telesperience

The Best of Microsperience 2008

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The best of Microsperience 2008

Microsperience (www.microsperience.com) is the Telesperience blog. Since it launched in October 2008 we have covered a wide variety of industry issues and these continue to evolve as we find our voice within the industry. The aim of our research is to show how telecoms software (including BSS and OSS) impacts on the commercial agility of CSPs and their customer experience.

In response to reader suggestions we are producing a digest of our blogs so that you can print these out and read them at your convenience.

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We hope you enjoy this digest of stories from 2008 and look forward to providing you with more insight in 2010.

Microsperience September 2008: How will ICT weather the hurricane in financial markets?

By Teresa Cottam

As the financial services market continues to soften, just how resilient is the technology sector to the downturn?

In the UK we're having a rocky ride. Every time you open your newspaper – or in my case log on to a news site – you seem to discover yet more bad news. We have runaway inflation in basic commodities like food, fuel and power, a housing market that's stagnant and dipping/crashing (depending on who you believe), and a major financial crisis sparked by lack of liquidity. It's now a year since the Northern Rock, one of the UK's top five lending banks, got into trouble and the government had to step in with a rescue package of loans and guarantees to the tune of a cool GBP55 billion. We're also seeing an exchange rate tumble that is sharp and dire in its consequences. And economists tell us that we're the economy most likely to crash. Thanks guys!

Neither are we receiving any reassurance from our transatlantic neighbours, who are battling both hurricanes and a deepening financial crisis of their own. The US is famous for having everything bigger and better, so when the quaintly named Fannie Mae and Freddie Mac got into serious trouble the sorts of figures bandied about made our little Northern Rock crisis look manageable in comparison. Just when we thought the worst might be over, Lehman Brothers filed for Chapter 11 and Merrill Lynch was sold off to The Bank of America. I must confess to having to read the news twice as I wondered if I'd actually woken up or whether I was having some increasingly stressful nightmare. The ink had barely dried on the blank cheques signed by taxpayers on both sides of the Atlantic before we heard that oil price were on their way up again!

The toxic effects of the financial services crisis are inevitably going to poison every other vertical, no matter how strong or well run, so the question I'd like to pose is: 'What's the likely outlook for ICT?'

An initial analysis suggests that indications are mixed, as in any complex system. On the one hand while financial services were riding high, large parts of the technology market were busy falling down our very own deep dark black hole. The effects of this, however, were to kill off the over-exposed and the weak, and to force those that remained to trim, slim and become much tighter in the way they do business.

Demand is a tricky one. On the one hand, faced by increasing costs for basic services, consumers will have to cut back on luxuries, but the question is whether ICT services are perceived as luxuries any more. If you're looking for a job or are working from home you still need ICT. You might use the phone less, although will it be the first place you'll look to save money? Here in the UK many of us are on bundled deals for mobile and broadband so our choice boils down to cutting to a cheaper package (which might not be possible in the short term if we have a contractual tie in), stop taking services altogether or just stay as we are. Businesses may seek to reduce their cost bases, for example, by substituting travel for ICT services, or by shutting offices and making more people work from home. And job seekers need their phones more than ever. There may therefore be opportunities amidst this chaos for ICT players.

Like a superhero, ICT is ripping off its recently-acquired (but never completely convincing) green costume to reveal that its real strengths lie in reducing cost, improving innovation and increasing efficiency. This is entirely incidental to any positive environmental impact and the messages are likely to substantially change to align themselves with current, pressing concerns.

How ICT businesses respond to the potential silver cloud remains to be seen, but they're not going to have it all their own way. Telecoms providers are major consumers of electricity, after all, and power costs are up substantially. Yes, they have worked hard to reduce the amount of electricity consumed, but most of the recent gains may very well be wiped out by the rising cost per unit. Wages are also under pressure as people struggle to pay for basic commodities - potentially increasing costs further. And for smaller businesses there are worrying signs that the VC hands that gave over the last few years are now demanding their paybacks in much tighter cycles than had been planned. This pressure will stimulate some to take a big leap forward, but inevitably will force others to fail and layoff.

The good news for those facing the chop – at least on this side of the pond - is that the jobs market is still fairly robust. Of course that can change quickly, but I'm hearing reports that many who are being quietly let go are walking into new jobs within weeks. Check out major jobs sites and you'll see that while some sectors are really down year on year, ICT and media still have plenty of unfilled vacancies.

In summary, while the outlook remains uncertain, ICT looks like it has enough strength to hold steady. We may have to revisit that if things continue to soften but we're in a much better position than might otherwise have been the case. It's tempting to apply Nietzsche to our view of the ICT downturn we emerged from in 2005. After all, "What does not kill me, makes me stronger" (Twilight of the Idols, 1888).

Microsperience September 2008: Vendors – does the BSkyB case worry you?
By Teresa Cottam

Vendors and integrators should be watching the outcome of BSkyB v EDS carefully.

BSkyB v EDS has been rumbling on in the UK market for years now. In summary BSkyB is suing EDS to the tune of GBP709 million for fraudulent misrepresentation after a breakdown in relations between the two companies in early 2002. In 2000 EDS was retained by BSkyB to design, build and implement a CRM system for its Scottish contact centres in Livingston and Dunfermline. BSkyB claims that EDS failed in its contractual obligations; it went on to complete its CRM upgrade and started legal action against EDS in August 2004.

The contract between the two firms limits EDS's liability, but by claiming fraudulent misrepresentation, BSkyB's lawyers hope to argue that these limits should be set aside, paving the way for potentially unrestricted damages that could include compensation not just for the CRM system itself but for the impact on profits and other indirect losses. So far the legal costs have topped GBP70 million for the two firms, which dwarfs the GBP48 million value of the original CRM contract.

EDS is vigorously defending itself against the claims and has argued that the project was unspecified, and that scope-creep contributed to both cost and time overruns.

Cases of fraudulent misrepresentation have been rare in the British courts, although recently there have been a number of cases where businesses have made these allegations against an IT supplier. Other cases have been settled out of court, however, so we think this is the first case that is going the whole way.

A couple of other cases that have been in the news this year include another dispute involving EDS. EDS had agreed to pay HMRC GBP26.5 million in compensation for problems with the tax credit solution it provided. Problems with the solution had led to hundreds of thousands of tax credit claimants being paid late or substantially overpaid. This dispute bubbled up again earlier this year when it was revealed that EDS had paid very little of the agreed settlement, and that the solution is still overpaying claimants due to fraud and error to the tune of GBP1 billion per year. In another example, British Gas announced earlier this year that it was suing Accenture for GBP182 million over a dispute about the suitability and delivery of a new billing system (codenamed Jupiter).

The decision on the BSkyB v EDS case is expected in early October. Should BSkyB win it will drive a coach and horses through clauses limiting liability and could open the door to further litigation. Whatever happens is should focus vendors' attention on their sales cycle, ensuring vendors tighten up on promises made to clients. It should also mean greater emphasis is placed on project scoping and requirements analysis. Which can't be a bad thing. Far too many IT projects fail at one level or another – often not as spectacularly as the projects mentioned here – due to poor scoping, project management and requirements analysis.

What can we learn from this? This is a trend that shows no sign of abating. Whatever the outcome this particular case it is likely to go to Appeal due to the large sums involved, but what it demonstrates is that companies are no longer willing to simply write off large disastrous IT projects but are increasingly resorting to legal address. How will this affect the telesperience? The answer is that IT projects gone bad don't just cause internal problems or cost companies millions – they also have a wide range of adverse effects on customers. In British Gas's case large numbers of customers experienced billing difficulties which contributed to British Gas losing around 1 million customers in 2006 alone. The company had to employ thousands of extra staff to try and sort its problems out and its brand took a real bashing. It seems business managers are now more willing than ever to take a punt at reclaiming perceived lost value – and let's face it, there's plenty of lawyers waiting to help them try.

Microsperience October 2008: Google searches its crystal ball to see new wireless market
By Darran Clements

Does Google's patent reveal the future wireless market and if so what does it mean for the telesperience?

Last week the US Patent Office published a patent filed by Google back in March 2007. The patent describes a handset that will work on multiple networks and in certain circumstances seek out bids from rival telecoms suppliers.

In some aspects the patent seems to resemble an evolved version of BT's Fusion offering – launched in 2005 – which allows the customer to use the same handset as both a wireless phone and a fixed phone. The BT phone uses a WiFi connection to a BT Home Hub or BT Openzone hotspot and the call is carried using voice-over-IP over the ADSL line. Elsewhere the handset operates like a standard mobile phone.

The Google idea takes this a step further. The handset would not be tied to pre-determined network(s) but would proactively search out the appropriate connection as determined by the requirements of the service and the user. This is very different to the norms of today's wireless networks where devices and users are tied to a particular provider and if you choose to roam you rely on inter-carrier agreements and are billed a hefty amount for doing so.

This patent is another angle in Google's evolving telecoms strategy. It is also investing in alternative wireless technology and networks: it has put around USD500 million into the Sprint/Clearwire WiMax initiative, has tried to spend a little under USD5 billion on some wireless spectrum, and earlier this year succeeded in investing in the Unity trans-pacific undersea cable.

So what about Google's latest comms idea? Well a couple of weeks back I was expounding on a similar(ish) theme to some colleagues. Wouldn't it be handy to be able to log on to a foreign network with your own phone as a prepaid guest, I argued, billed directly by the foreign network rather than your own but keeping your own phone number. I know plenty of international business travellers who are pretty sick of paying extortionate roaming fees who would welcome this type of service. And at the moment the workarounds are pretty clunky: some use a foreign prepaid SIM and then simply let colleagues know the number they'll be on that week; others have pioneered the use of international VoIP while roaming (with mixed results). Caveat: I think we all realise that VoIP is most definitely going to get a whole lot easier in the next few years.

So does Google's idea have legs? The received wisdom is that people like the idea of lower cost telephony, but I don't think it's so straightforward. The cost of both voice and data continues to fall in many markets. Here in the UK, for example, I simply cannot use all the voice and SMS I get bundled into my monthly contract, and every year they give me a bit more. I also have 3G which is a fixed fee per month if I want to leave it on all the time. I've got broadband at home, which is free with my TV bundle, so I can use VoIP from home for international calls if I need to. And my relationship with my carrier is straightforward. Frankly, I have little incentive to want to reduce my call costs further – apart from when I roam.

The idea I proposed above (to allow us to guest onto a foreign network) would be both commercially and technically straightforward. The foreign network would treat me as a typical prepaid customer and depreciate my balance as I used my phone; I'd know exactly who I was receiving service from and what I was paying for. It would improve my telesperience because I'd be charged for a straight international call rather than an exorbitant roaming call. Sure the host network might not make quite so much out of me, but then I'd call home a bit more and I'd not be so tempted to use VoIP. What's more we all know there's downward pressure on roaming charges from the likes of the EU, so prices will inevitably fall.

The Google idea seems overly complex to me. From a technical standpoint it is certainly achievable even if some aspects appear a little challenging. After all when we roam our handset seeks out alternative networks and either the handset automatically selects a signal or we do so manually. The Google concept just adds in a bit more complexity in the back end by describing a realtime wireless auction system: "a transparent auction marketplace with wireless providers bidding in real time to provide the communication services to users".

I won't get into the definition of realtime in this blog, but clearly the system would have to be fast, very fast. And have zero downtime, be able to handle huge amounts of transactions and so on. Back in the real world we're still trying to get interconnect and partner billing into the electronic age.

Commentators have pointed out lots of technical obstacles (eg. ZDNet notes that device manufacturers will have to cram in more radios) but I would caution that even if we can iron out the technical issues all too often we do something because it's a great technical idea without considering whether commercially it will work.

For me the big so-whats are: does the idea actually improve the telesperience enough to make it appealing to customers? Commercially is it viable? From a customer perspective does this service tempt me enough to buy a new handset or subscribe to Google-net? Does Google-net really want to take responsibility when things go wrong? Do I trust Google? Isn't there a real risk to telesperience around quality of service and security? Can you imagine if you are continually getting cut off because your handset switched to a different network and you lost the signal, or if you find that cheap network Google put your call over had used unlawful intercept to steal your personal details or credit card number! And if the quality of service is terrible you're going to want to ring up Google customer care at vast expense to them. Is there really enough margin in this to make big bucks for Google? Are carriers going to want to compete viciously on price or will they just deem this too much bother (ie who's going to play ball with them)?

To my mind there are some aspects of telecoms that Google wants badly – presence, location, the device that you carry everywhere. These are what it needs to build its next-generation, advertising-funded services. But is this open network concept the way to deliver this? Instead of competing with telecoms providers wouldn't it be better either to buy some or partner with them? They are obviously concerned about the actions of Apple, but pragmatism is the best way forward not emulation IMHO. This smells to me of a blind alley – a defensive patenting just-in-case, rather than a serious part of their strategy. But if you think you can see an angle on this that I've missed then please feel free to enlighten us as we'd be very happy to hear your comments. Apparently Google is being quite tight lipped on this currently.

Microsperience October 2008: Maybe it's time for technoholics anonymous
By Teresa Cottam

Despite everything we know, we still keep adopting technology for technology's sake.

I've come to understand over the years that technology is a powerful drug. Those of us that like it can't get enough of it. We're different to those people who dislike or avoid it – the technophobes. But I would caution that we must be careful of stepping over the line and turning a harmless pastime and essential tool into an obsession. Technology is there to make things work better, to serve a purpose, to fulfil a need. Just because from a technical perspective something can be done, it does not mean it should be. The real risk is that we turn into technoholics – adopting technology for technology's sake and not because it makes us more competitive or delivers value to our customers.

Now to be clear, you're not a technoholic simply because you love and embrace technology – this isn't a technophobic rant about how technology is now our master not our slave – but you become one when you try to apply technology where it isn't really needed.

Technoholism is what drives us to keep buying new technology when we haven't really gotten our last purchases to work properly. Do I really need a new handset, considering that I'm probably only using 25% of the capabilities of the old one? And while we're on that subject, wasn't mobile comms and email etc supposed to make my working life easier? Not invade every spare moment I have. Let's face it large swathes of the population are now hopelessly addicted to technology – they're technoholics. Observe teenage girls texting each other while sitting in the same room, for example. Try disconnecting the average teenage boy from the internet plus his computer, mobile, gaming platform and TV and watch the results.

But we're not here to debate the behaviour-changing aspects of technology, rather the effects on the business. Companies adopt technology for the sake of it, driven by vendor hype cycles that seek to create demand for new technology. Too often we discover that vast amounts of money have been spent on technology without it delivering real business benefit or positively affecting the telesperience. Technoholics believe that technology alone can solve business problems, whereas in real life we know it involves people and processes as well. Technoholics believe that a new application is the 'solution' to their problems, whereas all too often it is simply the start of a new set of problems. Technoholics spend a long time selecting applications, but then don't spend enough time considering how the application will be implemented or integrated, or how the data will be migrated.

Maybe we should have a support group where IT staff who cannot overcome their urges to buy new tech can meet in a non-judgemental environment. We can confess our guilty purchases and the seductive pull of the three letter acronym (TLA), while promising to stay both business and customer focused in the future. But we must also not fall into the trap of blaming the technology itself – merely our misapplication or misuse of it, and our over-enthusiastic adoption without having scrutinised the real value.

Microsperience October 2008: Is the iPhone really a commercial differentiator?
By Darran Clements

Hysteria and zealotry aside, what's the real business differential of the iPhone.

In an ever-changing mobile landscape we're constantly bombarded with the latest, greatest gadget, with the associated promise of a seamless data, voice and internet experience. Without a doubt 2007 was the year of the iPhone, and this summer the second wave hit us when the 3G version was released.

Industry vets may very well have wondered at the column inches across both trade and general media dedicated to Steve Jobs' latest baby. There are other phones out there that do as much, if not more, we argued. But the iPhone had become more than a communications device – it is a branded, cultural phenomenon that you either love or hate but you cannot ignore.

Under the glitzy skin, however, the commercial raison d'etre of the smartphone is to provide access to, and increase use of, a range of data services which ultimately we hope will drive up ARPUs and shore up the falling revenue from voice calling in mature markets such as the UK and the US.<span> So now that we're a year down the line, we have an opportunity to ask: what has the business benefit been to O2 in adopting the iPhone?

In the UK, the iPhone is exclusive to the O2 network. So what we would hope to see is that O2's market share and ARPU has risen. Glancing over the figures (these precede the launch of the iPhone 3G) the picture looks quite rosy:

- iPhone ARPU is 30% higher than average
- 80% of iPhone users use 10 or more services connected to the device
- 60% iPhone users use more than 25Mb of data per month, compared to less than 1% for other contract phone customers.

As usual, however, the devil is in the detail. The average O2 contract subscriber has an ARPU of around GBP43. The average iPhone user has an ARPU that is 30% higher, or around GBP56 - some GBP13 more. However, this is where it gets interesting, as the iPhone incurs costs to O2: the licensing fee paid to Apple as well as the cost of the handset subsidy. The Apply levy is around GBP3 per existing O2 customer upgrading to the iPhone, and around GBP12 for a customer churning to O2. This means that each iPhone customer churning from another network generates around GBP1 per month in extra revenue on average than a typical O2 customer.

However this fails to take account of the handset subsidy paid by the mobile operator. This issue came to a head again in August 2008 when O2 announced that is was going to double the amount of money customers had to spend per month to be entitled to a top-end handset. The average rate in the UK for eligibility has been GBP35 for at least two years, but O2 has hiked this to GBP75 – well out of the reach of many ordinary customers. The move was stimulated by the increasing costs of subsidising smartphones in general, and the iPhone 3G in particular. O2's customer acquisition budget simply couldn't sustain the level of subsidy it was paying out.

The move gambles on two aspects – that there is enough demand for the phone to overcome the tariff barrier, and secondly that other networks may follow suit. Certainly, demand for the iPhone was brisk in the first few months after release, but thereafter it stagnated. Likewise there is pent up demand for the iPhone 3G, with some users waiting specifically for this version to be released.

However, the UK is amidst an economic crisis that is seeing consumers carefully examine their household spending. Is now really the right time to push a large price hike?

Supporting O2's move is the fact that the iPhone has huge brand penetration. And before the price rise was announced there were strong indications that even die-hard prepaid users might be tempted to a contract because of their desire for the handset. This would be great news for O2 as it would reduce its churn rates and raise its ARPU.

Commercially O2 is indicating by this move that smartphones are not viable at less than GBP75 per month. Or else that its aspirational ARPU is around that level. But consider this. According to Ofcom average mobile ARPU (voice and data) in the UK is GBP17.59 (up 3%), although this is somewhat depressed by prepaid ARPU of GBP9.10. Contract ARPU is GBP33.06. The increase in ARPU was largely due to increase in average SMS revenue, which rose 17%; ARPU for non-SMS data declined; households allocate 4.8% of total spending to all telecom services and that's been at a similar level for some time; the peak year for mobile spending was 2004, when households spent GBP33 per month in comparison to GBP32.73 in 2007.

Smartphones account for around 11% of total shipped handsets, and that figure has stalled. In markets like the UK, mobile operators have been inflating the number of smartphones sold artificially by supplying customers subscribing to GBP35+ packages. This has led to many mid-range customers with high-end handsets they can't use or don't use. The drivers behind this have been the old telecoms adage: "build it and they will come". In other words there was a philosophy that once people got used to high-end handsets then ARPUs would rise as they began to consume more data. I'd argue that on the Ofcom figures that isn't happening (yet!).

Now the question is how long can the networks persevere, and will their carefully laid plans be upset by the economic downturn? The likely effect of the latter being that a proportion of consumers won't swap out devices at the end of their contracts but will hold onto their perfectly serviceable mid-range handset for another six or 12 months and look to find a cheaper tariff as a result.

While we must also remember that the global figure is being distorted by the high volumes of low-end handsets being bought by developing markets, there is still a question as to how high real consumer demand is for complex data services, and the smartphones that go with these, even in developed markets like the UK. Would operators be better advised to concentrate on improving mid-range and low-end handsets? Is it easier to upsell a low ARPU customer to mid-range than a mid-range customer to a high-end tariff? Would putting effort into sectors that have growth potential yield more sales and higher ARPU?

Take the silver surfer demographic: just as most 70 year olds don't buy Jimmy Choos, so many will not want, need, be able to afford or be able to use an iPhone. Yet there is potential in this sector for growth, as demonstrated by their relatively low spend on mobile phones, but their increasing adoption of internet technology. Such consumers want handsets that are suited to their needs, not phones designed for 25 year olds. Features that are appealing include bigger buttons, bigger screens, easy to use phones and services that are designed to appeal to them.

I'm also mindful of a conversation I had recently with a tradesman, who told me that his mobile was his business. Yet he had no interest in complex handsets or fancy ringtones. What appealed to him was reliability, coverage, quality of service, a cheap tariff and a robust handset. This demonstrates how important it is from a commercial perspective to remember that the iPhone, sexy as it is, will appeal only to a subset of users. Network operators need to consider whether their budgets are best spent on attracting such users or on better serving other sectors that might cost them less to address but contain hidden growth potential. The iPhone, and other smartphones, may enhance the telesperience for a select few, but putting all your eggs into this basket risks alienating the majority.

Microsperience October 2008: How nickel adversely affects the Telesperience

By Darran Clements

Last week the press was awash with the latest telecoms health scare - nickel allergies caused by mobile handsets. What is the potential impact on customers' telesperience and what does it mean for operators?

Health concerns about handsets have bubbled around in the press for a long while, but a new one has now emerged into the public consciousness. Apparently, nickel in the casings of mobile handsets is causing some people to have allergic reactions to their phones.

Long recognised as an issue in the jewellery industry, reports last week claimed that up to 30% of the population has a contact allergy to nickel, with women more likely to be sensitive than men. According to the Nickel Institute, however, the extent of sensitivity to nickel has been exaggerated - its estimates suggest that around 5-15% of women and 0.5-1% of men are sensitive to the metal.

Those that are sensitive, however, suffer an unmistakable allergic response similar to contact dermatitis, and once sensitised the response persists for life. Not only is this health risk proven, but it's also patently obvious. The resulting red, itchy rash, skin blistering and weals may not be lethal but it's far from attractive – and you simply can't ignore an unsightly red rash on your face. Since women are particularly prone to developing the condition, it's not hard to see that this could become a marketing problem for operators.

So how big a problem is this likely to be? Well in a recent US study ten out of 22 handsets sampled contained nickel. And the projected figure is that more than 10% of the world's population are at risk from being sensitized.

But the upside of this little story is that here's an opportunity for mobile operators to differentiate themselves. So my advice is be the first to jump on this concern and do something proactive about it:

- place stickers on handsets that have nickel casings
- check with customers when they buy whether they're nickel sensitive and give appropriate advice. Advise women, in particular, that a plastic handset or handset with plastic casing may be more suitable, and explain why
- offer a discounted replacement handset for anyone that has a reaction
- offer free plastic casings with all metalic handsets
- advise customers to use hands-free whenever they can to avoid sensitisation
- longer term, work with manufacturers to remove nickel from casings.

This story has the potential for some quick response marketing by savvy mobile operators, who can demonstrate how much they care about their customers' telesperience and differentiate themselves using relatively simple low-cost strategies as outlined above. What's more, failing to act quickly could expose operators to damage claims for sensitisation and the discomfort of the allergic reaction, so ignoring the situation is not really an option.

Microsperience October 2008: As sea levels rise, is the tide turning on telecoms conferences?
By Teresa Cottam

Analysts like myself can certainly clock up the air miles in the course of our careers, although over the past four years I've personally worked really hard to reduce the amount of travel I've undertaken. To begin with I was doing this surreptitiously as I confess the main catalyst was not so much environmental factors as not wanting to be away from my kids quite so much.

What I found was that it really wasn't necessary to do so many trips: I could easily substitute teleconferencing for many journeys. And while I sometimes felt as though I'd been exiled by the 'in crowd' – how many times do you have to say that you're not going to be at this year's Mobile World Congress? – many colleagues started confessing that they really didn't think attending so many events was necessary or an efficient use of their time. I found that my productivity went up considerably due to being less weary from constant travelling, combined with less downtown and more productive use of the journeys I did make.

BT lowers carbon footprint through homeworking and teleconferencing

My view was shored up by some work I did with BT in 2007. I interviewed their Head of Climate Change, Donna Young, who gave me the lowdown on what BT was doing to lower its carbon footprint. Great story. But it also made me feel a lot better about my travel-avoidance when Donna explained how BT was using broadband technology to transform its working practices. "Quite simply it's changed the face of how we work," she said. "Let me give you an example, two or three years ago I was travelling to face-to-face meetings every day; now I do a lot less of these and a lot more audioconferencing. We also now have over 12,500 homeworkers in BT and 70% of our employees work at home at least some of the time. A conservative estimate is that as a result of our initiatives we're saving 54,000 tonnes of CO2 each year from using conferencing and collaboration services."

Despite being treated like a 'born again' hippy by some of my colleagues, Donna's words gave me the confidence to 'fess up about my drive to reduce my travel and to actually feel good about it rather than guilty. It made me question each and every journey I made far more than I had done in the past.

Questioning the need to travel to international meetings

One event I still made space for in my calendar, however, was Amdocs InTouch. Amdocs runs this annually with the aim of keeping customers, analysts and partners up-to-date. The meet also provides a networking event for BSS/OSS professionals like myself. Every year Amdocs hosts this in a new city – last year we were in Berlin and next year in Athens. But when I discovered this year's event was in Montreal I felt distinctly uneasy about the 12,000 kilometres it would add to my annual mileage figures. But Amdocs is a pretty significant vendor which I really need to keep track of, so I reasoned that I'd just have to be even more vigilant in pruning back the miles elsewhere.

What Amdocs did

What I found interesting, however, was that the very first presentation we had at InTouch was from the amiable Charles Born, who proudly told us that Amdocs had worked really hard this year to reduce the impact of the conference through carbon offsetting and other initiatives. "Bringing our customers together to network and learn about Amdocs' customer experience systems and how their peers are using them is important and valuable," said Charles. "But with climate change demanding ever more urgent action, and with Amdocs' relationships spanning a global community, we recognized the need to protect the environment when gathering people together. Green initiatives like carbon offsetting are part of both our corporate social responsibility and our own differentiating customer experience. I'm proud that we can continue the InTouch tradition in a way that positively impacts the planet, and that's as fundamental and far-reaching as the air that we breathe."

Sounded good, so how did Amdocs propose to lessen the impact of all those telecoms execs flying to Montreal from all over the globe? It turned out Amdocs had joined forces with the CarbonNeutral Company with the aim, Born said, of turning the event "into one customers could feel good about attending". InTouch 2008 was in fact Amdocs' first-ever certified CarbonNeutral event and the Amdocs folks seemed really enthused by the whole process.

Carbon offsetting - making the link with the projects

A carbon neutral status was achieved by calculating emissions associated with energy consumption, travel, hotel stays and waste. For every one metric ton of carbon dioxide, Amdocs funded the conservation of an equivalent one metric ton of CO_2 through two projects it had selected. These projects were chosen according to Born because "they divert energy to renewable resources now, while promoting technologies that will protect the environment in the future".

The first initiative Amdocs invested in is the Quzhai Waste Heat Recovery Project, which captures and utilizes waste heat at a cement production facility in the Hebei province of China. Cement production generates a considerable amount of waste heat, which is usually vented into the atmosphere. At this plant up to 35% of the heat produced was being wasted. This waste heat is now being used to generate electricity for use onsite, displacing electricity generated by fossil fuel power stations and between 2006 and 2008 this will reduce emissions by an estimated 50,000 metric tons of CO_2.

The second project is the Sterksel Biogas Project. Biogas combined heat-and-power plants are being built at five farms in the Netherlands to reduce methane emissions from animal waste. Methane is captured and used to displace fossil fuels and heat local buildings, and it is estimated that the project will generate emission reductions of around 35,000 metric tons of CO_2 annually.

Other initiatives in place at InTouch were seen by some of my American colleagues as going a little too far – for example, providing tap water instead of bottled water or canned drinks caused a few grumbles from the dedicated cola drinkers amongst us. But you have to give them credit for trying.

Improving energy efficiency of applications

I can certainly point out plenty of places that Amdocs can continue to improve their efforts. What I'd really like to see, for example, is a concerted attempt to reduce the electricity consumption of their applications year on year, and to work with their customers – most of whom are large energy-hungry telcos like BT – to continue to reduce emissions. I'd also like evidence that they are substituting teleconferencing for air travel when the spotlight is not on them, although we have to be realistic that this is a considerable challenge for a global company like Amdocs.

The cynic in me also feels compelled to point out that a pretty clued up company like Amdocs isn't deaf to the increasingly loud noises coming from its large telecoms customers' desire to reduce their own carbon footprint. In many cases these operators are being pushed into action by their own customers and shareholders. However, on balance we have to conclude I think that this is a real step in the right direction by Amdocs.

What's more, it got me thinking about conferencing in general. Is it really necessary for us all to move around the globe so very much? Is the business benefit of attending conferences so very great, and is there really no alternative?

The technology sector should be leading

From my own experience I would argue that we in the tech sector could reduce our travel significantly without compromising our businesses. The norms of business travel we accept today appear increasingly outdated - especially in a sector that provides the substitutes and which is seen as being net beneficiaries of green working practices. As an industry we still have some way to go to put our own house in order. Flying from country to country attending expensive conferences is looking increasingly like a luxury we can't afford. The challenge is for companies to find ways of achieving the same business goals while lessening or removing the impact. Both Amdocs and myself are on a journey to reduce the environmental impact of doing business – we may sometimes lose our way, we may go down green-looking lanes that subsequently turn out to be dead ends, but every journey long or short begins with those first tentative steps.

Microsperience October 2008: Banking on IT: the lessons we can learn from Partenon

By Teresa Cottam

Banco Santander has grown quickly through acquisition and is able to take advantage of the current crisis to cost-effectively continue that expansion. What lessons can be learnt by telecoms operators from Santander's strategy?

The financial cloud has a silver lining for some

Banco Santander has been busy. Amid the panic in the banking sector, Santander is in the enviable position of calmly being able to step in and buy up its rivals' assets while the markets are down and the prices are good. To this end it just picked up the Bradford and Bingley's savings business (GBP22 billion in deposits) for GBP612 million, which it added to its growing UK portfolio. This followed the July 2008 announcement of its intention to acquire the Alliance and Leicester for GBP1.3 billion, which has deposits of around GBP24 billion. Santander now boasts 24 million UK customers – it had already bought the Abbey for GBP9.5 billion back in 2004 – and manages around 10% of the UK's retail deposits.

Its next move was to announce that it would acquire the remaining 75% of Sovereign Bancorp for GBP1.2 billion. The fall in Sovereign's share price meant it is paying less for 75% of Sovereign than it paid in 2006 for the 25% it already owns.

IT is a key aspect of Santander's strategy

At the core of Santander's acquisition strategy is an IT platform called Partenon. Partenon has been a key aspect of the significant opex savings Santander expects to gain from its acquisitions. For example, it has targeted a GBP300 million saving from Abbey's cost base and up to GBP50 million from the Alliance and Leicester's.

IT is a considerable cost to banks, and the ability to consolidate applications effectively is a key differentiator for Santander. Savings derive not simply from consolidating the core banking systems but also from all aspects of IT including data centres, personnel, software licences and so on. By migrating all the customer accounts to a single database, for example, Santander is able to remove costly duplication as well as improving operational efficiency.

Santander really is living the dream – it's using its IT and its ability to migrate complex solutions quickly and reliably to gain competitive advantage. When it integrated the Abbey, for example, it replaced systems that were up to 30 years old, migrating 22 million accounts to its consolidated customer database. This reduced the number of records from 52 million to 20 million and enabled Santander to achieve a single, 360° view of its customers. This gives it the opportunity to improve the customer experience as well as generate upselling and cross-selling opportunities.

Consolidation can negatively impact the customer experience

While at a high level things have gone well, it is naive to believe it has all been plain sailing for Santander. Like telecoms operators, banks have complex IT architectures, monolithic legacy systems and real-time, high-availability data. If telecoms operators lose some data during a migration they lose revenue; but for banks this could be catastrophic to their customer confidence, particularly in the current climate. In November 2007, for example, customer services at Abbey were negatively impacted when new solutions were introduced. And despite customer-centred management being one of Santander's 'key pillars' it has not always enjoyed a reputation for a good customer experience.

Lessons for operators

So what can telecoms operators learn from this? Well way back before the financial crisis hit, analysts were warning that banks were too complacent in terms of their IT infrastructure and that IT-driven change would result in real competitive advantage for those that embraced it. The warning may have been heard, but times were good and frankly many failed to see the fundamental changes taking place in the market. When profit margins are fat there's a temptation just to keep swallowing the costs because there's always something else to do.

There's no doubt that IT can be a formidable weapon in a company's arsenal, but it's also not a quick fix. Just as the military can't snap its fingers and conjure up a few new aircraft carriers or submarines overnight, so it takes time to prepare IT solutions that will provide a differentiated edge. When the financial services market tipped from bull to bear, it was already too late for those who had not prepared in advance.

There are currently rumblings in some parts of the telecoms market, stimulated by the fallout from financial services, about investment in infrastructure renewal projects. Operators need to be clear that the market is presenting a fantastic opportunity for those who keep their eye on the ball. M&A has long been a fact of life in the telecoms sector, and the IT consequences can be seen in the overly-complex back-end infrastructure of many telcos. Telecoms operators need to become far more adept at consolidating their acquisitions at an IT level, and must not allow jitters stimulated by problems in financial services to undermine their IT initiatives. Having an efficient IT infrastructure aids survival in a downturn, and when market confidence returns those with the right infrastructure will be poised to take greatest advantage of the bounce. Delaying investment now is short-sighted and will hamstring your potential.

The lessons we can take away from the Santander story include:

- IT can be a hugely effective competitive weapon – but it takes time, effort and planning
- the value of acquisitions are partly determined by a company's ability to consolidate IT. There is the potential to release massive opex savings, but the flip side is that M&A can simply add to your IT problems if you don't have an effective consolidation strategy
- the ability to migrate customer data without negatively affecting the customer experience is a major advantage – if you can't do this quickly, reliably and repeatedly you will fail to release desired opex savings and operational efficiencies. Being able to do so is a key hallmark of a winning company
- consolidation does not just reduce opex, it also has the potential to positively impact on the customer experience. But short-term negative impacts can be devastating to consumer confidence and therefore the business. It's highly desirable that the only effect of migration customers see is things getting better, not worse. This is something you should demand from suppliers.

Santander shows us that being able to demonstrate that you have the experience, expertise and solutions to reliably consolidate IT can directly impact on your ability to take market share, on how your company is viewed and, ultimately, on your market valuation. Operators should pay heed to this and stop treating migration as an afterthought to system selection, but instead as a skilled and vitally important discipline in its own right.

Microsperience November 2008: Are analysts really independent?
By Teresa Cottam

Ultimately analysts live or die by their independent thought and ethical behaviour.

Earlier this year there was a fairly heated debate on internet sites and blogs about the real level of independence of IT analysts. In case you missed this, it was kicked off by an article entitled 'Vendors still paying for IT research that flatters them' by Lee Gomes in the Wall Street Journal.

This article stimulated a debate about just how independent IT analysts actually are. Some of the responses from vendors highlighted shocking tales of the practices of some individual analysts or the firms they work for. At the time, measured, erudite voices pointed out that this was far from a new phenomenon and while there were mavericks in every industry that did not mean all should be tarred by the same brush. The very real and pertinent question was raised, however, about how independent you can be if you accept vendor money of any kind. This really goes to the heart of the matter, but the answer is far from simple.

I remember the heated debates we had at Ovum when I was there in the late 90s. Ovum really valued its independent voice. It felt – quite rightly in my opinion – that this was a differentiator. While it would be unrealistic to believe that no analyst that ever worked at Ovum ever succumbed to undue influence, I think I can say with certainty that when I worked there I did see senior managers carefully monitoring and checking to ensure it didn't happen. The most important things Ovum did was to make everyone aware of the issue, the forms that undue influence could take, and to implement strategies to avoid it happening. Ovum created a culture that valued its independence. In exactly the same way that security vendors argue that security has to be cultural and not just based on an IT solution, so independence has to be something embedded in the DNA of an analyst or firm.

I have tried to explain clearly to those who worked for me subsequently – for example, at Chorleywood Consulting – the importance of working ethically and independently. I strongly believe that if you don't work to high standards of ethics and independence then very soon word will get round and you will not have a career for very long. In this sense I think the market is to some extent self-regulating.

The important thing here is context. We all understand that when we read a particular magazine, for example, it is supported by advertising money and therefore vendors have a degree of control over the content. So we put our bias-goggles on and look at the copy through that filter. Does it mean that this content is worthless? No of course it doesn't; but we're aware that the messaging or issue may be slanted towards a particular vendor.

It's all very well getting on your high horse and saying: "but we don't accept any money from vendors". The inconvenient truth is that if vendors are your customers then you just opened yourself up to influence (which is not the same thing as actually being influenced). Some so-called independent analysts only write about their own customers, or make up artificial rules to determine who they cover. On the other extreme some analyst firms declare what amounts to an aversion to vendors in the interests of objectivity. But how can you analyse a market properly if you don't engage with vendors at all? And do we really believe that these firms refuse to sell their research to vendors (which as I've said opens them up to influence)?

Of course, another factor in this ethical porridge is the type of research you're conducting. The most thorny type of research to perform involves vendor profiling, ranking or rating. This is the area where analysts are most likely to be subjected to pressure by vendors – although whether they bend to this pressure is another matter entirely.

So now let me tell you why I'm writing this piece. Internally we've been debating the best method of bringing our analysis to market – and that's been the most difficult decision of all the many things involved in launching Telesperience.

I don't want to provide analysis purely for those with large budgets and deep pockets; nor do I want to create a newsletter that is a glorified piece of marketing. However, I have taken heart from the fact that some analysts have managed to tread the tightrope of sponsored research in an ethical manner. Likewise I think those vendors I have worked with over the years know me well enough to have evaluated that I do not do 'pay for play'. I endeavour to show a variety of opinion; I rotate vendors to give different perspectives; and I always include some small vendors as well as some large ones.

It is a tightrope we're walking, but please be assured that Telesperience will try to always act in an ethical manner. We believe in collaboration, debate and a spectrum of opinion. We don't rate vendors or products: we leave this work to analysts and consultants who feel they can perform this role for their customers, but it's not something we wish to do. If a vendor wants to engage with us, we have simple rules: please have something insightful to say. That's it. If you can explain to us why a topic impacts the telesperience, why you think we should be covering it, then we'd like to hear from you. We can't promise that we'll definitely cover it because there are an awful lot of things to cover, but we'll certainly listen. If the issue has merit then our readers will want to hear about it.

We promise you that we will not hide who has been involved in our research – whether that is providing opinion or funding. We believe that as intelligent and sophisticated grown-ups you can then interpret what you hear fairly.

Another part of our ethical code is something else that cannot be taught: we always work with the utmost discretion. We are party to considerable confidential information and we do not disclose this to any third party without prior consent. We are used to handling commercially sensitive information and we work under an implicit non-disclosure agreement. In other words, whether we've signed a piece of paper or not we treat your sensitive information as if it were our own commercially sensitive information. This is another reason why we don't rate vendors or their products: we find that because we don't do vendor or product ratings market participants are much more frank with us.

Independence and ethics are trainable, but they're also instinctive. Analysts build up a reputation over years – of trust, independence and intelligence – and it's not something to be thrown away lightly. What Telesperience is seeking to do is to provide fresh, insightful and approachable analysis of key issues facing our industry. We do this from our own unique perspective and we engage with the market in an ethical, independent and transparent way. If you have any feedback on these issues that you think we should take on board then please drop us a line because we're always happy to hear from you.

About Telesperience

Telesperience is a UK-based telecoms analyst firm focused on how technology impacts both the commercial and customer experience. It is wholly-owned by Babworth Ltd, a provider of research, publications and writing services to the global Internet, Communications and IT markets.

The scope and focus of Telesperience is as follows:

- the commercial telesperience – to analyse how key IT technologies impact on telecoms service providers' businesses
- the customer telesperience - analysing how key IT technologies impact on the end customer experience.

Telesperience was founded in 2008 by an experienced team of telecoms IT analysts who wanted to provide a more convergent view of the telecoms market, focusing on business and customer issues. We consider where the problems lie with legacy technology, and how companies can transition to provide a more positive telesperience for their customers and a more profitable business for themselves.

Telesperience's open source research programme relies on the goodwill of companies who fund research in order to make it free at the point of delivery. We endeavour to ensure that our research remains objective and independent – the steps we take to do this are outlined on our website, but the most significant is using experienced and respected analysts who have a track record within our industry. Report sponsors are always acknowledged, so readers are aware who is funding the research programme.

Find out more about Telesperience at www.telesperience.com and www.microsperience.com