SURVEYREPORT | APRIL 2014

OPERATORS' BSS STRATEGIES: TURNING BSS AGILITY INTO BUSINESS ABILITY

SPONSORED BY

OPENET

PUBLISHED BY

telecoms.com INTELLIGENCE

Getting the industry thinking

TABLE OF CONTENTS

INTRODUCTION

'Speed' is a familiar word in the telecoms space. In one context it is the lifeblood of the operator; the faster the network the happier the customers. In another it may decide on the future of the company in question—speed of innovation, of evolution and adaption. Only the fastest will survive.

But increasingly, speed is accompanied by another adjective, 'agility', used to guage a company's ability to respond to the market with flexibility. In some senses 'agility' is coming to replace 'speed' altogether, as it is no longer a case of being the quickest to respond but also the most alert and nimble. Increasingly, only the most agile will survive.

Indeed, the pace of innovation has increased by an order of magnitude and will continue to accelerate for the foreseeable future. Yet operators bear the burden of legacy systems in their BSS environments that may apply limitations to their agility.

Despite the fact that operators actively seek to avoid vendor lock-in for both the network and the back end software many operators find themselves running with BSS software bundled with their network equipment. There are also cases of operators which have grown by acquisition, bolt on investments and different business lines that require different features, all of which contribute to cluttered, multivendor BSS environments that they struggle to manage.

Although virtualization goes some way to addressing this scenario, by allowing operators to 'try out' alternative suppliers without fear of technology backlash, there is still a pervasive attitude of carriers sticking with the one-stop-shop despite openly acknowledging that specialist BSS offerings are more attractive and capable.

So Telecoms.com Intelligence set out to find how operators plan to address these issues and how their BSS choices will impact their future successes.

AGILITY IS LINKED TO ABILITY

"The biggest benefit is that when most telco equipment is purchased from the same company, you continue to receive the most favourable price and services. The disadvantage is that this company may never have the special features in their BSS, which are only offered by specialists."

During March 2014, Telecoms.com Intelligence surveyed over 100 network operators and found an almost universal conviction that the agility of an operator is largely tied to the agility of the BSS systems it relies upon.

In total 86 per cent of respondents either Agree or Strongly Agree that current market conditions require increasingly agile BSS systems that give operators the ability to provide service diversity and a faster time to market (fig. 1).

Previous Telecoms.com Intelligence research on the subject has shown that many telcos have cluttered, multivendor BSS environments. One fifth of operators worldwide who participated in the 2014 Telecoms.com Intelligence Global Industry Survey reported that they have six or more vendors present, while only one quarter think they have a manageable BSS environment with three or fewer providers.

The findings of this most recent survey (fig. 2) show that 91 per cent of respondents believe Strongly or Very Strongly that real time network usage reporting and analytics is becoming more important and billing systems need to evolve to cater to this need. Meanwhile 86 per cent believe Strongly or Very Strongly that a BSS portfolio needs to be able to handle real time reporting, to avoid bill shock, and real time reactivity for data tier management. Such functionality will be a key measure of agility.

Understandably, LTE is a clear contributing factor in this trend and operators are expected to invest in solutions for smart upsell offers triggered by real-time, contextual information such as network usage, application access or location–usage situations which are all expected to be driven by LTE adoption.

It is common for network equipment providers to bundle BSS software in with the infrastructure purchase in order to enhance their proposition. This has the effect of somewhat obscuring the true cost of a BSS platform. One of the respondents, in a free text response, confirmed that network equipment providers "offer [BSS] at very low price, sometimes almost free with the network gear," to add value.

In a question we will look at in greater detail later on, 29 per cent of respondents believe both specialist providers

To what extent do you agree with the following statement?

Market conditions require increasingly agile BSS systems (e.g. ability to provide service diversity and faster time to market)

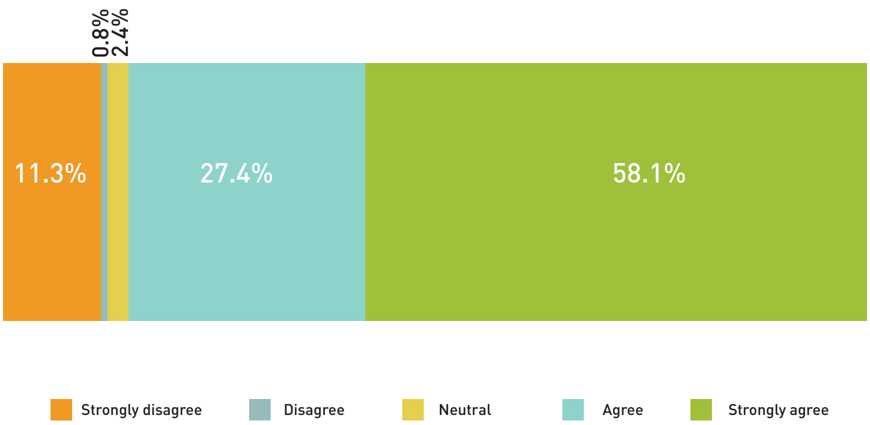

Fig. 1

AGILITY IS LINKED TO ABILITY

and network equipment vendors price their BSS systems about the same, although 23 per cent admitted that they don't know how the respective systems were priced. Just over a quarter, 26 per cent, believe specialist players are cheaper while 23 per cent believe equipment vendors offer the best price.

Perhaps unsurprisingly, the majority of respondents (35 per cent) use BSS systems from a mixture of network equipment providers and specialist companies, while a similar amount (29 per cent), get their BSS systems directly from their network equipment provider alone. Less than ten per cent buy from specialist providers exclusively (fig.3).

Going forward, more than 40 per cent of respondents do not expect their supplier mix to change within the next five years, although 28 per cent say they will actively move towards a more specialist approach (fig. 4). Only seven per cent expect to move the other way, suggesting a growing appreciation of specialist expertise.

Q Do you agree with the following comments?

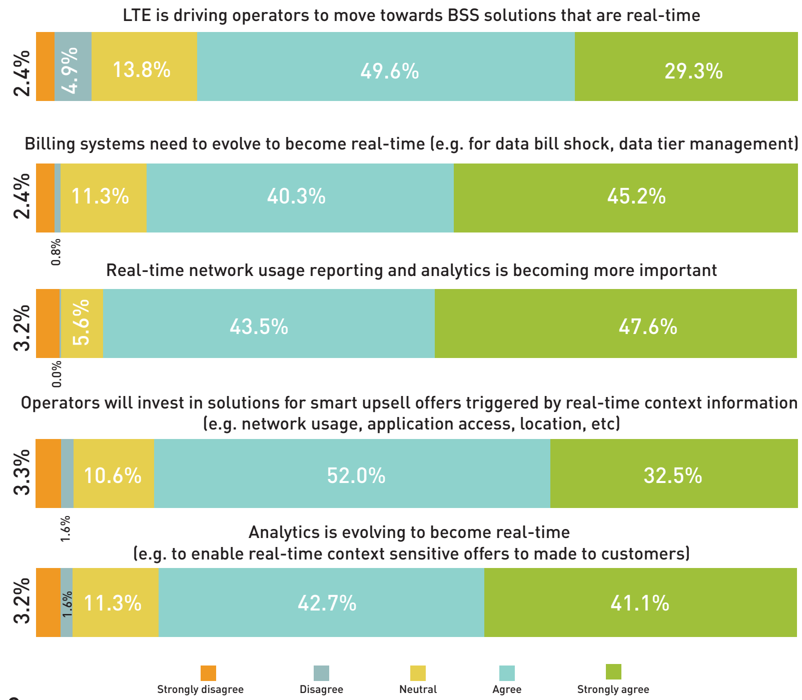

Fig. 2

Q Are your BSS solutions (for example billing, charging, policy) currently provided by:

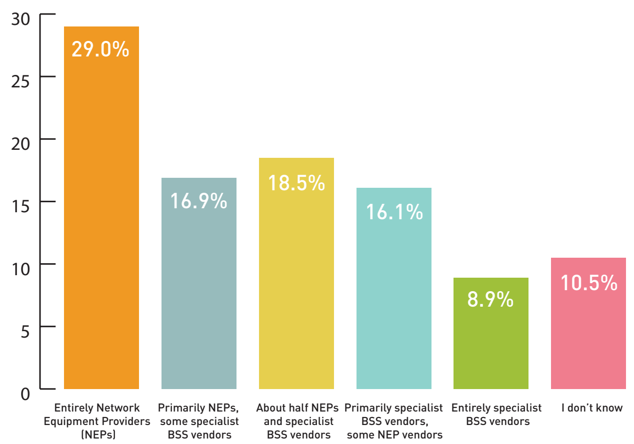

Fig. 3

Q In the next five years, do you anticipate your BSS solution vendor mix:

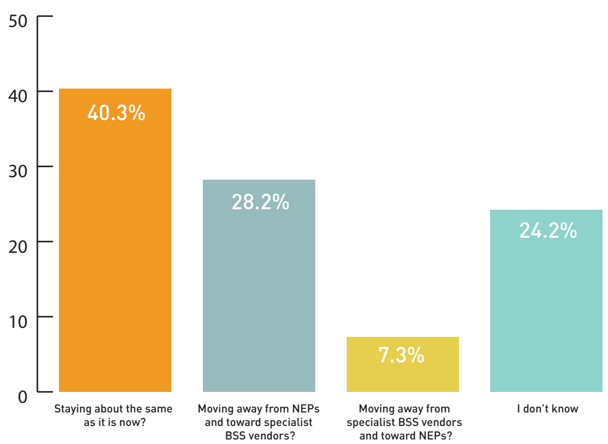

Fig. 4

THE RIGHT TOOL FOR THE JOB

"In a high speed data market, real time customer experience management would only be possible by a robust BSS which may be better delivered by specialists."

When questioned about the respective merits of specialist offerings versus those of network equipment providers, respondents' preference for expert insight becomes even more apparent.

A total of 56 per cent of respondents expect that BSS solutions from specialist BSS vendors will better prepare them for market challenges than those from network equipment vendors. This compares to 22 per cent that believe network equipment vendors offer a better product.

Indeed, in another question looking at which category of vendor is perceived as best in terms of offering certain features and functionality, the specialist providers emerged as clear leaders from the operators' responses (fig. 5).

In terms of service and pricing innovation, 75 per cent of respondents believe specialist BSS vendors are better than network equipment providers, while for time to market for new pricing models, 73 per cent believe specialist BSS vendors are better.

Another key attribute of agility is system flexibility and 76 per cent of respondents believe specialist BSS vendors are better in this regard and in terms of speed of deployment, 59 per cent believe specialists are better.

Interestingly, one part of this question asked respondents to comment on total cost of ownership. Although the opinions on pricing that we discussed earlier suggested that there wasn't much difference between the two categories of vendor, 57 per cent of respondents to this question believe specialist BSS vendors are better in terms of total cost of ownership, suggesting better value.

In a subsequent question we discovered that BSS solutions from specialist players are considered more effective tools with which to deliver changes and customisations. These solutions took 50 per cent of the vote, compared to 23 per cent for network equipment providers and 20 per cent which considered them about the same (fig.6).

When asked which product suites were more functionally robust, specialist vendors again won out with 38 per cent of the vote, and in terms of which offering has more configurability, specialists received 55 per cent of the vote versus 23 per cent for equipment providers.

With the legacy multiplatform BSS environment operators are dealing with, it is understandable that integration is a key concern when looking at BSS tools. When asked which is more open and easy to integrate with other vendors, most respondents (51 per cent) said specialists versus 19 per cent which opted for network equipment suppliers (fig.6).

This was supported in the next question where we discovered that 43 per

Q Which category of vendor do you believe is best in terms of the following attributes: (please select one answer per row)

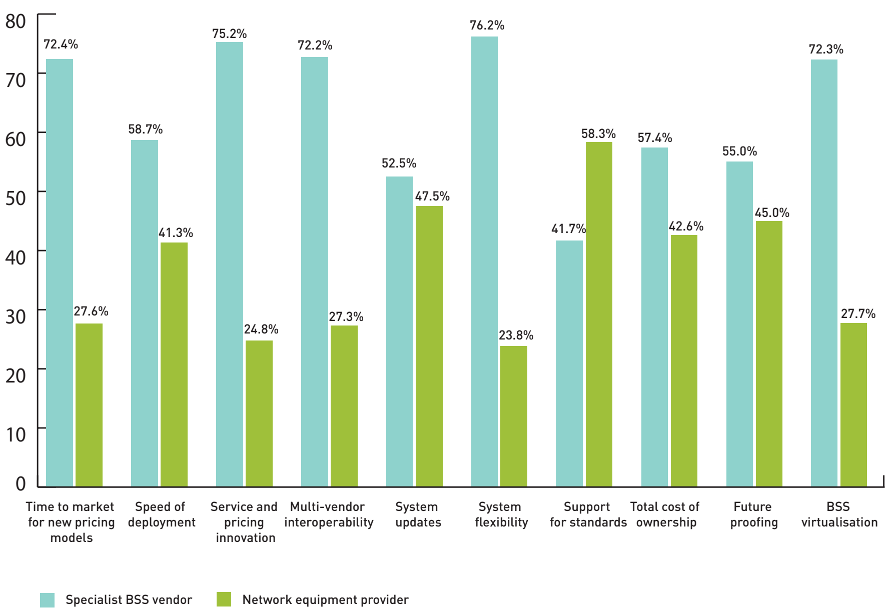

Fig. 5

THE RIGHT TOOL FOR THE JOB

cent of respondents prefer to source solutions from specialist BSS providers and expect the vendor to integrate with other OSS/BSS solutions (fig. 7).

Opinion is more evenly split on this question, however. 40 per cent of respondents say that they prefer to source most BSS components from a network equipment provider and expect them to integrate with other systems as required.

Indeed, there is clearly little appetite among operators to do their own integration, with only 19 per cent preferring to integrate BSS software themselves versus 28 per cent choosing to use systems integrators. And there is clearly pressure to simplify the BSS environment by reducing the number of vendors in the portfolio. As mentioned earlier, many operators have systems from between three and ten BSS vendors in place and 34 per cent of respondents say that they are seeking to reduce the number of vendors in their portfolio (fig. 7).

One of the respondents said: "The [network equipment providers]make it, if not intentionally, hard to integrate its other systems with specialist produced BSS," highlighting the key role of systems integrators or similar skills offered by the BSS supplier.

"There is a tendency for network equipment providers to use solutions within their ecosystem rather than the best of breed."

Please select one for each category

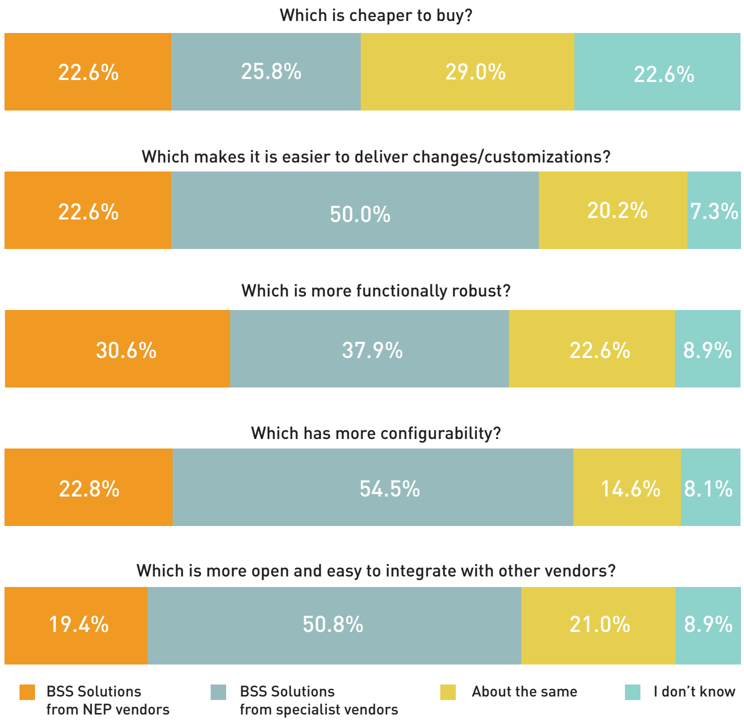

Fig. 6

Which of the following apply to your organisation's approach to BSS procurement and deployment?

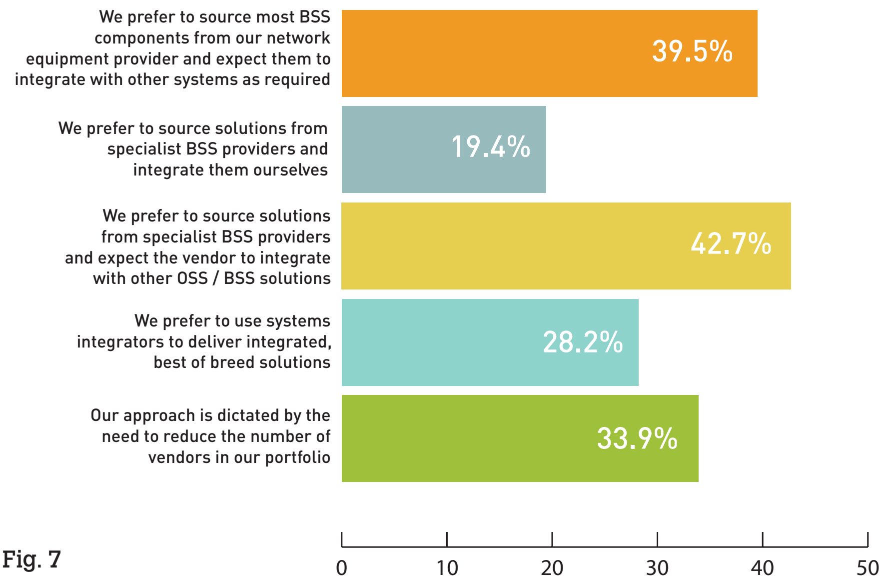

Fig. 7

VIRTUALIZING THE FUTURE

"Virtualization gives operators the ability to trial new services/ business models with minimal disruption."

Virtualization was one of the hottest discussion topics at Mobile World Congress this year and it is just as important for BSS as for the wider network. Although the concept has been a stalwart of the IT sector for some time now, it's still spoken about in the telco industry with a certain amount of caution. Not a small amount of which comes from the larger network equipment suppliers that have built a business on products that feature integrated software and hardware.

So the key observation is that while everybody is talking about virtualization, few have yet stuck their flag in the ground with regards to a mapped out virtualization strategy.

There are some notable examples: Telefónica, which recently set out detailed and aggressive Network Functions Virtualization (NFV) plans; and Deutsche Telekom, which last year said it was reengineering its network because: "The biggest pain for us is that there is so much legacy technology in networks that it is difficult to bring new services to the market. We need to be able to program new services without rearchitecting the network."

Although these two carriers are in the minority at present, there are suggestions that more announcements are in the pipeline. According to the survey, nine per cent of respondents have already begun commercial operation of virtualised BSS and 23 per cent of respondents have begun trials of virtualized BSS environments (fig.8).

A further seven per cent are expecting to dip their toe into the water this year and 28 per cent within the next two years.

So in total, only 34 per cent of operators currently have no plans to embrace virtualised BSS. However it is likely this sentiment will change as the industry becomes more comfortable with the prospects.

What is the extent of your organisation's BSS virtualisation to date?

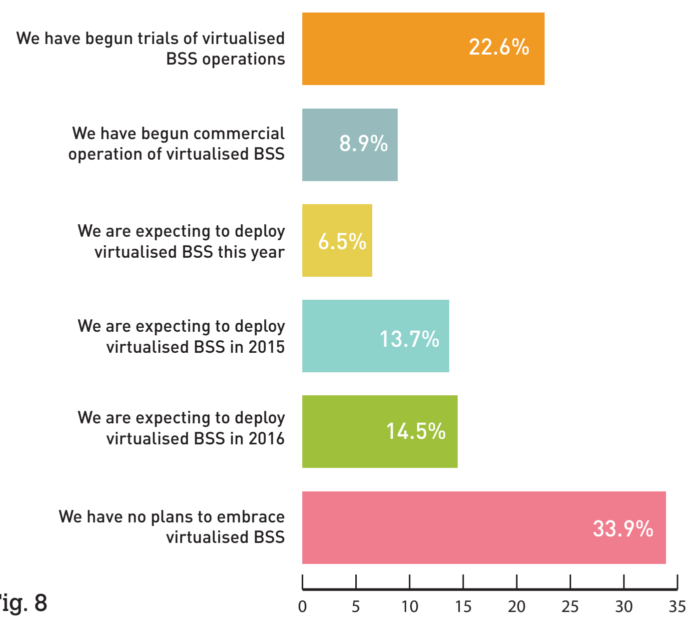

Fig. 8

VIRTUALIZING THE FUTURE

Indeed the survey showed a clear understanding of the benefits of virtualization. A total of 73 per cent of respondents believe virtualization gives operators the ability to trial new services/business models with minimal disruption (fig. 10).

And 61 per cent expect Virtualization will allow operators to eradicate fragmentation in their BSS environment, which bodes well for those seeking to reduce the number of suppliers they currently buy from.

There is also a strong sense that virtualization will create a more competitive environment in the BSS market, not just allowing operators to try out new specialist suppliers with little fear of vendor lock-in but also pushing some of the larger, more general network vendors to step up to the plate and commit to a virtualization strategy of their own or face market share erosion (fig. 9).

Indeed, 70 per cent of respondents either Agree or Strongly Agree that virtualization has made it easier for new entrants, including BSS vendors to be considered as new vendors because hardware and integration issues are reduced. More to the point, as a previous question (fig. 5) revealed, when it comes to BSS virtualization, 72 per cent of operator respondents believe specialist BSS vendors are better equipped to supply the necessary tools.

To what extent do you agree with the following statement?

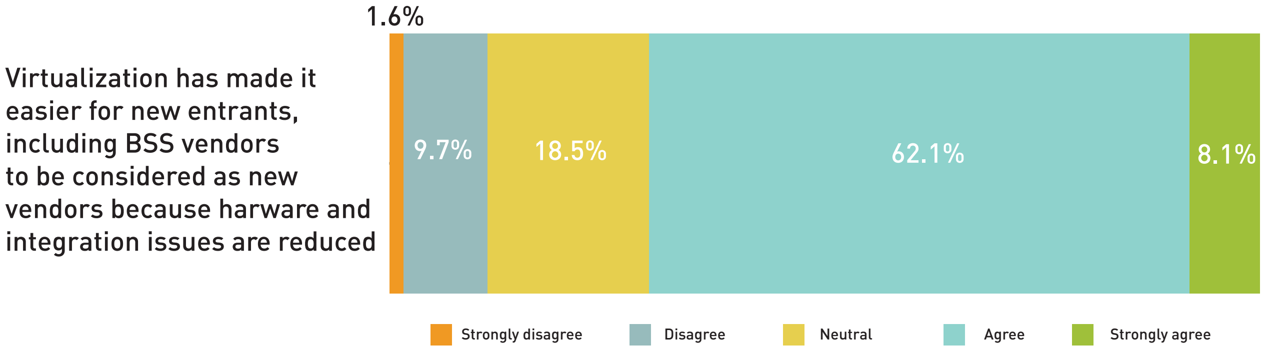

Fig. 9

To what extent do you agree with the following statements about BSS virtualisation?

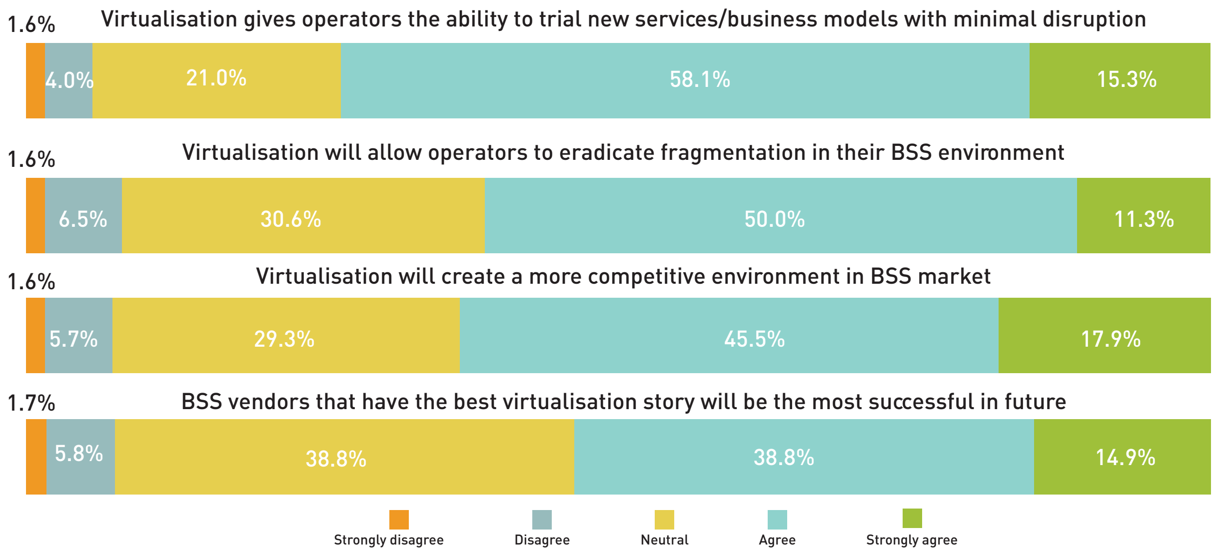

Fig. 10

CONCLUSION

An operator's ability to respond to the market depends largely on its agility. But the same is true for that company's suppliers. It's no longer good enough to be the fastest responder; companies nowadays also have to be the most alert and nimble.

The results of this survey suggest that this level of agility is a key attribute of the specialists which are often smaller and more able to adapt than larger vendors with roots in network equipment provisioning. The free text answers from the survey respondents highlighted that specialist solutions often enabled quicker launch of next generation price plans and services and offered better preparation for migration to the cloud.

But speed is still an inherent part of agility and since integration is fully native to specialised vendors, operators are afforded a faster time to market as well as the potential for interoperability with a multi-vendor network that might not be so readily available from a provider with vested interests in a particular ecosystem.

"In a high speed data market, real time customer experience management would only be possible by a robust BSS which may be better delivered by specialists," was one of the operator responses. Increasingly, only the most agile operators will survive and the sentiment is that specialist BSS providers are ready to propel the operators into action whenever they are ready.