COULD NETCRACKER'S DEAL WITH RAKUTEN BE A SIGN OF NEW GROWTH IN TELECOMS?

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FROM AN E-TAILER TO A TELCO

Japan's biggest e-commerce company, Rakuten, is slowly plowing its way through the telecoms ecosystem. Commercial partnerships with established vendors—notably, Nokia and Netcracker—are already aiding the strategic advancement with which Rakuten is trying to drive new growth. Rakuten's endeavor constitutes "new" growth on two fronts: one, it falls outside of the company's traditional e-commerce offering; and two, Rakuten's telecom bid to attract users away from major carriers in Japan (NTT Docomo, SoftBank, and KDDI) is propelled by innovative concepts that stem from the enterprise domain. Rakuten's approach is centered around the notion of membership, a relatively novel concept for a telco world largely spinning around the notion of a "customer."

The concept of membership paves the way for the offering of loyalty-based rewards and engagements that go beyond traditional services. A case in point is anchoring member lifecycle management around a unified digital identity. An all-encompassing digital identity can potentially be the foundation for telcos to simplify access and service provisioning with a new digital engagement and monetization model. Rakuten, of course, has a large digital ecosystem and is not encumbered by legacy technology deployments. Rakuten's foray into telecoms raises two questions of significance for the industry: one, are Mobile Service Providers (MSPs) ready to embrace an agile-oriented, DevOps-centric method of operation? And two, does the entry of an e-commerce company into telecoms constitute a market shift from the current, telco-specific competitive landscape (intramodal competition) to one where the likes of Amdocs, Ericsson, Netcracker and Nokia will compete with non-traditional telecom entities (intermodal competition)?

NETCRACKER'S BLUEPRINT FOR WHOLE STACK TRANSFORMATIONS

There are three imperatives to a new cycle of technological innovation and subsequent commercial uptake: drive growth with a better execution of current use cases, institute a new business model, and create entirely new use cases for new growth. On the Business Support Systems (BSS) front, Netcracker is shifting its solutions toward a fully cloud-native environment, a large growth category according to the vendor, which has announced a number of full-stack projects, notably with Telenet, Telefonica, Vodafone, Grupo GTD, and of course, Rakuten. On the Operations Support Systems (OSS) front, Netcracker is evolving its offering into a new operations environment. Specifically, Netcracker's solutions mark a change from the isolated stacks of the past to a virtualized, wholly integrated architecture that arguably represents the future of the cloud ecosystem. A notable aspect of Netcracker's engagement with its customers in general, and Rakuten in this case, is its delivery model. Netcracker is driving whole stack transformation through what the vendor has called a "blueprint" methodology. This is a model based on understanding and tracking transformation progress by incorporating analysis in terms of how operations are running, utilizing real-time insights from live platforms and business processes.

Netcracker Business Cloud is an example of the shift from the traditional industry commercial engagements to new business models. Netcracker Business Cloud is a full stack Network Functions Virtualization (NFV) solution owned and run by Netcracker in its private cloud, a model that enables commercial engagements that favor access as opposed to ownership. The concept mirrors hyperscale cloud economics. In theory this model renders operational costs easier to control, providing MSPs a better grip on the business case. This works well for Rakuten, which is not encumbered by "legacy operations", but successful adoption for traditional MSPs will almost certainly need to be supported by relevant human capital. Equally important is a harmonious coexistence with existing technology layers such OSS and Business Support Systems (OSS/BSS), networks, and any infrastructure in between. Rakuten's embrace of Netcracker's Cloud BSS may well pave the way to new growth, but what is even more important for Rakuten specifically, and the market in general, is how to effectively leverage that technology.

Netcracker's effort to integrate multiple distinct solutions into a single stack promotes a lean cost structure and, as is the case with Rakuten as well, its top-down approach to digital transformation may serve as a bellwether for similar partnerships that tackle the challenge of how to create new growth. Though there is little doubt that future growth lies in Business-to-Business (B2B) commercial undertakings, it remains to be seen whether MSPs have the appetite to rigorously pursue new use cases. Furthermore, placing specialized telco operations on a commodity full-stack implementation may pose challenges. For example, true resource isolation while realizing multitenancy in Software as a Service (SaaS) environments for better economics is an area that warrants further consideration from vendors and the industry at large.

SIGNIFICANCE FOR THE INDUSTRY

Netcracker's work with Rakuten highlights a significant point; namely, that the future of the industry must be based on winning new users, not simply leveraging "old" ones. Winning new users by default means non-telcos customers, which in turn may lead to a plethora of services that will be attached with different Key Performance Indicators (KPIs) and Service Level Agreements (SLAs). Equally important is the delivery model, in which outcome-based contracts are no longer optional. Large enterprises, and increasingly telcos, are demanding results that require vendors to take and own the risk associated with novel commercial projects, as in Rakuten's case. On one hand, the level of risk can reach an extent at which vendors cannot afford to say yes to engagements that go beyond their expertise. On the other, they must be prudent to seize the opportunity at stake because nothing starts big from the onset.

Netcracker's deal with Rakuten may well be the first of many in terms of enterprise players entering the telecoms space, but it makes for a competitive landscape in terms of products and competing stakeholders. In the short term, there may not be any new vendors emerging in the market. But in the long term, there is a good chance that the enterprise players will make a spirited effort to enter the telecoms domain.

The model Rakuten is pursuing upends the traditional engagements that vendors have with "traditional" telcos, including advanced operators like AT&T and Telefonica. Rakuten's model redefines the historical modus operandi for digital engagement and digitization from a supplier perspective. For example, a points-based payment system for multiple transactions runs counter to what existing billing systems can handle. The challenge is further exacerbated when we consider that points are associated with rewards that can vary from "member" to "member." At a time when telcos are firing on all cylinders to spur new growth, Rakuten's example creates new revenue dynamics that never existed before.