

‘Press #’



New Programs
Could Generate
30 Percent of
Revenue Within
Five Years

In an age of accelerating change and increasing competition, corporate executives are challenged to align operational cost reduction strategies with those that build and support customer loyalty.

As telecom service providers attempt this delicate balance, their focus expands across the enterprise—from back-office operations to customer-facing solutions. The rationale for this vision is straight forward: their need to drive revenues by improving customer loyalty and satisfaction.

To capitalize on new opportunities, telecom executives must address the issues on the frontlines of customer relationships—because those areas closest to the customer hold the greatest potential gain for driving new revenues and improving shareholder value.

According to Pieter Knook, vice president for network service providers at Microsoft, service providers are increasingly challenged to grow their businesses by expanding the services they offer to customers.

“In the past, these companies could increase their shareholder value through acquisitions,” Knook explains. “But with the current stock market position and the valuation of companies, that currency has gone away.”

As a result, service providers are more focused on increasing revenues by expanding services for which customers are willing to pay. Telcos, like most companies, realize that a key component to customer loyalty is the checkbook factor. At the same time, they are concerned about bottom-line profitability and want an inexpensive way to create those services.

“Consider how the service provider’s business has evolved, and you’ll see other compelling reasons for turning to new services for revenue generation,” explains Lloyd Spencer, group manager for OSS/BSS at Microsoft.

for Satisfied Users

By Marty Weil

According to Spencer, the price for basic access and bandwidth has been dropping precipitously. For example, the price of T1 access, long a major revenue producer for service providers, has dropped to as little as a tenth of its price five years ago.

“As a result, service providers are looking much more aggressively to differentiate themselves and their services,” says Spencer.

Typically these efforts have centered on the development of premium network services, broadly encompassing content, transaction, application and messaging functionality. This next generation of telecom services sits on top of basic access revenue and, according to Spencer, has the potential to generate nearly 30 percent of service provider revenue within five years.

Among the solutions developing most rapidly are those addressing customer self-service, precisely because they address both sides of the service provider’s equation.

“On the one hand, they have to maximize subscriber revenues. On the other, they have to minimize operations cost and improve the customer experience,” says Spencer.

By allowing customers to obtain billing and other essential information via the Web, self-service applications reduce customer service staffing costs.

“Customers love it because they have more control,” adds Spencer.

For example, a service provider may not only give its customers Web-based access to standard information like billing, but also provide the ability to add or delete services such as call forwarding, caller ID or voice mail on demand. Such functionality not only reduces costs, but helps segment customers for further marketing efforts.

“The entire process can be automated, from original customer inquiry to turning the meter on at the competitive local exchange carrier [CLEC],” says Spencer. “And the customer can monitor the progress throughout the process, in contrast

to the frustration often experienced with traditional methods that deliver incomplete, inaccurate or fuzzy information.”

According to Knook, the key for service providers is their ability to forge stronger relationships with their customers by offering the widest range of services. These include phone service as well as fax, Internet, e-mail, hosted application services, video and wireless—whatever the customer feels comfortable using.

“The service provider that does the best job of establishing that relationship is more likely to have customers willing to share the rich information that can be used as a basis for building out new services and driving new revenues,” says Knook. “The more the service provider ingratiates itself with its customer, the ‘stickier’ the relationship will become.”

Knook suggests unified messaging (i.e., voice mail, e-mail and fax, all in one inbox) and instant messaging as examples of the kind of service that customers will appreciate.

“CLECs already know the addresses their customers contact most frequently,” Knook notes. “If they can provide a service by automatically populating the customer’s instant messenger [buddy list], they provide a service that has real value.”

Calendar service is another example of a value-added service that can be offered to the consumer. If a customer has an electronic calendar, the service provider can empower the user to post it and then provide a cross-reference to other calendars. For example, the service provider could find the right time to schedule a dental appointment based on the user’s and dentist’s calendars.

OPEN STANDARDS RING IN OPPORTUNITY

Open standards are supercharging the development of new consumer-focused services. “They will dramatically change the telecommunications industry,” says Spencer.

ALLIANCE DRIVES AWARENESS

Microsoft’s Windows Telecommunications Alliance (WTA) is a program and community being built for hardware and software developers and systems integrators who build telecommunications solutions on the Windows platform.

“Our intent is to serve the community of developers and integrators who are delivering telecommunication solutions across the industry, including the service provider market,” says Allison Koenig, group marketing manager for network service providers at Microsoft. “The goal is to provide education and valuable resources that will help drive the understanding of our core technologies and how they can be leveraged to build the new customer-centric service solutions that the market is demanding.”

Part of WTA’s charter is to keep the community informed about four key industry initiatives:

- The OSS Working Group
- The High Availability Working Group
- The Unified Messaging Initiative
- The Real-Time Communications Forum

“We are working to keep partners apprised of recent trends within the industry as well as to drive up their own awareness for industry initiatives in which Microsoft is actively engaged,” says Koenig. “We’re very much focused on working with partners to drive solutions for service providers that will help reduce operating expenses, drive revenues or both.”

MOVING UP THE VALUE CHAIN

CosmoCom Inc. in Melville, N.Y., is a leading provider of unified Internet Protocol-based contact-center platform technology for customer service solutions. The company is focused on carrier-grade solutions for the ASP and telecommunications markets that allow telcos to “win twice.” Telcos win the first time by deploying CosmoCom’s CosmoCall Universe platform as part of its OSS/BSS back-office operations—CosmoCall Universe allows them to provide a higher level of customer care at a lower cost than traditional technology. They win the second time by using CosmoCom’s CosmoCall Universe platform to offer a new high-value service to their enterprise customers, namely a network based or “hosted” contact center.

“Telecom service providers are looking for ways to move up the value chain. They want to provide something other than basic access service,” says Stephen Dellutri, the company’s chief technology officer. “In the call center business, the only thing telcos have been providing is 800-number service. But they’re looking to get into the call center business and provide some of the functionality for their customers as a service.”

Historically, service providers have been excluded from this by the fact that central office switch-based Centrex automatic call distributors can’t compete effectively with premise-based ACDs.

CosmoCom is changing this by enabling service providers to compete in this market through its CosmoCall Universe technology. The technology leverages their IP infrastructure to provide fully featured call center functionality without requiring equipment on a customer’s site.

“By 2005, 35 percent of call center system services and revenues will come from network-based systems,” says Dellutri. Currently, only 3 percent of these systems are network-based.

In addition to accepting ordinary telephone calls, CosmoCom leverages IP technology to provide Web-based contact and routing. Standard functionality includes unified messaging, e-mail management, Web chat/collaboration, real-time and historical reports, recording and preview dialing. The solution easily integrates with CRM, predictive dialing, campaign management, Web personalization, data mining, e-mail blast management and workforce management applications.

“Before our technology existed, there were two ways for a business to deploy a call center,” says Erik Laurence, vice president, business development at CosmoCom. “They could go out and buy an ACD and put it onto their site—and pay a systems integrator a fortune to connect this with their business systems.”

Companies that took this approach would end up running tremendously complex call centers.

The second method was to use an outsourced service—similar to a premise service where agents sit at the same premises as the ACD—only on someone else’s premises. The only hosted service available from the telco was Central Office switch-based Centrex ACD, which has never competed effectively with premise-based ACDs. CosmoCom’s technology enables telcos to provide call center service on a hosted basis that can compete successfully with premise-based ACDs.

“The rapid deployment of this next-generation call center technology was enabled by our leveraging Microsoft technology and technical expertise,” says Dellutri.

“Today our solution is the only call center technology that meets the requirements of the service provider delivery model. It’s highly scalable, easy to deploy, simple to use and easy to maintain over time,” he adds.

to have processes in the background that people are monitoring.”

“Telcos can build many of these new services on top of software, and they can do it much more quickly than typical telecom build-outs would take,” he says. “With little or no physical provisioning required, the service provider can be much more agile.”

But after years of operating in an essen-

tially hardware-driven market, many established players will find the transition to “next-generation telecom” difficult to make.

“Some traditional players will wake up and realize the future,” says Knook. “They have to realize that their skill sets are going to change—toward the central office and self-provisioning of software and away from fleets of white vans.” ☺

growth not slowing

According to industry analysts Dittberner Associates, the OSS/BSS (Operational Support System/Business Support System) segment of the overall telecommunications IT market will grow to between \$55 billion and \$60 billion by 2005. That’s an increase of more than 250 percent from 1999.

“That’s why we have been driving toward the use of XML for OSS as an application standard.”

Traditionally, networks were built on proprietary or closed applications, but Spencer says there is ample evidence that this is changing.

“A year ago, when I spoke at an industry conference about XML, my talk was met with an almost amused response,” Spencer relates. “But now, a year later, things have changed dramatically.”

As evidence of that change, Spencer cites a list of companies that have moved or are moving to support XML, including CosmoCom, Portal, CoManage Telution, Redback, C-Plane, Xevo and AI Metrics.

“We’re aware of 30 or more vendors who have XML functionality or will soon,” he says.

Open standards also speed and simplify what Knook and Spencer say is essential: integration of service provider front and back ends.

“The back office isn’t going to go away,” says Spencer. “You need it. You can’t just turn circuits on or off willy-nilly. You have