OSS World 2002
In search of Silver Linings

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Telestrategies' OSS World is still a destination of choice for telecom people looking for insights, information and opportunities. Despite the industry's problems, visitors still flocked to the 2002 event, and many vendors booked space and put on a brave show. In this report we look for signs of recovery and draw some uncertain conclusions about the direction of the OSS industry from our observations of customers and vendors at the show.

Telestrategies OSS World always provides useful indications of the state of the telecommunications market. We sent our usual team of experts to San Diego in February to look around, ask questions and eavesdrop. Here we provide our brief unscientific report based on a look at the vendors who chose to attend, the customers who showed up, and of course the rumors and chat that provide an invaluable source of information at any industry get-together.

Although there were fewer booths this year, vendors who turned up clearly understand the importance of persistence in a down market. Some companies surprised us by their absence. Vitria, KPMG and PWC stayed away, which must have pleased some of their competitors who decided to turn up.

Many vendors decided to share booths this year – a sign that money is still tight. Metasolv, Cramer and Microsoft all had partners in their booths, including systems integrators and other vendors. Making a virtue of necessity, vendors and integrators joined in chorus to convince us that their products are already integrated, or easily integratable. We all know this isn't totally accurate, and they will need to do more than share an exhibition booth to convince us. We still have a long way to go before the OSS/Integration industry is truly a business enabler for the service providers, not a sinkhole for money.

There was a lot of vendor talk about how to live with traditional network infrastructures, and a lot of service provider customers listening. It seems that there is finally a recognition that legacy network equipment will be around for a very long time to come, and the ability to work in this blended environment is critical to future success. This realism is welcome.

We saw some interesting developments from a few vendors – for example Riversoft's focus on asset recovery, and Valaran's approach to dynamically linking business process models to applications and network elements. But mostly there was not much new news – offerings from vendors were pretty much the same as last year.

Microsoft provoked a lot of behind-the-scenes discussion. Clearly they are out to build credibility in the telecommunications space, aiming to offer both revenue-generating service platforms and support systems. Microsoft is apparently not developing OSS applications: instead they are signing up vendors who intend to build on or port to Microsoft platforms. Microsoft is certainly capable of shaking the industry by accelerating the development of a more rational and cost effective OSS environment for service providers. For this reason, many people welcome Microsoft's interest in this new market. For the same reason many people are dismayed. But so far neither applause nor panic is justified, because the real vision for transformation, if there is one, was not laid out before us, not at OSS World anyway.

Most vendors are heavily targeting the Tier 1 carriers to help sustain them through the coming months. However, with significantly reduced budgets in those carriers, it will be a tough fight in this buyers' market to squeeze that money out of them – we expect that most carriers will send vendor products "into the lab" before handing over any money. Even if a vendor is successful, it could easily cost them their margin to win the business.

In the search for new customers, several OSS vendors are openly or discreetly starting to sell into the enterprise space. Large international corporations operate internal telecommunications infrastructures that have more customers than the typical competitive local carrier, so this is a natural target market for the industry. While this is probably a good move, not everyone will succeed in relating to the real business needs of the people who run enterprise networks – and who have managed budgets carefully for years. No easy money here, but certainly opportunities for those who listen, understand, and deliver.

Vendor give-aways were much less resplendent than previous years. Consider the Harley Electra-Glide in 2000 versus this year's Microsoft Xbox. Not to take anything away from Microsoft – the Xbox gives hours of enjoyment for the whole family – but the Harley, now that was the heyday.

Paid visitor attendance this year was actually up over 2001 - so the vendor booth teams didn't have to talk just to each other, and they didn't have to ship all the hand-outs home. In fact, the show was encouragingly busy given the state of the telecommunications market and the industry in general.

However we observed that many service provider executives were sticking to the seminars, rather than risk being sold to on the floor. Is this a good sign? For now, probably yes. They are looking for ways to capitalize on existing or new technology to help drive costs from their business, and are prepared to think seriously before committing. They will be making more rational buying decisions based on sound business cases – a clear message to the vendors that they need to understand their specific value to a service provider and to be able to communicate it effectively.

We had a full house at the LTC tutorial, with a more mixed group than in previous years: Venture Capitalists determined to make sense out of the OSS market so they

can make more informed investment decisions; Service Providers trying to figure out how to tell the good from the bad as they are bombarded with sales calls from OSS vendors and systems integrators; and OSS vendors, with many of their senior executives trying to understand what their sales teams are up against and what to do about it. The good sign is an increasingly sober and measured attitude to business decision-making – too bad for vendors looking for easy money, but an opportunity for those offering products of real value with competent support.

At OSS World 2002, there was something for everyone: pessimists could continue to be gloomy; optimists could readily see the signs of recovery. At LTC, we tend to look on the bright side: the new sense of practical realism amongst decision makers in service providers will lead to a saner market for OSS products and integration services. Ultimately this will benefit the vendors of sound, cost-effective products with excellent support. Good.

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