VENDORS
The Metamorphosis

When things change in our super-connected digital world, nowadays they tend to do so at a quickening pace. Trend cycles have shortened from years to months and turned from analogue to almost digital waves. This is no different in the communications sector.

The consumer-centric behaviour evolution, towards the hyper-personalization and real-time control of the communication experience, is having a massive impact on service providers of all kinds, forcing them to compete with uncommon business models of rival players in all verticals. This is resulting in a massive disruption of the sector, creating challenges all around.

Whilst operators are challenged to figure out how to reinvent themselves, they are rarely helped by the vendors of technology and systems who should naturally play a central role in enabling them to provide the disruptive and innovative services they need to offer.

This needs to change. To do so, vendors must re-think the services they offer. But more importantly, they should re-invent their role in the telecom ecosystem, while meeting their customers' needs using innovative and tailored business models.

BE THE ECOSYSTEM OR BECOME PART OF ONE

Today, vendors also need to learn to be part of an ecosystem that is a solution rather than a only offering a component or part of it. For customers, the "Lego" style approach is good when one has the time and detailed knowledge required to select and combine the right pieces to create something that looks like a plane and also flies.

But, not every customer has that capability and luxury of time. Even the large ones are slimming down their internal resources and concentrate on their core strength and business - which is infrastructure, service and brand.

Vendors therefore need to move away from offering simple switching equipment and create solutions. They should add for example BSS or OSS capabilities to their basic offering.

They should also focus on offering other value added services, such as big data analytics utilizing AI and machine learning to provide full insight into traffic patterns and behaviours. The objective is to expand the purpose by creating an ecosystem or solution with, not only the operator customer, but also the end-customer in mind.

The idea here is for vendors to become an integral part of their customers' offering and experience and to be seen as a partner and not necessarily a pure box shifter.

MIRRORING CUSTOMERS' REALITY

The unpredictable market we now live in, in terms of customer behaviour or adoption, does not allow vendors to continue enjoying the predictable revenue streams they have been used to over the past decades from their service provider customers, who themselves live in uncertainty.

The problem comes from the fact that vendors' current capex revenue model does not match the consumption-based spending habit of consumers or enterprises, who might even expect basic features to be provided free of charge, ultimately maybe paying for them by sacrificing their privacy.

Vendors must evolve into service or business enablers who, besides providing technology or software, also mirror the commercial model used by their clients and take part in the business risk that comes with it. That new breed of vendor will therefore, by definition, be deeply involved in their clients' commercial success and failure.

The commercial model for service enablement is all about being able to match the cost plan (what we offer) to our customers' revenue plan (what they sell), which needs to be matched to the spending habit or profile of their own customers (how much they want to pay).

NO RISK NO GLORY

Another important change required in the vendor space is the need for the deepening integration of technology or software vendors into the product design and delivery process of operators.

Going forward, vendors need to act almost as if they were part of the customers' organizations. This means more than being a technology partner, it requires vendors to become an integral part of their customers' projects and therefore their success. This means that vendors also need to more and more share the risk with their customers.

The era of shifting boxes and batches (software) and getting paid up front is about to end, and it will end swiftly. This challenges and puts into question the way vendors are structured and organised and the business concepts and models they believe in or are used to.

I am involved in two businesses that truly reflect that new future "vendor", not only by the commercial model applied, such as pay per use for example, but also by their organisational structure, where each and every member of the company is a co-owner.

Only true entrepreneurship across the entire organisation allows it to understand what its clients go through and what their real pain points and needs are. Only when all people involved have skin in the game do they strive to achieve what is required and what customers desire.

That will be the only future for the "Technology Vendor" or no future.

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ABOUT ANDREAS HIPP

Andreas is CEO of Cataleya. and was the Founder and Group CEO of Epsilon Global Communications.

During his 20 years in the global telecoms community he has contributed to the evolution of the international markets and technologies, creating innovative businesses, and disruptive business models. He loves technology but people even more and what technology can or must do for them.

He is also continuing to accelerate the industry's evolution through his start-up accelerator (Incipio) and his position on the board of Cirrus Core Networks.