

Growing Pains in a Maturing Market
Some thoughts from Billing World 2002.

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Attendance at TeleStrategies Billing World was down this year. Service providers and investors have taken some hard knocks over the last two years. So those who are still around and committed to keeping going are in general a whole lot more streetwise and skeptical than they were a couple of years ago. Some of the systems vendors understand this and are changing their pitch accordingly. But others seem still not to get it.

Attendance at TeleStrategies Billing World (Baltimore June 17th to 20th) was down again this year. This was not unexpected, given the weeding out that has taken place in the last twelve months, among service providers and application vendors alike.

Around 1500 visitors registered to attend. With over 100 companies to visit, there were often more exhibitors than visitors on the stands. Around half of the attendees had also registered for the seminar sessions, which is a satisfyingly high ratio for the organizers and presenters. In fact many attendees told me that they would spend much more time in seminars than on the exhibition floor. This confirms a trend at telecom conferences these days: many visitors are more interested in learning than in being sold to, and what's more, they now understand the difference.

Service providers and investors have taken some hard knocks over the last two years. So those who are still around and committed to keeping going are in general a whole lot more streetwise and skeptical than they were a couple of years ago. They are asking more searching questions, looking for the inconsistencies, and withholding enthusiasm – and money – until they are quite certain that the vendor's story makes business sense.

One member of the investment community said to me: "I've talked to some two dozen vendors on the show floor. The more I hear about their products, their futures, and their customers, the more confused I get. They can't all be right – but how do I tell the truth from the fiction?" He was not the only one to find they were being told stories at one booth that were being contradicted elsewhere on the floor.

Everyone who attends a trade show expects vendors to exaggerate the qualities of their own products, and to downplay the virtues of competitors. It would be naïve to expect them not to. But now, many visitors feel that the brochure gap has become a chasm, and that rubbishing the opposition has reached a level that would impress even politicians.

Let's not forget that competitive telecommunications is a relatively young industry, and so is the competitive OSS/BSS industry that serves it. In the early days, we expected a certain amount of confusion, as inexperienced vendors sold

underdeveloped products to innocent buyers, driven to make quick decisions to achieve the rapid “time to market” demanded by investors keen to make quick bucks.

However, it is clear that the service providers and investors who are left in the business have grown up rapidly. Some of the systems vendors understand this and are changing their pitch accordingly. But others seem still not to get it; seem not to understand that to be useful they must deliver value, solve real problems, and fit into existing OSS infrastructures. They continue to offer features they don’t have; to emphasize technical capabilities, not business benefits; and to understate the real practical challenges of implementation. If you’re one of the exhibitors in this group, be aware that some of those probing questions are coming from informed customers deliberately testing your capabilities, and your ethics.

While some vendors are living in the past, others are seriously concerned about how they can provide the sort of products that this smarter generation of service providers will buy.

They are keenly aware that the industry has matured. Inexperienced people have learned the hard way and are now experts, with a healthy critical faculty. Service providers, who previously relied on third-party suppliers for cutting edge talent and software, have been able to take advantage of the soft market to hire very capable people into their operations and IT departments. More large service providers are telling us that their in-house capability has reached the level where they believe that they can build and manage much of their systems functionality themselves – for less than it would cost to buy, integrate and maintain off-the-shelf applications. And perhaps most importantly, by building it themselves they can focus on what is important to their business, their services, their strategy. They don’t have to create a software package that appeals to a wide commercial market.

If these cost-of-ownership cases are anywhere near accurate, there is a clear message for OSS/BSS application vendors. Those who will not hear this message will not survive. The message, broadly, is this:

- Vendors must deliver much better performance at a much lower cost. Service providers need cheaper products that are much more in line with their revenues and customer base.
- Understand that license fees are only a small part of the story. Vendors must deliver applications that are much less expensive to configure integrate, and maintain.
- This means that vendors can no longer survive with a handful of customers, even big ones. To keep costs down, vendors must have a sensible number of customers to spread the costs.
- Understand your customers now understand this business, probably better than you do. Serious vendors will provide products and services that will fit into service provider business plans, and deliver real business benefits.

- If you don't make your service provider customers successful in their market place, you won't be successful in yours.

How about the question of sorting out reality from fiction? Service provider buyers must be clear about their real business challenges, obstacles to profitability and their longer term needs to create a score card for testing the utility of what is covered in the brochure against real practical requirements. Testing the brochure-ware against what actually works? That's even harder. It takes some real digging and the cooperation of a vendor who is actually trying to help, not just trying to sell. Investors, equally, must learn to assess vendor capability and market prospects against real service provider needs, not wishful thinking.

In five years time, service providers, investors and others (including me) will go to Billing World as usual. But we will meet a much smaller number of application vendors, most of whom will be able to talk our language. And that is something I will look forward to as an indicator of a mature and successful industry.

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