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Clarissa Jacobson, Director of Research, Peter A. Sokoloff & Co.

Evaluating the Strength and Staying Power of a Small OSS Vendor

This can make the process of choosing an OSS vendor quite a challenge for large service providers. It is possible to minimize the risks to choose the right small vendor that brings needed capabilities to the table.

Selection Requirements

When a service provider considers working with a small vendor, certain general requirements need to be considered. The vendor should demonstrate that its products are scalable; that it has effective partnerships with the vendors installed in the carrier's environment; that it can support large complex projects; and that its financials are in order.

Determining how well the OSS vendor's products will fit in with the service provider's network and business environment is essential.

Correctly identifying these elements predisposes a successful match between vendor and carrier.

"A small OSS company has to have a compelling solution for a real tier one problem. An improvement on an existing solution or some clever technology is not enough," says John Cronin, CEO for revenue assurance vendor Azure Solutions. "Carriers need to find out if the OSS company is credible and if they've sold the solution elsewhere, especially to other tier ones. OSS companies should also be prepared to offer a firm commitment to a partnership and prove that they are a good backer of their product if things go wrong down the line…A telco background can also be a positive element,"; he says.

"The software has to be able to handle millions of subscribers," says Andrea Baptiste, CEO of OSS provider Atreus Systems.Baptiste also points out that in her experience, partnering with large, established players like Lucent and IBM adds a comfort level that tier one carriers appreciate.

A service provider considering a small vendor should require that vendor to provide references of other large customer projects. Particularly in a large environment, service providers should require the small vendor to stay focused. "People have taken on huge projects and allowed them to grow and grow so that it's too complex. In an emerging market, you need to get those first couple of solutions identified, hone in on them and get a road map to deliver to the customer," says Baptiste. Otherwise, the small vendor will become overwhelmed and most likely not be able to support the project.

When a service provider choosing to work with a small vendor, it needs to set clear expectations and also orient them with processes such as the review cycle. "The days of unilateral decision making are over. Establish a process and let the vendor know if it will be a protracted review cycle. It can take significantly longer to evaluate new solutions which may involve numerous individuals and teams spread across the carrier's organization," says Rich Nespola, senior consultant for strategic consultant TMNG. According to Nespola, it is very important have the vendor communicate with all parties involved with the project and have a full understanding of the service provider's requirements.

Check Vendor Strength
Tier one carriers should use a process to mitigate the risks of bringing on new vendors by evaluating financial strength and vendor resources. It is not only the small OSS vendor that is to blame when a product fails, but the carrier as well. Carriers often make mistakes in giving jobs to vendors that they can't realistically deliver on. Nespola believes one of the major problems is that CSPs simply don't do the amount of business evaluation necessary to check the viability of the vendor. "They do technical evaluations but they don't take the same care in checking the financial stability of the vendor."

"Ask about financial background. You want to see that the company is well managed financially, is profitable and producing revenue growth," says Eric Palmer, CFO of OSS provider, Syndesis. Although this may seem obvious, there are many service providers that often engage vendors without examining their financials and do not have a standard review process or committee. Among vendors, the perception of what percentage of service providers check financials varies.

According to Palmer and Nespola, financials were checked 95 to 100 percent of the time. Both went on to say that carriers dug deeply into the financials. Azure's Cronin perceives it to be less than 50 percent; however he did state that tier ones are aware of rumors or perceptions in the marketplace about vendors' financial status. Baptiste perceives that financials are checked only 20 percent of the time.

Because small OSS vendors have limited personell, a service provider should verify when the vendor will have the resources to start and support a project. "Service providers … may actually go to the second best solution if it is mission critical. It's like waiting for a Ferrari for 18 months, so you go buy a Porsche instead—they can't afford to wait," says Nespola. However, for vendors that offer packaged products where customizations are minimal, start time can in some cases be a lesser issue.

Some service providers opt have a large systems integrator involved with the project to mitigate risk. Cronin found that a minority of Azure's customers have wanted to use a systems integrator partner for a variety of reasons including risk, but that they have never been required to have an SI on board. Palmer feels that carriers are moving away from systems integrators. Nespola, however, has had the opposite experience. "It depends on the type of project, but the percentage is increasing. Risk sharing is in vogue and is going to become more in vogue; too many carriers have gotten burned and more and more want risk sharing."

Perception of Risks
Many of the perceived risks of hiring a small OSS vendor are a result of mistakes in the marketplace by companies that have promised solutions but have been unable to deliver. Nespola says "there are too many horror stories to discuss. Large carriers have been burned in the past which hurts all small vendors."

Baptiste recounts her experience with vendors that failed and opened up opportunities for Atreus. "The biggest thing we see with small vendors is misunderstanding the complexity of the service. Big guys do it too. It's not a simple environment and they oversell what the feature can do. Three customer accounts that are deals we've closed are projects where [a previous] vendor didn't pull through." Andrea stresses that there are still aspects of services and technologies that the whole industry is still learning because every carrier is different and there are so many new services and technologies being introduced.

"Because IP is an emerging service and industry, there tends to be an underestimation of the scope of the problem on both sides. It's new for all of us. It is critical that carriers work with a company that really has a grasp of the whole system. Carriers also don't look at a company's ability to make changes on the fly. That's what this converged IP market is about —flexibility. Tier ones need to determine how the vendor manages new requirements that come up and….set a phased approach for getting a service out the door," says Baptiste.

Palmer argues that significant risk lies in whether carriers opt for frameworks or COTS (commercial off the shelf) solutions.Aframework product is software that is specifically customized for the service provider and requires extensive customization and systems integration. COTS software is fully packaged and developed as a solution to problems at a more generic level.

"Companies like [Syndesis] have fully packaged COTS products," says Palmer. Syndesis has perhaps chosen this route with the perspective that "framework solutions can wreak havoc, as additional development and integration can run out of control, with loss of time, money and even project failure as the consequences. Initially they're cheaper, but in the long run they can cost exorbitantly more. They may take years to deploy, and the carriers often don't get full value," says Palmer. That said, COTS products do not eliminate all risk and there are examples of service providers that have had success with framework solutions.

Palmer states that 60 percent of all OSS product installations fail. One story he recounted involved a huge tier one that had to acquire a reconciliation product. "It was overly complex and unwieldy. [The service provider] could have gone with a fully packaged product, but went with a framework product instead. Six months later [is still wasn't] working. They were smart about it and canceled the project, but they lost a lot of time and money," says Palmer.

One of the biggest problems carriers create or experience is when unrealistic expectations are set for delivery time frames. "Inside most specifications, some details that impact on the complexity are missed. When the job starts, the full requirements emerge and additional software, interfaces, data or work may be needed. Carriers need to accept the possibility of the project being incomplete and be realistic about the potential impact on time frames. Carriers also think of other things they want to add to the solution. A few changes within reason are acceptable. Over time however, if there are too many, the scope can change which will effect delivery times," says Cronin. Often, carriers are unrealistic when they make their final selection of software based primarily on price. "Lowest price does not mean the best vendor is selected," he says.

Advantages with Small Guy

Though the risks of working with a small vendor need to be examined, there are also some clear advantages and even tier ones can have successful relationships with smaller players. "Smaller companies can fulfill a particular need, a precise problem that needs to be solved," says Palmer.

In addition to unique product fit, small OSS companies can offer extra benefits to the tier one carrier that the larger vendor can't or won't. Smaller OSS companies also can be more agile in addressing carrier requirements. "A smaller vendor really values large customers because it can be a significant proportion of its revenue. The large telco gets a very high level of commitment from the smaller vendors," says Cronin.

According to Nespola smaller companies on the whole are "more responsive, more willing to develop custom solutions in a quick turnaround time, more nimble, and offer better customer service."

The Future of the Small OSS Vendor

For the last five years or so the OSS/BSS market has been quick to consolidate. Given that the question arises as to whether carriers that find value in working with small players will have any vendors left to work with.

"I think there will be less and less of a role for small 'spot solution' vendors because of consolidation. They're mirroring what's happening with their clients—the clients are in rapid consolidation mode so that the OSS vendors also consolidate to increase the breadth of their offerings," says Nespola.

"Can a vendor start small and stay small long term? The answer is probably only if they are serving a niche. Smaller vendors exit to larger vendors or become larger vendors themselves. At one level they can still push the industry with innovation in thinking and new technology. At another level they continue to be the smaller building blocks that larger vendors will use to extend their business," says Cronin.

Although many of the OSS players have consolidated, the marketplace is constantly changing, and new players are arriving on the scene. "There's a lot of change occurring in the telecommunications industry, particularly with the IMS space (IP Multimedia Subsystems)," says Baptiste.

One thing is certain, the marketplace is swiftly changing and the available opportunities are expanding as fast if not faster than technology can keep up. Smaller vendors that address new, relevant issues and carriers that effectively pinpoint the risks and benefits of using these vendors will decide the telecommunications environment's direction for many years to come.

Clarissa Jacobson can be reached at cjacobson@sokoloffco.com. Peter A. Sokoloff & Co's website is www.sokoloffco.com

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