

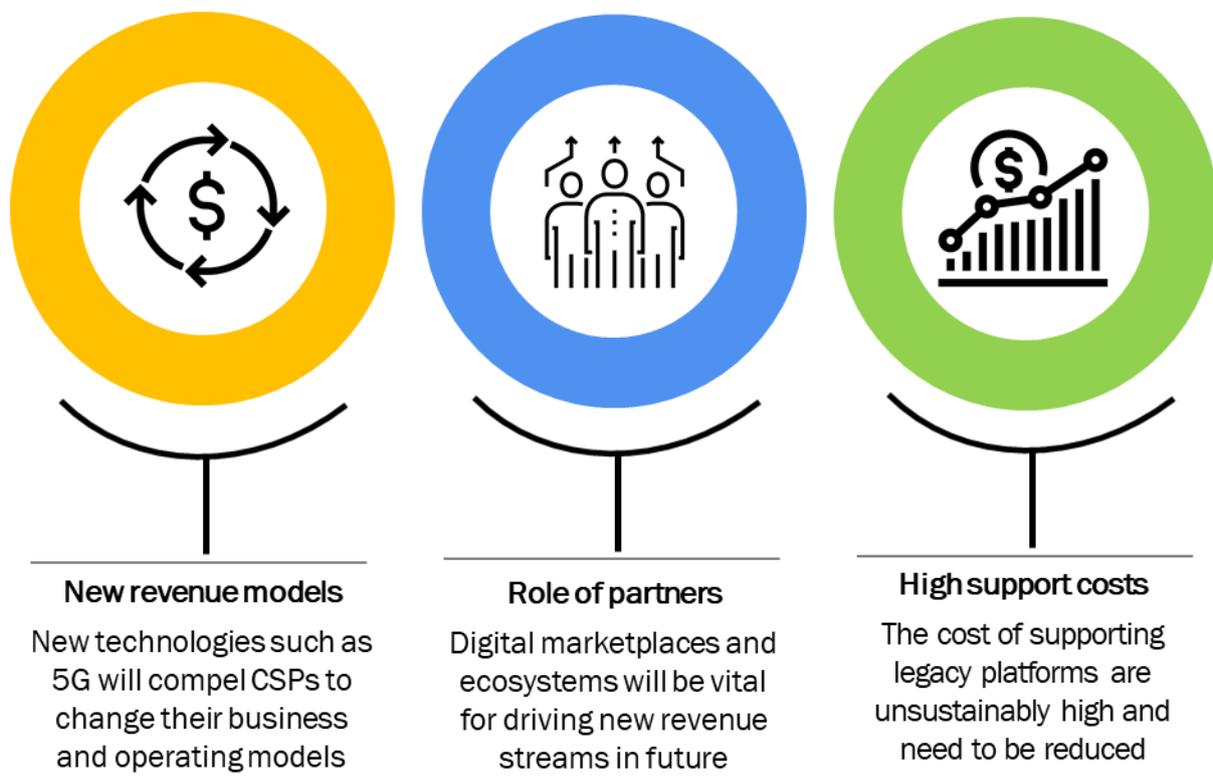
# SaaS delivery models will transform communications service providers' monetisation platforms

November 2020

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Communications service providers (CSPs) are facing many operational challenges: customer behaviour is changing, competition from digital-native service providers is increasing and network infrastructure requires urgent and significant investment. CSPs are also on the cusp of having to radically change their business and revenue models to respond to the effects of the digital economy and to 5G deployments. Most CSPs find their existing monetisation platforms fall short of meeting these challenges. CSPs are therefore examining alternative models of software infrastructure development, deployment and management.

Figure 1: Key drivers of change to incumbent monetisation systems



Source: Analysys Mason

## CSPs are increasingly turning to a SaaS business model to support flexible configurations for new use cases at low cost

To respond to the new challenges presented by the digital economy and by 5G deployments, CSPs need to establish an agile, flexible and cost-effective foundation for their monetisation systems in future. This is vital for mission-critical, customer-facing functions. Many CSPs continue to run monetisation systems on legacy platforms that are expensive to maintain and manage. The evolution of business and operating models, as well as emerging use cases, is forcing CSPs to accelerate the transformation of their monetisation systems. In this regard, CSPs want to ensure that their investments are future-proof, that the architecture is simplified and that systems operate at a reduced cost. A growing number of CSPs are evaluating and deploying applications delivered in a software-as-a-service (SaaS) model, which is increasingly viewed as the delivery model of the future and has been widely adopted in other industries such as retail and enterprise.

## Legacy frameworks inhibit improvements to CSPs' monetisation systems

Spending on monetisation systems software typically accounts for around 1% of CSP revenue worldwide and over 25% of CSP spending on telecoms software and services. This segment has seen many investment waves over the past decades, driven primarily by CSPs' aim to monetise their services effectively to offset slowing growth in the number of subscribers in many developed markets. However, these investments have mostly supported new products or offerings and have seldom followed any long-term strategy to homogenise the architecture. This lack of a long-term strategy has created what is often the biggest impediment to most CSPs' transformation plans today – a complex array of incumbent systems. These systems are expensive to maintain because they are highly customised with proprietary software and hardware. They are also prone to failures due to multi-vendor environments, and in some cases, the systems in use are no longer actively supported by the vendor in question, which adds to the cost and complexity of maintaining these systems.

## CSPs need agile systems that anticipate future needs

CSPs have traditionally adopted a use-case-centred approach to upgrading their incumbent monetisation systems or deploying new ones. CSPs continually adapt existing systems to new use cases that were rarely anticipated in the original system. This approach is notoriously slow and expensive.

CSPs now want to adopt a more-agile approach by identifying new systems to deliver new services. CSPs can select systems that already provide the support that they need and, more importantly, the type of support that they are likely to need for new services that they may offer in the future. In agile business models, the amount of change required in underlying support systems is limited, whereas highly customised systems for existing services inhibit agile responses to new service opportunities. CSPs are selecting new systems that do not just support a single use case but are flexible and configurable to support future use cases.

## SaaS delivery models signal a new era for monetisation systems

CSPs usually find that the systems that have the agility that they need are the same systems that are offered in a SaaS model. The SaaS model places the burden of keeping pace with the technology onto the vendor and leaves the CSPs to focus on applying the monetisation solution to the business problem.

SaaS is a product-centred approach to creating, deploying and managing software. Analysys Mason defines SaaS as an online delivery model for software applications in which a software application vendor makes the application's functionality available across a network. The SaaS provider is responsible for managing the application and the underlying public cloud platform and infrastructure that host the application. SaaS places the product at the centre of the offering, and all other dependencies, such as infrastructure, delivery mechanism and middleware, are built around it. The SaaS model fosters a 'start small and grow' approach and does not allow for any high degree of customisation. Its benefits lie in keeping the product as standardised as possible, which allows for continuous and automatic updates and upgrades. The functional capability of a SaaS offering is enhanced and expanded over time, and CSPs have no risk of upgrade incompatibility or unplanned downtimes.

SaaS upends traditional software design and deployment approaches in three unique ways.

- **A new delivery model.** The SaaS provider is responsible for the IT infrastructure and the monetisation software. This reduces CSPs' need for IT-specific skills and spending.
- **A new commercial model.** Rather than pay up-front for software licences, CSPs pay a fee at regular intervals, sometimes based on the number of supported subscribers or other indicators of usage.
- **A new operating model.** The SaaS model focuses CSPs' efforts on operational workflows and puts the operational responsibility for the IT systems and software on the SaaS provider.

The SaaS model is not a managed service (a model that has been used in telecoms for some time). Managed services are typically outsourced operations that are managed and customised specifically for the CSP by a third party. Instead, in a SaaS offering, the solution is hosted on a public cloud and the CSP has access only to the application layers. A single provider is responsible for the application and the underlying enablement systems, including the middleware and infrastructure layers.

CSPs should consider SaaS-based monetisation platforms because of the many benefits that these platforms offer, such as lower costs, a faster time to market and a simplified operations framework. The widespread adoption of SaaS-based solutions in other industry verticals makes this a viable model (even for mission-critical applications) and puts CSPs in a strong position to address emerging opportunities of the digital economy.<sup>1</sup>

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<sup>1</sup> For more information, see Analysys Mason's [SaaS delivery models will transform CSPs' monetisation platforms](#).