Turnkey Networks: The Future of Managed & Professional Services

EXECUTIVE SUMMARY

In 2000, facing severely diminished prospects for infrastructure sales, leading network equipment providers (NEPs) such as Alcatel-Lucent, Ericsson, and Nokia Siemens astutely realized that they would need new business models to drive their future success. While network operators were cutting their capex budgets, they were also looking for new ways to reduce operating costs, opening the door to the evolution of the managed and professional services business models.

From 2000 to 2009, an unprecedented number of managed and professional services deals were signed, as network operators took measured but aggressive steps to reduce opex. As a result, vendors seizing the business opportunity have rapidly morphed from hardware-centric infrastructure purveyors to managed services specialists and consultants.

After starting out relatively slowly, professional and managed services have ramped strongly since 2005, and now contribute almost half of total equipment vendor revenues. This is largely due to the explosive growth in emerging markets of wireless services, which have relied heavily on managed services resources to launch greenfield networks. In established markets, many wireless and some fixed operators are also now embracing managed services to reduce ongoing operational costs, as margins for legacy voice services continue to contract.

Turnkey Networks: The Future of Managed & Professional Services examines the current and future state of the managed services landscape, explores how the shift to managed services has indelibly altered network and business models for both telecom vendors and telcos, and considers what lies ahead as this market continues to grow.

The report analyzes the portfolios of 18 telecom vendors, consultants, IT specialists, outsourcing specialists, and systems integrators that compete in this market. This analysis is augmented with real-world case studies from Orange and Sprint, to provide insight into the realities associated with adopting a managed services model.

For a list of companies analyzed in this report, click here.

As shown in the excerpt below, this report identifies four distinct sectors of the managed and professional services (MAPS) market – network control and upgrades, applications and services, consulting, and customer care and billing. This classification helps to pinpoint the precise areas the vendors profiled in this report are targeting, and to chart the evolution of these services. While
this diagram provides a necessary frame of reference, it also identifies a number of decision points that telcos must consider in creating MAPS strategies.

Excerpt 1: MAPS Sector Diagram

Report Scope & Structure

Turnkey Networks: The Future of Managed & Professional Services is structured as follows:

Section I includes a full executive summary and report key findings.

Section II defines the scope of services and capabilities that managed and professional services encompass. This section introduces the sector model that provides a framework for outsourcing all functions necessary to deliver a turnkey network.

Section III provides a historical summary of the key business and technology shifts that have driven the adoption curve of managed and professional services from both a telco and vendor perspective. This analysis includes key topics such as the undisputable impact of wireless growth in emerging markets and the lingering impact of TDM lines in legacy fixed networks.

Section IV presents the case studies of network operators Orange and Sprint, interviewed by Heavy Reading for this report to gain insight into how network outsourcing is influencing both their current and future modes of operation.

Section V profiles 18 managed and professional services vendors and consultants, detailing their portfolio capabilities and differentiators, strategic partners, and plans for expanding service offerings to meet future customer needs.

Section VI identifies the factors and new market dynamics that will influence the evolution of the managed and professional services value proposition over the next few years.

Appendix A offers a chronological list of selected major managed services contracts, including area of focus and contracted vendor.
The report is essential reading for a wide range of industry participants, including the following:

- **Telecom service providers**: How will the increased emphasis on managed and professional services influence the competitive landscape in your market? Are you utilizing the best third-party managed services providers to serve your needs? How will the widespread use of managed services influence the emergence of new telecom service business models? How can managed services help your company to enhance the end-user experience and provide highly personalized services for your customers?

- **Telecom equipment vendors**: What does the growth of managed and professional services mean for the future of your business? How will your company differentiate itself in a market in which the majority of revenue is from managed services and consulting, rather than infrastructure equipment? How will acquisitions shape the managed services arena, and will your company have to acquire other providers as competition intensifies – or will your company be acquired? Which of your competitors is seen as leading in the managed services sector, and which players are poised to dominate in the future?

- **Investors**: How will the pursuit of new managed services opportunities shape the competitive landscape among telecom vendors? As infrastructure sales plateau and vendors look for new approaches to gain managed services market share, how is future consolidation likely to take shape? How is the managed services model likely to develop in China, which represents the next big market opportunity? How will new network management technologies and business models influence winners and losers in this growing marketplace?

**Turnkey Networks: The Future of Managed & Professional Services** is published in PDF format.