's acquisition strategy appeared to be more focused on consuming key rivals Siebel and Peoplesoft. However, their investments in OSS-leader Metasolv, Portal and Netsure affirm their focus on the telco marketplace. Even so, Oracle's strategy does seem to fall a little short of the strong vertical focus on CSPs that Amdocs continues to bring to the table.

After the dust settled, and I'm not entirely convinced it has, Amdocs and Oracle's aggressive, grow-through-acquisition strategy collectively cost over $18 billion dollars and removed 10 key innovators from the OSS/BSS marketplace (Fig. 1). If you add other notable industry acquisitions during this time to the mix such as Syndesis (by Subex), Netcracker (by NEC), and most recently Intec (by CSGI); over a dozen leading OSS/BSS providers have been swallowed up in the last decade alone. This has not only significantly diminished competition and innovation; it also has also created a steep up-hill battle for any independent software company that is struggling trying to compete with more than one 500-pound gorilla in the room. From a customer perspective, top-tier CSPs only have a few real choices left and the right one depends on, well, their risk tolerance.

On one hand, you have mega-companies who have a broad functional OSS/BSS product footprint with a strong telecom focus – but making a deal with them is a little like making a deal with the devil: it might feel good at the time, but you will probably regret it later. There's nothing wrong with their products. In fact,

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their solutions are best-of-suite products that have been tailor-made for CSPs. Companies like Huawei not only try to encompass OSS/BSS solutions, but hardware too. Entrusting so many fundamental pieces of the OSS/BSS architecture and CSP operations to a single solution provider (and their roadmap) can cause a cold-sweat to form on the back of even the most battle-worn CSPs.

On the other hand, you have a group of CRM applications that are primarily frameworks. Again, rugged, top-tier solutions that are world-class, and carrier-grade products, but the degree of customization required, the implementation costs, implementation process, timeframe, and total cost of ownership (TCO) are daunting to say the least. Often analogized as the Rolls Royce of OSS/BSS solutions, these tend to come with an equitable price tag.

Both the mega-companies providers and mega-framework providers require a significant IT transformation project for CSPs to optimize the return on their investment (ROI) for their solutions.

And, while both types of companies embrace interoperability standards, it seems to be so that acquired products can be easily integrated with their portfolio of products; or at least that's where the ROI is optimized.

Fig. 1 - OSS/BSS Acquisition History

Company	Functionality	Year	Amount
Amdocs			
Clarify	Customer Relationship Management	2001	$200,000,000
Longshine	Customer Care and Billing	2005	$30,000,000
Cramer	OSS	2006	$365,000,000
SigValue	Billing, Customer Care, Service Control	2007	$54,000,000
BridgeWater	Policy and Subscriber Management	2011	$255,000,000
			$904,000,000
Oracle			
Siebel	CRM	2005	$5,800,000,000
Metasolv	OSS	2006	$219,000,000
PeopleSoft	CRM	2004	$10,000,000,000
Portal	Billing and Revenue Management	2006	$220,000,000
Netsure	Network Planning and Optimization	2007	UNDSCL
			$16,239,000,000
		Total	**$18,047,000,000**

Then there are the point-solutions, the lone ISVs. (Cue: Tumbleweed).This represents a matrix of companies that are attempting to take their shot at the big guys. But, in perspective, it's a bit more like David and Goliath than a showdown at the O.K. Corral. Arguably, Oracle's marketing budget is possibly more than some of these ISVs annual revenues. Amdocs has annual revenues of $3 billion dollars and Oracle has revenues around $27 billion dollars, while some of the best ISVs tend to be between the $30-$100 million dollar marks. From a competitive standpoint, this means while some companies can

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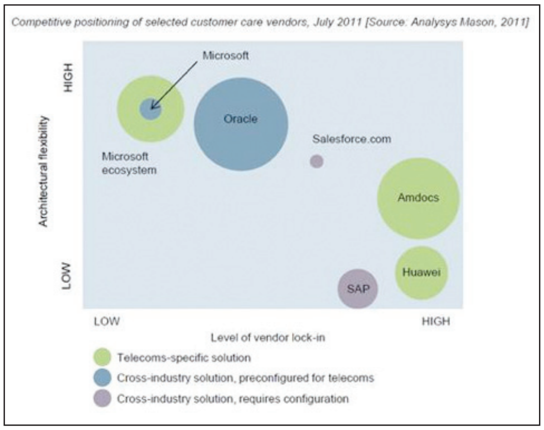
afford to swoop in on a private jet to wine-and-dine C-level CSP executives, ISVs are beating the streets with a skeleton crew. Hardly seems fair, but, the real impact of this is that truly innovative, best-of-breed solutions have a slim-to-none chance at ever gracing the desk of OSS/BSS buyers which means top ISVs and CSPs are both missing out. So what's one to do?

Enter Microsoft

Microsoft recently announced a "mashable partner ecosystem" that enables ISVs with OSS/BSS products to build vertical solutions on top of the horizontal Microsoft platforms like Microsoft Dynamics CRM. ISVs and System Integrators such as: Alcatel-Lucent's Genesys Telecommunications Laboratories(NYSE: ALU); Cap Gemini(Paris: CAP.PA); Convergys (NYSE: CVG); Ericsson (NASDAQ: ERIC); MetraTech; Redknee (TSX: RKN); Tech Mahindra (NASDAQ: NSE); Tribold; have joined forces with Microsoft to offer CSPs a sort of best-of-breed-framework hybrid model (Fig. 2). On the surface, this might not sound all that revolutionary, but it is and here's why: Microsoft is putting their money, relationships, reputation, and brand behind their partners and has already begun to pay dividends.

Fig. 2 – How Microsoft's partner ecosystem fits in the CRM Landscape



Microsoft is already investing $10 billion annually in innovation and R&D and at least some part of that is dedicated to helping partners build upon Microsoft products. But, in addition to technical support, Microsoft is providing its partners with the visibility and the relationships they need to break into CSPs accounts and sell their solutions to Microsoft customers. With over 30,000 Microsoft Dynamics CRM customers worldwide, and a significant and growing contingency of services providers like Virgin Mobile (India), TDC (Denmark), Oi (Brazil), Vodafone (Italy, Iceland), KDDI (Japan), and Telefonica (Spain) – just to name few – it's an enormous advantage. This is primarily because both Microsoft and BSS ISVs are targeting the same buyer within CSP organizations and where the ISV doesn't have a relationship, Microsoft is brokering one for them.

As if that's not enough, Microsoft is also facilitating collaboration between partner organizations so that partners are helping each other too. This Partner-Microsoft-Partner trifecta provides a unique sort of leverage. By way of illustration, on February 15th 2010 Redknee announced its partnership with Microsoft. By February 2011, Redknee announced "Multiple Converged Billing Deals" thanks in particular to its Microsoft partnership. In July of this year, at the Microsoft Worldwide Partner Conference 2011, Redknee and global SI firm,Tech Mahindra announced a worldwide partnership – which sources within Redknee and Microsoft say "would not have happened without Microsoft" and seems that relationship is also starting to bear fruit.

"We remain very excited about our growing relationship with Microsoft." Said Lucas Skoczkowski, CEO of Redknee, "Through our strategic alliance, Redknee is achieving the benefits of delivering a superior software platform, in conjunction with Microsoft Dynamics and SQL Server solutions suite; is advancing our cloud offering; and expanding our system integrated go-to-market capability. We look to offer more value to our global telecom and IT service provider customers by leveraging Microsoft's commitment to the telecom market, its ongoing investment in research and development and its global partner ecosystem."

C. Dewey Forrester, Jr., Senior Director, at Microsoft adds, "It's great to see the growing momentum with our ISV partnerships in the OSS/BSS and Customer Care space. Microsoft ISV partners are a taking a very innovative approach to addressing the most complex and evolving demands of the communications service providers. This supports our shared industry vision by empowering service providers to deliver on their long-term strategies of enabling breadth of new profitable services with a powerful billing and customer care platforms."

The "mashability" aspect comes into play with Microsoft's deep involvement with Standards Development Organizations (SDOs) and its firm embrace of interoperability on a product level. Microsoft is actively contributing to over a dozen SDOs in the Communications and Media Industry. On the product level, Microsoft's Open Specifications and Interoperability Program provide developers with specific access to create custom, vertical solutions.

"The focus on the developer," says Eric Troup, Microsoft's CTO of Worldwide Communications and Media Industries, " Complex BSS/OSS and Service Delivery Solutions built by partners typically leverage multiple Microsoft products such as Dynamics CRM, SQL Server, Windows Server/Hyper-V, SharePoint, .NET (Workflow, Presentation, Communications) Framework, Windows Azure, & SQL Azure. Microsoft facilitates integration between all of these platforms and products through open published specifications and adherence to industry standards."

In the end, Microsoft and its customers receives or deserves best-of-breed vertical CSP solutions built on Microsoft platforms and its partners get to stand on the shoulders of Microsoft to break into some of the biggest and best carriers in the world. Not a bad deal if you ask me and it might be just what the doctor, in this case the OSS/BSS industry, ordered.