

Operators are now facing more pressure than ever before to do more for less both for their customers and within their own operations to satisfy their investors. Here, Ericsson's Raoul Vandembulcke, Head of Systems Integration at Consulting & Systems Integration, Ericsson Global Services explains the pressures and details how innovative approaches to OSS/BSS can deliver the results required.

OSS/BSS delivers on operator imperative to do more for less

Telecoms transformation is not a new dynamic but a range of factors and drivers are now coming together and are crystallising the future shape of the operator sector. That is necessitating a change in the way operator businesses are run that extends from construction of network assets through to the systems, policies and processes used in the OSS and BSS environment. Now, more than ever before, in the history of telecoms, third party organisations such as consulting companies are being brought in to accelerate and manage transformation.

There are three key perspectives to be considered in relation to the need to transform; the perspective of investors, customers and competitors. From the investor perspective, the market has changed substantially from the speculative telecoms market of the 1990s. Historically, financial markets valued telecoms operators based on the potential offered by adding new subscribers and the launch of new services. That attitude underpinned the industry's over-investment in both fixed and mobile networks around the turn of the last century. The build-it-and-they-will-come attitude was in force as investors perceived the internet bubble would never burst and continue to inflate into the mobile environment.

Today, investor interest focuses on real, rather than prospective financial results and operators are valued on what revenues and profits they are generating now rather than the profit potential of exciting new services. Telecoms is now increasingly seen by the financial markets as mature, with a low risk profile that resembles that of utilities. The changed perception from an over-hyped industry to a mature industry has partly changed the types of operator investment likely to be approved. The focus is relentlessly on cost efficiency — whether that means stripping out costs from current operations or minimising the cost

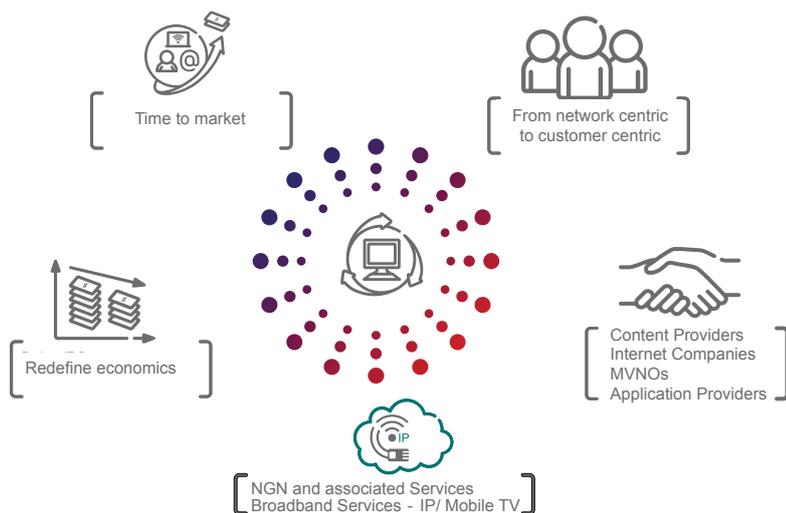
of future operations through investment in technologies and services that accelerate time to market or aid agility. In either case, the arguments all come down to addressing the new breed of operator investors' desire to monetise existing assets now rather than wait years for a return. Operators will no longer invest without the guarantee of controlled ROI

Another perspective to be taken into account is that of the customer. Telecoms service evolution is still in its infancy and many additional revenue streams are still to develop in relation to 4G services, the machine-to-machine communications market and the vertical industry application ecosystem. 4G will expand the scope of data applications in seemingly unlimited dimensions from the services on offer today but questions still surround how these will be monetised effectively. There is no benefit to operators if they are unable to generate profits from the services they deliver, so the focus must remain on efficient operations in support of profit generating services. In the M2M market, which will see the number of wireless connections deployed rise from 5 billion today to 50 billion by 2020, operators can be efficient because these services will have relatively predictable requirements. For instance, a smart meter in a home will only need to send low volumes of data at regular intervals so operators will know in advance what the network burden is likely to be and at what times that devices will need capacity to support the service. The ability to deliver applications also enables operators to add value to their offerings. The vertical industry application ecosystem will also develop to encompass the automotive sector, utilities and many other sectors unlocking revenue opportunities as it develops. It is especially appealing since it is most likely to remain the preserve of the operators as organisations such as Skype and Google retain their focus on consumer markets.

At the same time, core consumer behaviour has changed so operators must adopt complex, customer-oriented approaches to limit churn and provide customers with innovative services. The challenge operators and the OSS/BSS environment in particular faces is that more must be provided at a lower cost of operations. The customer is becoming more and more device-oriented and their loyalty is more to the

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operator challenges



iPhone, Blackberry or Android device than it is to their operator. It is therefore to be expected that innovative devices will come to market with built-in connectivity thereby turning the consumer market into a wholesale market from the operator perspective.

The final perspective to be considered is the competitive perspective. Operators exist in a highly competitive market that involves many players in either the telecoms or services parts of the market. In addition, the market is mature and, in many parts of the world, saturated so scope for adding previously unaddressed customers is minimised. The value-added services market does offer growth opportunities, although it can involve uncertain return on investment and therefore requires analysis and well thought through strategy. The value-added market has unfamiliar business models and other types of organisations and new players other than traditional operator organisations are involved. Operators will need to become faster at entering these new markets in order to compete with these new players.

Taking those three perspectives into account, the challenge operators face is of epic proportions and, compounded by the fact that operators still have to afford significant investment in the three dimensions of the network, IT and services. In addition, operator businesses are not static and have to continuously evolve especially in the face of renewed mergers and acquisitions activity in the sector.

Nevertheless, operators have a tremendous asset in their technology infrastructure — the network and the OSS/BSS. It does require sustained investment and still generates huge operational costs but, on the other hand, it underpins the opportunities offered in the transformation process. It is important to recognise that technology transformation and innovation are parallel threads that cannot be separated from each other. Transformation of technology assets is not just about network consolidation and optimisation, it is about addressing the asset monetisation process along with provider consolidation and optimisation. The imperative for operators is to do more with less money and that involves process and infrastructure transformation and monetisation.

In relation to that imperative, the OSS/BSS still offers operators a wide opportunity for optimisation but that optimisation has to come through innovation in both the technology and operations functions of an operator. Such transformation projects need to consider approaches to outsourcing, managed services and potentially the hand-over of assets to third party organisations.

There is scope for innovation and optimisation in outsourced projects. Early examples of effective outsourcing of OSS/BSS functions involved a sharing of the pie approach that delivered much scope for optimisation but the real advantages lie in pursuing a consultative approach that binds together the applications layer and the technology layer in order to maximise the benefits. Extending the outsourced service concept to deliver an integrated view of the technology and application innovation in the two layers could be one of the greatest opportunities for outsourced services to demonstrate their value in and OSS/BSS concept. OSS/BSS continues to be an area within which operators can achieve significant operational improvements by focusing on applications, processes, technology infrastructure, outsourcing and third party service models.

Transformation in general and in the area of OSS and BSS in particular is about shifting from a product-centric to a customer-centric business, which requires deep understanding of the customers and their preferences to improve the customer experience and create customer loyalty. Change in the BSS has to be driven from the customer's point of view to achieve those goals while, in the OSS operation, the focus is on assuring the right quality and efficient operation from a business perspective as well as addressing technology and service demands. Transformation of all types must therefore, as stated earlier, focus on innovation, customer experience, operational efficiency and — most importantly — improving financial performance. Perhaps the best example of a transformation is the Ericsson Operation Centers (NOCs) from which Ericsson manages more than 400 million subscribers on behalf of its customers. Every time that Ericsson takes on a new IT and network operation, our stepwise methodology is followed to transform the operations towards the target architecture. The build-up began in 2004 and we have continuously improved efficiency and flexibility to meet current and future business and technology demands.

To achieve this, the three cornerstones of general transformation — organisation, processes, and systems — are always taken into consideration. Ericsson has the capabilities and experience to manage the continuous change with four major activities: Assessment of business strategy and operational readiness; analyse and define change of business process, implementation steps and technology solutions to strengthen the operation; design and implement required solutions; and manage lifecycle of solutions and evolution of the operation to best in class.

Each of these steps is equally important to reach the goals of transformation without risking the performance of day-to-day operations. An experienced and focused partner is a valuable companion.

Let Ericsson be your business partner on this journey. ■