TIME TO MARKET AND THE CUSTOMER EXPERIENCE:

TRENDS, CHALLENGES, AND PRIORITIES OF COMMUNICATIONS SERVICE PROVIDERS

CONTENTS

1. INTRODUCTION

Telecommunications is a rapidly changing and highly competitive market. Next-generation networks and services, fixed/mobile convergence, multimedia and content-driven services from innovative new competitors like Google and Skype are all making their mark on the landscape. Customers have more choice and are increasingly willing to switch suppliers in their search for the best possible service at the best possible price. Against this backdrop, traditional communications providers are endlessly told that they need to change in order to compete with the new service providers. Much of this discussion has centered around how new services need to be introduced, run and retired in increasingly tight timeframes in order to provide services that are timely and relevant to the market.

Amdocs, the leading provider of CES (Customer Experience Systems), commissioned Coleman Parkes Research to conduct a global survey to learn more about the current priorities of communications providers and the challenges they face in meeting the pressure to rapidly bring new products and services to market. This paper outlines the survey results and provides an overview of the industry's concerns around time to market, perceived challenges and possible solutions.

2. SUMMARY OF KEY FINDINGS

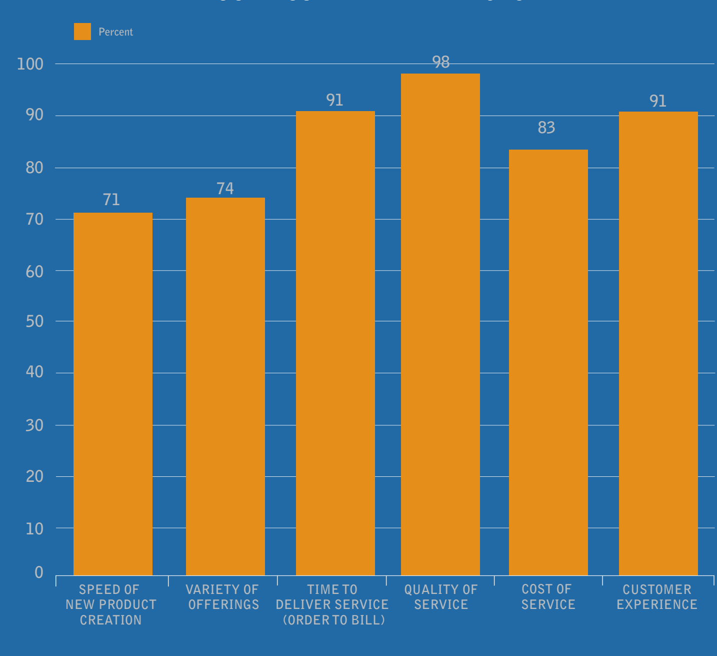
2.1 SERVICE PROVIDER DIFFERENTIATION IS FOCUSED ON GETTING THE CUSTOMER EXPERIENCE RIGHT

Service providers are concerned about the impact of innovative new competitors, but are not choosing to compete on the new Web 2.0 battleground where supplying a wide variety of new content-based services is key. Instead, communications service providers continue to focus on their traditional strength – providing high-quality "carrier-grade" services. Why? Increased competition means that service providers have become acutely aware of their customer base, and issues that impact customer retention. Results of the survey demonstrate that service providers are now focused on the factors that directly impact customer experience, including time to market for new services.

Although 97% of respondents regard time to market as important, speed of new product creation is the least important of the six key business differentiators identified in the survey. 98% of respondents ranked quality of service as the most significant business differentiator, followed by customer experience and time to deliver service (both 94%). Cost of service ranked high, with 83% citing this as a more important differentiator than time to market – an indication that service providers are not prepared to sacrifice cost control in order to achieve rapid product launch. 84% of wireline operators consider the delivery of a variety of offerings a significant differentiator as they seek to replace declining revenue from voice services.

Traditional factors, including quality of service, customer experience, and time to deliver service, are all recognized as critical determinants to customer satisfaction and by extension to customer retention. Service providers want to introduce new services, but only if they can continue to safeguard order fulfillment and the cost of service delivery. An overwhelming 90% of survey respondents indicated that getting the service right is as important as delivering it quickly.

KEY BUSINESS DIFFERENTIATORS

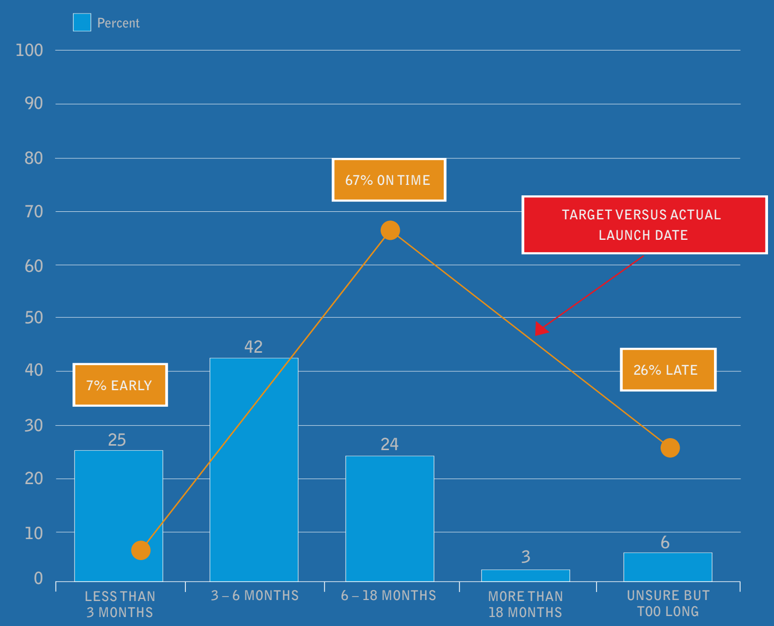


2.2 TIME TO MARKET: ASPIRATION VS. REALITY

The target time to market for service providers is typically three to six months and for a third of respondents it is less than three months. Yet despite the recognized importance of reducing time to market in order to deliver the required customer experience, a gap remains between aspiration and reality. Only one-third of respondents are actually decreasing time to market, almost 30% cite that it is taking more time to introduce new products and services, and 26% of respondents are failing to launch products on time.

The survey clearly demonstrates that despite the importance attached to rapid time to market, service providers continue to struggle to reduce time to market in line with business objectives.

AVERAGE TIME TO MARKET FOR NEW PRODUCTS



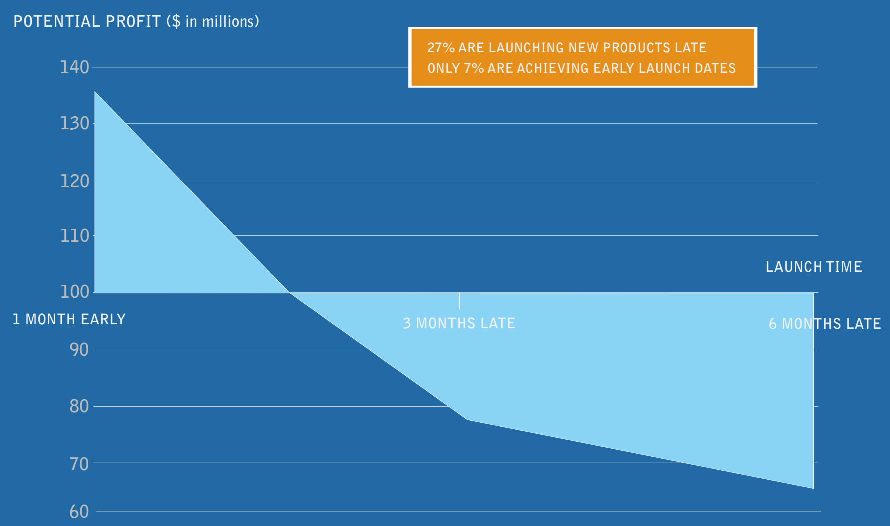
2.3 TIME TO MARKET IMPACTS THE BOTTOM LINE

The gap between goal and delivery of rapid time to market has a significant impact on the bottom line. Based on McKinsey research, a new product launched six months late results in a 33% loss of profit for the service provider. If a service provider launches a new product one month early, profits can increase by 12%. Respondents to the survey estimate that the typical annual revenue for a new product in its first full year is around $100 million. On this basis, by launching a product late, a service provider stands to lose up to $33 million per product.

Service providers are introducing an increasing number of new products and are all too often late to market. 60% of respondents cite that the number of new product introductions is increasing and more than one-quarter experience delays in launching new products. As a result, the issues of time to market and missed product deadlines are increasingly acute. Delays result in missed revenue opportunities and sub-standard customer experience, which in turn leads to churn. Cost to market has to be contained, even as time to market is reduced. If costs escalate, margins are squeezed and time to profitability is protracted.

The challenge remains to launch innovative, reliable services that will attract and retain customers but at lower operational costs and with improved margins.

AVERAGE IMPACT OF TIME TO MARKET ON PRODUCT PROFITABILITY



2.4 ACHIEVING RAPID TIME TO MARKET: ADDRESSING THE CHALLENGES AND CONSTRAINTS

Two-thirds of respondents expect to improve profit margins through faster time to market and 75% of respondents confirm that faster time to market will reduce customer churn. Yet for 60% of respondents the technical challenges outweigh their ability to make significant improvements. Challenges and constraints to rapid, cost-effective time to market identified in the survey include the complexity of the technology environment, time to develop systems and processes, the difficulty of BSS/OSS integration and lack of standardization in systems and processes.

Legacy-based, poorly integrated and inflexible systems and processes driven by poor quality data are hindering the achievement of rapid time to market. More than 90% of respondents recognize a need to address these challenges and constraints through investment in OSS in order to deliver a competitive customer experience. In particular, respondents cited automation (85%), common tools and processes (81%) and data quality (79%) as critical areas for future investment.

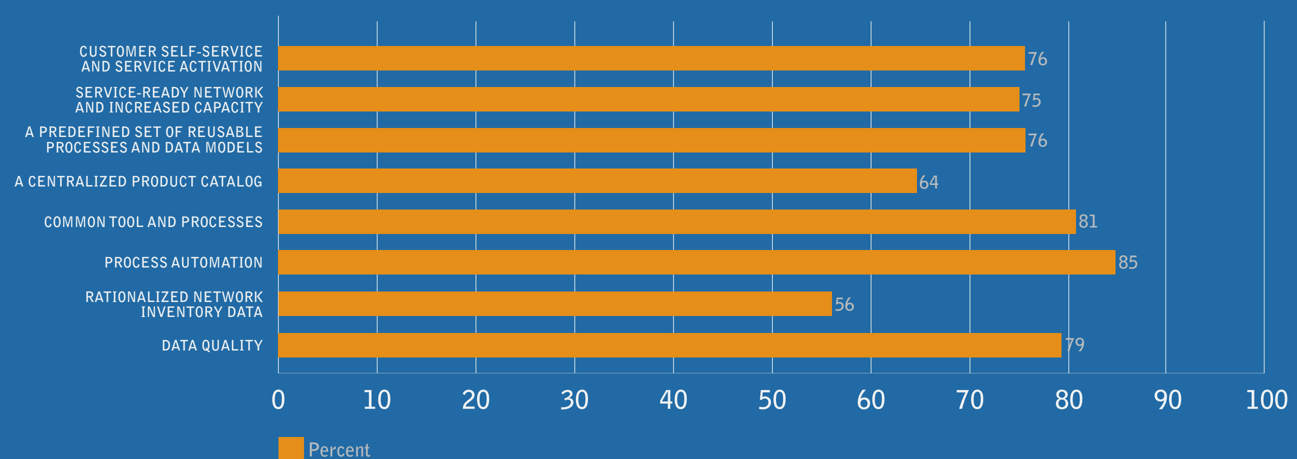
With growth in both the complexity of the technology environment and the range of products and services on offer, communications service providers clearly recognize their need to invest in BSS and OSS to reduce time and cost to market, and even more importantly, to deliver a competition-beating customer experience.

2.5 THE CABLE OPERATOR STORY

Cable operators have a history of expertise in product packaging to draw on and report the highest proportion of respondents launching products early at 10%. They also report the highest average annual revenue per introduction and the highest lifetime target profit margin at 38%. However as cable operators move outside their traditional markets, they are increasingly dealing with the challenges in bringing new products to market that traditional service providers are already addressing, such as poor data quality, automation and legacy system integration. One-third of cable operators are seeing time to market increase and, therefore, suffering a greater impact in terms of loss of profit.

Cable operators recognize that achieving rapid time to market for a broader range of products demands significant infrastructural change, and in particular they cite investment in OSS transformation and BSS/OSS integration. Along with the rest of the industry, cable companies are currently focusing on customer experience and choosing to invest in business and operational support systems and processes that will improve competitive performance.

AREAS FOR ONGOING AND FUTURE INVESTMENT TO REDUCE COST AND TIME TO MARKET



3. CONCLUSION

3.1 SERVICE PRODIVERS CAUGHT ON THE CUSP OF TWO PARADIGMS

The results of the survey show service providers truly on the cusp between two paradigms. The importance of achieving rapid time to market for a range of new services is clearly identified by 97% of respondents. Service providers recognize the need to compete on new terms with new competitors by introducing a large variety of new products – quickly. But this is balanced against the traditional remit to deliver high-quality services, and for now this remains the most important business differentiator. Interestingly, 79% of respondents are concerned that demand for new services can evaporate as rapidly as it arises, reflecting an industry still coming to terms with a new business model, where services have much shorter lifecycles.

Customer experience is the bridge between the two business models – with factors that drive customer experience paramount as critical business differentiators – quality of service, time to fulfill orders, even cost of service. And because time to market has a direct impact on the customer experience, then it also is recognized as important.

Reflecting the importance of the customer experience, 90% of service providers identify the importance of "getting the service right as well as delivering it quickly." Time to market is important – but not at any cost – and certainly not at any risk to the customer experience. To overcome the challenges, mitigate the risks and deliver the required customer experience, service providers recognize the need to address operational challenges and constraints by investing in BSS/OSS integration, standardization and automation of key processes, and improved data integrity.

4. HOW THE SURVEY WAS CONDUCTED

Coleman Parkes Research conducted 125 interviews with major wireless, wireline and cable companies across the globe in February 2008. Major organizations in the Americas, Western and Eastern Europe, Asia Pacific, Africa and the Middle East provided input for the survey. Directors of OSS, CIOs, COOs and product managers took part in the study through telephone-based interviews in their respective native languages. The survey was independently conducted by Coleman Parkes Research.

ABOUT COLEMAN PARKES

Coleman Parkes Research Ltd, formed in 2000, provides action-focused marketing research on a global scale. The Company offers a full research and consultancy service across all markets while specializing in business-to-business research with a focus on IT, technology and communications research. For more information, visit www.coleman-parkes.co.uk.

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