CSP to DSP: More than a Name Change

By: Nancee Ruzicka

As the world goes digital, the role of Digital Service Provider (DSP) becomes decidedly different than that of a traditional communication service provider (CSP). Moving up the value chain to deliver the end-to-end, "put together" digital services that both businesses and consumers are demanding requires a cultural and operational shift that encompasses everything and everyone from the core of the network to the partners providing applications and content.

Numerous studies report that only 10-15 percent of digital services revenue will come from connectivity which makes the transition from CSP to DSP a necessity to protect and increase revenues. So, how do you transform an industry that has operated successfully for more than a century?

For CSPs, delivering digital services represents unprecedented opportunity combined with a nearly incomprehensible competitive operating environment. Today, any business can conceivably deliver digital services on top of any network infrastructure, yet the service providers that operate those networks are hamstrung by construction costs, operating expense and regulation.

Yet, for all the talk of digital services, only about one-third of the more than 120 service providers surveyed in a recent ICT Intuition study are truly committed and pursuing DSP transformation at this time. The remainder are considering it, studying it, making network upgrades or waiting to see what happens with regulatory and standards efforts.

We did find that 72 percent have established new business entities that divorce network operations from the digital services business but we have yet to see evidence that those new entities are operating any differently than the old ones. As anxious as customers are to buy and use digital services it is important to understand that the transformation underway from network operator to digital services provider cannot and will not happen overnight.

Bigger Than a Business Unit

There is more to becoming a DSP than creating a new business unit. Being a DSP means behaving like a retailer that can quickly and efficiently adjust to evolving markets and customer demands. It means selling and distributing products that are assembled from a constantly changing catalog of devices and applications from partners and suppliers. It means managing a supply chain rather than managing a network and distribution channels instead of direct sales. It means capturing and using the vast amount of data available to provide a consistent and high quality experience to every customer regardless of infrastructure or application.

Network infrastructure transformation is well underway and most challenges associated with implementing next generation networks are generally understood and being addressed. Business transformation is also getting underway and as CSPs begin the transition to DSPs, there is a dramatic strategic and operational transformation that needs to occur. Numerous surveys, including this one, indicate that the most significant barriers to becoming a DSP do not involve the network. Changing the culture and changing business processes, while managing costs and complying with regulators, creates a formidable task for these companies. So why do it?

Service providers indicate that retail and business customer demand as well as increased

competition and the creation of new revenue streams are the driving forces behind the need to transform.CSPs often assume that digital connectivity is the same as digital services enablement. Connectivity is only a small part of the equation and DSPs need to go over the top and bundle offerings that incorporate all of the essential elements required to build and operate these services.

Thinking Outside the Network

Generally, it is assumed that becoming a full-service retail DSP will require a diverse set of global partners to provide applications, IT infrastructure, global coverage and support. Yet, only 33 percent of the operators surveyed indicated they have completed a business-wide DSP strategy and only 30 percent have a fully developed partner strategy. For DSPs, owning all of the layers of the digital ecosystem would be expensive and take much too long to develop. The alternative is to leave specific technologies, services and expertise to those most able to provide them and become the digital services integrator and operator.

A previous ICT Intuition survey of over 1000 business leaders revealed that 71% want to sell connected services and 95 percent of those want to partner with a DSP to do it. And most businesses have no desire to operate those services so the role of system integrator and digital services operator favors DSPs.For business customers; digital services have to be easy to buy, easy to use and easy to pay for. But that hasn't happened yet.

The majority of businesses do not have the staff or skills required to integrate IT infrastructure, network infrastructure, applications, storage and data into a secure and reliable operational solution. For now, enterprises are forced to bundle offerings from a variety of sources on their own or use an expensive contractor and that complexity is slowing down the rate of adoption and restricting investment. Enterprises want to buy complex digital functionality as-a-service and any provider that offers it will win.

Connectivity is only a small part of the equation and DSPs need to go over the top and bundle offerings that incorporate all of the essential elements required to build and operate these services. Customers in general and business customers specifically, want a genuine *service* provider that removes the complexity, bundles the necessary elements into a service, and bills accordingly. While a majority of enterprises would prefer to buy this service from a DSP, they aren't going to wait very long.

This Won't Be Easy

Agility and automation are the key to digital services. Delivering that agility however, is fraught with challenges both internal and external to the business. Internally, service provider executives are still building a network that is capable of supporting digital services. After that, the biggest challenge is hiring and retaining people with the right mix of network and IT engineering skills as well as data scientists and sales engineers with knowledge of specific industries

Regulation and a lack of standards are predictable barriers to becoming a DSP, but those factors were of less concern to a majority of service providers than the availability of qualified partners. However, in defense of the partners, most service providers aren't doing a very good job of supporting them.

Less than half of the CSPs surveyed provide application program interface (API) guidelines or open APIs, less than 40 percent provide an ecosystem to facilitate rapid on- and off-boarding of partners and 15 percent provide no support at all to their partners even though nearly 80 percent insist that partners are important to their DSP strategies.

In order for DSPs to differentiate themselves, transformation has to affect nearly every part of the business. Customer purchases will soon be based on the quality and variety of products and services being delivered, and the support provided. Partners will need to be rapidly on- and off-boarded using automated platforms and standardized interfaces. Integration will be the new mantra and DSPs need to position themselves to manage it all and ensure the quality and reliability that

customers have come to expect.

Transformation is an expensive, painful and time-consuming effort that ultimately results in a new business culture. Cultural change takes time and constant reinforcement of consistent messages. The necessary changes will not happen overnight, but CSPs *are* transforming into the DSPs that will become trusted providers of digital services for years to come. As difficult as change is, waiting will only serve to make it more difficult in the future.

Start Now

DSP transformation represents a sea change for service providers and it is critical that each starts with foundational changes to business processes, IT systems, networks and even personnel. The motivation for making these foundational changes is split between revenue generation and cost management and the opportunities to both increase revenue and reduce costs while better serving customers are very real.

CSPs are in the unique position of being able to offer customers a vendor-neutral alternative to over-the-top providers. And they can leverage that position to monetize the trust they have earned and profit from delivering digital services that solve problems, improve productivity and generate revenue. Security and reliability are primary concerns and most competitors devote only a fraction of the time and resources spent by CSPs on security, technology refresh, support and operations.

When delivering the network delivered the product, managing the network ensured quality. While legacy infrastructure and services cannot be ignored, it also cannot be considered a barrier to transformation. Adapting and evolving existing infrastructure is necessary, but so is retiring aging infrastructure and OSS/BSS solutions that require more resources to maintain than to replace.

DSP business models, not just networks and operations, must undergo a transformation unlike any that we've ever witnessed. That means taking 100 years of experience, harvesting the important lessons and moving forward with new business and operating models.

Figures cited in this article are included in a 2016 study by ICT Intuition, LLC. Further information is available at ictintuition.com