

Mediation systems: CSP spending will continue because they are vital for digital transformation

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Communications service provider (CSP) spending on telecoms mediation systems is expected to continue to grow over the next 5 years, although at a slightly slower pace than Analysys Mason's previous forecasts. That is not to suggest that the telco mediation market is in any way slacking, but the slowing pace of growth is primarily due to large CSP transformation deals that undervalue mediation systems by including them as part of large stacks.

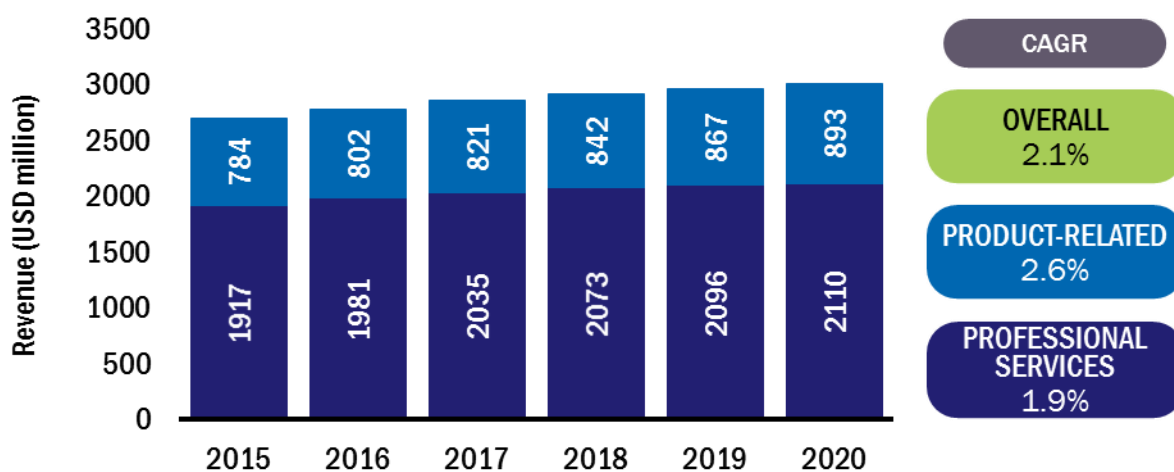
Mediation systems are important to CSPs

Telecoms mediation systems have been a critical part of the CSP operations landscape for decades. Mediation systems sit at the boundary between the network and the business support systems, and regulate the type and format of records going into CSPs' sub-systems. Mediation systems provide a mechanism for collecting, filtering, aggregating and transforming network usage data into records that can be processed by other systems. CSPs have historically relied on mediation systems to improve billing accuracy and granularity, and support new services, mainly to offer competitive services and deliver revenue collection improvements but also to ensure regulatory compliance.

Over the past decade, the nature of mediation systems had undergone considerable change. The ability to extract, manipulate and load data in real time was originally needed to support prepaid real-time charging applications. However, the advent of new services created with the use of policy-based charging techniques and the requirement for better control for CSPs and subscribers have driven the need to provide the same real-time mediation infrastructure for postpaid services. The use of mediation systems for 'non-charging' applications is increasing as well. As CSPs launch new data services based on real-time charging, the traffic load on mediation systems increases, which creates greater potential for analytics-based applications. Such applications can add value to CSP operations by providing real-time insight into customer usage patterns and enabling them to offer personalised services.

From a CSP standpoint, the importance of the mediation system has only strengthened over the past decade. The leading vendors of mediation systems that also offer a wider BSS stack, such as CSG, Ericsson and Huawei, have continued to grow, while the mediation specialist vendors without entire BSS stacks, such as Comptel and Digital Route, have exhibited rapid growth as well. CSP spending on mediation systems worldwide will grow modestly from 2015 to 2020 at a CAGR of 2.1%. A key reason for the modest growth is that large deals that involve network equipment and BSS stacks often tend to undervalue mediation systems by offering it for a fraction of the cost.

Figure 1: CSP spending on mediation systems worldwide, by service type, 2015–2020



Key drivers for CSP spending on mediation systems

- Increased data traffic.** The overall volume of traffic on CSP infrastructure has increased dramatically in the past decade. Smartphone penetration, the roll-out of mobile broadband, fibre and Wi-Fi all contribute to driving up data usage and boost the requirement for mediation systems. M2M services are yet to have a significant impact on the volume of data, but will begin to do so in the future. The dramatic increase in the traffic load has had a multiplier effect on the underlying systems and their ability to deliver consistent quality of service. Mediation systems are where the business rules are configured and typically handle much more traffic than charging platforms. CSPs are therefore investing in new mediation systems that are flexible in configuration and can be quickly scaled to manage increased traffic.
- Monetising data services.** The share of data services of worldwide mobile retail revenue is expected to reach 63% by 2020. This calls for innovative charging mechanisms such as on-demand charging, shared bundles, speed boosters, real-time customer notifications etc. Supporting these capabilities requires real-time charging systems that need online mediation systems to ensure timely processing of the data records.
- LTE deployment.** The number of LTE connections is expected to increase from around 498 million at the end of 2014 to around 2.5 billion by the end of 2019. Voice over LTE (VoLTE), the next-generation voice service delivered over the LTE infrastructure, is gaining traction as well. As CSPs spend significantly on network infrastructure, effective monetisation of the usage will be crucial to ensure optimised use of network resources. LTE roll-out will trigger considerable investments in online mediation and charging platforms, especially around data charging use cases.
- Consolidation of legacy platforms.** Many CSPs have a number of disparate mediation systems to support specific use cases. Maintaining complex legacy platforms is expensive and inhibits CSPs' capability to launch new products and services. As telco traffic shifts to predominantly IP, investments in convergent mediation systems will increase to support streamlined support systems. Mergers and acquisitions by CSPs can also be listed here as a related factor that can affect investments in mediation systems.
- Deployment of convergent charging systems.** Convergent billing and charging platforms enable CSPs to support both prepaid and postpaid users from a single instance. By breaking down the separate silos between prepaid and postpaid systems, convergent platforms reduce support cost and time to market for new products and promotions. They are also more flexible and can be scaled cost effectively. Most Tier 1

and 2 CSPs have deployed some form of convergent billing, but many smaller CSPs are still using legacy billing platforms. As the cost and complexity of maintaining the legacy billing system increases, many of these CSPs will make the switch towards convergent platforms, which will drive spending on convergent mediation systems as well.

Mediation systems will be a critical part of CSPs' aspirations to become digital service providers and therefore CSP spending on these systems will continue to exhibit steady growth. Large-scale BSS and OSS transformations may continue to undermine the value of mediation systems, but an increasing number of CSP engagements will focus primarily on enhancing the real-time data monetisation capabilities of existing support systems, which will drive interest and investments in the mediation segment.