

IT'S BUSINESS TRANSFORMATION FOR TELCOS IN 2007: PUTTING THE BACK OFFICE FRONT AND CENTER



Telecom providers have their hands full these days. New players are flooding the market, innovative services are being introduced weekly, and incumbents are slashing prices—all while profits are deflating. This perfect storm is sending telecom companies scurrying to their strategic playbooks, as they look to generate new revenues, become more agile and customer-oriented, and cut costs.

Experts agree that the most effective approach is to address the telecom “back office”—the operational support systems (OSSs) where services are created, managed, and delivered. But challenges exist there as well: The OSSs that manage modern telecom networks are plagued by heterogeneous information technology infrastructures, software that can't share data, and customization requirements that make it hard for companies to expand or migrate their systems.

“Transforming operations and cutting costs requires that providers adopt a 21st-century approach to correcting these problems,” says Keith Willetts, chairman of the TeleManagement Forum, an organization dedicated to telecom back-

office management issues. “Making this degree of change is not unlike turning around an oil tanker: It's a relatively slow process that requires long-term commitment.”

Savvy players understand the goal. “The ability to create and deliver services that customers want is the silver bullet,” says Sanjay Mewada, vice president of strategy for Net-Cracker Technology Corp., in Waltham, Mass. “The more efficient, error-free, and adaptable that capability, the more likely you can create a unique mix of services and deliver it when and where customers want.”

The service delivery platform used by most telecom providers is too compartmentalized, rigid, stove-piped, and customized to quickly assemble and manage those services, says Mewada. The ideal platform would be agile enough to create and deliver services on the fly, with little customization.

“Providers need to look for software that is open, configurable, and standards-based,” Mewada says. “Choosing solutions that are extremely interoperable and flexible is best.” He advises customers to look for software that is

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preconfigured and also reusable—what he calls “service-oriented architecture for the back office.”

One approach is to select software that simplifies the problem by segregating the back-office systems from the network. “OSS integration is one of the biggest challenges to introducing next-generation networks and services,” says Chris Purdy, CTO of Nakina Systems Inc., an Ottawa software provider that partners with HP to serve the telecom market. “Much as a computer operating system hides complexity from software applications, telecom providers need solutions that can abstract the complexity of heterogeneous networks in order to deliver compelling value-added services.”

Nakina and HP have already deployed such OSSs in tier-one carriers that “virtualize” the network and provide sophisticated service-management capabilities. One telecom company used it to save from \$1 million to \$2 million on each type of network equipment deployed. In addition, the provider estimated an annual savings of \$14 million in operating expenses and found that new services introduction was accelerated by 60%.

“Helping service providers focus on what customers want requires a new approach,” says Michele Campriani, director of OSS solutions for HP’s communications, media, and entertainment unit. “Delivering the right quality and the right services is difficult to do if you’re focused on back-end technology. Only a strategy that delivers universal mediation and uses best-in-class operational systems allows service providers to become service-centric.”

Fortunately, innovative technology options are arriving that will help streamline the telecom back office. Add best practices to the mix, and the path to business transformation for today’s telecom providers is clear.

ABOUT THE TELEMAGEMENT FORUM

For almost 20 years, the TeleManagement Forum (TM Forum) has provided leadership, strategic guidance, and practical solutions to improve the management and operation of information and communications services. The TM Forum creates collaboratively developed, industry-standard solutions, delivered via guidelines and specifications, that define a specific roadmap for achieving business efficiency and operational flexibility.

The TM Forum has more than 540 members in 63 countries, including service providers, equipment and software suppliers, and systems integrators. For further information, please visit www.tmforum.org.

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Transforming the Back Office Into a Strategic Office the NetCracker Way

Telecom used to be about shiny new network technology. But not any more. Serious competition is forcing traditional telecom players to deliver more innovative services, more cost effectively, at a high level of quality. The most innovative carriers are getting rid of a network-centric view of the business and replacing it with a new service- and customer-centered alternative.

“Back in the 1950s and ’60s gasoline companies used to compete over the quality of their gas,” explains Andrew Feinberg, President and CEO of NetCracker Technology, one of the companies supplying the new generation of IT systems required for the transformation. “But eventually drivers figured out that gas is just gas, and so the retailers switched their focus to brand and service.”

Operators are spending \$30 billion a year on the Back Office.

Feinberg suggests that telcos are undertaking a similar transition today. “Instead of concentrating on the network and its technology, they’re becoming service-focused. They’re trying to maximize the user’s experience of the

service, not the technology’s experience of running it.” And NetCracker is leading this fundamental industry transformation.

NetCracker supplies ‘Strategic Office’ solutions—systems that create, provision, and fulfill services—to leading telcos around the globe. This is the third year in a row that NetCracker has more than doubled its worldwide personnel—an outstanding record in an industry that’s currently used to single-digit growth.

The company believes that telcos must focus on the “service layer,” the network of IT systems and software that create, deliver, and manage the services that run over the network and therefore define customer experience in terms of reliability, customer care, and the timely offering of new services.

“The term ‘Back Office’ is no longer accurate,” says Feinberg. “We now talk about the ‘Strategic Office’ because a service provider’s performance in the market will be defined by how they transform this part of their business.”

Not surprisingly, service providers spend a significant chunk of their Operations Expenditure—as much as \$30 billion a year—on the systems, software, and services associated with their Back Office.

Transforming the Back Office into the Strategic Office is crucial. Increasing competition and high costs associated with an inflexible Back Office are adding to the urgency.

Increased competition has incumbent providers reevaluating their operations like never before. Newer, leaner players have forced legacy-strewn incumbents to develop more Internet-friendly business models. In today’s online world, customers prefer to sign up for services, pay their bills, and even personalize their services online. Hence, a strategic Back Office, where services can be provisioned and billed for on the fly is not a luxury—it’s essential.

Today’s communications marketplace has evolved. Players like Google and Amazon are introducing new economic and business models. And to successfully challenge these agile competitors, incumbent operators know they have to develop an IT infrastructure that will lower costs, rapidly deploy new services, and maintain the highest level of quality.

NetCracker Technology serves leading Tier 1 service providers all over the world.

NetCracker Technology Corporation

Established: 1993

Headquarters: Waltham, Massachusetts

Offices: London, Kiev, Melbourne, Moscow

Employees: over 1,000

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