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NetCracker

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WIDE OPEN

NEC'S INVESTMENT IN NETCRACKER AS THE GLOBAL BRAND FOR ALL ITS TELECOMS SOFTWARE AND SERVICES ASSETS POSITIONS THE COMPANY AS A MULTI-BILLION DOLLAR ENTITY OPERATING ACROSS THE ENTIRE RANGE OF OSS/BSS ACTIVITY.

Andrew Feinberg, President and CEO of NetCracker, talks to Keith Dyer, Editor of European Communications, about how the company's recent physical and strategic expansion is positioned to meet the transformational needs of today's Tier 1 global operators.

Keith Dyer: Andrew, NetCracker has often talked about business transformation in the Communications Industry. But NetCracker recently underwent a transformation of its own as NEC bundled all its telecoms software and services activity under the NetCracker brand. That radically changed the nature of the company you lead. What new opportunities do you think this change allows you to address?

Andrew Feinberg: It's important to put things in perspective and take a look at what has been happening in the industry to lead us to this point. Communications Service Providers have been going through a two-stage evolution. A majority of them are in the first stage — let's call it the Technology Transformation Stage — where they are undertaking significant transformation of their Network and IT systems, processes, and data to become operationally efficient and deliver innovative, converged, content-rich services. A few service providers are in the second stage of evolution where they are now experimenting with new business models and a much higher level of customer experience and customer management — and most importantly, are making inroads into other industries to generate altogether new revenue streams. Let's call this the Business Transformation Stage because it fundamentally alters their cost and

business model. These two stages are obviously inter-related, and in many cases, they can overlap.

NetCracker's expansion is in response to these changes. Our expanded scale and size, combined with our established track record, enable service providers in the first stage to significantly accelerate their transformation. For service providers in the second stage, we bring the innovation, expertise, and experience that enable them to focus on building their brands and offerings. Overall, the expansion at NetCracker means that we are able to help operators undergo transformation with less financial and technological risk than ever before — to enable transformation in a more conservative economy.

A new competitive landscape now exists in the Communications Industry, and this adds more non-traditional service providers to the mix — like Google and other “over the top” applications providers. One key outcome of this changing dynamic is that the cost structures, consumer behaviour, and traffic patterns across the carrier space have undergone a dramatic change. As a result, we now have fixed service providers, mobile operators, cable companies, and MVNOs all needing to transform themselves and to come up with new business models and cost structures. This not only means upgrading their infrastructure, but ultimately it means changing their business positioning and the way they go to market and serve their customers.

Yet what seems like a daunting challenge actually represents a remarkable opportunity for a solutions provider that can come up with the right mix of software and services. We feel that our new alignment positions us extremely well to address these industry challenges and opportunities.

But, you may ask, how can such robust challenges be tackled and solved? The answer is almost too simple: the secret is listening to the customer. This is something that's been fundamental to our company's success since its inception. Once again, we have listened to our customers, and as a result, we have decided to provide a full end-to-end solution to meet their transformational needs. Our customers are tired of the risk and expense of implementations that involve

multiple vendors and technologies. We now have the resources under a single roof to be a “one stop shop” for business and technology transformation.

I should also add that “transformation” is not a word I use lightly given that it’s frequently overused in the industry. When NetCracker refers to transformational projects, we are talking about an expansive redesigning of an operator’s strategy and service delivery mechanism. It also indicates a change in the operator’s perception of and relationship to its end-user customers.

Today, we are seeing service providers trying to evolve new hybrid business models, bringing with them very different capabilities in terms of cost, performance, capacity, and scale. More than ever before, operators need to be sales and marketing companies and focus on managing and retaining the customer relationship. Telcos have long since stopped thinking of themselves as network companies and know they need to be focused on branding, customer retention, and being the primary channel for all content that’s available around the world. Otherwise they will become utilities.

That means there’s a remarkable opportunity for the right partner, or solutions provider, to help create a business model for carriers that want to become sales- and branding-driven entities, while outsourcing some, if not all of their technical operations. NetCracker now has the scale, solutions, software, and services to become the partner of choice for these providers. And it is uniquely positioned to do so.

Keith Dyer: So how has the transformation within NEC changed NetCracker, and how will it change the way NEC can address the global telecoms market?

Andrew Feinberg: For many years, NetCracker has had a large portfolio of solutions, an active customer base, and teams of people working with our partners on an ongoing basis to support their business, technical, and IT transformations. Our customer footprint is truly global and engages with just about every carrier imaginable. So we already know what it takes to be competitive and successful in a global marketplace.

But now we have this unique opportunity to leverage the entirety of NEC’s assets in the Telecom Operations and Management Systems (TOMS) space to truly become the “partner of choice” for transformational solutions in the industry.

Our parent company, NEC, is a \$40 billion corporation that has a remarkable investment in technology and innovation — including a \$3 billion research and development budget. Historically, its primary focus has been on the Japanese market, which is extremely innovative and forward-thinking — more advanced, I’d say, than Europe and the U.S. in terms of the capabilities service providers can bring to their customers. And in Japan,

NEC is at the centre of the market and that innovation.

Now, in our new form, we are uniquely positioned to leverage the assets of our parent company and bring their innovation and expertise to the larger global market. Not many companies can bring this level of innovation to an established global customer base in today’s environment.

And, the exciting part of all this is the timing. Our customers’ urgent requirements in response to their competitive demands mean that the opportunity is now and very real. To say we’re excited is an understatement. Today NEC sees NetCracker as the best channel and best executor for this type of solutions delivery — based on our relationships, track record, and in-house expertise. As the President and CEO of NetCracker, I can tell you that it is a very humbling experience to announce this level of growth so soon after our merger with NEC. It demonstrates our parent company’s confidence in us and also underscores our unmatched record of success.

Keith Dyer: So just what lies within your enhanced portfolio?

Andrew Feinberg: The NetCracker portfolio now includes enhanced Customer Relationship Management, Service Management, Billing, On-Line Care, Subscriber Management, Device Management, and Mediation. On the services side, it includes Service Delivery Platforms, Software-as-a-Service capability, as well as applications for IM, M2M, Chat, Presence, Push to X, Video and Content Distribution, and Security applications. Our Network



IN OUR NEW FORM, WE ARE UNIQUELY POSITIONED TO LEVERAGE THE ASSETS OF OUR PARENT COMPANY AND BRING THEIR INNOVATION AND EXPERTISE TO THE LARGER GLOBAL MARKET... TO SAY WE’RE EXCITED IS AN UNDERSTATEMENT.

Management Solutions include both Element and Network Management, and our Network and Service Assurance Solutions encompass service quality management and monitoring, as well as device and equipment control. This is in addition to our existing core expertise and offerings in Service Fulfillment and Resource Management.

I'd also like to emphasize our enhanced professional services capabilities that enable us to deliver this technology successfully. These services include end-to-end Planning and Consulting, Turnkey Solution Delivery, Operations and Maintenance, as well as complete Outsourcing and Managed Services.

Finally, there's our business model. It is flexible enough to accommodate specific customer needs — which is extremely valuable given that there's no such thing as a one size fits all offering.

Keith Dyer: What advantages do you see in being that end-to-end provider? Can you always be the best across such a wide range of endeavour?

Andrew Feinberg: It's important to realise that carriers are no longer content to deal with hundreds of independent vendors. New cost structures mean that they need to consolidate their supplier base and transform their procurement processes. Large Tier 1 carriers may have thousands of suppliers with hundreds of best-of-breed applications in various domains. Today they are truly looking to consolidate their purchasing power by partnering with a small number of high-value strategic suppliers, and to develop more meaningful relationships with those key partners. That is why our end-to-end capability is relevant and important.

You ask if we can be the best in everything. I believe that our 100% successful delivery record and our great customer relationships mean that we are starting from a good, strong place. We make it a priority to invest heavily in our platforms and applications, and in the dialogues we have with our customers to ensure that the solutions we develop always meet our customers' technical and business objectives and are ready for real-time scenarios. At a time when everyone is looking to cut costs, we have stepped up our R&D investment by an order of magnitude. All in all, this is a good combination of elements to ensure that we can be the best.

Keith Dyer: You said previously that you are also open to acquisitions to boost your portfolio . . .

Andrew Feinberg: We frequently get calls from our customers when they have found an exciting technology. They say they like a specific company's product or service, but they will not buy from them directly and prefer that we deliver it to them. Currently we are looking at

a number of opportunities and are working through them carefully because we are very, very picky about what we include in our portfolio. But yes, we are actively looking at M&A opportunities to meet our customers' needs and further our growth.

Keith Dyer: As you take this new message to the carriers, are you positive about their ability to remain profitable entities in the future, central to the new services, media, and communications environment we can all see forming around us?

Andrew Feinberg: I am. Certainly, carriers' needs have changed, and carriers are more aggressively looking for ways to remain competitive. They know they need solutions that will enable them to radically change their cost structures. Of course, different parts of the world face different flavors of that challenge. In some low ARPU markets it's about profitable expansion, coping with the demand of adding millions of users a month. In mature markets it's more about rapidly monetising their Network and IT investments and delivering new services in a profitable manner.

That's why having the right partner, with the right business model, can make the difference between an operator's success and failure. Carriers are looking for the right way to monetise their relationships with their customers while dealing with exponential increases in the complexity of their operations and networks.

Yet there are examples, especially from Japan, where service providers have been able to successfully accrue revenues from non-traditional telecom services — in secure cloud services, or by monetising the explosion in mobile broadband, for example. We view some of the innovation happening there as a blueprint for service providers who want to make inroads into other industries to generate altogether new revenue streams. For example, providers have offered services associated with mobile payment, security, health, employment, and education and have opened up incredible new revenues totaling billions of dollars.

They have proven that “giving it away for free” is not a suitable model for the Communications Industry. They have created new revenues and a new customer experience — and have redefined the very role of a Communications Service Provider — by using the power of their Network and the agility of their IT in combination with innovative services, interactive devices, and deep customer relationships.

I believe that with NEC's background as a service enabler in the world's most innovative market, and as a pioneer in business transformation for the world's leading carriers, we can provide an unparalleled level of expertise, scale, and scope to become the one partner that carriers really need.