Focused forward

Netcracker

PARTNERS AND PRIORITIES:
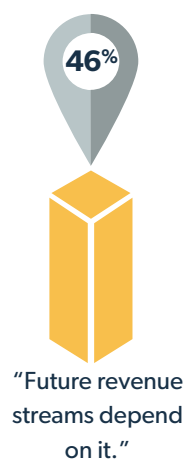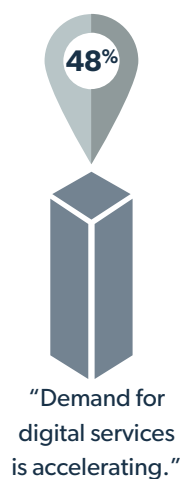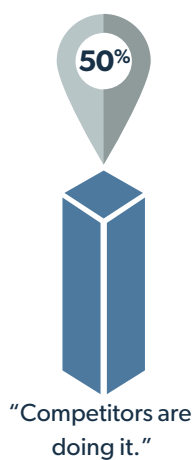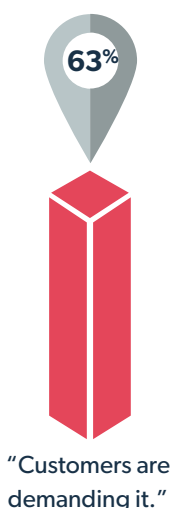## Overcoming the Obstacles to Becoming a Digital Service Provider

How to Become a Digital Service Provider

The rise of compelling digital platforms and Internet-based communications and entertainment services is putting pressure on service providers to evolve their networks and businesses. New research from Netcracker, in conjunction with ICT Intuition and Coleman Parkes Research, has found that there are several key influences driving the need to become a digital service provider (DSP): customers demand it, competitors are doing it, the growing need for digital business services requires it and long-term revenue streams depend on it.

There is a clear motivation to become a DSP, but the transition has been tough. Service providers are encountering several distinct obstacles preventing them from capitalizing on a digital transformation's promise of greater business agility, enhanced revenue streams and expanded partnerships. According to our research, fewer than half of service providers said they have a DSP strategy in place.

What are your primary drivers for becoming a DSP?

63%
"Customers are demanding it."

50%
"Competitors are doing it."

48%
"Demand for digital services is accelerating."

46%
"Future revenue streams depend on it."

33%
"Service providers that are "done" defining their business-wide digital strategy."

The Urgency of Digital

Service providers around the world know that a digital transformation is unavoidable and its effects stretch beyond their companies.

"Digitalization is changing the world forever. It is affecting not only the telecommunications industry, but also the economy and society… We use our network infrastructure to provide IP connectivity, but this alone will not suffice in the future. We are shaping digitalization by providing more than just the network capacity."

– Thorsten Dirks
CEO, Telefonica Germany

In our research, 33 percent of the service providers surveyed said they had fully implemented a revenue-generating digital strategy and a full 76 percent indicated that they have a DSP strategy.

Against those positive self-assessments, however, we note that Netflix is still the largest subscription video service in the U.S.; Apple, Facebook, Google and Amazon are still more highly valued on the stock market than AT&T, Comcast and Verizon; and the leading voice communications company in the world is Skype, owned by Microsoft. Clearly, there is still a lot of work to do.

Rate your progress in executing your DSP strategy:
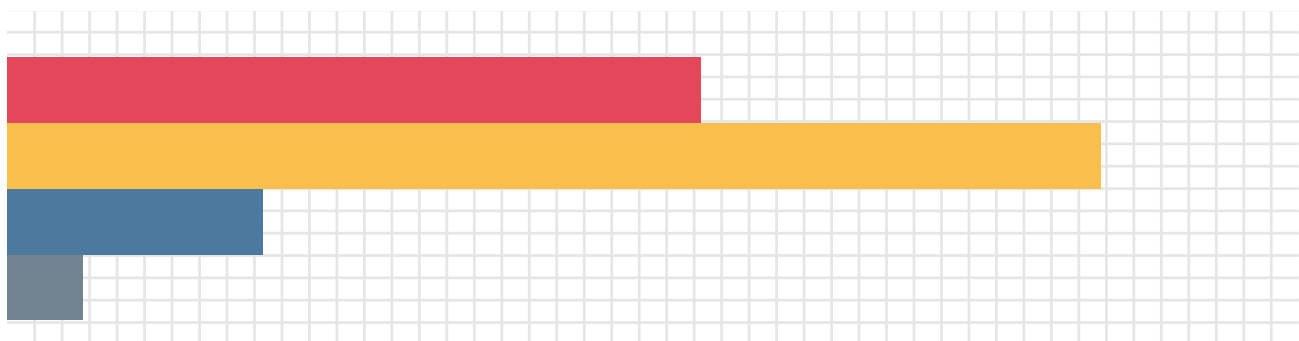
33% "Fully implemented and generating revenue."

52% "Roadmap developed, on our way."

12% "Struggling with tactical execution."

3% "Incomplete/ No strategy."

Obstacle 1:
Internal Barriers

Tackling in-house issues is the first step toward a successful digital journey
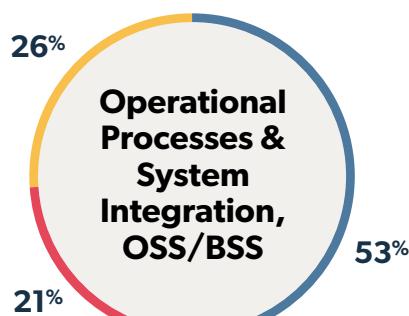
In order to undergo a digital transformation, companies must change internally. But doing so is not always easy. There are a handful of internal complications causing service providers to drag their feet, not the least of which is having an underlying network capable of supporting digital services.

Most service providers have traditional organizational boundaries that simply do not support a fully realized digital service provider strategy. They lack the people with the skillsets required to take full advantage of the flexibility offered by an on-demand infrastructure.

Rank the internal challenges that are impeding digital progress from least to most important:

Staffing and Skills

37%
46%
18%
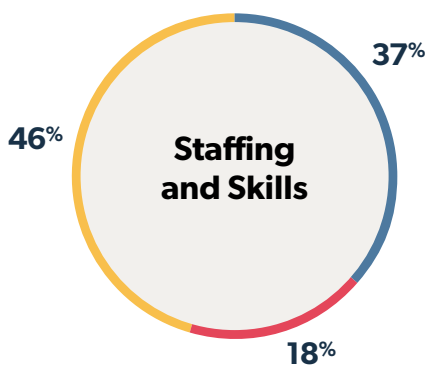
"We don't have the skills we need."

Operational Processes & System Integration, OSS/BSS

26%
53%
21%

"The systems we need to run a DSP are not sufficiently integrated and there are too many."

Changing Corporate Culture and Mindset

40%
36%
23%

"We've always done it this way."

◯ **MOST IMPORTANT**   ◯ **NEUTRAL**   ◯ **LEAST IMPORTANT**
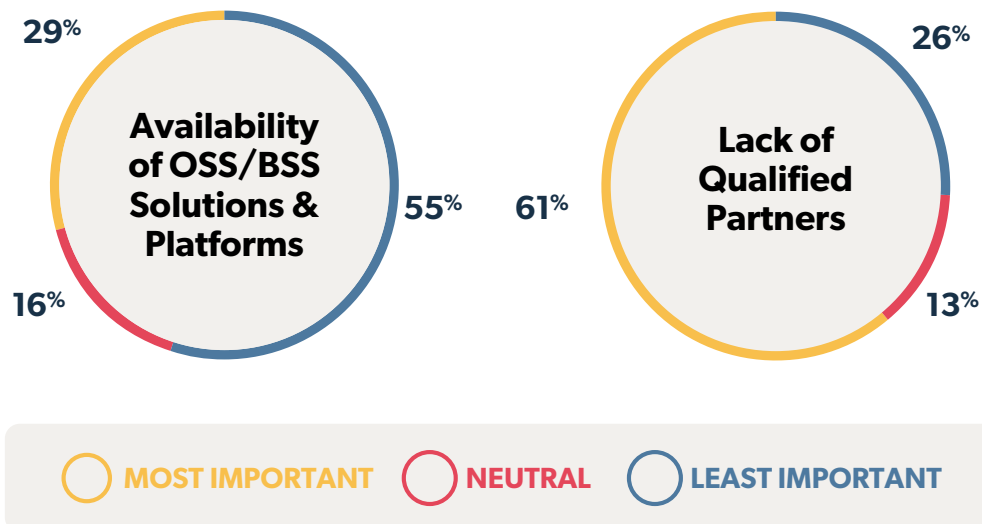
Obstacle 2:
External Barriers

In the absence of internal complications, external factors can slow digital progress

There are a few external factors that service providers list as slowing their progress towards a digital transformation. Of the 115 service providers Netcracker surveyed globally, more than half said the most important external factor affecting their progress towards becoming a DSP was the "lack of qualified partners."

Core IT infrastructure capabilities were also flagged as a barrier slowing DSP progress.

Without a modernized back-office system and next-generation BSS, it will be impossible to complete the transformation to a DSP. The true evolution of traditional business models strongly depends on the ability to monetize new services and applications and, by extension, fully operationalize new technologies like software-defined networking (SDN) and network functions virtualization (NFV).

Rank the external factors that are affecting your progress towards becoming a DSP from least to most important:

29%   26%

Availability of OSS/BSS Solutions & Platforms   **Lack of Qualified Partners**

55%   61%

16%   13%

○ **MOST IMPORTANT**   ○ **NEUTRAL**   ○ **LEAST IMPORTANT**

Obstacle 3:
Which digital services should be the priority?

Services providers can create partner ecosystems to help them prioritize and monetize digital services

Businesses generally agree that digital transformation is necessary but opinions are mixed as to which services should be digitized first. This underscores a key point: The transformation into a DSP will not happen evenly across all dimensions in services providers' businesses. Service providers must transition from physical to digital products and services but will need to have a clear long-term vision for their businesses. For example, they'll need to evolve their infrastructure to provide connectivity and services for machine-to-machine (M2M) and Internet of Things (IoT) applications.

Service providers need to figure out what they want to get out of digital transformation. In addition to having a clear view of their business goals, successful DSPs will also create new service models in partnerships with third-party vendors, such as over-the-top (OTT) content providers. A service provider that can successfully manage partners will be able to maximize its revenue potential across the digital value chain, regardless of where services originate and how those services are delivered to customers.
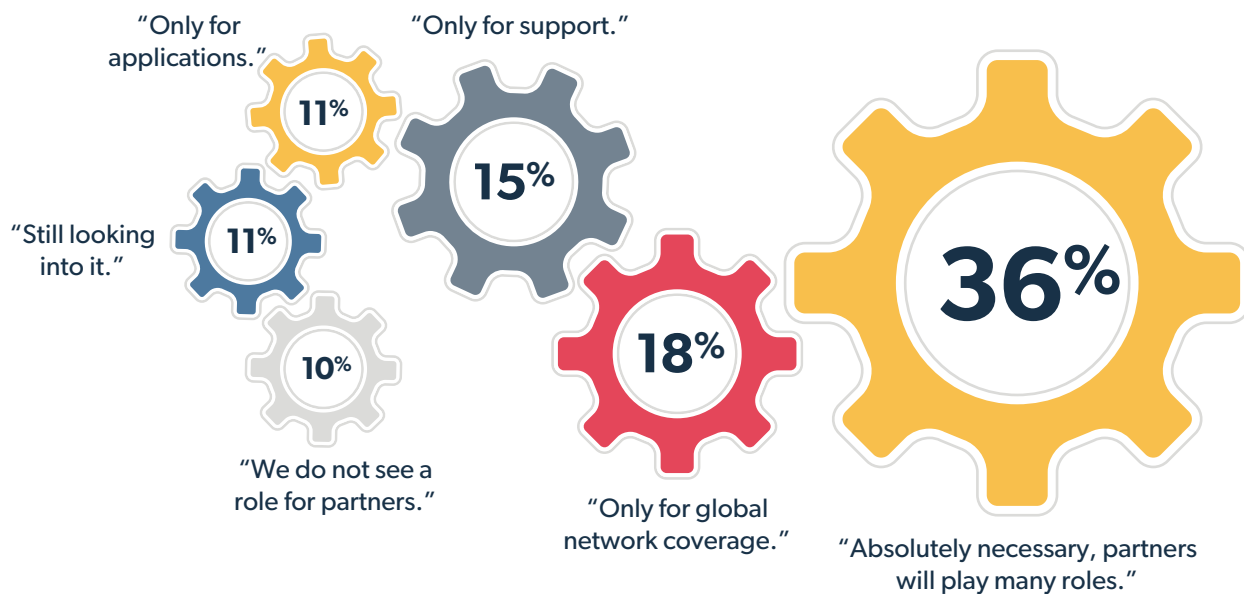
Key Takeaway:
Strategic Partnerships are Vital

Service providers seeking a digital transformation shouldn't go it alone

Next-generation business models must include an ecosystem of partners that can deliver what can't be built internally; creative, digital service bundles to provide unprecedented value and choice and boost brand loyalty; and the ability to incubate ideas and quickly try out new service delivery approaches.

Our research found that more than a third of the companies surveyed recognize the vital importance of partners because of their ability to take on numerous roles. But only a small percentage of companies actually have a fully developed partnership strategy, indicating that there is a disconnect between intention and execution.

What best describes the role of partners in your digital services strategy?

"Only for applications." — 11%

"Only for support." — 15%

"Still looking into it." — 11%

"We do not see a role for partners." — 10%

"Only for global network coverage." — 18%

"Absolutely necessary, partners will play many roles." — 36%

What best describes the role of partners in your digital services strategy?

42%

"No, but we are working on it."

30%

"Yes, fully developed."

15%

"No."

13%

"No, but we do have plans for one."

With the right set of tools, platforms and processes, service providers can move forward into a digital transformation with much less risk to their existing revenue streams and more opportunity for new, digital services.

The road to digital success will involve strategic partners that are innovative, responsive to change and have the proven ability to execute large-scale initiatives. The journey must involve a trusted advisor that can deliver short-term value while also helping future-proof businesses for long-term growth.

It's a big responsibility but the right partner is out there: Netcracker. We have the expertise, the culture and the resovurces to help service providers execute on the most important step that they will take…their next one.

About Netcracker Technology

Netcracker Technology is the strategic partner for service providers embarking on complex digital transformations. As a forward-looking software company, our comprehensive portfolio of software solutions and professional services unlocks the opportunities of the cloud, virtualization and the changing mobile ecosystem. With an unbroken service delivery track record of more than 20 years, our unique combination of technology, people and expertise helps companies transform their networks and enable better experiences for their customers.

For more information, visit www.netcracker.com.

Don't miss out on this opportunity to join our always expanding partner ecosystem.

To get regular updates on our company, customers and technologies, please sign up for Netcracker Insights.

About the Survey

Netcracker teamed up with ICT Intuition and Coleman Parkes Research to carry out the "DSP Multiclient Study," which asked 115 service providers around the world about their progress and feelings on becoming a digital service provider, including how the transition is going, what new challenges are arising and what's still missing from overall DSP strategies and services.