CSP Product Simplification for Enhanced Profitability and Business Agility

Abstract

More than 50 years after the US Navy conceptualized the unique design philosophy that most systems function best when kept simple, the KISS principle continues to find relevance across the board. The global dominance of Amazon, Apple, Uber, and Airbnb has shown how companies can delight their customers, and thereby sustain competitive advantage, by eliminating complexity from their products and services. Communications service providers (CSPs) need to take a leaf out of these companies' books, as they grapple with rapidly evolving consumer expectations, declining revenues, technological disruption, and frequent regulatory changes.

Drivers of Portfolio Complexity

Three primary drivers explain the growing complexity of product portfolios across the CSP landscape, spanning telecommunication carriers, and information, media, entertainment, application service providers, including cable operators and satellite broadcasters.

First, the rapid rollout of new products and services by their agile rivals is prompting CSPs to either supplement existing offerings, or unveil altogether new ones, frequently. For example, the launch of new offerings in the telecom industry has been growing at 10% on average annually, even as older, outdated products are retained due to the perceived risk of subscriber attrition. As a result, the typical product catalog contains redundant offerings, multiple legacy and deprecated products, and entire solution categories with very few clients. Moreover, the latest offerings must be integrated with existing ones, and maintained at the back end with customer relationship management (CRM), billing, fulfillment, and network systems.

Further, the recent wave of mergers and acquisitions across the sector, underpinned by the 'quad play' promise, has led to a proliferation of disparate products, systems, and business processes post integration. So, while mobile, fixed telephony, and cable operators continue to pursue inorganic growth, their product mix keeps getting heavier, wider, and deeper—with little consideration to long-term maintenance and reconciliation.

Consequences of Complexity

Rising portfolio complexity has manifested itself around several dimensions of the CSP value chain, with regard to product lines, business models, networks, systems, and organizational structures. This dynamic has had three major implications.

1.Operational Overheads

Operational overheads—including the total cost of ownership (TCO) for the IT function—have spiked, contributing to reduced margins. CSPs' business processes relating to sales, delivery, billing, and assurance have become more intricate with product proliferation, resulting in longer turnaround times (TATs) for customer support and other key functions. For instance, sales teams now find it challenging to prioritize the highest-value clients and the products to focus on, as well as to manage the huge array of legacy services and concerned subscribers.

2. Customer Experience

Another adverse impact, arguably the most important one, has been with regard to customer experience, which has deteriorated amid a confusing assortment of offerings, long wait times, unresponsive help desks, and unclear or inaccurate bills. CSPs' call center teams find themselves scrambling to help frustrated customers navigate a convoluted range of products, features, and billing issues. And the lack of a consistent, intuitive user experience across different touch points—mobile, Web and offline—has further fueled customer churn in a hypercompetitive marketplace. Increasing subscriber attrition has triggered a vicious cycle of sorts whereby anxious product marketers come up with new promotions and offers, which in turn drive even more IT exceptions and workarounds. Plus, expensive launches of new products and services have adversely impacted companies' earnings, while complicating internal workflows and affecting workforce productivity.

3. Time to Market

The third significant unfavorable outcome of growing portfolio complexity has been around time to market. Both the IT complexities as well as the process complexities introduced through product proliferation lead to long lead times for new product design, development, test, and release.

Simplification Roadmap

Simplifying the product catalog typically entails removing, retiring, or transforming its various constituents. However, retiring and eliminating various solutions in the catalog, as applicable, can prove tricky for several reasons, including the potential impact on customer experience, and possible loss of revenue. Resistance from the product management and sales teams, combined with regulatory requirements and a paucity of logical or functional replacements for products deemed redundant, also constrain portfolio rationalization.

CSPs can adopt the following three-phase roadmap for identifying and removing obsolete products, product lines and functionalities and variants:

1. Product Performance Assessment

In order to zero in on the products ripe for retirement, across different lines of business such as xDSL, PSTN, and VOIP, firms should first define assessment parameters. These criteria, based on discussions with the senior management, must capture metrics like number of customers, revenue, sales, operational expenditure-to-revenue ratio, and subscriber churn. The next step is to chart the existing roadmap and various pain points associated with a given product line, and collect relevant data around all defined assessment parameters. CSPs should also categorize the array of products as Main Offers, Technical Products, Features/Add-On Products, Discounts, Campaigns, Other like Fieldwork, Billing, and so on. Based on the metrics data for each of the product category, it needs to be captured whether the product is a candidate for retirement. This can be published as a Product Performance Assessment Report (PPAR)

2. Product Retirement

The PPAR should be evaluated further, factoring in the potential implications of their retirement. Here, CSPs have to address questions around the likely loss of revenue, impact on customer experience, availability of alternative products for subscribers to be migrated to, and cost and complexity of migration. Based on this, the products that must be retired need to be identified and the retirement process needs to be initiated.

3. Product Reengineering

This is done only if product simplification is done as part of a larger transformation. Companies may well conduct product simplification without product re-engineering. At a high level, product reengineering consists of:

- Restructuring and remodeling of products and the constituent services into granular and reusable building blocks. This will enable CSPs to mix and match the building blocks to develop new product offerings
- Address the various pain points regarding the Product, e.g. this can include bringing in more automation in the value chain for the product line.
- CSPs may have to also redesign and overhaul relevant business processes, for instance, by leveraging automation across the value chain for those products. Simultaneously, an optimization of IT systems should be pursued in alignment with the organization's overall IT architecture roadmap. This will help in significantly reducing time to market and boosting enterprise agility and competitiveness.

Conclusion

As CSPs seek to reimagine their business models and orchestrate pan-enterprise digitization in a disruptive marketplace, product simplification can play a vital role in facilitating increased agility and superior customer experience. And, the resulting business benefits of such an undertaking can be significant and tangible, the most notable one being reduction of operating costs through streamlining of processes concerning sales, billing, delivery, and assurance. Product portfolio rationalization will also help stakeholders across the CSP ecosystem improve customer service in a substantial manner, thus fostering reduced subscriber churn.

About The Author

Subhasis Roy

Subhasis Roy is an Enterprise Architect for TCS' Communications Media and Information group. Subhasis has over 15 years of experience in Business and IT Transformation of leading Communication Service Providers worldwide.

Contact

Visit TCS' Communications unit page or Media and Information Services page to know more.

Email: global.cmi@tcs.com

Subscribe to TCS White Papers

TCS.com RSS: http://www.tcs.com/rss_feeds/Pages/feed.aspx?f=w
Feedburner: http://feeds2.feedburner.com/tcswhitepapers

About Tata Consultancy Services Ltd (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled, infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India's largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

For more information, visit us at www.tcs.com