White Paper

On the Shoulders of Giants... The White Paper

The MNC Guide to Telecoms Single Sourcing.

About CTI Group

CTI Group is an international provider of electronic invoice management. Our product suites offer a full array of solutions from call recording and call management to eBilling with analytics. CTI Group's eBilling products are used by some of the leading service providers including three of the top five European mobile operators.

With over 20 years of eBilling experience we are experts in allowing business users and consumers to view their bills in the way they'd most like to. From being pioneers of CD-ROM bill production to the lastest incarnation of hosted, java scripted portal based technology, we assist billing and IT departments worldwide by providing Telcos with the tools they need to make eBilling a reality.

How can multinational corporations (MNCs) benefit from sourcing global telecoms from a single provider? How can telecoms providers use this to their advantage? Why would a service provider seeks to serve a multinational in ten countries lower margin than it would generate in its domestic market? This white paper aims to give some insights into the opportunities single sourcing provides for both the MNC and service provider.

We explore how historically MNCs have assembled the communications services they need using a patchwork of offerings from fixed, mobile and converged service providers in each country they operate in and the managerial burden of maintaining this approach.

Through a series of enlightening case studies we illustrate how MNCs are unleashing their massive buying power across multiple countries and, at the same time, transferring management overhead to a single service provider. Also, on the flip side, how service providers are seeing the opportunity to attract large corporate customers, open new markets and reduce churn.

Because we work with some of the biggest players in the game, it has given us the view from the higher ground of what is demanded from MNCs in an ever shrinking world.

We have been at the forefront of Telco eBilling & analysis solutions for over 20 years and use this experience to evolve the solutions that both service providers and MNCs are demanding.

Because we would like to share this expertise with you, the company has produced a white paper outlining the huge benefits single sourcing has to offer both telecoms providers and their MNC customers.

I hope you find it insightful.

Jonathan Hogg
Head of Product & Marketing
CTI Group

Single sourcing across multiple countries can enable a corporation to make maximum gain from its combined purchasing muscle

Why would a service provider seek to serve a multinational in ten countries for a lower margin than it would generate in its domestic market?

Single sourcing provides control for MNCs and a means to compete for service providers

Multinational corporations (MNCs) have historically assembled the communications services they need using a patchwork of offerings from fixed, mobile and converged service providers in each country and region they operate in. This approach has involved vast man hours being spent by corporations in areas ranging from initial supplier selection, management of each contract, contract renewals, currency conversion for centralised accounting and the pursuit of an integrated approach to telecoms across multiple countries.

That time burden doesn't take into account how single sourcing across multiple countries can enable a corporation to make maximum gain from its combined purchasing muscle. The previous fragmented approach meant MNCs could only exercise their buying power within national borders and were unable to maximise that power with multiple country contracts of ten or more times the size of a single national contract.

Until recently the service provider sector had been reluctant to engage in these types of multinational contract. After all, why would a service provider seek to serve a multinational in ten countries for a lower margin than it would generate in its domestic market? That rationale was simple. For an incumbent service provider it was a good bet, and fundamental to its business case, that it would win corporate business from organisations headquartered in its home market. An easy, and historically safe, conclusion to make was that a UK company, for example, would select BT for its requirements within the UK and would most likely select BT for its global network and take services from the operator in markets it served. Equally, for the same reasons, a U.S. company would select a U.S. provider such as AT&T to serve its home market and international business.

New entrants to the global service provider market opened up long distance international competition and were prepared to compete aggressively for this type of blue chip business both at home and abroad

Much in the way that the airline industry has fragmented, this cosy, flag carrying dynamic has substantially eroded during the last decade. New entrants to the global service provider market opened up long distance international competition and were prepared to compete aggressively for this type of blue chip business both at home and abroad. At the same time, incumbents have not passively sat back and watched these challengers enter their domestic markets and, while they continued to resemble incumbent monoliths in their domestic markets, they have become lean, aggressive new carriers in foreign territories.

For MNCs, this brought choice and value and they stitched together the best deals they could find for individual countries, routes and services. Telecoms management within the large corporation became a substantial activity with significant headcount and resource devoted to driving the best deals and accessing the best quality services. That management burden was offset by the cost savings generated within telecoms management and for a while seemed sufficient.

However, what was missing was the opportunity for MNCs to select a single supplier on a global or continental basis, unleashing massive buying power across multiple countries and leaving the management headache of ensuring a consistent high quality, cost effective service to the single service provider. This single sourcing process has been enabled through the wider availability of analysis systems that provide accurate reporting and measurement of service performance and usage. That analysis and reporting is at the core of single sourcing propositions for telecoms since it underpins both the business case that the service provider constructs and the checks and balances that MNCs need to have in place so they can get an accurate picture of their usage and spend and as a consequence drive efficiencies.

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The single sourcing advantage: an early example

What was missing was the opportunity for MNCs to select a single supplier on a global or continental basis

Some service providers have quickly understood the nature of this demand and, instead of seeing single sourcing as a threat to margin, see it as a means to attract huge corporate contracts that justify entry into new markets and provide a marketing differentiator as well as a means by which to prevent churn.

A great example is last year's deal between Telefónica and Deutsche Post World Net, which includes Deutsche Post, DHL and Postbank. The five year deal, worth approximately €400m will see Telefónica manage the full breadth of DPWN's communications services across 28 European countries. DPWN expects to generate savings of €150m over the life of the contract which will contribute to its aim of cutting €1bn in costs globally from its business by the end of 2010.

The scale of the contract is nothing short of epic and will see Telefónica provide secure communications services to 125,000 employees in 2,400 sites across Europe. The deal comprises more than 100,000 LAN ports, 60,000 fixed voice devices and 80,000 mobile connections including 24,000 mobile and smartphone devices. Telefónica itself has reinforced its global IP backbone in Europe and constructed a service management centre in Prague to address this deal in particular and its future aspirations for similar contracts. Telefónica has also reviewed the existing telecom service agreements of the 84 telecoms partners previously used by DPWN.

Although this is a large contract and in many ways is typical of the new breed of MNC single sourcing deal, an obvious exception is that the deal excludes DPWN's home market of Germany. The reason for this is an existing contract between the company and Deutsche Telekom, the German former incumbent. Nevertheless, through providing single sourcing functionality, Telefónica has garnered by far the largest amount of the company's European business and won what is by any measure a huge piece of business. DPWN has plans to engage in similar deals in the Americas and Asia as part of its cost saving commitment.

That visibility and control is increasingly important as the portfolio of services MNCs access and need to supply to their users becomes more complex and of higher value

The Telefónica agreement with DPWN is clearly a giant deal and one that requires substantial work for a service provider to support. It also necessitates a substantial shift in purchasing and management strategy by the customer. However, single sourcing deals don't have to be this complex and, for smaller, less communications intensive businesses, far more manageable propositions are available. For instance, a service provider could start a relationship with a client corporation with a contract that covers just a few countries and grow its business to a regional or global scale, along with bringing in mobile services as well as IP applications.

One such example is Vodafone's recent win of software giant, Oracle. Vodafone's Global Enterprise unit will, in a four-year contract, support 16,000 Oracle employees in EMEA. The contract, composed of a fixed fee per user, will see unlimited access provided to mobile users, thereby enabling managers to accurately predict expenditure while users receive a uniform service across the countries involved.

Commenting on the deal, Carol Kelly, Vice President, Global Revenue and Procurement Operations at Oracle, said; "Oracle has been impressed by Vodafone Global Enterprise's straightforward and transparent approach to pricing communications and we anticipate this will deliver greater cost efficiencies. As well as greater convenience, we expect that this partnership will deliver enhanced services to our employees."

Vodafone has been actively targeting this sector for some time and claims approximately 600 MNC clients, including outdoor advertising company JC Decaux and domestic white goods manufacturer Whirlpool, among its customer base for MNC services.

The core and immediately self-evident benefits of single sourcing are that MNCs gain greater control than ever before of their telecoms spend

It's up to each service provider to make its case in order to win these types of contract, but what is clear is that the tools required to satisfy an MNC are fundamentally different than those required for single country engagements. One toolset which stands out as consistent when talking to service providers about their MNC aspirations is the ability to provide ubiquitous online reporting and analytics through an eBilling Solution. The analysis capabilities they require enables them to forecast and control their communications spend across multiple currencies, languages, service types and billing systems – all in an easy-to-use graphical user interface or dashboard. Providing that granularity of information into spends and habits, allows the MNC to assess which parts of its organisation are using the communications services provided effectively and allows a variety of additional fringe and core benefits.

That visibility and control is increasingly important as the portfolio of services MNCs access and need to supply to their users becomes more complex and of higher value. Taking tele-presence and videoconferencing as an example application set, analyst firm Ovum has predicted that revenues generated by operators providing these applications to MNCs reached US$77.4 million last year. That's merely scratching the surface. Ovum foresees cumulative spend for the period 2010-2014 reaching US$1.7bn – and that's on a single application set.

The core and immediately self-evident benefits of single sourcing are that MNCs gain greater control than ever before of their telecoms spend, backed by reporting, a single point of contact and the knowledge that they have shifted the burden of managing multiple service provider relationships away from the core business and onto the carrier that provides the single sourced service. However, it's in the power of the management systems that further benefits are unlocked.

Systems eBilling solutions, such as CTI Group's Analysis 7 also provide operational efficiencies to carriers

These providers require a powerful management system to collect data from call detail records (CDRs) and measure and report on them

Large MNC deals, almost by their definition, require the interaction of multiple carriers under the umbrella of a lead provider. This complex web of multiple providers throws up obvious management issues for the service provider that is effectively aggregating the services of others. These providers require a powerful management system to collect data from call detail records (CDRs) and measure and report on them.

For MNCs, the currency issue is acute. Standard country by country reporting doesn't provide an entire overview of the MNC's costs because delivering data in euros, dollars and pounds, for example, fails to provide a global view of an organisation's consumption. Reporting in a single currency means an MNC's headquarters function can fully assess a report of its telecoms spend in the same way that many MNCs have agreed internal currency rates that they use to assess sales values.

"As a CFO the value to me of this type of deal is essentially that we cut costs by managing [the contract] as one single entity," said Philip Payne, CFO of Digicel. "That doesn't preclude addressing multi-currency and multi-language issues within that single entity. The benefit is cost saving, the downside is that if you don't get the terms and conditions right it gives you a problem."

From the operator point of view, Payne advocates caution and assembling a clear understanding of what organisations are suitable for this sort of proposition. "You do have to be dealing with a very big company to make this worthwhile," he said. "I know a lot of companies have looked at this area, HP for example was doing centralised European billing, but most other companies have not done it. The reasons for that are twofold. There is the complexity of language and then there are taxation issues."

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Taxation issues will remain for as long as different countries have different regimes. However, some regions are less challenging than others for operators that are putting forward MNC propositions. An obvious geographical area of opportunity is the European Union where the currency is harmonised within the Euro zone. "Its complicated in language but the currency is not so much of an issue," said Payne. "Again, the major benefit is cost saving and simplifying how you are dealing with your customers."

Mature systems eBilling solutions, such as CTI Group's Analysis 7 also provide operational efficiencies to carriers. Although more in-depth than a single country system, it has a web-based look and feel and is easy to use with minimal training required. A further benefit is that, once deployed, the carrier's own sales team can use the system to analyse MNC usage and identify opportunities to up-sell, cross-sell and serve their customers better thereby generating opportunities to extend contract life or increase ARPU.

It is vital that other billing related software solutions offered by the major providers such as Convergys, Amdocs & Comverse, follow suit and provide compatible solutions across a whole range of countries any MNC operates in.

With many billions of dollars of revenue at stake globally from these complicated, multinational contracts, service providers have a real opportunity to extend their offerings and differentiate themselves from their competitors by providing this visibility to their MNC customers, while reaping the benefits of the same system to analyse their performance and contracts.

For an MNC these extended offerings will help drive down costs and improve efficiencies: both being vital actions in an economic situation far from full recovery.