MARKET NOTE

Delivering Partner-Enabled Digital Services: New Business Models Change the Face of BSS for Communications Service Providers

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Delivering Partner-Enabled Digital Services — New Business Models Change the Face of BSS for Communications Service Providers

This document provides a brief look into how competitive market conditions, partner relationships, deployment of next-generation network technology (5G/NFV), and the rise of analytics are changing the way customer value is created and delivered by communications service providers (SPs) globally. New partner-engaged business models are becoming the norm rather than the exception. Meeting customer needs in this environment redefines how the data collection, charging, billing, policy, partner management, customer care, revenue assurance, and fraud management systems — business support systems (BSSs) — must address expectations for both customers and communications SPs alike.

Key Takeaways

- The time-tested voice, text, and data subscription business-to-customer (B2C) business model is fading in favor of more elaborate, partner-enabled, business-to-business-to-consumer (B2B2C) models. As partner contributions increase, so does complexity. With added complexity comes new business functions that most installed systems were never designed to address. Improvements to these systems are possible in some cases, but for functions such as partner ecosystem enablement, customer loyalty/rewards management, and usage optimization, new systems alternatives are becoming the best option.

- In a growing number of industries, many enterprises now engage in business models where widgets are sold as services. The business support systems to address the added customer interactions that come with such redefinitions of business strategy are often lacking. With network connectivity still a critical dependency, communications SPs have an opportunity to be the trusted "neutral third party" for supporting these companies as they continue to evolve to digital businesses.

- Japan-headquartered Rakuten, an IT services company, is adding telecommunications services to its offering catalog. Rakuten Mobile, like other partners in the Rakuten partner ecosystem, identifies with customers as members who in turn earn loyalty rewards while engaging with a partner's offerings. Reward points are redeemed for goods or services provided by any Rakuten partner. An ecosystem enablement platform and advanced partner management systems make this business model work.

Source: IDC, 2019

IN THIS MARKET NOTE

The communications industry is undergoing serious business disruption as customers experience the fruits from adjacent industries that go well beyond a basic network connection. For example, voice and text messaging combined with other "customer-level functions" are now immersed in a social media or digital commerce app. Bundled offers of streaming entertainment services, connected home, and security monitoring services are yet another. Smart devices (IoT) addressing various business challenges in all facets of the industry are still another.

Within each of these examples, partner relationship business models are common. Some go to the next step to include customer retention and experience-building concepts such as loyalty rewards, which are radically different from the time-proven communications subscription models of the past. These new business models are pushing the boundaries of what traditional operators can manage with their existing systems and processes.

IDC'S POINT OF VIEW

Market Demand and Digital Business Transformation

Businesses in every industry are changing the way they work with their customers and interact with suppliers. No longer is it the sale of an automobile but rather the delivery of transportation services mixed with autonomous control, logistics insight, entertainment services, and even loyalty rewards. Medical devices and prosthetics are no longer standalone in purpose or function but are connected on multiple levels for insight delivery to the patient, healthcare provider, insurance company, and even device manufacturer. The home appliances, personal use, entertainment, home management, cities, and transportation industries are also evolving with a customer-first, service-oriented structure delivered by platform-based marketplaces.

Network connectivity, application capability, data generation, and human interaction are becoming an interdependent ecosystem for supplying customer (humans or otherwise) value at multiple points of an interconnected supply chain/usage delivery pathway. At the core are critical systems and platforms that make such a continuous pathway successful. Chief among them are the partner management, self-care, charging/billing, and fraud management functions.

From a customer perspective, a communications service provider's business support systems presently provide limited differentiation in competitive markets, although newly installed cloud-native IT systems now address a growing number of functional and architectural challenges, especially with regard to reliability, scalability, and consistent delivery of the right capability set to the right customers. But not all network operators are ready to embrace the level of business change that is now filtering into every aspect of the communications industry.

Digital Business Evolution Is Making B2B2C Services a Reality

Few events in history have dramatically affected human behavior over the course of history. In modern times, affordable mobile communications and the establishment of the internet are two such events while a third continues to evolve – cloud technology. Cloud-based ecommerce has changed how we live our lives and how we do business. After 20 years of innovation, consumers are so used to shopping online that major brick and mortar retail stores are finding it difficult to compete. The reason

is efficiency, as mature B2C ecommerce shopping experiences enable the purchase of products and subscription services quickly and easily.

Going one step beyond the simple look, order, buy, and ship B2C ecommerce model, many traditional businesses are transforming to anything-as-a-service (XaaS) providers, as they understand the strong customer preference to only pay for outcomes versus owning a product they must maintain. Businesses across all industries are adopting the XaaS monetization model in a push that IDC believes is the next stage in digital business evolution. For example, a few years ago the IT industry successfully transformed from selling servers and software to selling infrastructure as a service (IaaS) and software as a service (SaaS). Now, many other hardware companies are adopting this model.

Airlines purchase "power by the hour" rather than a jet engine. The construction business buys tonnage lifted rather than renting or purchasing building crane equipment. Agricultural cultivation is charged by the GPS acreage coordinates logged by a remote-controlled tractor. Businesses consume an emergency generator electrical service, defined through a complex set of usage and subscription parameters, rather than procure an onsite generator. Medical consults are now done from a patient's smart device rather than a visit at the doctor's office. XaaS offerings provide any organization with a path to new business models, which deliver customers the outcomes they want while giving the business new channels to sell through, new regions to address, and operations with an improved customer focus.

What's different for each of these examples is that an organization creates customer value by delivering what used to be a widget to now a "widget as a service." Doing so requires that business systems have the flexibility to address multiple levels of service availability at potentially different levels of quality and price. However, the XaaS business model is limited to the extent that each company engaged in selling such services only sells to its target market with mostly a single service offering. So what if two or more partners worked together to create greater customer value? What if these partners could collaboratively combine their innovative ingenuity to create new business opportunities that neither one could do alone? What if partners in an ecosystem could offer discounts or loyalty rewards redeemable by other partners in the ecosystem as a means for increasing customer satisfaction? What if the business management, partner orchestration, and revenue accountability functions were independently delivered separate from all other internal processes and systems?

Systems designed to define, deliver, ensure, bill, and monitor connectivity services are not geared for the evolving world of digital services. Such systems were built for a single company to sell, bill, ensure, and manage what communications SPs have traditionally brought to market. These systems cannot address the multiparty service offerings that companies find appealing with their customer base today. Such systems are also rigid by design with minimal flexibility to adapt to change, yet change and flexibility are the key architectural capabilities that new generation services need. Most installed BSSs are not fit for purpose in this next-generation environment.

Rakuten Takes the B2B2C Business Model to the Next Level

Rakuten is a Japanese ecommerce company founded in 1997 as an online marketplace. With its 1.3 billion customers globally, Rakuten has built an ecosystem of 70+ services within the online shopping, travel, marketing, insurance, credit cards, online banking, digital payments, sports and culture, and digital content industries. These services are connected by a common membership and loyalty program defined such that members can earn points on anything they buy and redeem those points for anything else within the ecosystem. Soon to launch in late 2019 is Rakuten Mobile – a mobile connectivity service for customers in Japan initially, expanding globally over time.

Rakuten clearly states that it is an IT services company and not a communications SP, though it brings its lifestyle approach to the communications industry, which involves simplicity, high quality, value, and rewards to its members for participating in its ecosystem. Rakuten also explains that it can be used as a source of digital identity and therefore makes it simple for customers to engage in any of its ecosystem of services via a mobile connection. The company notes that it is not about selling mobile voice, text, and data services but rather selling customer experiences tied to its content ecosystem, its membership-based business model, and its concept of member affiliation.

Beyond Rakuten Mobile's deployment of a virtualized 4G but 5G-ready network infrastructure, the company has engaged with a new generation of BSSs from the global supplier community to address Rakuten's membership points and rewards concept. This idea goes beyond traditional BSS-based rating, charging, policy management, and billing. Customer members of the Rakuten ecosystem can accumulate points for everything they do and use those points for purchases, discounts, and status in the ecosystem to provide them greater eligibility for premium services, discounts, and redemption benefits. These benefits could be bonuses on mobility services or devices, upgraded credit cards, free shipping, and travel insurance, and they could even be used to pay for a mobile bill.

The B2B2C marketplace is commonly accepted in Rakuten's home market of Japan. Nevertheless, the company believes its mobile services option combined with its ecosystem of retail businesses will capture customers globally.

The BSS needed to manage Rakuten's business plans are not traditional, but IDC believes that procuring and using advanced BSS systems is feasible and available from a limited number of suppliers within the global BSS market today. For example, Rakuten has partnered with Netcracker to enable the company's innovative approach to services as the newly minted mobile network operator disrupts the status quo in the Japanese market. Through this strategic collaboration, Netcracker has helped to define and automate personalized journeys for Rakuten customers, which fundamentally changes how the customer onboarding process transpires and how customers become empowered to manage their own experience.

The BSS Challenge: It's About Customer Focus and New Business Enablement

In the Rakuten example, multiple partners work together to deliver not a service but an experience to the end user. In like manner, the customer, through continuous interaction with multiple partners, builds loyalty rewards that can be redeemed for anything within the ecosystem. In this environment, customer churn drops dramatically unless network connectivity services are competitively subpar with other options in a target market, which seems unlikely. A network operator such as Rakuten wins through the transaction processing and revenue accountability of every customer action that traverses its B2B2C platform.

According to Rakuten Mobile's CTO Tareq Amin, the company's approach turns the traditional way of looking at services on its head. Rather than focusing on selling connectivity first with services coming later, Rakuten is addressing the mobile services space with a content-rich, customer-driven vision that fits well with the company's membership-based business model. Netcracker's digital BSS solution provides the necessary capabilities for Rakuten to improve customer engagement while simultaneously driving stickiness across Rakuten's ecosystem.

Is the global communications marketplace ready for such a business model shift? Ready or not, IDC believes that the train has left the station and that the implementation of soon-to-come, 5G-enabled, IoT services only accelerates the need for business model change. For those organizations that have

not shifted their business strategy to a loyalty rewards program based on a large partner ecosystem, they should seriously think again. IDC believes that other companies from the IT sector like Rakuten, have been moving in the same direction for the past several months. The time for a major change in how customers on multiple levels engage with key suppliers seems soon at hand.

LEARN MORE

Related Research

- *Worldwide Communications Service Provider Operations and Monetization Solution Forecast, 2019-2023* (IDC #US45093319, May 2019)
- *5G-NFV Commercial Readiness: B2B2X Partner Ecosystem Enablement Is Strategic for Digital Services Rollout* (IDC #US45002919, April 2019)
- *Ericsson Redefines Its BSS Strategy - No Plans to Exit Communications Service Provider Business Management and Billing Market* (IDC #lcUS44789119, January 2019)
- *Amdocs Repositions for 5G, IoT, and Virtual Networks Convergence - Unified Operations, Monetization, and Business Management Cloud-Native Solution Delivery* (IDC #US44479418, December 2018)
- *Netcracker Takes Its Virtual Services IT/Network Stack to the Cloud to Enable Comms SPs to Offer Enterprise Digital Services Faster* (IDC #lcUS44377418, October 2018)

Synopsis

This IDC Market Note explains how change in network and IT technology is redefining the business strategy that communications SPs can now use for meeting customer needs. Such strategy change involves B2B2C business models for engaging the capabilities from multiple partners working together to provide customer value well beyond what any supplier can singlehandedly deliver. With market change and business strategy updates, existing systems and processes are no longer fit for purpose. Why is such change necessary? Non-telecom companies such as Rakuten are proving that using partner ecosystems to deliver customer value increases satisfaction and significantly reduces churn rates when compared with traditional business models. Existing business management systems were not designed to address these new ways of doing business.

"The global communications market has evolved considerably over the past 25 years, but mostly from the advent of new network technology deployment. With the current wave of technology refresh from 5G LTE and more, business models radically shift to ecosystems of partner collaboration for delivering end-to-end customer value. Operational readiness engaging with new business management systems is now a must. Failing to recognize the limitations of existing systems for enabling an ecosystem approach to business is the Achilles' heel for every communications SP business plan," says Karl Whitelock, research vice president, Communications Service Provider Operations and Monetization.

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