

CSP investment in monetisation platforms: a steady pursuit of DSP capabilities will drive spending

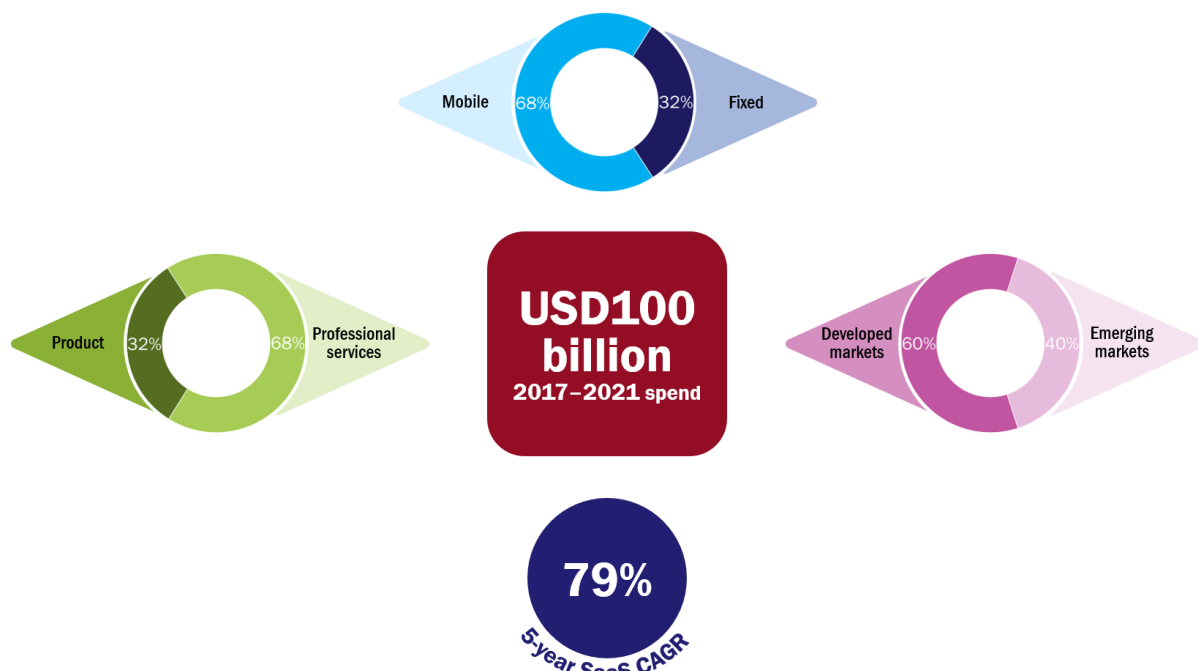
January 2018

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Communications service providers (CSPs) need to transform into digital service providers (DSPs) to stay competitive in an evolving market. A DSP needs to fulfil two roles: firstly as a provider of digital economy services, and secondly as a provider of traditional services in a digital manner. To ensure effective monetisation of both current and new services as a DSP, CSPs need to upgrade their traditional revenue management systems. Monetisation platforms of the future will support CSPs' transformation into DSPs by providing a framework for supporting new delivery models, dynamic value chains and advanced partner management capabilities through a cloud-based, large-footprint, solution-centred approach.

For CSPs, the big challenge is in crossing the chasm from the current disparate legacy system infrastructure to a next-generation agile, scalable, cloud-based platform. This is driving CSP spending on monetisation platforms, which today accounts for the largest share of all spending on software support systems, and is cumulatively expected to reach USD100 billion over the 5-year period from 2017 to 2021.

Figure 1: Overview of the forecasted cumulative spend on CSP monetisation platforms between 2017 and 2021



Source: Analysys Mason, 2018

Key factors that influence CSP spending in the monetisation platforms segment

As a CSP moves along the path towards becoming a DSP, it needs to improve its capability to support an increasing number of digital economy services for both consumers and enterprise, while at the same time bringing down the cost and complexity associated with launching and maintaining these new services. The primary influencers of CSP spending on monetisation platforms include the following.

- **Digital transformation** continues to be the biggest driver for CSP spending on monetisation platforms. As was reported last year, CSPs in emerging markets continue to prefer large end-to-end transformation projects, while CSPs in developed markets prefer the adjunct systems approach. Complex legacy infrastructure that is considered too expensive to replace, and the lack of compelling business cases are the key inhibitors for digital transformation programs. Additionally, as the size and scope of the broader digital transformation program increase, CSP board-level approval is often required, which is further slowing down progress.
- **Cloud-native architecture models** are growing in prominence within CSPs as they increasingly make use of the cloud to run their internal operations, to serve customers and to host network functionality. Some of the leading CSPs have already mandated that their vendors adopt the cloud-native principles of software development. The adoption of cloud-native architecture models is widely expected to be the next major driver for investments in monetisation platforms. However, significant challenges remain, which will slow down any widespread adoption of cloud-native architecture for CSP monetisation use cases in the short-to-medium term. For instance, most of the discussion and drive around cloud-native architecture today is led by applications in non-telecoms verticals such as entertainment and retail, which do not consider telecoms-specific issues such as siloed teams and cultures, multi-vendor environments or carrier-grade orchestration capabilities. While the discussion around cloud-native architecture will continue to influence CSPs' ongoing investment strategy in monetisation platforms, the uptake of such architecture by the big CSP players will be delayed until operators are better prepared to digest these models.
- For large-scale transformations, there is growing demand for the **single-vendor approach**, wherein the same vendor is responsible for deploying the solution and providing the related services. This is highly beneficial for CSPs, because there are fewer integration challenges (since all components are from the same vendor), which saves time and mitigates risk. There is also usually an easier upgrade path for the solution as it will not require extensive verification checks from multiple solution providers. Finally, dealing with a single vendor is far easier than managing a multi-vendor environment, which lacks a single point of responsibility. This approach also offers CSPs greater flexibility to move to a new open architecture framework in the future.
- Thanks to the rising popularity of **XaaS-based deployment models**, mainly driven by implementations in enterprise and retail, CSPs are closely examining the prospect of deploying their own support functions as a service in the cloud. In theory, the SaaS-based software delivery model offers several benefits: it is cost-effective and based on a sustainable opex model, the architecture is agile and permits easy scalability, and migration challenges will be minimal if not fully eliminated. However, for most CSPs with large legacy billing and charging systems, the cost of migration to a SaaS-based model would be prohibitive. Also, for very large and complex operations, the cost efficiency of a public cloud-based infrastructure will be lower. While SaaS spending on these systems is expected to grow rapidly over a 5-year period, it is from a small base and is mostly for niche use cases or for supporting small operations. It must, however, be noted that once cloud-native architecture is widely adopted, it could become an enabler for SaaS-based models, even for real-time use cases.

Overall, CSPs' focus on becoming DSPs will continue to be the biggest driver for spending on monetisation platforms. Every CSPs' path to becoming a DSP is unique and vendors with offerings which can effectively adapt to specific CSP requirements are best-placed to increase their share of the digital transformation opportunity.