


Accenture Solutions for Innovation and Service Management

Taking a factory approach for service development in the digital marketplace

Point of View


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Consumer demand for convergent communications, high-tech and media services is surging. Such services constitute the prime area for growth through new-service development today, yet most companies are not ready to support a development environment for convergent products and services.

This paper examines the new-service development capabilities needed by the major players in the digital ecosystem. It proposes taking a factory approach—a standardized and industrialized environment for more effective service innovation, development and operations for the IP era.



The IP revolution and the increase in competition from software and media companies in a market space long dominated by traditional telcos and cable companies are fueling an intense need for innovation and for developing the capabilities to create, roll out and manage innovative products and services faster, at lower cost and with reduced risk. The question is whether companies have the business, technology and operations capabilities in place to innovate quickly and cost-effectively.

Challenges to efficient and effective innovation

Wireless broadband services and other IP products and services constitute the prime area for growth through new service development today, as companies seek a piece of the huge mobile Internet market. Yet most companies are not ready to support a development environment for convergent products and services.

Characteristics of the convergent development environment include:

Complexity

Convergent services generally span multiple functions, devices and content providers.

Multi-party development

Collaboration among multiple companies in the digital ecosystem is important to generating innovation. A recent survey conducted by Accenture with the Economist Intelligence Unit showed, for example, that 60 percent of service providers had more than 10 co-design partners per service development project. Using third parties presents a host of operational challenges, however. Developers often work across locations and time zones and come from a range of large and small companies with different capabilities. Providers find it harder to assure quality for end customers across multiple providers. Using multiple parties also means that billing and settlement must take place across

different organizations' technology infrastructures.

New technologies

Products and services now depend on a wide range of exciting but often unproven technologies where significant customization is often required. These technologies present companies with several challenges, not the least of which is the need to develop or attract people with a range of required IT and network skills.

Shorter lifecycles

In an industry changing so rapidly, companies cannot presume that any innovation will give them an advantage for very long.

Big upside and big downside

Although the potential gains from innovation are large, so are the risks. Single "big bets" are extremely risky because any service development program has an extremely uncertain return on investment.

In this complex business and technology environment, companies are challenged across the entire lifecycle of new-service development—from generating ideas and setting service strategy; to creating and launching new services; to operating, growing and optimizing those products. Cost overruns and schedule slippage are pandemic.

The need for a more comprehensive approach to new service development

We believe that companies must take a broader and more integrated approach to new service development, one based on a standardized or factory type environment. Just as factories and assembly lines in the industrial era transformed manufacturing into a more predictable, cheaper and less financially risky operation, a factory approach can create an environment for more effective service innovation, development and operations in the IP era.

More effective service delivery platforms are one critical piece of the overall solution. Yet other pieces are equally important: using a mix of dedicated offshore and onshore resources to help take new services from ideas through launch more cost effectively; building upon pre-built services from a

proven catalog; creating a more effective capability for third-party collaboration; and using a hosted capability to support more effective and efficient management and optimization of services over time.

By taking a factory approach, communications, high-tech and media companies can conceive, create and launch new IP products and services faster and with less cost and risk.

Although service delivery platforms (SDPs) have to this point been an essential asset for bringing third parties together and managing their collaborative development of new services, the traditional SDP is no longer equal to the challenges of today's open innovation environment.

Providers must have the ability to create consumer services built on a suite of capabilities which, together,

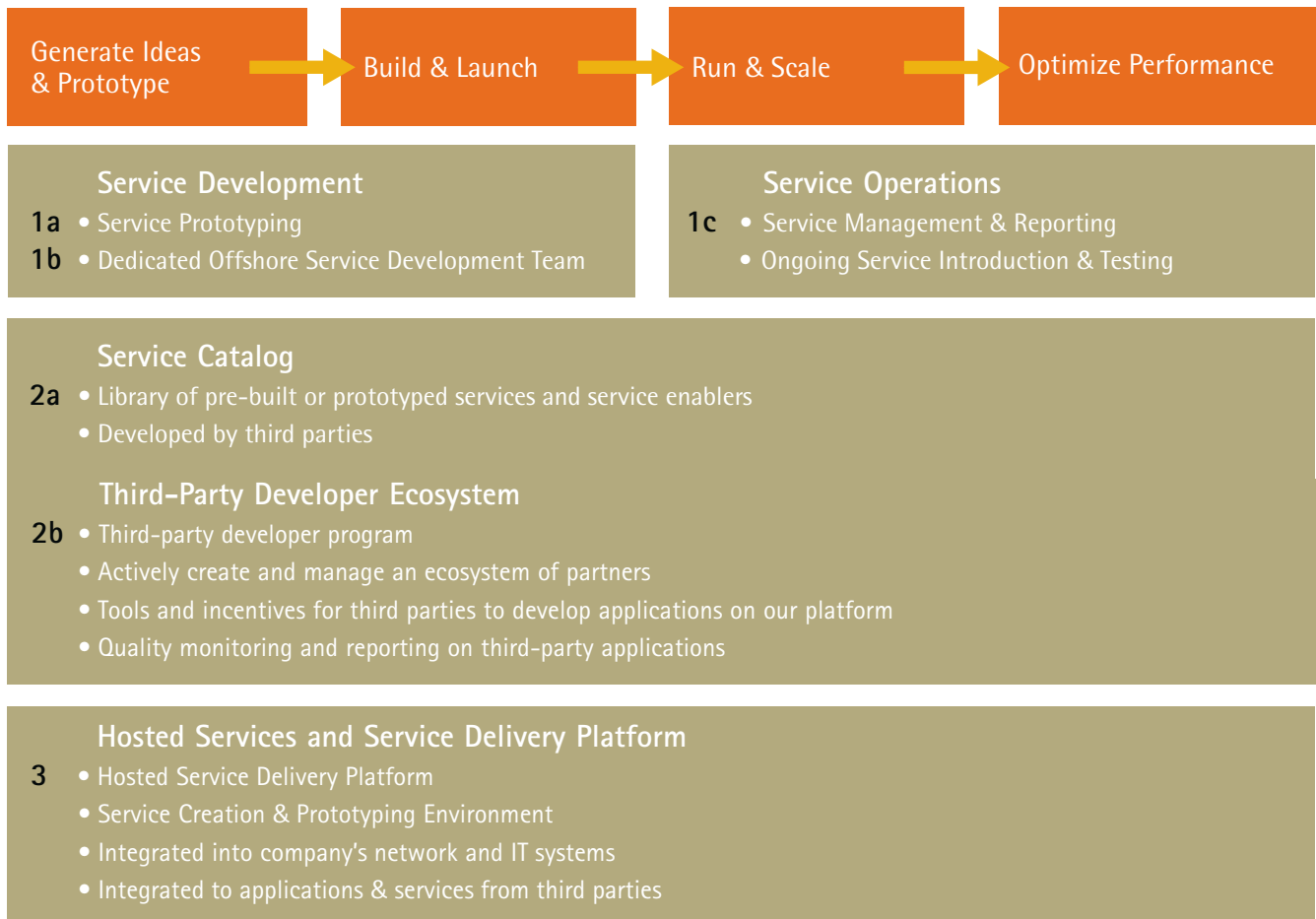
have been dubbed "Web 2.0." Today's Internet environment, especially as it intersects with wireless and broadband services, is creating an unprecedented wave of user generated content and of services that treat the consumer not just as an individual, but as part of a larger social fabric of extended family, friends and colleagues.

Evolving a company's service delivery capabilities to account for Web 2.0 development across the three consumer screens of PC, mobile device and TV is a challenge that must be met if providers are to achieve and sustain high performance in the age of convergence. Accenture's vision of taking a factory approach for product and service development (see Figure 1) builds upon a second generation of the service delivery platform—what we term "SDP 2.0."



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A factory approach spans the entire service development and execution process



As the framework in Figure 1 implies, a factory approach for service development in the digital marketplace can take three different forms.

1 Tailored Service Development and Operations

The ideal factory includes dedicated design-and-build facilities to take new services from ideas through to launch. Accenture maintains innovation and usability centers in the United States and Europe, where dedicated resources work with corporate teams to perform upfront designs and requirements analyses that are highly market focused.

Development can then be conducted at offshore delivery centers (including locations in India) with a specific focus on software product engineering and development. This work provides tight integration with the innovation and usability centers as well as the corporate teams. Service management and reporting take place within the service operations phase of work.

The result is a service development and innovation process that is more predictable, in less time, at lower cost and with reduced risk. Specific benefits can include:

- Improved service design and usability
- Prototyping that benefits from customer feedback at early stages of development
- Faster time to market
- Lower, more predictable capital and operating expenses
- Improved return on investment for launched services through more effective reporting and management.

2 Service Catalog and Third-Party Developer Ecosystem

A factory approach requires two interrelated capabilities.

- A library of pre-built or prototyped services and service enablers acts as a kind of "catalog" for companies looking to build profitable services on proven components. Catalog services can run the gamut from communication products to information services to entertainment offerings to managed services such as unified messaging. These integrated services can be acquired as plug-and-play offerings to drive value for companies quickly.
- An active developers program then helps manage third-party development and an ecosystem of partners. Working with major vendors as well as niche innovators, Accenture third party management capabilities offer tools and incentives for third parties to develop innovative applications, while simultaneously providing quality monitoring and reporting on the applications.

Benefits include:

- Faster time to market
- Reduced capital expenses
- Ready access to a wide range of tested applications.

3 Managed Services Infrastructure

Finally, the factory approach should include a hosted service delivery platform and a hosted services solution where deeply skilled resources can develop, host, manage and run services for client companies, in a prototyping environment integrated with the company's network and IT systems.

This approach can be particularly appealing to companies lacking the internal capacity, time or upfront capital expenditures to effectively roll out and manage new services by themselves. Companies can variabilize their investment, while realizing a return on their new services more rapidly.

Linking a services roadmap to the SDP architecture

Companies throughout the converged digital ecosystem have a number of concerns in serving both enterprise customers and the consumer segment.

Linking a services roadmap to the SDP architecture

In the initial phase of product or service development—generating ideas and setting strategy for new products and services—creating an overall "roadmap" is essential. At Telecom Italia, for example, the largest telephony operator in Italy, a services roadmap was a key strategic step to enable the company to evolve its service development capabilities over time.

With a plan in place for phased releases of different services, the company could then establish clear linkages between the service roadmap and an overall SDP architecture blueprint. Core SDP components were established to support the initial set of services, including service orchestration, converged subscription management and network gateway.

Further SDP components were then built out in line with the initial services roadmap. Based on the new delivery capabilities established with the service delivery platform, Telecom Italia could then proceed to educate their marketing and research functions about the service delivery infrastructure in place at the company, to keep them informed about what kinds of products and services would now be possible. With a more robust framework in place for service development, including application programming interfaces (APIs) for third parties, Telecom Italia now has the potential to allow for even greater creativity based on different types of business models.

Launching new services faster, at lower risk

When it comes to the launch phase of new service development, companies

have different sets of challenges. Many companies may have a services roadmap, but lack the resources to develop the services. Others do not have the ability to make changes to their billing and CRM systems fast enough to compete effectively. The result is that the launch of new services may take far too long and cost more than is necessary.

At 3 Italia, for example—the Italian wireless company whose majority owner is Hutchison Whampoa—the company was challenged to compete in a saturated consumer marketplace for wireless services. The company especially needed to innovate and seize first-mover advantage in the multimedia services arena. 3 Italia also wanted to offer services across a number of markets, including consumer, enterprise as well as small and medium businesses.



For a startup company such as 3 Italia, speeding time to market is vital as is the ability to develop and launch new services quickly while containing service creation costs. 3 Italia worked with Accenture to enrich its service offerings such as Web products, business applications and machine-to-machine services. The company managed to reduce its service delivery costs by approximately 75 percent compared with internally budgeted IT costs and can create and demonstrate a new service within 2 days, from the requirements phase through integration.

Growing and optimizing services

Creating and launching services is only part of the new-service development battle, of course. Optimizing those services and increasing the

efficiency by which they are managed can be a critical factor in sustaining high performance over time.

Consider one major US cable company that needed to rapidly enter the small and medium business (SMB) market to pursue its growth strategy. New types of products and services would be necessary to appeal to this market, and the company lacked sufficient internal skills in the relevant areas.

The company realized it was in a high-risk situation. It needed to be certain that it could launch products by a fixed date to meet financial investor expectations. The operator also needed to be sure that the means put in place for the initial launch would also help them launch multiple subsequent products at speed.

The cable company began with a services roadmap based on an initial assessment of the SMB market segment. From this initial analysis, messaging, mobility and hosted services emerged as key product areas to be pursued.

The company took a factory approach to drive high performance through more rapid service development and reduced risk. Accenture and company personnel created a new service delivery platform and customer portal to support the entire future suite of services. A messaging platform using Microsoft Exchange was the first product launched.

Thanks to this approach, the hosted Microsoft Exchange product and underlying service delivery platform were launched only 5 months from initial concept, on time and on budget.

A factory approach can shorten innovation cycles by 30 percent to 50 percent, reduce program overruns by more than 15 percent and increase a company's success rate for new services by 20 percent to 40 percent.



The benefits of taking a factory approach for service development in the digital marketplace

In a marketplace where thousands of startups, legacy providers and Internet players are developing and launching widgets, wikis, mashups, applications and other consumer services, every company in the convergence value chain is now challenged to keep up with a more intense pace of innovation and service rollout, while simultaneously managing cost and risk.

Taking a factory approach can help communications, high-tech and media companies drive toward high performance in the challenging convergent marketplace.

Based on our experience, a factory approach can help communications, high-tech and media companies in the following ways:

Faster time to market

Innovation cycles can be shortened by 30 percent to 50 percent. Thanks to a hosted service delivery platform, a core environment can be established in only a month or two. A service catalog and pre-tested third-party services can jumpstart companies toward revenue-generating services faster, at less risk.

Lower and more predictable costs

Program overruns can be reduced by more than 15 percent. With a combination of on site, onshore and off-shore resources, a factory approach helps companies create and deliver services based on high quality, lower-cost sourcing models. Different deal constructs can also be pursued, including fixed-fee contracts, variable transaction-based arrangements and revenue sharing.

Reduced risk of failure

Factory assets such as a service catalog can reduce both cost and risk for companies, since services can be based on proven, tested components. Usability labs can help companies deliver a better customer experience. With innovation and development risks spread to several different parties, companies can rely less on the risky strategy of placing a big bet on only a few new services. Based on actual experience with clients, we believe this approach can increase a company's success rate for new services by 20 percent to 40 percent. And when every percentage point represents the potential for millions of dollars, improving a company's ability to create, deliver and manage innovative services becomes a critical step on the path toward high performance.

1st place winner at 2008 CTIA Emerging Technology Awards

Accenture was awarded first place in the 4G Service Creation & Development category in this year's 2008 CTIA Emerging Technology Awards. This is the second time that CTIA, the leading NA wireless industry association, has honored Accenture for its innovative work in a number of categories representing the wireless industry.

Nearly 300 submissions were reviewed by a panel of 31 judges including representatives from *BusinessWeek*; *CNET*; *Fierce Wireless*; *Heavy Reading*; *InformationWeek*; *PC Magazine*; *Wireless Week* and *RCR Wireless News*.



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Winner at 2007 IEC InfoVision Awards

The Accenture Service Delivery Platform Solution is the foundation for empowering service innovation at 3 Italia, a project that was a finalist in the IEC's InfoVision Awards, 2007. "We're pleased to recognize the joint work of 3 Italia and Accenture as an InfoVision finalist for their Digital Video Broadcasting-Handhelds (DVB-H) Solution," commented IEC President John Janowiak.

The IEC's InfoVision Awards recognize top contributions and innovations that help advance the information and communications technologies (ICT) industry. Hundreds of applications for IEC's InfoVision Award program were reviewed by a panel of judges chosen from the IEC's Broadband World Forum Europe Technical Program Committee, which included industry experts from vendor companies, service providers and industry associations.



Contact Us

For more information about how Accenture's distinctive solutions and services can help you achieve high performance by creating, developing, delivering and managing innovative services more efficiently and effectively, contact:

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1st place winner at 2006 CTIA Emerging Technology Awards

In 2006, Accenture was awarded first place in the Enterprise ROI category at the CTIA Wireless Convention, further validating the benefits wireless customers may achieve in creating and managing data services through Accenture Communications Solutions featuring the Service Delivery Platform.

Nearly 200 applications for CTIA's Wireless Emerging Technologies Awards program were reviewed by a panel of eminent members of the media, industry analysts, executives and select show attendees. The wireless technologies were judged on innovation, functionality, technological importance, implementation and overall "wow" factor.



About Accenture

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With 178,000 people in 49 countries, the company generated net revenues of US\$19.70 billion for the fiscal year ended Aug. 31, 2007. Its home page is www.accenture.com.

