RESEARCH STRATEGY REPORT

CSP DIGITAL TRANSFORMATION: PREPARING FOR THE MONETISATION PLATFORM OF THE FUTURE

JOHN ABRAHAM

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About this report

As digital transformation becomes increasingly important, communications service providers (CSPs) are carefully considering the key requirements for next-generation revenue management systems. The monetisation platform of the future will support CSPs' transformation into digital service providers (DSP) by providing a framework for supporting new delivery models, dynamic value chains and advanced partner management capabilities through a cloud-based, large-footprint, solution-centered approach.

This report examines the key traits and strategies for next-generation monetisation platforms. It also discusses the technological and business changes that are driving the shift towards these platforms.

The report also provides recommendations for vendors and communications service providers (CSPs) regarding their future monetisation platform.

It is based on several sources:

- multiple interviews with CSPs, as well as most leading vendors of revenue management solutions
- Analysys Mason's internal research on revenue management forecast and market share.

KEY QUESTIONS ANSWERED IN THIS REPORT

- What are the key traits of the monetisation platform of the future?
- Which external factors are driving the shift towards the monetisation platform of the future?
- What are the key implications for CSPs and vendors in preparing for the monetisation platform of the future?

WHO SHOULD READ THIS REPORT

- Vendors of revenue management solutions
- CSP teams responsible for overseeing BSS systems transformations.

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Executive summary

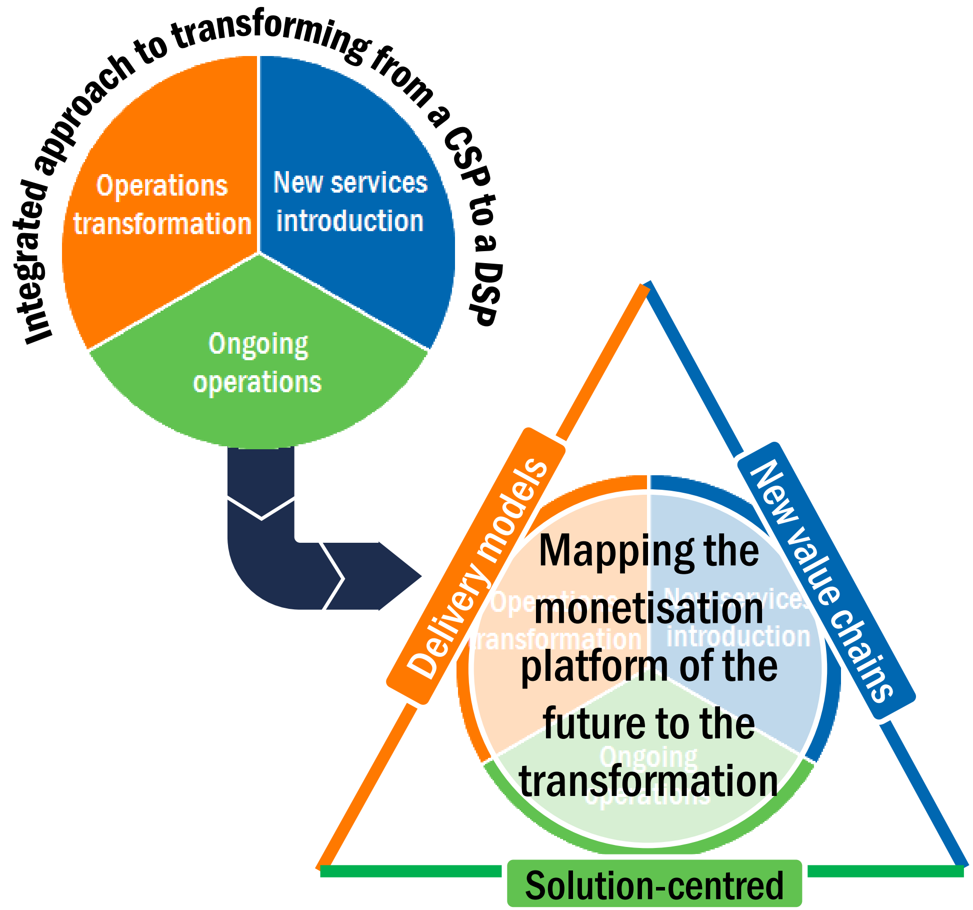
In future, monetisation platforms will support CSPs as they transform into digital service providers (DSPs) by delivering a framework for a cloud-based, integrated, and large-footprint solution that can enable multi-level value chains and unlock new partner capabilities.

Revenue management systems have traditionally accounted for a substantial share of the overall CSP spending on support systems. This segment has seen multiple waves of investment over the decades, driven primarily by CSPs' focus on monetising their services effectively, even as they have registered strong subscriber growth.

As the rate of subscriber growth has dropped over the past decade (especially in developed regions), CSPs have shifted their focus to differentiate their services in the area of customer experience. The growing influence of online digital companies that provide alternate services through slick interfaces has further heightened the need to provide a compelling digital experience. Improving customer engagement has therefore become a priority while CSPs try to optimise spending on revenue management systems.

As digital transformation becomes increasingly important, CSPs are carefully considering the key requirements for next-generation revenue management systems. The monetisation platform of the future will support CSPs' transformation to 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.

Figure 1: How monetisation platforms of the future enable an integrated approach to transforming from a CSP to a DSP



Source: Analysys Mason

Investment in monetisation platforms can help CSPs to increase revenue opportunities, cut costs and focus on expanding partnerships

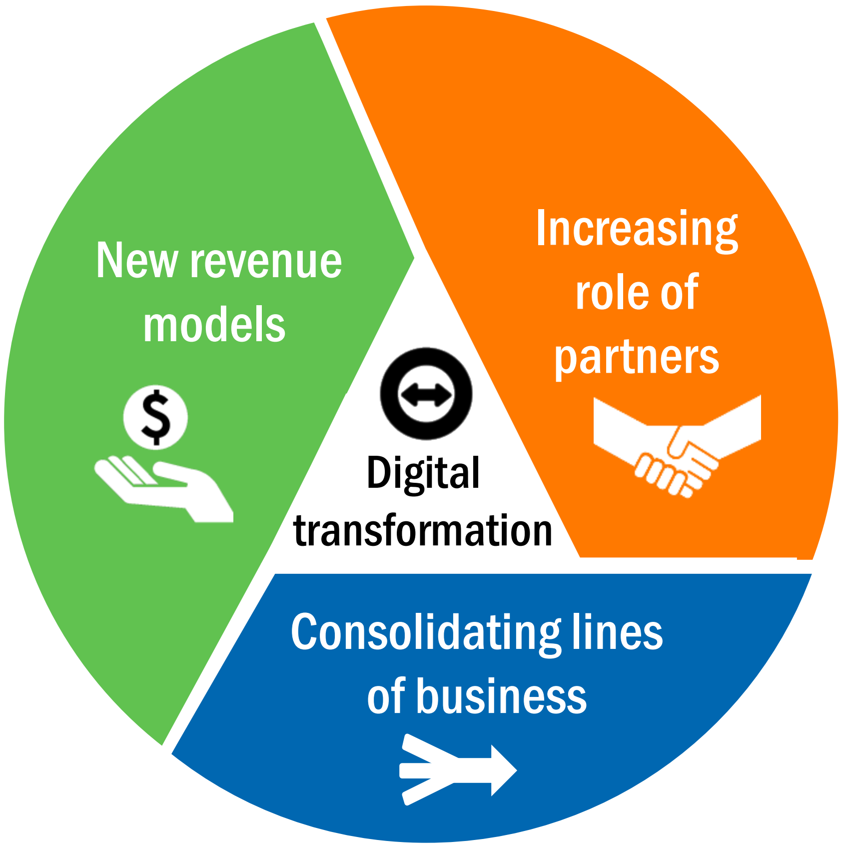
CSPs are considering other models of software infrastructure deployment due to declining margins, increasing competition and the high cost of deploying and supporting billing platforms.

CSPs are facing operational challenges on multiple fronts including competition from OTT-based service providers is increasing, which has resulted in a substantial decline in revenue from core voice and messaging services. This development coincides with the need for significant infrastructure investment in order to provide consumers with faster access to data. While data is the primary revenue driver, CSPs are losing ground to OTT providers in terms of effectively engaging with customers; most customers simply use the CSP as a data pipe for accessing their favourite OTT services.

Customer expectations and demands are changing, which has placed considerable strain on CSP support systems. Most CSPs have a mix of legacy and next-generation platforms and need to make substantial investment in improving customer experience and launching new services. The ongoing cost of deploying and supporting these platforms can be sizeable. At present, at least 70% of most CSPs' annual spending on revenue management systems is allocated to support and maintenance contracts.

It is imperative that CSPs consider alternative models of revenue management infrastructure deployment, and examine emerging business models and use cases, to ensure ongoing system investments are sufficiently future-proof.

Figure 2: Key revenue management factors driving transformation to a DSP



Source: Analysys Mason

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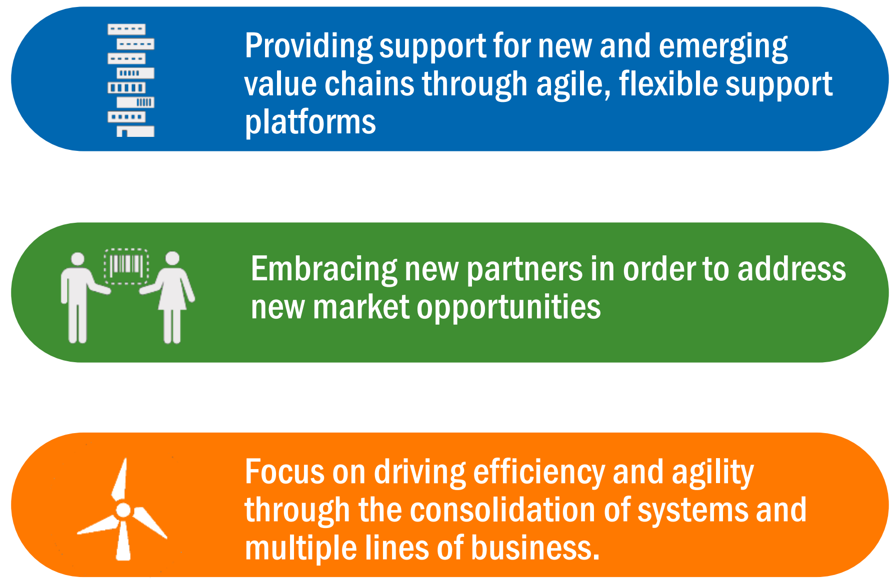
DSP monetisation platforms must be cost-effective, agile and support dynamic value chains

In terms of revenue management, there are three key considerations when designing monetisation platform of the future.

- **Online delivery models.** To date, a significant number of the revenue management deployments within CSPs are on-premise. In order to support a fully digitised operations model, CSPs need to embrace an online delivery model for the associated revenue management system. Almost all vendor solutions today offer support for virtualised deployments, but CSPs need to plan for a fully automated, micro-services-led, cloud-native deployment model.
- **Support for emerging, dynamic value chains.** CSPs' traditional mode of conducting business has now been disrupted, thanks to the evolving requirements for supporting the digital economy, and CSPs now have a strong focus on developing new revenue streams to make up for declining growth in their core segments. Monetisation platforms of the future should have native capability to support new value chain models, which can support a new breed of partner-led services.
- **Large-footprint systems with specialised services.** CSPs are increasingly focusing on a solution-centred approach for digital transformations, which involves pre-integrated, large-footprint solutions. Vendors are also increasingly finding favour over systems integrators for the related professional services.

Figure 3: Key attributes of the monetisation platform of the future



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Key implications

1

CSPs should adopt online delivery models and plan to shift away from on-premise solutions for revenue management systems; this strategy has the potential to drive significant savings in both cost and agility.

A large percentage of revenue management deployments continue to be on-premise, but these solutions are too cumbersome and slow to support digital economy needs. Most CSPs are expected to adopt a mix of managed services and cloud-native approaches when transforming their support systems, with some of the larger Tier 1 CSPs expected to take the lead in extensive cloud-native deployments in the medium term.

2

CSPs should address emerging revenue opportunities by providing support for new multi-step value chains involving different settlement models to reach new customers in new markets.

In order for CSPs to capitalise on emerging revenue opportunities, they must secure new partnerships, and implement multi-step value chains and dynamic settlement models. CSPs should have the support systems necessary to leverage their infrastructure and connectivity to bring on board new partners and become a platform for enabling new types of partner-led services.

3

CSPs increasingly favour large-footprint deployment with related services, and vendors should respond by focusing on developing a strong services story around their products, either through partnership or acquisition.

Product vendors are increasingly finding favour within CSPs for providing the professional services around any new revenue management deployments or transformation, driven mainly by CSP concerns around cost and timeliness. Vendors should invest in developing their support service credentials and be prepared to work within a multi-vendor environment.

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About the author

John Abraham (Senior Analyst) is part of the BSS practice in Analysys Mason's Telecoms Software and Networks Research team. He leads our *Revenue Management* programme and our initiative that covers the telco-related professional services segment. John is also leading the research on digital experience for monetisation platforms, as part of the *Digital Experience* programme. John has been part of the telecoms industry since 2006, and joined Analysys Mason in early 2012. He has worked on a range of telco projects in Africa, Europe, India and the Middle East. Before joining Analysys Mason, he worked for Subex, a provider of BSS offerings. John holds a bachelor's degree in computer science from Anna University (India) and an MBA from Bradford University School of Management (UK).

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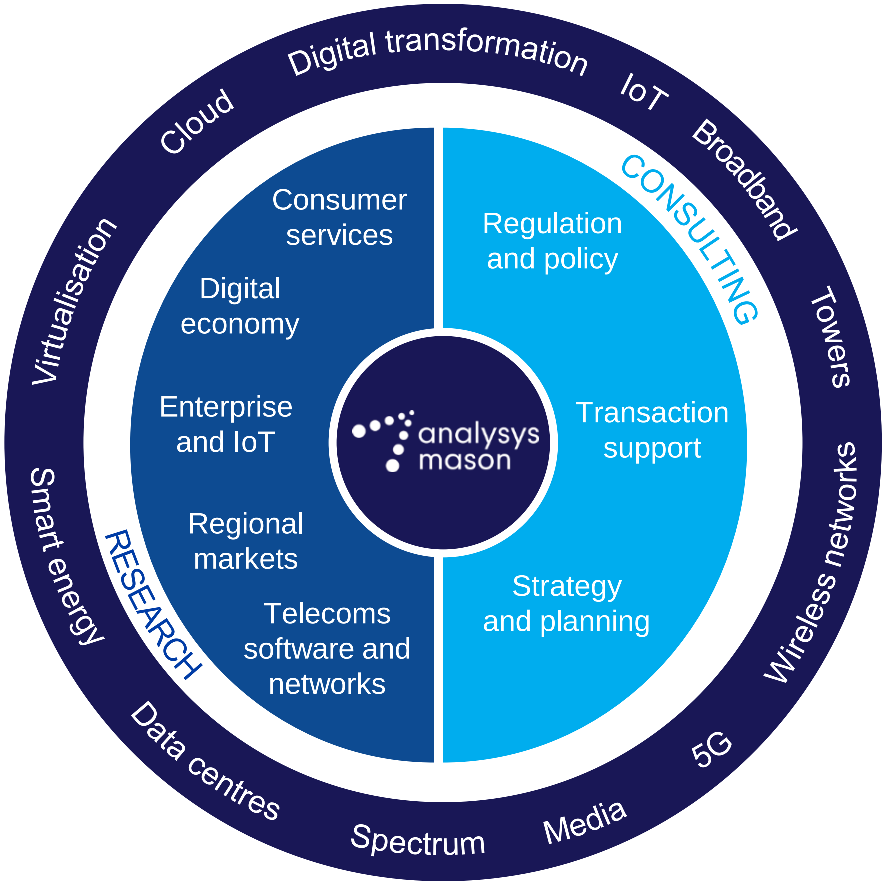

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PUBLISHED BY **ANALYSYS MASON LIMITED** IN **APRIL 2017**

Bush House • North West Wing • Aldwych • London • WC2B 4PJ • UK

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