

Next-Generation Cloud in the Telecoms Industry: Oracle Monetization Cloud

Oracle provides digital service providers with the
tools for success

Publication Date: 04 Sep 2018 | Product code: SPT001-000032

Chantel Cary



Summary

Catalyst

In recent years, communications service providers (CSPs) have come to expect low-cost, agile solutions from vendors that can be quickly deployed to support the investments they are making to extend their digital service offerings. The proliferation of cloud/SaaS solutions aimed at providing monetization capabilities has catapulted the cloud BSS market, with Ovum anticipating cloud BSS revenues representing \$1.5bn of the overall \$2.4bn telecoms ICT cloud market by 2019.

As more competitors enter the market, vendors must find new ways to differentiate their offerings by addressing CSP pain points as they attempt to compete with internet content providers (ICPs) and monetize impending services such as 5G and IoT.

Ovum view

CSPs have warmed to the idea of SaaS products as they offer an opportunity for them to quickly gain the support needed for their digital service offerings. With CSPs fighting to maintain relevancy in a market that has become saturated with digital service options, they can afford to wait neither for the completion of long-term IT transformation projects, nor for the typical 12-month-plus average deployment time of traditional on-premises solutions.

At the same time, the dynamics of the vendor landscape have changed quickly. The success of smaller, non-traditional vendors such as Cerillion and Openet demonstrated that CSPs are no longer concerned with "best of breed" vs. "best of suite" solutions. Instead, CSPs have moved to a more use case-driven approach to selecting vendor solutions, investing in those that can support specific digital use cases. The success of these players also demonstrates that time to market and cost are much more significant drivers for selecting a vendor solution.

In the hope of capitalizing on this shift in CSP buying behavior, more vendors are consequently focusing on bringing their own cloud-based solutions to the market. To date, many of the solutions on the market have focused on providing CSPs with the tools necessary to support and monetize digital services, such as charging, billing, product catalog, self-service, and similar capabilities.

Oracle Monetization Cloud is one of the latest SaaS offerings to enter the telecoms market. The product is a cross-industry, microservices-architected offering running in Oracle's public cloud. Though not developed specifically for the telecoms industry, Oracle does a good job of addressing many of the pain points CSPs are looking to resolve as they strengthen their digital services proposition. This report offers an in-depth review and analysis of the vendor's latest solution.

Key messages

- CSPs are increasing IT investment in order to address their need to deliver digital services and compete with ICPs such as Amazon, Netflix, and Skype.
- Oracle Monetization Cloud is a cross-industry SaaS product running in Oracle's public cloud. The solution is available in a variety of pricing models and supports the principal monetization functions including offer design, rating, billing and invoicing, revenue management, subscriber management, and descriptive analytics.

- Oracle Monetization Cloud is a compelling solution for CSPs and is best suited for CSPs making bold investments in the cloud to support the monetization of digital services. However, CSP reluctance to completely commit to the public cloud is the biggest hurdle Oracle will face as it looks to gain traction in the telecoms market.

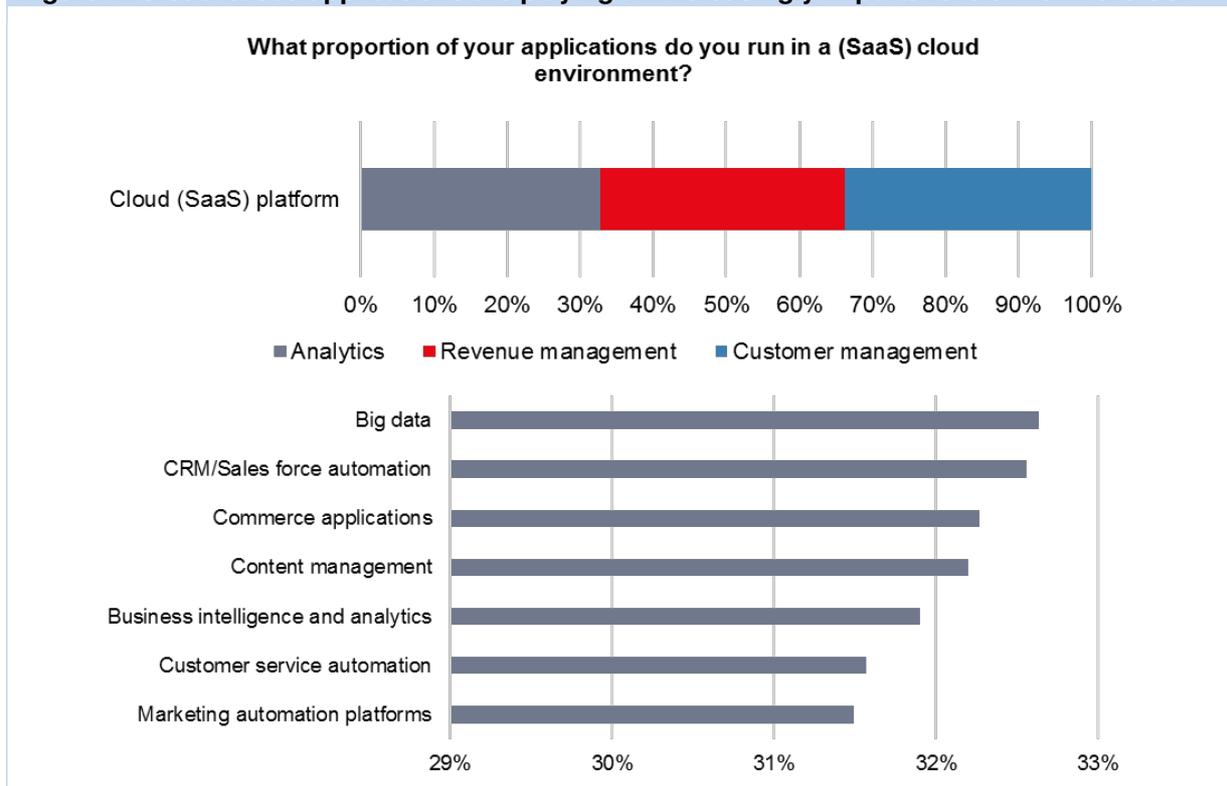
Monetization capabilities are crucial to CSP digital success

CSPs are investing in cloud to speed up the launch of digital services

Delivering digital services continues to be a top business priority for more than 75% of CSPs, according to Ovum's most recent ICT Enterprise Insights survey. Although many have already embarked on long-term digital transformation projects to prepare for the future of the industry, recent market factors such as increased pressure from ICPs, the impending arrival of 5G, and the need to support IoT have placed additional pressure on CSPs to act now. As a result, according to Ovum's most recent ICT Enterprise Insights survey, nearly 70% of CSPs state that they will increase their overall IT spend over the next year. Specifically, CSPs are increasing investments into cloud (SaaS) delivery of IT systems to enable them to support and monetize these new services.

SaaS products have become a key CSP strategy to support their efforts in launching and monetizing digital services. SaaS products offer a cost- and time-efficient alternative to traditional on-premises products and thus have become an enticing alternative for CSPs. Within the last two years, a number of new vendor products aimed at exploiting this market need have begun to flood the market. Led partly by strong offerings from smaller, non-traditional vendors such as Openet, Matrixx Software, and Cerillion, SaaS products – particularly those that allow CSPs to monetize their digital investments – have gained significant traction among several top-tier CSPs. The resulting success of these players has led to a wave of SaaS-based products across the market, with many of the larger, more traditional vendors now jumping on the cloud train.

Figure 1: Cloud-based applications are playing an increasingly important role within the CSP



Source: Ovum ICT Enterprise Insights Survey 2017/18

Ovum anticipates that, with growing needs in the market and a plethora of vendor options, the cloud (SaaS) market will generate more than \$2.4bn in revenue by 2019, with the cloud BSS market representing \$1.5bn of the total cloud revenue. As CSPs look to monetize IoT, 5G, and digital services in general, SaaS products that include product management, CRM, billing, charging, policy, self-service capabilities, and sales force automation are among the most important capabilities CSPs will look for in a monetization product, as Figure 1 shows.

Company background

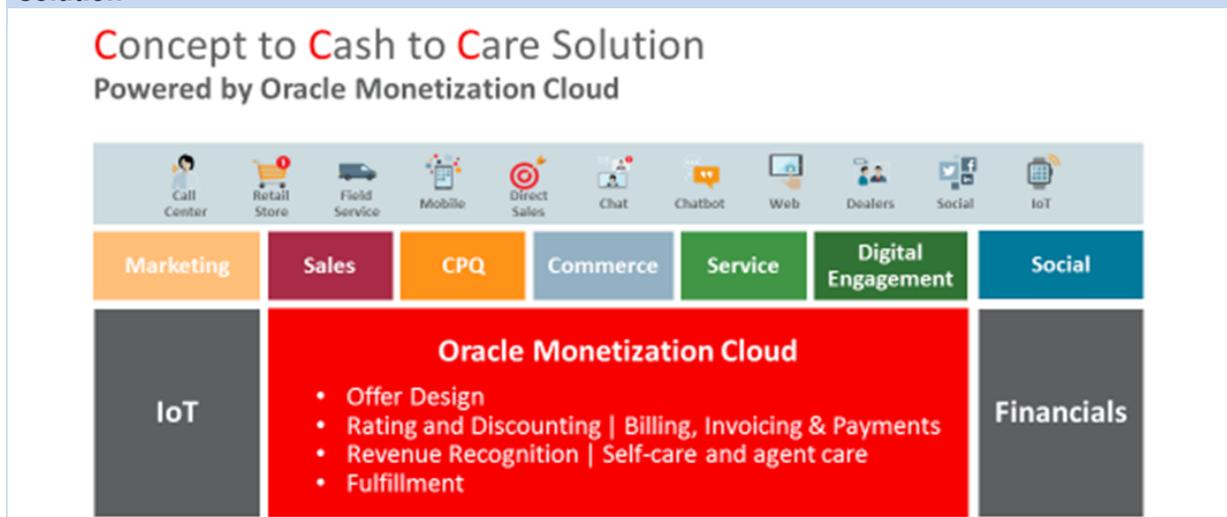
Organization

Oracle is a large software and services vendor founded in 1977 and headquartered in Redwood Shores, California, US. It is a publicly traded company with revenues of \$39.8bn, according to its most recent financial report (FY2018). The vendor operates across an array of industries including communications, higher education, financial services, health science, construction and engineering, hospitality, retail, and utilities.

Within the telecoms space, Oracle has a large footprint, counting many of the top 100 global CSPs as customers. Its telecoms portfolio includes a number of products across the OSS and BSS domains.

Oracle's communications product portfolio is a "Concept to Cash to Care" (CCC) product. Included in the CCC offering are marketing, commerce, configure-price-quote (CPQ), service, sales, social, customer data management, IoT, financials, and the Oracle Monetization Cloud.

Figure 2: Oracle Monetization Cloud is one component of Oracle's Concept to Cash to Care solution



Source: Oracle

Within the Oracle digital monetization portfolio sit the Oracle Communications Network Charging and Control, Oracle Communications Billing and Revenue Manager (BRM), and Oracle Monetization Cloud (OMC) products.

In addition to software, Oracle also offers a host of services as a part of its Oracle Communications Consulting portfolio. Consulting services include implementation, integration, management, hosting, enablement, and support services. Oracle Communications Consulting also offers a number of starter packs aimed at implementing OMC, which include pre-defined timelines, cost, and deliverables.

The vendor also has an extensive global network of more than 100 Oracle-certified partners, including Deloitte, Accenture, and PWC.

Oracle Monetization Cloud

Product strategy

Oracle Monetization Cloud was launched in July 2017. The global software market's move toward cloud-based subscription models and global investment in monetization tools created a market opportunity for Oracle, which it addressed through the development of OMC. Oracle Monetization Cloud, like many of Oracle's products, was developed with a horizontal application in mind and was subsequently rolled out across all of Oracle's supported industries.

Oracle Monetization Cloud is a SaaS product running solely in Oracle's public cloud using a microservices, containerized architecture. The product is a public cloud alternative to the vendor's staple Oracle Communications BRM – which is typically deployed on-premises or in a private cloud environment. Pricing for OMC is based on revenue under management or number of subscribers. With OMC, customers have access to subscriber management, accounts receivables, billing and invoicing, discounting, payments, and rating, as well as user and administrative capabilities, reporting, and process management. In addition to these core services, CSPs can also add on usage processing services.

Oracle Monetization Cloud can be seamlessly integrated with Oracle products (both cloud and on-premises products) via the vendor's Oracle Integration Cloud, which uses pre-built adaptors for integrated applications. It can also be integrated with third-party systems using SOAP or REST APIs.

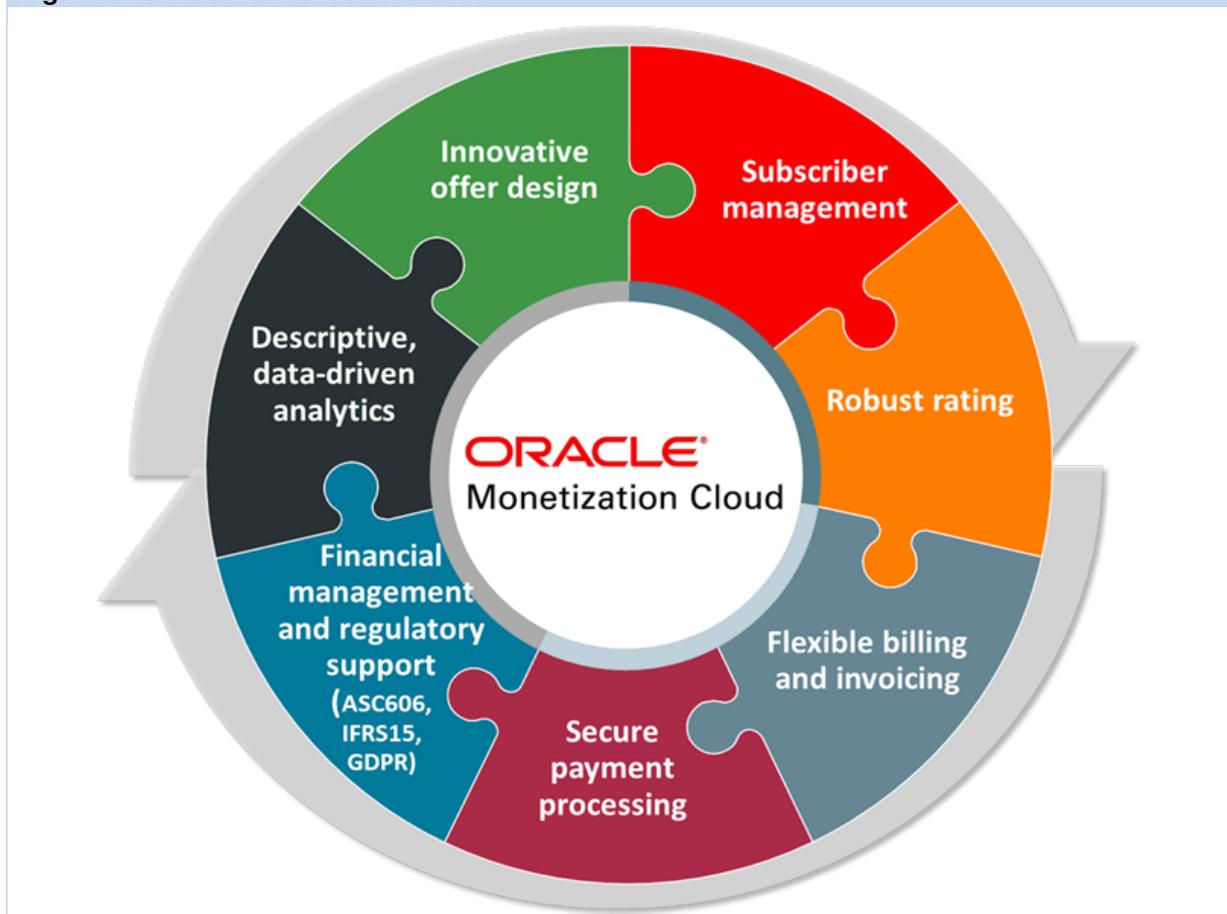
The overall development and roadmap for OMC leans heavily on collaboration with Oracle's clients, partners, product advisory board, and sales consulting team. These contributors work in coordination with Oracle's product management team to prioritize those features and capabilities that will address customer needs and challenges. Oracle Monetization Cloud is currently updated on a quarterly basis and will move to monthly updates within the next year. While Oracle plans to focus many of the product's early updates on improving its scalability and analytics capabilities, the vendor will also be challenged with striking a balance between addressing the needs of its customers across industries and with ensuring alignment with the unique needs of the telecoms industry.

Oracle Monetization Cloud is sold direct to market and is also available from Oracle's global network of certified partners, who resell, co-sell, implement, develop IPs around it, and demonstrate OMC in their own sandbox environments.

Product details

Oracle Monetization Cloud's core functions include offer design, subscriber management, rating, billing and invoicing, revenue recognition, and management, as well as descriptive analytics capabilities.

Figure 3: Oracle Monetization Cloud



Source: Oracle

Offer Design

Having the ability to quickly design, launch, and decommission new services is crucial to CSPs' success as digital service providers. With the Offer Design module, CSPs can create new products and service bundles, quickly deploying them to market.

The module has an easy-to-navigate user interface, designed with the business user in mind. This enables marketing and product teams to quickly create new offerings or service bundles without the need to wait for IT teams to set up configurations. This is an important capability to have as marketing teams become much more central to decision-making on CSP IT spend. Moreover, CSPs will need to be able to keep up with rapidly changing market dynamics and must be able to create new packages on the fly without being hindered by their IT. Offer Design's capabilities will also come in handy as CSPs continue to focus on establishing new IoT business models and growing their partner ecosystems. The module, which includes its own product catalog (or which can be integrated with existing catalogs), enables CSPs to seamlessly construct creative product bundles. CSPs can create unique packages that include, for example, bundles such as traditional CSP services with IoT add-ons, or CSP services with ICP services, both of which allow CSPs to better compete in the digital marketplace and boost ARPU through market-differentiating bundles.

In addition to creating unique service bundles, Offer Design also enables CSPs to get creative with capabilities such as payment type, with the ability to make bundles available by subscription, one-time fee, consumption, or even loyalty points. This enables CSPs to have access to more flexible monetization options and allows them to contend with service offerings from competitors such as Netflix and Amazon, which offer subscription billing options for their services.

Rating

Building on the capabilities in the Offer Design module, the Rating module offers CSPs the flexibility needed to get creative with how events are rated and discounted across products.

In the module, CSPs can set rating parameters based on consumption for any service type or usage metric such as by event, duration, clicks, gigabytes, downloads, volume, and more.

Having rating flexibility means that CSPs can explore new business models for existing and emerging services. One example application of this is in the rating of 5G services. With 5G network rollouts impending, CSPs will need to find ways of monetizing their investment beyond the traditional "unlimited" usage model. Using the Offer Design and Rating modules, however, CSPs can create and price out a number of new 5G services, such as unique rating for 5G data for movie downloads, or special rating for 5G gaming connectivity.

With more flexible pricing and discounting options, CSPs have the ability to create more targeted offerings and monetize customer segments that are traditionally overlooked – such as those customers that generate a smaller ARPU.

Billing and Invoicing

The Billing and Invoicing module builds on the previous two, providing CSPs with the tools to create market differentiation. As the digital services landscape becomes more cluttered with competition from not just ICPs, but CSPs moving into the digital service domain, CSPs will need to be able to offer more than creative pricing. With the Billing and Invoicing module, CSPs can begin to move away from the traditional, rigid billing experience that drives so many customer complaints to the contact center and move toward more modern billing. In the module, CSPs can create a number of billing options for

their product and services such as monthly, quarterly, annual, or custom-timed billing. Additionally, features such as bill now, on-demand billing, bill on first usage, and subscription billing enable CSPs to compete more directly with ICP players, and also open up the potential to support new IoT and partner (B2B2X) business models.

Revenue Management

In the Revenue Management module of OMC, CSPs can manage the financial side of the business with features that include accounts receivable, general ledger, and taxation, all of which also help to inform the Subscriber Management module. Moreover, CSPs can manage adjustments, payments, refunds, disputes, and write-offs with Revenue Management, with data also being easily exported to ERP systems for further bookkeeping. Oracle Monetization Cloud also conforms to ASC606 and IFRS15 revenue recognition regulations.

Subscriber Management

Finally, closing the monetization loop, the Subscriber Management module includes all the necessities that CSPs expect from any CRM solution, including the ability to on-board new subscribers, adjust currency and non-currency balances, upsell and cross-sell services, and manage payments.

Figure 4: An auto-populated newsfeed allows CSRs to get a full view of an account's activity

Newsfeed:					
	All	A/R	Payments	Charges	Account
Date	Icon	Type	Amount	Details	
20/Aug/18		Recurring charge	\$9.99	Telemotive Auto Health Checks Five Pack Monthly Fee	
20/Aug/18		Recurring charge	\$9.99	Telemotive WiFi 10G Pack Monthly Fee	
20/Aug/18	●	Bill issued B1-287	\$79.96	1/Aug/18 - 1/Sep/18	
20/Aug/18		Recurring charge	\$9.99	Telemotive Roadside Assistance \$9.99 Month Fee	
20/Aug/18		Recurring charge	\$49.99	Telemotive Entertainment Ten Pack Monthly Fee	
12/Jul/18		Recurring charge	\$49.99	Telemotive Entertainment Ten Pack Monthly Fee	
12/Jul/18		Recurring charge	\$9.99	Telemotive Auto Health Checks Five Pack Monthly Fee	
12/Jul/18		Recurring charge	\$9.99	Telemotive WiFi 10G Pack Monthly Fee	
31/Jul/18	●	Bill became overdue B1-199		1/Jul/18 - 1/Aug/18	
12/Jul/18	●	Bill issued B1-199	\$79.96	1/Jul/18 - 1/Aug/18	

Source: Oracle

With Subscriber Management, customer service representatives (CSRs) can gain real-time insight into a customer's account information, including details on balance and the customer's full billing and accounts receivable history. An auto-populated newsfeed allows CSRs to receive a full view of all aspects of the account's activities (as demonstrated in Figure 4), while also seamlessly moving across multiple account profiles for those accounts with hierarchies (such as in the case of family plans or B2B accounts).

Ovum's assessment

OMC is a competitive offering for CSPs going all-in on digital

Overall, OMC enters the market at time when a number of large vendors are ramping up their cloud offerings. Although it is a bit later than the products of smaller competitors such as Cerillion, the product is timely when compared to many of Oracle's larger, direct competitors. Among Oracle's strengths are its horizontal product approach and its ability to translate best practices from other industries to the telecoms industry. Oracle's cross-industry expertise serves the product well, especially as CSPs expand into the IoT domain and other industries. Oracle's expertise within the telecoms space ensures that the product is "telco grade" while at the same time delivering best practices from other industries.

From a technical standpoint, OMC is a strong product. The vendor capitalizes on both its internal strengths and market needs. Internal strengths such as Oracle's significant investments in building out end-to-end cloud capabilities, its cross-industry expertise, and investments in cloud security make OMC a compelling cloud offering. The product's user interface and capabilities go above and beyond in its offer design and rating capabilities, providing CSPs with the tools needed to create unique and custom offerings and bundles. These capabilities are key and are a differentiating factor for Oracle. As CSPs continue to invest in supporting digital services, IoT, and building out their partner ecosystems, and with the impending arrival of 5G networks, OMC's Offer Design and Rating modules allow CSPs to get creative in monetizing these services and targeting customer subsets. For these reasons, OMC is a strong fit for CSPs taking a progressive approach toward digital transformation.

Large vendors still need to prove themselves in the SaaS market

Thus far, large vendors have struggled to find a balance between supporting their traditional on-premises deployments (including running the product as a managed service) and offering SaaS versions of their core product. However, with pressure being applied from smaller players and the market opportunity growing at double-digit rates, it has become clear that vendors are leaving money on the table by not offering SaaS products. Even as large vendors jump into the SaaS market, there is still a lot left to prove. Many of the SaaS products from the larger vendors in the telecoms industry have been on the market for less than two years, with implementations just being rolled out and use cases scarce.

Although Oracle has a number of use cases across multiple industries, its use cases in the telecoms industry have been limited to IoT-enabled digital service offerings such as smart tolling, smart parking, and telematics. Like many of its competitors, Oracle will need to continue to build compelling use cases that demonstrate OMC's ability to address CSPs' most pressing digital business challenges and to do so at a cost-effective price (as smaller vendors typically have more enticing pricing options).

Moreover, emphasizing market differentiation will continue to be a pressing issue for vendors like Oracle, especially as more vendors' products enter the market. The biggest threats that Oracle faces in the market are not just the number of competitors moving into the SaaS space, but also the fact that many of these competitors tend to work closely with vendors such as AWS and Microsoft Azure to host their products in the cloud (for which 40% of CSPs show a preference, according to Ovum's most recent ICT Enterprise Insights survey). Additionally, many of these competitors typically offer a number of cloud hosting options – such as hosting in the private or hybrid cloud – in addition to the

public cloud. As a result, Oracle is not only going up against telecoms software vendors but is also indirectly competing with other cloud vendors such as AWS and Microsoft Azure.

Concerns around public cloud may hinder adoption rates

Although CSPs continue to warm to the idea of putting elements of BSS in the cloud, there is still some apprehension about public cloud adoption. Furthermore, new regulations in the EU and the US provide additional reason for pause. As CSPs continue to sort out the implications of the GDPR on their businesses and attempt to understand how the CLOUD Act in the US could potentially impact their ownership of their own data, CSP investment into public cloud products may temporarily take a back seat to other deployment options (such as private or hybrid cloud).

Furthermore, because the product is public cloud only, those CSPs not yet ready to move to the public cloud are likely to shy away from the product, including many of Oracle's existing installed base currently on BRM. While CSPs can opt to purchase BRM and use an Oracle-certified partner to host the product in the cloud, those looking for the host of benefits OMC offers – such as cost savings, scalability, and rapid product development timelines – may not see this as the ideal alternative. This means that while the product offers several compelling benefits for CSPs making the transition to digital service provider, actual investment in OMC may be best suited for CSPs taking an aggressive approach to their cloud technology adoption.

Appendix

Methodology

This report is based on a combination of primary and secondary research, including information received directly from Oracle via briefings, industry events, and analyst events. Financial information is from published financial reports of the respective companies. This report also uses Ovum's ongoing research into the global vendor market.

Further reading

Vendor Product Review: Netcracker Digital Business Enablement, IT0012-000211 (September 2017)

"Cloud BSS market heats up as Oracle launches Oracle Monetization Cloud," IT0012-000212 (August 2017)

"Oracle bets big on microservices but what will the payoff be in telecoms?," IT0012-000184 (November 2016)

"The CLOUD Act could slow CSP investment in cloud," SPT001-000021 (May 2018)

Author

Chantel Cary, Senior Analyst, Telecoms Operations and IT

chantel.cary@ovum.com

Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

Copyright notice and disclaimer

The contents of this product are protected by international copyright laws, database rights and other intellectual property rights. The owner of these rights is Informa Telecoms and Media Limited, our affiliates or other third party licensors. All product and company names and logos contained within or appearing on this product are the trademarks, service marks or trading names of their respective owners, including Informa Telecoms and Media Limited. This product may not be copied, reproduced, distributed or transmitted in any form or by any means without the prior permission of Informa Telecoms and Media Limited.

Whilst reasonable efforts have been made to ensure that the information and content of this product was correct as at the date of first publication, neither Informa Telecoms and Media Limited nor any person engaged or employed by Informa Telecoms and Media Limited accepts any liability for any errors, omissions or other inaccuracies. Readers should independently verify any facts and figures as no liability can be accepted in this regard – readers assume full responsibility and risk accordingly for their use of such information and content.

Any views and/or opinions expressed in this product by individual authors or contributors are their personal views and/or opinions and do not necessarily reflect the views and/or opinions of Informa Telecoms and Media Limited.

CONTACT US

ovum.informa.com

askananalyst@ovum.com

INTERNATIONAL OFFICES

Beijing

Dubai

Hong Kong

Hyderabad

Johannesburg

London

Melbourne

New York

San Francisco

Sao Paulo

Tokyo

