APPS RUN THE WORLD

Communications

Vertical Applications Market Report 2009-2014,
Profiles Of Top 10 Vendors

7/30/2010

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Summary

Applications vendors have expanded their reach into a range of carriers and communications service providers, exploiting the widespread use of mobile telephones around the world. Relying on the SCORES methodology, this applications market sizing report dissects the strategies of the top 10 applications vendors and their ability to succeed in the long run, while examining their role in helping customers provide basic and value-added communications services to transform the world.

Top Line and Bottom Line

On the top line, seismic changes are spreading in the communications vertical sending apps vendors to scramble for new products for billing, content aggregation, fulfillment and inventory management functions in order to help meet current and future consumer requirements for real-time communication.

While emerging markets will experience large-scale deployment of wireless services, carriers in the developed world will focus on value-added services such as triple play and rich content delivery to better compete with cable and satellite operators. On both fronts, next-generation BSS(business support systems) and OSS(operations support systems) applications will be critical for the delivery of features such as second round billing, mobile content and social media integration.

Despite the potential of selling new applications and features, apps vendors are scrambling for the best way to serve the often divergent interests of incumbent carriers and virtual telcos. While the former are seeking to maintain and extend their existing systems, the latter are more interested in identifying frontier market opportunities with the use of agile technology to help them roll out affordable services in an accelerated fashion.

For most apps vendors, the bottom line is whether they can retain their legacy customers that still command a huge installed base. At the same time the vendors are making a concerted effort to address the needs of virtual carriers by replicating rapid deployment from one country to another with precision and optimal results. Not everyone is going to succeed because of shifting technologies on the telecom equipment side, while some apps vendors will have a tough time extending the lifespan of their legacy systems hamstrung by their repeated acquisitions that make full integration a bigger challenge than ever.

Market Overview

The market for applications for communications vertical shrank 4% in 2009 as capital and IT expenditures from carriers fell as a result of eroding profit and the lingering recession undermined their ability to sign up new subscribers or expand recurring revenue streams.

Major applications vendors specializing in the communications vertical either saw flat or declining sales. The economic downturn, coupled with market consolidation both on the customer and vendor fronts, made organic growth difficult.

Large carriers continued to see cost reduction and system standardization as the biggest reasons behind their IT initiatives. Vodafone, for example, has turned to a suite of Oracle applications, including back office, customer facing and communications-specific packages for functions like billing, as the basis to consolidate and standardize its IT infrastructure. The move to reduce the number of IT providers Vodafone works with could help the company achieve up to 30% in unit IT cost savings, or to the tune of one billion pounds since 2007.

Midsized carriers, on the other hand, have been investing in projects that allow them to extend their presence with capabilities such as convergent billing, mobile transaction hub as well as integrated platforms that cover every function from human resources management for their own employees to network address books for their customers.

While unbridled growth among carriers has become infrequent, there appears to be considerable opportunities for applications vendors and their systems integration partners, which are indispensable in emerging markets where they can scale local support capabilities in a compressed timeframe.

Implications Of The Great Recession of 2008-2009

As the recession forced carriers to reevaluate every aspect of their business from back-office efficiency to value-added services like mobile advertising and messaging, the repercussion has been keenly felt among applications vendors.

Because of the decommissioning of its legacy systems at major accounts such as AT&T and Sprint PCS, Convergys saw a 23% drop in its applications revenues in 2009. That prompted the vendor to rethink its entire business model culminating in the decision to sell off its human resource outsourcing business to better focus on verticals such as communications and financial services.

Similarly vendors such as NEC and SAP have made it their priority to bulk up their communications offerings through acquisitions. That led the former to acquire NetCracker and reorganized its entire communications division, while the latter acquired Highdeal to shore up its presence in real-time charging for customers in the communications space. SAP's recent decision to acquire Sybase, which has dominated the mobile database segment with considerable presence among big telcos in countries such as China, underscores the ERP vendor's growing commitment to the communications vertical.

While consolidation is constant in the communications vertical with the latest being India's Bharti Airtel buying Zain in Africa, the recession has radically altered the competitive landscape for the apps vendors as they took the cues from their customers to move into uncharted territories.

Customers

Communications service providers in Asia, Eastern Europe and Latin America will continue to fuel the growth of applications vendors in the coming year as mobile phone usage continues to soar in frontier markets from Vietnam to Nigeria.

Customers in Western Europe and North America, on the other hand, will see moderate growth in their subscriber base as full recovery begins to manifest itself.

In both cases billing and provisioning applications will be augmented by network policy and bandwidth management capabilities to allow for better customer management that meets fluctuating bandwidth requirements of enterprise users.

Top 10 Applications Vendors In Vertical

The following table lists the 2009 shares of the top 10 applications vendors in the communications vertical and their 2008 to 2009 applications revenues(license, maintenance and subscription) from the vertical.

Vendor	2009 Share(%)	2009 Applications Revenues From Communications($M)	2008 Applications Revenues From Communications ($M)
Amdocs	17.1%	370	385
Oracle	12.0%	258	225
Convergys	10.0%	216	280
SAP	7.8%	167.5	162.5
Telcordia	4.8%	104.5	95
Comverse	4.2%	90	85
LHS/Ericsson	3.9%	85	78
Intec	3.7%	80	82
NEC	3.5%	75	80
Comptel	2.9%	62	74
Subtotal	69.9%	1508	1546.5
Other	30.1%	650	683.5
Total	100.0%	2158	2230

Vendors To Watch

Apps vendors that are worth watching in the communications vertical include Acision for its mobile content solutions, Comarch for its growing presence in Poland and elsewhere in Eastern Europe, and CBOSS for its web-based operations support systems using on-demand delivery.

While growing consolidation among communications applications vendors has made disruptive players more difficult to gain their footing, startups that meld social media technologies along with innovative revenue sharing strategies from IPTV and ebook vendors and content providers could breathe new life into the market.

Outlook

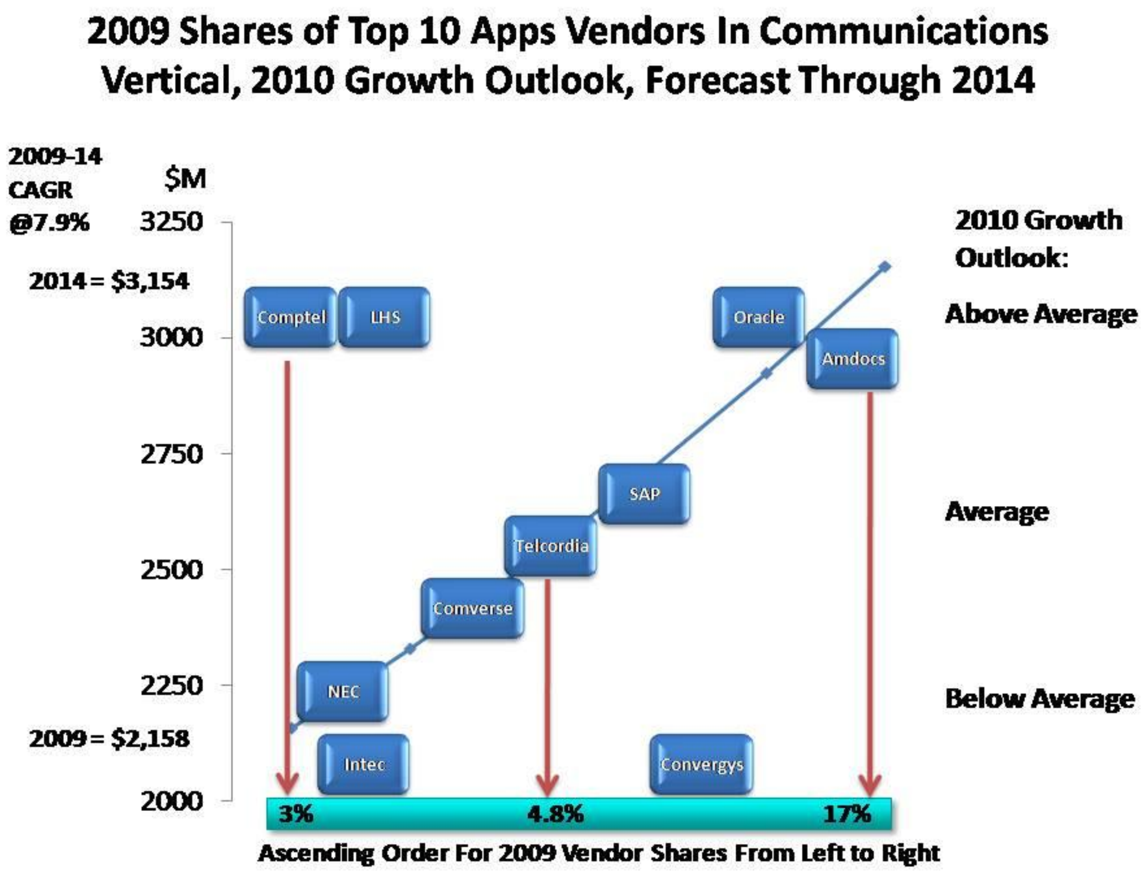
On the upside the telecom rebound is expected to become more apparent as the migration to 4G and WiMAX technologies gathers momentum, opening up new opportunities for apps vendors and their customers.

The downside is that growing adoptions of mobile services in developing countries where new business models spurred by expensive operating licenses are still being experimented, resulting in unforeseen risks and challenges. In addition well-established apps vendors will face stiff competition from indigenous applications vendors in these countries as governments are loath to give up on such opportunities to nurture local technology providers.

Then there is the burden of legacy applications being used by incumbent telcos that will have to be upgraded or replaced. Even though in-house implementations remain popular among carriers, startups are touting the flexibility and affordability of their on-demand or cloud-based solutions as a quick way to enter a new market, something that could shift the balance of power in the volatile communications vertical.

SCORES Box Illustration

The following graphic shows the 2009 shares of the top 10 communications applications market with Amdocs claiming the top spot at 17%, followed by Oracle, Convergys, SAP, Telcordia and others. Based on our SCORES methodology, Oracle, LHS and Comptel are rated above average for their growth potential in 2010. The market is expected to achieve a 7.9% compound annual growth rate rising from $2.1 billion in 2009 to $3.1 billion by 2014.



Profiles of Top 10 Applications Vendors In Vertical

- Amdocs
- Oracle
- Convergys
- SAP
- Telcordia
- Comverse
- LHS/Ericsson
- Intec
- NEC
- Comptel

Amdocs

St Louis, MO

www.amdocs.com

Overview:

One of the biggest applications vendors for the communications vertical, Amdocs has continued to expand through product and services enhancements along with strategic acquisitions geared toward meeting present and future requirements of service providers in the new era of data and mobile communications. Typical customers range from global communication service providers to telephone and cable companies that dominate local markets.

Applications Revenues In Communications:

	2008	2009
$(M)	385	370

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	281.2	76%
EMEA	51.8	14%
Asia Pacific	37	10%

2009 Applications Revenues In Communications By Company Size:

Size	2009($M)	% of total
XL(5K ees and above)	129.5	35%
Large(1K-5K ees)	185	50%
SMB(1K ees and below)	55.5	15%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	135	36.5%
Maintenance	235	63.5%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 17.1% share in the communications vertical, Amdocs' ability to maintain and win share in the market segment in 2010	Average

Full overview:

After years of rapid expansion, Amdocs has been refining its strategy to cater to a new generation of communication service providers that are increasingly offloading network planning, billing and operations support systems to their applications and services vendors, a role that Amdocs is quick to fill.

There comes at a time when consumer demand for real-time communication is stronger than ever on a scale that requires service providers to respond at lightning speed. With the proliferation of mobile devices, service providers face considerable provisioning, billing, and customer service challenges.

That’s where Amdocs comes in. The vendor got its start selling telephone directory publishing systems in 1980s and since that time it has gone through a major transformation by developing and acquiring complementary applications to meet the changing needs of communication service providers.

Since 2004, it has spent more than $1.2 billion acquiring companies responsible for an array of applications including customer relationship management, operations support systems, eCommerce applications, personalization and other complementary technologies.

In 2009 Amdocs acquired jNetX for its service delivery platform that enhances convergent charging offering with service control and service brokering capabilities. More recently Amdocs acquired MX Telecom Ltd. for its mobile payments and messaging aggregation capabilities.

The acquisitions, coupled with its extensive product and services offerings, help cement Amdocs’ position as the go-to technology partner for tier-1 and tier-2 communication service providers.

Key Applications For Communications Vertical:

Amdocs current portfolio release is CES 8

SCORES Analysis

Strengths

Because of its entrenched presence among major telcos, Amdocs is helping shape the communications vertical with its domain expertise, worldwide development and support resources and comprehensive managed service offerings.

What Amdocs is particularly good at is laying the groundwork for communications companies to compress time to market a host of data, voice and next-generation services from mobile payment to personalized content and advertising delivery.

For example the latest release of its portfolio CES 8 comprises dozens of products, services and solutions including high-performance hardware, advanced applications for session control, real-time convergent billing and other customer service and support requirements, while providing the mobile network planning and design tools to operate 3G and Long-Term Evolution 4G mobile broadband networks.

Such breakthroughs underscore the breadth of Amdocs’ offerings and product roadmaps that could help its customers derive significant benefits from their business and customer operations for years to come.

Customers

With more than 500 customers in the vertical, Amdocs has been selling to communication service providers around the world. Its latest targets include providers in countries such as Angola, Costa Rica, Kazakhstan, and Vietnam where demand for mobile communications has skyrocketed.

In 2009 its customer wins included AAPT, AT&T, Bell Canada, China Telecom Corp. Ltd., Clearwire Communications LLC, DAVE Wireless, Effortel SA, Hubei Telecom, Instituto Costarricense de Electricidad (ICE), J:COM, Jupiter Telecommunications, Movicel, Rogers Communications Inc., SmartTrust, Sonaecom, Sunrise Communications AG, Telefónica Europe, Telenor, Republic of Kazakhstan, T-Mobile UK, Viet Nam Telecom National Co., Vimpel-Communications, and Vodafone D2.

Opportunities

As one of the long-standing partners of major communications companies such as AT&T, Amdocs is prepping its customers to take advantage of revenue opportunities as a result of technology migration to mobile broadband networks like 4G.

The power of content and advertising monetization, coupled with mobile commerce, will snowball into a multitude of billing and servicing consumers in ways that have never been done before. Amdocs has been preparing for that over the past few years with acquisitions of ChangingWorlds for its personalization applications and Qpass for electronic commerce applications.

The purchase of MX Telecom, which augments its Open Market strategy, will make it easier for content and SMS providers to access a central repository for account management, provisioning, payments and customer support services.

Additionally Amdocs is going after emerging countries with its full suite of Business and Operations Support Systems (BSS/OSS), which should help diversify its recurring revenue stream from established markets in North America.

Risks

Despite its diversification strategy, Amdocs continues to rely on a handful of communication service providers for the bulk of its revenues. Its top 10 customers accounted for more than three quarters of its revenues in 2009 and AT&T alone made up one third of its revenues.

The next phase of Amdocs' expansion could rest on reducing its exposure to such marquee customers in order to become more entrenched in fast-growing countries such as China and India. However its recent decision to divest its Longshine customer care and billing operations, which it acquired in 2005, could be a setback to its plan to become an end-to-end applications and services partner to communication service providers in China.

Another issue has to do with its relatively soft license revenues as a result of the economic downturn, exacerbated by the decoupling of its applications and managed services operations. The latter now accounts for the bulk of its revenues. Because of its heavy reliance on a few key accounts that happen to be its big managed services customers, it remains a challenge for Amdocs to boost its license revenues.

Ecosystem

Amdocs primarily sells direct and it works with technology and systems integration partners such as Alcatel-Lucent, Altion, Antenna, CACI, Capgemini, Celona, Cirquent, Cognitor, EDS, EMC, HP, IBM, SAS, SSBS, Sun, Tata Consultancy Services, Tech Mahindra, Transworld Information Systems and Wipro Ltd.

Shares

With a 17.1% share in the communications vertical , Amdocs' ability to gain share is average because of its heavy reliance on its services business.

On the upside, the launch of CES 8 is expected to help drive license and maintenance revenues through upgrades and cross-selling.

On the downside, its diversification away from its top accounts remains a work in progress and there's little evidence that its growth will be propped up by tier-2 and 3 communications service providers.

Oracle

Redwood Shores, CA

www.oracle.com

Overview:

As Oracle assumes the leadership role in the communications vertical by tackling increasingly complex business and customer-facing challenges on behalf of a whole host of telephone and cable companies, its extensive product portfolio coupled with an ambitious agenda could help transform the entire industry around the world.

Applications Revenues In Communications:

	2008	2009
$(M)	225	258

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	64.5	25%
EMEA	116.1	45%
Asia Pacific	77.4	30%

2009 Applications Revenues In Communications By Company Size:

Size	2009($M)	% of total
XL(5K ees and above)	129	50%
Large(1K-5K ees)	103.2	40%
SMB(1K ees and below)	25.8	10%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	80	31%
Maintenance	178	69%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Above average
Total	With a 12% share in the Communications vertical, Oracle's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Following a series of acquisitions and internal development efforts, Oracle has assembled a full line of applications capable of meeting the needs of communications companies on both ends of the spectrum. Well-established communications service providers as well as those that have been operating for a short time are turning to off-the-shelf applications from Oracle to help them expand into new markets.

By relying on Oracle's technology stack that ranges from hardware and databases to billing and customer support applications, these virtual communications companies can in fact roll out next-generation services in new markets without worrying about any business and operational barrier.

For example, Oracle has made available Oracle Communications Unified Inventory Management 7.1, which provides out-of-the-box functionality for accelerated rollout of the most common IP multi-play and higher layer services including voice over IP (VoIP), multiprotocol label switching layer 3 virtual private network (MPLS L3 VPN) and Metro Ethernet/virtual local area network (VLAN) services. The application is designed to improve visibility through a federation framework that allows integration and collaboration with external inventory systems without requiring data migration or a complete inventory system overhaul.

The May 2010 acquisition of the assets of eServGlobal underscores Oracle's desire to dominate the communications vertical, especially in areas such as pre-paid charging applications for telcos that operate in emerging countries where prepaid phone cards account for the bulk of mobile phone business.

eServGlobal has 29 customers including Excelcom, which uses its pre-paid charging applications to support more than 32 million subscribers. Applications from eServGlobal handle more than 500 billion transactions per year.

eServGlobal's Universal Service Platform (USP), includes a pre-paid charging application, a network-services platform and a messaging gateway. The ChargingMax, NumberMax, uVOMS, MessageMax, PromoMax Express and Social Relationship Management software supports tier-one customers including Orange, KPN, Nextel and Telecom New Zealand.

Key Applications For Communications Vertical:

Oracle Communications Billing and Revenue Management, Oracle Communications Service Fulfillment Suite (including Oracle Communications Activation, Oracle Communications Inventory Management, Oracle Communications Order and Service Management , Oracle Communications Network Intelligence), Oracle Siebel, Oracle CRM On Demand, Oracle Communications Marketing and Advertising, Oracle E-Business Suite, AIA Process Integration Packs for Communications

SCORES Analysis

Strengths

Oracle has been in hot pursuit of the communications vertical for a number of years. The crescendo came in early 2010 when it completed the purchase of Sun, which had a sizable base of customers in the communications industry.

Oracle is expected to optimize its applications and infrastructure products on the Sun hardware platform, which could remove current throughput and performance limitations by making such features as convergent and second-round billing readily available to carriers.

In addition to Sun, Oracle made a pair of acquisitions of Portal Software for its billing and revenue management applications and Metasolv Software for its operations support system in 2006. Oracle Communications now has over 300 billing customers in 75 countries and over 200 service fulfillment customers. The earlier purchase of Siebel for its customer relationship management applications also strengthened Oracle's position among big telcos.

With new versions of CRM for on-demand delivery, Oracle has stepped up its push into the communications vertical. For instance, Oracle CRM On Demand Release 16 offers such enhancements as Oracle Self-Service E-

Billing On Demand, Oracle Sales Library, Oracle CRM On Demand Deal Management, Oracle CRM On Demand Enterprise Disaster Recovery and Oracle AIA integration from Oracle CRM On Demand to JD Edwards EnterpriseOne. For example, interactive statements, advanced analytics and PCI DSS Level 1 certification are designed to help communications companies increase customer loyalty, accelerate payment collection and reduce costs.

The result is an end-to-end solution map for communications companies that can turn to Oracle for core systems as well as add-on products to tap into new markets.

For example, Oracle Communications Marketing and Advertising is a new application that enables network operators to securely execute targeted mobile advertising and marketing campaigns. At the same time, Oracle has made available Oracle Communications Billing and Revenue Management Release 7.4, which helps communications service providers, media companies and other service providers enhance customer service, respond faster to market demands and reduce operational costs.

Customers

With more than 1,000 customers in the vertical, Oracle has been gaining traction especially among tier-1 communications companies. Typical customers range from global communications service providers to local phone companies that want an end-to-end solution to meet their back-office and operations support system requirements at the same time.

For its billing and revenue management applications, it has completed 300 live implementations in 75 countries with new customers such as Cox Communications, Expresso Telecom (Africa), Kapsch Carriercom, and Shaw Communications.

One of its major wins in 2009 was Vodafone. For the past several years Vodafone has acquired a growing number of Oracle applications. The latest agreement called for Vodafone to use Oracle applications, including back office, customer facing and communications-specific packages for functions like billing, as the basis to consolidate and standardize its IT infrastructure.

Oracle's increased presence at Vodafone stemmed from cost cutting measures that the mobile carrier has been implementing to reduce the number of IT providers since 2007 in order to achieve up to 30% in unit IT cost savings(amounting to 1-billion-pound) by 2011.

Vodafone, which used to operate as a decentralized holding company, has been steering its different operations in various countries such as Vodafone in Bahrain and Qatar to standardize their applications around Oracle products. Over time the agreement with Vodafone could result in new applications license and maintenance revenues of anywhere from $100 million to $300 million for Oracle over the next five years.

Other key wins in 2009 are as follows:

3Q and 4Q wins: Aircel, Colt, DIRECTV, MSA Communication, Zain Saudi, China Unicom, Vodacom, BH Telecom (Bosnia and Herzegovina), Pannon GSM Távközlési Zrt. (Hungary), MTN Nigeria (Nigeria), Atheeb Telecom Consortium, Saudi Telecom Co. (Saudi Arabia), UKRTelecom (Ukraine), 20:20mobile (UK)

2Q wins: China Mobile, Dish Network, KPN, ON Telecoms, Orascom, Portugal Telecom, PZ Cussons, Saudi Telecom Co., SK Broadband, Telefonica O2, Telenet, Tellcom, Virgin Media, Vodafone, Vodafone Qatar

1Q wins: Aircel Limited, Cellular South, Comcast, DoCoMo interTouch Pte. Ltd., Etihad Atheeb Telecom “GO”, KPN, Telecom Italia, Verizon Communications, Vodafone, Wi-tribe Pakistan Ltd.

Opportunities

In 2010 Oracle will continue to promote the integrated communications suite that encompasses order to bill, order to activate, customer master and product master capabilities and process flows. In addition it will enhance business intelligence offerings for communications in such areas as customer revenue management and order handling.

Another major growth opportunity lies in an array of functionality that comes out of its converged application server and services gatekeeper. Among the new features are multi-media conference and enhanced account management, and media server control.

Then there are the back-office applications that Oracle can cross-sell to its communications customers. For example, China Unicom picked up the Oracle E-Business Suite for its HR operations. After the merger between Netcom and Unicom, China Unicom decided to standardize on a single HCM platform that encompasses core HR, payroll and talent management functionality for its 200,000 employees. Netcom was using EBS, while Unicom was using Ufida.

China Unicom decided to use EBS because of its multinational capabilities as well as the expertise of Oracle partner Ubiquitous in implementing iLearning in a broad market the size of China. iLearning is expected to be used as a primary training tool for China Unicom to roll out training classes to its new and existing salespeople and agents across the country in a cost-effective way.

Risks

Oracle’s biggest challenge is to make its extensive product portfolio work seamlessly for the communications vertical. Because of the different release cycles of its acquired applications and infrastructure products, Oracle has made a concerted effort to integrate them using its Applications Integration Architecture(AIA), which is a work in progress.

Much of the heavy lifting will still be coming from Oracle’s professional services organization as well as its systems integration partners.

It remains to be seen how the delivery of pre-packaged templates and further enhancements to AIA Process Integration Packs for Communications, now in release 2.0, will be extended to a full range of Oracle and non-Oracle applications for the vertical, which could take another year or two.

Another issue has to do with the existing middleware and hardware products being used by its communications customers, who now face a different sales pitch from Oracle touting the benefits of its vertically integrated strategy with the stated goal of tuning its applications to work better on the Sun platform. That could be a blow to customers that may find such arrangements unpalatable to their acquisition strategy, which demands interoperability and flexibility in their system deployment.

Ecosystem

Oracle primarily sells direct to its communications customers and it partners with a number of systems integrators such as Accenture, Infosys, and Wipro on certain implementations. Its ecosystem in the communications vertical includes 15 global partners, nine of which have Centers of Excellence that showcase their reference architectures featuring the Oracle stack of Communications applications. It also works with 70 regional partners including systems integrators, network equipment manufacturers and ISVs. The ecosystem sells licenses both directly and indirectly, provides complementary solutions, and delivers services to ensure a successful implementation of Oracle Communications solutions. In addition to leading the implementation efforts at some clients, Oracle Communications Consulting organization also supports the partner ecosystem by offering project-specific customized training and extensive partnering in a blended delivery model.

Shares

With a 12% share in the communications vertical, Oracle's ability to gain share is above average because of its extensive product portfolio.

On the upside, the acquisition of Sun will allow the vendor to become more entrenched among Sun's existing customers in the communications vertical by offering them Oracle's own applications for the industry.

On the downside, there will be a lag effect for the acquisition of Sun's customers to work to Oracle's advantage because of customer inertia and the implications of the vendor's vertically integrated strategy on the marketplace where any movement toward a proprietary architecture could outweigh any near-term benefit.

Convergys

Cincinnati, OH

www.convergys.com

Overview:

Convergys, which used to be a part of Cincinnati Bell, has been selling an array of business and operations support applications to a cross section of telcos and satellite service providers, while positioning itself as a key enabler behind the transformation of the communications vertical. Typical customers range from large telephone companies to tier-2 and 3 carriers.

Applications Revenues In Communications:

Year	2008	2009
$(M)	280	216

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	194.4	90%
EMEA	21.6	10%
Asia Pacific	0	0%

2009 Applications Revenues In Communications By Company Size:

Size	2009($M)	% of total
XL(5K ees and above)	151.2	70%
Large(1K-5K ees)	64.8	30%
SMB(1K ees and below)	0	0%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	75.6	35%
Maintenance	140.4	65%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 10% share in the communications vertical, Convergys' ability to maintain and win share in the market segment in 2010	Below average

Full overview:

Following the divestiture from Cincinnati Bell, Convergys has been adding applications and business process outsourcing offerings through acquisitions and international expansion in such countries as India and the Philippines.

The acquisitions in such areas as customer care and HR services have expanded Convergys’ reach into other industries beyond its traditional foothold in communications.

In 2008 Convergys acquired Intervoice, which offered customer relationship management, Web self-care, and mobile applications to a range of industries from financial services to communications.

In March 2010 Convergys sold its human resource outsourcing operations in a sign that could mean the return to its core competency in the communications vertical.

Key Applications For Communications Vertical:

Infinys ICOMS Convergent BSS/OSS System, Field Service Manager, Product Control Manager

SCORES Analysis

Strengths

With its domain expertise in the telecommunications industry, Convergys remains deeply connected to heavyweights in the vertical either by selling them business and operations support systems(BSS/OSS) applications or servicing their existing systems and call center operations under long-term business process outsourcing contracts.

In 2009 Convergys introduced a number of new applications for the vertical. Among them were enhanced Infinys ICOMS Convergent BSS/OSS System for cable and direct broadcasting satellite industries, Field Service Manager for workforce optimization, and Product Control Manager for product lifecycle management for communications service providers.

The products are designed to layer add-on applications on top of the existing BSS and OSS systems that its communications customers have been running for a number of years.

Such enhancements underscore Convergys' desire to reinforce its commitment to the communications vertical through tucked-in acquisitions and sustainable product development.

Customers

With more than 100 customers in the vertical, Convergys has been selling into some of the world's biggest communications companies such as AT&T and Sprint PCS.

In 2009 Convergys' customer wins included Cavalier Telephone, DIRECTV, Insight Communications, Lintel Group, NewWave Communications, NTELOS, renna, Time Warner Cable, and Vivo.

Opportunities

With tier 2 and 3 communications companies increasingly turning to business process outsourcing to reduce their internal IT expenses, Convergys stands to benefit because of its heavy investment in building out its BPO infrastructure in India and the Philippines.

The decision to exit the human resource outsourcing market could also result in Convergys stepping up its investment in communications applications in order to accelerate the upgrade cycle of customers using its legacy BSS/OSS systems.

Risks

Over the past two years, Convergys has seen eroding sales to some of its biggest communications customers. AT&T has already indicated that it would migrate from Convergys to other wireless billing systems for business units that it acquired earlier, taking $30 million worth of applications license, maintenance, and support business away from Convergys. The loss could top $40 million in 2010.

The same applies to Sprint PCS, which planned to replace its Convergys billing applications with a different system. That stripped $50 million worth of business from Convergys and another $10 million would be lost in 2010.

The challenge for Convergys is to offset such declines with growing sales to tier-2 and 3 carriers that may be more willing to adopt the latest releases from the vendor because of its global support capabilities.

Ecosystem

Because of its army of consultants and massive BPO operations, Convergys primarily sells direct.

Supplementing that are international resellers that offer Convergys applications to certain countries. In 2009, Convergys signed LemonIT, which would resell Intervoice Voice Portal solutions to its customers in Korea.

Shares

With a 10% share in the communications vertical, Convergys has reached a tipping point where its revenues from the communications vertical could erode in the short term.

On the upside, Convergys' corporate overhaul, which included the selling of its HRO business and the naming of a new CEO who came from Alltel, could reignite growth in the communications vertical.

On the downside, Convergys' reliance on a few top accounts is under pressure and it may take a while before the vendor could recover lost revenues.

SAP

Walldorf, Germany

www.sap.com

Overview:

Following a series of acquisitions, SAP has been shoring up its presence in the communications vertical with a long list of marquee customers and domain-specific applications designed to automate the front-to-backoffice operations of communications service providers. Typical customers range from global communications companies to regional service providers.

Applications Revenues In Communications:

	2008	2009
$(M)	162.5	167.5

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	33.5	20%
EMEA	100.5	60%
Asia Pacific	33.5	20%

2009 Applications Revenues In Communications By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	100.5	60%
Large(1K-5K ees)	50.25	30%
SMB(1K ees and below)	16.75	10%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	55.27	33.3%
Maintenance	112.2	66.7%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 7.8% share in the communications vertical, SAP's ability to maintain and win share in the market segment in 2010	Average

Full overview:

After winning such major accounts as Kabel BW, KPN, and Vodafone, SAP has been consolidating its gains in the communications vertical by leveraging recently acquired applications and extending them to the installed base with the help of business partners.

With SAP positioning itself as the sole source application provider to the communications vertical, it has stepped up its push by selling into tier-2 and 3 telcos because of the breadth of its product portfolio and the collective strength of its ecosystem.

At the same time, SAP has been tweaking its communications strategy through acquisitions and product pairings. In 2009 it acquired Highdeal, a developer of pricing, rating & charging applications for a number of industries including communications. Its earlier purchase of BusinessObjects, which already made its name in the communications vertical with major telcos as customers, gave SAP additional ammunition in the forms of analytics and budget planning and consolidation applications.

Key Applications For Communications Vertical:

SAP ERP, High Deal for pricing and charging, BusinessObjects for reporting

SCORES Analysis

Strengths

SAP relies on a three-pronged strategy to enlarge its presence in the communications vertical. First its core ERP applications for financial accounting, customer relationship management and HR have been well received by telcos as a system of record that automates their customer-facing and back-office functions. Acquired products from Highdeal and BusinessObjects have made the decision to standardize on SAP applications among telcos much more convincing. For example, telcos can run Highdeal applications for convergent invoicing and model pricing and packaging. Additionally they can use SAP Business Planning and Consolidation, a BusinessObjects module, to provide their sales and marketing teams with the ability to capture daily sales information on a real-time basis, a process that would have taken them days or weeks in the past.

Then there is the added value of SAP business partners, which have worked closely with the vendor to deliver best practices implementations from order management to contract accounting.

The three attributes have made SAP a potent force in the communications vertical through coordinated selling and marketing and customer service across its product lines as well as comprehensive collaboration with its systems integration and third party ISV partners.

Customers

With more than 400 customers in the vertical, SAP has garnered growing support among major communications service providers.

In 2009 its customer wins included Infrastructure 1 Telecommunication and Telefonica, following its earlier wins at BT Americas, Kabel BW, KPN Telecom BV, and Telekomunikacja Polska S.A.

Opportunities

SAP's biggest opportunities in the communications vertical lie in cross-selling into newly acquired customers that have been running Highdeal and BusinessObjects applications. For instance, dozens of Highdeal customers including AOL, Cogeco, Motricity, NRJ Mobile, OPT-PF, Orbitel, SFR, and Wateen Telecom could end up standardizing their back-office and customer relationship management systems from SAP.

For example, SFR, the second largest mobile phone operator in France, was already a customer of Highdeal and BusinessObjects applications before SAP acquired these products.

Risks

Because of its considerable exposure to telcos in Western Europe, SAP's momentum in the communications vertical could decelerate as many of its customers are reducing their IT spending before economic recovery fully manifests itself throughout the region.

Another challenge lies in the incorporation of Highdeal telco-specific applications into the vendor's core offerings through enhanced integration in areas such as customer relationship management, making key customer-facing capabilities readily available to a large set of users through Web services. That process may take some time to yield tangible results.

The third challenge has to do with the growing need to boost the synergy between its communications and media and entertainment applications offerings paving the way for next-generation service providers to straddle both sides and succeed with the help of a robust technology platform.

Ecosystem

SAP primarily sells direct and it works with systems integrators such as Atos Origin, Cap Gemini and Wipro in the communications vertical.

Highdeal has longstanding relationship with partners including Alcatel-Lucent, Atos Origin, BNS, Bull, Capgemini, Experian, HP, IBM, iGneiTe, Integrartis, Niji, SCSI, Sisteer, Sofrecom, Soluziona, Sopra Group, T-SIT, Tridge Group, and Verso.

Shares

With 7.8% share in the communications vertical, SAP's ability to gain share is average because of macro- economic factors.

On the upside, the additions of Highdeal and BusinessObjects will help SAP win incremental revenues from the combined base of hundreds of communications service providers.

On the downside, SAP's efforts could be hampered by its heavy exposure to the Western European telco market, along with a lack of clarity of its long-term vision for the vertical.

Telcordia

Piscataway, NJ

www.telcordia.com

Overview:

For years Telcordia has been a major applications provider to communications companies, tracing its roots to the days when it was a part of AT&T. After its sale to private equity firms in 2004, Telcordia has continued to boost its applications portfolio to help communications service providers take advantage of next-generation telecom networks. Typical customers are major telcos and mobile startups in emerging countries.

Applications Revenues In Communications:

	2008	2009
$(M)	95	104.5

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	83.6	80%
EMEA	10.45	10%
Asia Pacific	10.45	10%

2009 Applications Revenues In Communications By Company Size:

Size	2009($M)	% of total
XL(5K ees and above)	62.7	60%
Large(1K-5K ees)	31.35	30%
SMB(1K ees and below)	10.45	10%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	26.1	25%
Maintenance	78.3	75%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 4.8% share in the communications vertical, Telcordia's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Telcordia, which was a part of AT&T until the breakup of Ma Bell in 1984, has been one of the key technology enablers for well-established communications service providers from AT&T to Baby Bells for decades and now it's on the vanguard of helping a new breed of carriers capitalize on opportunities derived from next-generation telecom networks.

By offering a full line of operations support systems for network planning, fulfillment and service assurance, Telcordia is aiming to jumpstart the business of a growing number of mobile operators scrambling to gain shares through acquisitions and global expansions.

However, their service may become spotty or customer experience inconsistent because they run on a hodgepodge of telecom networks and mobile technologies. That's where Telcordia comes in to boost their performance with its domain expertise.

For example, Telcordia Granite Inventory within the Telcordia Fulfillment Suite allows communications service providers to effectively combine inventory, provisioning automation and data synchronization functions to accelerate resource queries, minimize errors and reduce the cost of system management.

Over the past year, Telcordia has been promoting heavily the Fulfillment Suite, while making significant inroads into such markets as India, Portugal and others where mobile services are becoming pervasive.

Key Applications For Communications Vertical:

Telcordia Granite Inventory, Telcordia Fulfillment Suite, Telcordia Activator, Telcordia's Service Delivery and Charging suite

SCORES Analysis

Strengths

With its army of researchers and developers specializing in the latest telecom technologies from ADSL to 3/4G wireless, Telcordia's ability to innovate is second to none.

Over the past few years, Telcordia has continued with its innovation streak by developing applications that enable mobile operators to become more efficient.

For example, signal processes optimization capability in Telcordia Wireless Technology help service providers plan and manage their large-scale wireless networks, optimize operating parameters of those networks to deliver high-quality wireless services, and derive maximum capacity and spectral efficiency.

Other major breakthroughs include real time charging as a part of next-generation prepaid services, mobile ID for advanced subscriber information management, and Home Network Assurance for proactive root cause assessment for home network error resolution.

Another major offering as a part of its next generation OSS application is Telcordia Activator, which allows service providers to consolidate and automate all service activation on a single platform that boosts accuracy, speed and customer satisfaction.

All these initiatives underscore Telcordia's technology prowess at a time when its competitors are content with bulking up their product portfolios through acquisitions.

Customers

With more than 200 customers in the vertical, Telcordia has remained entrenched among some of the largest telcos as well as those in fast-growing markets.

In 2009 its customer wins included Aircel , Hydro One Telecom, OniTelecom, Tata Teleservices, Unitech Wireless.

Many of these customers have embraced its latest releases in next generation OSS and fulfillment suites. More than 40 service providers have been using Telcordia's Service Delivery and Charging suite of applications to create new services on existing and evolving wireline, wireless, IP, and convergent networks.

Opportunities

Telcordia's biggest opportunities lie in developing countries where wireless networks are being implemented at a torrid speed in order to accommodate explosive demand.

Because of its rich development resources, Telcordia, which has been granted more than 1,800 patents, is expected to leverage its trove of networking technologies to help service providers accelerate the adoptions of a wide array of wireless and home networking services.

Risks

Telcordia walks a fine line between moving its customers to adopt the latest telecom technologies and the need to leverage existing systems to mitigate the risks of a rip and replace approach.

While many of its customers are still planning to use their existing BSS/OSS systems for years to come, their acquisition strategy often entails inheriting legacy applications that still have considerable staying power.

Against the backdrop of dueling wireless standards around the world, Telcordia is firmly behind the cautious approach when it comes to jettisoning existing systems.

The issue is whether Telcordia can convince customers the benefits of going slow while consumer preference is becoming more fickle than ever and churn rates remain a major concern among big and small communications service providers.

Ecosystem

Telcordia primarily sells direct and it works with systems integration and technology partners such as Accenture, ATOS Origin, Bull, Capgemini, IBM, Sun, Swisscom IT, TATA Infotech, TietoEnator, and T-Systems.

Recently Telcordia expanded its relationship with IBM to port its next generation OSS to run on the IBM AIX operating system as well as WebSpere middleware. The key modules of Telcordia's Fulfillment Suite, including Telcordia Granite Inventory, Assign & Design and Discovery & Reconciliation, will become available on the IBM platform in the second quarter of 2010.

Shares

With a 4.8% share in the communications vertical, Telcordia's ability to gain share is average because of its long-standing relationship with major telcos, which entail considerable recurring revenue stream.

On the upside, Telcordia is experiencing considerable momentum in emerging markets such as India and that should bode well for new license revenues as well as using these customers as a test bed for large scale deployment around the world.

On the downside, the time for Telcordia to bring innovative ideas and technologies to market has been compressed with the advent of Web services and it remains to be seen whether Telcordia's venerable research and development can stay agile by creating applications and services that can be easily consumed by communications service providers and their customers.

Comverse

Wakefield, MA

www.comverse.com

Overview:

With an extensive footprint in the wireless market, Comverse, which has experienced both the ups and downs of the telco market, has begun to regain its momentum after shoring up its product portfolio with strategic partnerships and complementary acquisitions by its subsidiaries. Typical customers range from wireless carriers to global telecommunications providers.

Applications Revenues In Communications:

	2008	2009
$(M)	90	85

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	45	50%
EMEA	31.5	35%
Asia Pacific	13.5	15%

2009 Applications Revenues In Communications By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	22.5	25%
Large(1K-5K ees)	49.5	55%
SMB(1K ees and below)	18	20%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	40	44.4%
Maintenance	50	55.6%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Below average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 4.2% share in the communications vertical, Comverse's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Comverse, which saw a meteoric rise and a spectacular fall following the Dot Com crash in 2000, has begun to stabilize its operations in the past few years with growing presence in the communications vertical by leveraging key alliances and its subsidiaries to further extend its product portfolio and meeting customer needs on a larger scale.

After years of litigation, Comverse reached a settlement in 2009 with the Securities and Exchange Communications on the agency's probe into options backdating by the vendor. The settlement, which involved no monetary penalties, lifted a dark cloud over Comverse's future, allowing the vendor to get its financial reporting procedures back in order after years of not releasing its earnings.

In the meantime, Comverse is gearing up for value-added offerings such as converged billing, next-generation messaging and mobile advertising. Over the past year, Comverse has zeroed in on growth opportunities in rich communications services including converged messaging, address book management, residential and business voice, presence, visual voicemail, video, and prepaid and postpaid billing services.

All these are being enabled by Comverse's IP Multimedia Subsystem, which includes Comverse Netcentrex IMS core infrastructure, pre-integrated telephony servers, and telephony and data application enablers.

Comverse has also simplified new technology delivery by setting up an Application Store, which hosts products from Comverse and its ISV partners for operators to quickly and easily launch the applications.

Such developments underscore Comverse's growing ability to compete by delivering better customer experience through standardization and improved corporate governance.

Key Applications For Communications Vertical:

Comverse's IP Multimedia Subsystem, Comverse Mobile Internet HUB, Netcentrex Converged IPCentrex, Verint, Ulticom

SCORES Analysis

Strengths

Because of its heritage and penchant for innovation, Comverse remains one of the driving forces in the communications vertical.

On one hand, Comverse is making available an array of mashed-up services allowing operators to layer location-based information on top of different forms of mobile messaging, including text messaging (SMS), multimedia messaging (MMS) and visual voicemail to enrich customer experience.

On the other hand, its Comverse Mobile Internet HUB has become a primary vehicle for operators to better manage network capacity, offer segmented price plans, prevent bill shock for subscribers, deliver Quality of Service (QoS) guarantees, and impose fair use limits on high users.

All these suggest that Comverse is paving the way for next generation mobile operators to sustain their growth with a set of fully integrated offerings that extend from back-office business and operations support systems(BSS/OSS) to policy enforcement to rich customer applications.

The all-encompassing strategy touches other mission-critical applications from Comverse. For instance its Verint subsidiary sells workforce management applications for telcos to bolster employee productivity through better scheduling. Additionally its Ulticom signal processing subsidiary and Techtel roaming services provide mission-critical capabilities for telcos to run their networks.

Despite Comverse's struggles with financial compliance, its road to stability appears to be on a solid footing presaging the return of a telecom juggernaut.

Customers

With more than 500 customers in the vertical, Comverse has been expanding into some of the fastest-growing communications segment, especially mobile operators in developing countries.

In 2009 its customer wins included AAPT, Angola Mobile, Bell Mobility, Bharti Airtel, Cellcom Israel, Cosmote, Entel Chile, GTEL Mobile, Hong Kong Mobile, Mondial Telecom, MTS Ukraine, Netcom, SingTel, Sotelco, TELE2 Russia, Telenet, Telstra, UCell Uzbekistan, UTS, and Vodafone Portugal.

Opportunities

By constantly breaking new ground in mobile communication, Comverse aims to deliver improved user experience thus facilitating additional recurring revenue streams while reducing customer churns.

Capabilities such as visual voice mail, location-aware messaging and machine-to-machine wireless communication are among the key areas that Comverse targets for new sources of revenues.

Comverse is investing heavily to realize those potentials through partnerships with platform vendors. For instance, it has announced a pact with IBM to create a joint Center of Excellence in France to help global telecom operators speed time to market for new services, boost subscriber acquisition, and reduce both churn and overall network operating costs.

Unified communications presents another growth opportunity for Comverse, which is working with Microsoft to deliver integrated solution for seamless mobile and PC-based voice and data communications targeting small- and medium-sized businesses.

The solution, which is built on the Comverse Netcentrex Converged IPCentrex telephony solution and the Microsoft Solution for Hosted Messaging and Collaboration (HMC) 4.5, integrates messaging and presence services in a business desktop PC environment with high-quality, packet-based services to create a range of voice and data features from PC-controlled phone calls to uninterrupted calling when switching from office phone to mobile phone.

Risks

Comverse's biggest risk lies in reinventing itself at a time of massive changes in the communications vertical.

While the vendor has stabilized itself by becoming more entrenched among its wireless customers and entering into a settlement with the US government over disputed stock options transactions, its long-term success rests on shoring up investor and customer confidence in its corporate governance and transparency in its financial reporting.

Then there is the lack of synergy between Comverse's BSS/OSS product lines and those of Verint and Ulticom, resulting in little cross-selling and upselling into each other's installed base.

All these challenges underscore the fact that Comverse's path to sustainable growth and profitability remains a work in progress and its transformation into an all-encompassing technology provider depends on a cohesive product roadmap that reinforces its staying power.

Ecosystem

Comverse primarily sells direct and it partners with systems integrators such as Accenture, AMT Group, Atos Origin, Cap Gemini, CommVerge, EDS, HP, IBM, Lirex, STS, Tata Consultancy Services, Tech Mahindra, and Verso.

Shares

With a 4.2% share in the communications vertical, Comverse's ability to gain share is average because of lingering concerns over its financial reporting process.

On the upside, Comverse's capacity for growth is bigger than ever thanks to its partnering and acquisition strategies.

On the downside, Comverse is hamstrung by its history, which has left its customers with a hodgepodge of legacy systems for billing, fulfillment and customer information management. Some of these may have gone through extensive modifications that could be difficult for them to migrate to a standard platform for easy upgrades and interoperability with other IP-based solutions.

LHS

Frankfurt, Germany

www.lhsgroup.com

Overview:

Following its purchase by Ericsson, LHS has reached another major milestone in its history as one of the biggest billing and customer care applications vendor in the communications vertical. The transformation of LHS continues with organic growth in its services business, which is augmented by extensive collaboration with its systems integration partners. Typical customers are communications companies that offer wireless, wireline, and IP telecom services.

Applications Revenues In Communications:

	2008	2009
$(M)	78	85

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	24.65	29%
EMEA	41.65	49%
Asia Pacific	18.7	22%

2009 Applications Revenues In Communications By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	17	20%
Large(1K-5K ees)	42.5	50%
SMB(1K ees and below)	25.5	30%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	33	38.8%
Maintenance	52	61.2%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Above average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.9% share in the communications vertical, LHS' ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Since 1990 LHS has been developing billing and customer care applications for communications service providers around the world and its metamorphosis has taken the vendor along a long and winding path following a number of corporate buyouts.

In 2007 the Swedish telecom giant Ericsson started increasing its stake in LHS, culminating in a 100% ownership in 2010 that cemented the relationship between the two with considerable upside potential for joint sales and marketing activities into each other's installed base.

That was preceded by a series of LHS' ownership changes ranging from an independent entity to being a part of Sema Group, which in turn was acquired by Schlumberger. In 2004 it became an investment vehicle under the private equity firm General Atlantic.

Through these changes, LHS has remained steadfast in its positioning as a major software developer for telcos with its flagship BSCS and BSCS iX billing and customer care applications, which have been widely used by many telcos for more than a decade.

Over the past year, LHS has continued to enhance its applications, while taking advantage of its relationship with Ericsson to penetrate emerging and established telcos that have been relying on Ericcson telecom equipment to help them expand around the world.

Key Applications For Communications Vertical:

BSCS and BSCS iX billing and customer care

SCORES Analysis

Strengths

With 20 years of experience in developing billing and customer care applications, LHS has become one of the most recognizable names in the communications vertical serving the needs of wireless, wireline and IP telephony customers as they enter new markets by using the latest technologies to help them quickly launch prepaid and postpaid services.

In 2009 LHS upped the ante by introducing BSCS iX Release 3, which includes ease of integration into existing IT infrastructure with the use of Service Oriented Architecture software components as well as embedded analytics from SAP BusinessObjects, which facilitates robust financial reporting and business intelligence.

At the user level, LHS applications already support billing of more than 645 million end customers, more than half of which are on prepaid or postpaid wireless plans. That extensive coverage should provide LHS with ample ammunition to realize the potential of convergent billing.

The scalability of the applications will help make convergent billing possible, allowing LHS to support service providers that gravitate toward second round billing for subscribers that are being billed separately by other systems. The increased use of such applications should open up additional recurring revenue streams and reduce churns for LHS customers.

Customers

With more than 139 installations in the vertical, LHS has built a critical mass of customers in 81 countries. In 2009 its customer wins included Tunisiana in Tunisia, which became the first operator to migrate to BSCS iX Release 3.

Other sample customers included Cosmote (Greece), E-plus (Germany), Starhub (Singapore), T-Mobile Austria (Austria), Vodafone (Egypt), subsidiaries of Wataniya (Kuwait) as well as Latin American subsidiaries of the Nextel International Group (US).

Opportunities

In addition to convergent billing, LHS is eying new ways to integrate its applications into Ericsson's offerings to create end to end solutions. Since 2007 LHS has seen a growing share of its sales from the Ericsson channel, which now accounts for 20% of its revenues. That figure is expected to grow substantially as the sales and marketing activities on both sides begin to collaborate more closely.

Risks

As a wholly owned subsidiary of Ericsson, LHS runs the risk of being considered its full-blown applications arm with the sole purpose of strengthening the telecom equipment vendor. Even though that presents plenty of upside potential for LHS to address the needs of customers of its parent, the prospects of staying neutral and working with competitors of Ericsson could come to a screeching halt.

Then there is the product duplication with multiple billing and customer care systems under the same roof of Ericsson, which used to sell its own BSS and OSS applications under a joint venture with HP. It's not clear if and whether these multiple BSS and OSS systems will converge at some point.

Keeping its customers up to date is another challenge for LHS with the majority of its 139 installations still running on versions 8 or before of its BSCS billing and customer care applications. While the number of customers running iX and iX2 has exceeded 50 since 2005, it will take at least a couple years before the majority of its installations will be on the latest releases as some of these implementations are becoming more complex and global in nature. LHS is addressing that by boosting its professional services organization as well as its ecosystem of systems integration partners.

Ecosystem

The makeup of LHS' ecosystem has gone through significant changes following the growing ties between the vendor and its parent Ericsson, which has replaced Atos Origin to become its largest channel partner.

Alcatel Lucent, Atos, Cap Gemini, and Ericsson are considered Diamond SI partners of LHS. The vendor also partners with Accenture, Bull, Digital Route, Knot Solutions, and Tech Mahindra.

Shares

With a 3.9% share in the communications vertical, LHS' ability to gain share is above average because of the backing of the $27-billion Ericsson allowing for easy access to its parent's installed base and development resources, which in turn will help bring to market faster next-generation billing and customer care solutions.

On the upside, LHS' momentum appears to be on the upswing based on its recent financial results with increased license and maintenance revenues.

On the downside, Ericsson's ownership of LHS will result in multiple BSS/OSS systems, along with upgrade challenges for its legacy customers, could translate into protracted product management and support issues.

Intec Telecom Systems

Woking, Surrey, UK

www.intecbilling.com

Overview:

Intec has emerged as one of the largest applications vendors in the communications vertical with integrated offerings that allow communications service providers to take full advantage of convergent charging, billing and customer care, while boosting subscriber satisfaction and recurring revenues along the way. Typical customers range from global communications companies to wholesale service providers in emerging countries.

Applications Revenues In Communications:

	2008	2009
$(M)	82	80

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	19.2	24%
EMEA	41.6	52%
Asia Pacific	19.2	24%

2009 Applications Revenues In Communications By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	48	60%
Large(1K-5K ees)	24	30%
SMB(1K ees and below)	8	10%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	15	42.9%
Maintenance	20	57.1%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Below average
Risks	Ability to handle internal and external risks and challenges	Below average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.7% share in the communications vertical, Intec's ability to maintain and win share in the market segment in 2010	Below average

Full overview:

Founded in 1997, Intec has enjoyed healthy growth in the communications vertical with an array of billing, mediation and customer care applications. The products have been well received by communications service providers aiming to transform their operations with a holistic way of managing customer facing and billing functions.

The single-view approach of gaining visibility into every aspect of the customer lifecycle is a key factor behind the success of Intec enabling communications service providers to tap into new revenue streams by quickly launching and monetizing services with different partners and business models.

Over the past year Intec ramped up its ecosystem by signing up new partners, while posting respectable growth in different parts of the world, including Asia Pacific where it saw a double-digit jump in revenue due to rapid expansion of the local mobile market.

Key Applications For Communications Vertical:

Singl.eView 6.01 for billing

SCORES Analysis

Strengths

With a suite of integrated applications for billing, mediation and customer care, Intec has been expanding into different segments of the communications vertical including mobile virtual network operators, voice over IP, IPTV and wholesale markets meeting their diverse requirements from wholesale to retail billing and from managed services to partner content management.

Because of its deep understanding of the billing and mediation market, Intec has been replicating successful implementations throughout the world by creating a standard system for service providers to deliver consistent customer experience without incurring considerable support costs.

At the same time, Intec's expertise in mediation has been instrumental in strengthening ties between service providers and their channel and distribution partners by boosting operational efficiency and optimizing revenue opportunities for all parties involved.

Customers

Intec has maintained a strong presence among global and regional telcos, securing more than 400 customers and 700 installations in the vertical.

In 2009 its customer wins – covering 24 license sales with a total of 38 installations - included APT (Asia Pacific Telecom Group), Benin Telecoms SA, Celcom, Exatel, Globalive's WIND Mobile, NovoTel Limited Bangladesh, and VimpelCom.

Other well-established customers that have been using Intec applications include AT&T, Carphone Warehouse (UK), China Mobile, Deutsche Telekom, Eircom (Ireland), France Telecom/Orange, O2, T-Mobile, Telefonica, Vodafone, Virgin Mobile Australia, Vivo, and Verizon.

Opportunities

With a healthy roster of customers in far-flung places from Africa to Asia Pacific, Intec is well positioned to take advantage of the convergent charging and billing trends in the communications vertical as service providers in emerging markets hunt for better ways to attract and retain customers. As the business models of these providers and the associated network and partnership requirements become increasingly intertwined, so do the needs of a fully-integrated billing, mediation and customer care systems.

That is being exacerbated by mergers and acquisitions in the communications industry, which has given rise to additional investments in joint ventures and marketing alliances. That in turn makes the establishment of a convergent platform more important than ever for service providers to gain better insights into their billing and customer care systems.

All these developments are expected to bode well for Intec, which has been zeroing on this opportunity with best practices and tangible results.

Risks

While recovery in its core markets of Europe, the Middle East and Africa remains tentative at best, Intec faces the possibility that some of the planned projects from its customers may encounter extended delay.

Another challenge lies in its product roadmap, which appears to be stuck in neutral for a number of years. Its flagship billing application Singl.eView 6.01, which has been available since 2006, does not appear to be up for a major upgrade in the near future and there's little indication that a converged product roadmap is forthcoming for its billing, mediation and customer care applications, all of which have been added through acquisitions since 2000.

Over the past two years, Intec's R&D expenses have been hovering at around 10% range, a decent showing for a developer of its size. However there is little doubt that the rapidly evolving communications marketplace will prompt Intec to invest even more in order to sustain innovation and product development at a time when customer requirements are becoming more complex than ever as they search for new ways to boost revenues and efficiency.

Ecosystem

Over the past year, Intec has bulked up its ecosystem by signing strategic partnerships with Seavus Group and CSC.

The former is expected to help Intec expand into Russia, the CIS and Eastern European markets, while the latter is geared toward service providers aiming to replace their legacy billing systems with a turnkey solution that combines best-of-breed applications with strategic consulting, systems integration and hosting services.

Intec also partners with Accenture, Wipro and regional systems integrators.

Shares

With 3.7% share in the communications vertical, Intec's ability to gain share is below average because of macro-economic conditions in its core markets in EMEA.

On the upside, its convergent strategy appears to resonate with fast-growing telcos in emerging markets in Asia and Africa, which should translate into impressive growth for Intec in those regions.

On the downside, Intec's core business in Europe and managed services operations in the US could experience revenue slippage because of consolidation trends as well as customer inertia in adding new modules. The slow pace of development at Intec could crimp the growth further in mature markets where systems upgrades have been put on hold for budgetary reasons.

NetCracker, an NEC company

Waltham, MA

www.netcracker.com

Overview:

With 17 years of experience in the telecommunications vertical, NetCracker has established itself as an all-encompassing vendor capable of meeting both operations management and network infrastructure requirements of its customers. Typical customers range from multinational telecom carriers to next-generation wireless operators and content providers.

Applications Revenues In Communications:

	2008	2009
$(M)	80	75

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	30	40%
EMEA	22.5	30%
Asia Pacific	22.5	30%

2009 Applications Revenues In Communications By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	37.5	50%
Large(1K-5K ees)	30	40%
SMB(1K ees and below)	7.5	10%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	30	40%
Maintenance	45	60%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Average
Opportunities	Market opportunities at the vertical and subvertical levels	Above average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Below average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 3.5% share in the communications vertical, NetCracker's ability to maintain and win share in the market segment in 2010	Average

Full overview:

Founded in 1993, NetCracker has been expanding its reach to different segments of the communications vertical through product innovation and add-on enhancements. In 2008 it was acquired by NEC and quickly transformed itself into one of the major business units responsible for communications applications and services within the $40-billion company.

Following the reorganization, NetCracker now sells a full line of business and operations support systems(BSS/OSS) applications, network management systems, service platforms and add-on software products covering everything from asset management to content delivery to telecom cost management.

By putting NEC's Telecom Operations and Management Systems (TOMS) software and services and NetCracker's applications for BSS/OSS under a single roof, the company is making it easier for large and small service providers to standardize and scale their operations with a single suite of products.

Key Applications For Communications Vertical:

NEC's Telecom Operations and Management Systems (TOMS), NetCracker OSS

SCORES Analysis

Strengths

By combining operations support system applications, service delivery platform, mobile commerce capabilities as well as infrastructure products, NetCracker aims to simplify the deployment of next-generation network and communications services on behalf of its provider customers around the world.

NetCracker is also helping these providers standardize their operations with flexible one-stop applications delivery both in the forms of on-premise and on-demand implementations. Additionally NetCracker has cemented its reputation with innovation in such fast-growing areas as WiMax and IPTV.

What it boils down to is the fact that NetCracker has been able to build and extend a scalable platform that fits the varying needs of service providers regardless of their propensity of using the latest or mature systems to help them expand in their home base or venture out into emerging markets from Asia to Europe.

The inclusion of NEC's TOMS software suite into NetCracker's product portfolio also underscores a vertically integrated approach whereby more new applications will be brought to the market faster with dedicated resources and a singular product vision. At the same time, NEC's technology stack ranging from unified communications to access networks as well as server and storage offerings will become the linchpin for NetCracker to optimize its industry-specific applications with a complete solution that few communications apps vendors can match.

Customers

With dozens of communications service providers as customers, NetCracker has continued to win deals from fast-growing wireless and broadband markets.

NetCracker also has references among communications service providers including DISA, du, France Telecom group, MGTS, Mobinil, MTS, Shaw, Sprint, Swisscom, Telecom New Zealand, Telstra, TELUS, TW Telecom, UPC Broadband, Videotron, and WIND Hellas.

In 2009, its customer wins included Intelsat, Maxis Communications Berhad, Mobinil, NTT DOCOMO, and VimpelCom Group.

Opportunities

NetCracker's acquisition by NEC has spawned a new set of opportunities in the communications vertical as the synergy between the two becomes more pronounced. For one thing, NetCracker can tap into NEC's large installed base of communications service providers, especially in emerging countries in Asia and the Middle East where NEC's presence has been acutely felt among local telcos because of its experience in broadband access network.

On the other hand, NEC's long-standing relationships with some of the biggest service providers have come in handy. For example, NetCracker's OSS applications were recently chosen by NTT DOCOMO as the major component behind the launch of its commercial Long Term Evolution (LTE) services in 2010. NEC's extensive know-how and delivery record for DOCOMO was cited as one of the key reasons behind the selection of NetCracker OSS.

Another new market segment NetCracker is going after lies in workforce management. In 2009 NetCracker introduced its latest release 8.0, which includes telco-specific workforce management capabilities, enabling communications service providers to boost employee productivity across different field and operations functions by using such integrated modules as labor inventory, planning and scheduling, order management, business activity monitoring, and visualization and analytics tools designed to reduce operations and capital expenses.

Risks

NetCrackers's challenge lies in rationalizing its extensive product portfolio, which includes multiple BSS/OSS applications. An unified code base coupled with a converged technology roadmap is needed to maintain interoperability across future enhancements and product upgrades especially for customers that require a 360-degree view of their far-flung operations. That is becoming particularly important for those that consider themselves virtual telcos that can operate anywhere around the world given their scalable and extensible network platform that leverages industry-standards technologies.

Ecosystem

NetCracker primarily sells direct and it works closely with systems integration partners including Atos Origin, HP and IBM.

Shares

With 3.5% share in the communications vertical, NetCracker's ability to grow share is average because of the cross-pollination of product sets from NEC and NetCracker.

On the upside, NetCracker should benefit from the economy of scale of selling into the NEC ecosystem, including many of its trading and business partners.

On the downside, the perception of NetCracker needing to conform to NEC's technology vision, which may run contrary to that of telecom equipment providers that compete with NEC and that may make it difficult for NetCracker to stay platform agnostic.

Comptel

Helsinki, Finland

www.comptel.com

Overview:

After investing heavily in research and development and strategic acquisitions, Comptel has emerged as one of the leading applications developers for a growing number of communications service providers. With the help of global and local partners, Comptel has further solidified its presence in countries such as India and Saudi Arabia. Typical customers range from major incumbent fixed line operators in the Scandinavian region to mobile operators in emerging markets.

Applications Revenues In Communications:

	2008	2009
$(M)	74	62

2009 Applications Revenues In Communications By Region:

Region	2009($M)	% of total
Americas	4.34	7%
EMEA	40.92	66%
Asia Pacific	16.74	27%

2009 Applications Revenues In Communications By Customer Size:

Size	2009($M)	% of total
XL(5K ees and above)	12.4	20%
Large(1K-5K ees)	31	50%

SMB(1K ees and below)	18.6	30%

2009 Applications Revenues In Communications By Revenue Type:

Type	2009($M)	% of total
License	15	42.9%
Maintenance	20	57.1%
Subscription	0	0%

2009 SCORES Box:

Evaluation	Criteria	Results
Strengths	Key differentiators, domain expertise, product portfolio, solution scope	Above average
Customers	Customer wins across regions and customer segments, momentum among new and existing customers	Above average
Opportunities	Market opportunities at the vertical and subvertical levels	Above average
Risks	Ability to handle internal and external risks and challenges	Average
Ecosystem	Network effects of VARs, resellers, SIs and ISV partners, health of ecosystem	Average
Shares	Market shares, company sales, size, overall market presence	Average
Total	With a 2.9% share in the communications vertical, Comptel's ability to maintain and win share in the market segment in 2010	Above average

Full overview:

Over the past few years, Comptel has continued to expand into emerging markets by cementing ties with global and local partners and beefing up its product development.

Following its acquisition of Axiom Systems for its broadband fulfillment solutions in 2008, Comptel has assembled a complete operations support systems(OSS) product portfolio covering everything from order to cash (including service fulfillment, policy control and charging, federated service catalog), meeting the needs of a full range of communications service providers.

In 2009 Comptel saw a 12% drop in revenues because of the recession, but its recent first-quarter 2010 financial results, which included a 34% rise in license sales, indicated that a sustainable turnaround could be imminent.

Key Applications For Communications Vertical:

Comptel Dynamic OSS portfolio

SCORES Analysis

Strengths

Comptel has been investing heavily in research and development to better differentiate itself from its competitors. Currently its R&D spending hovers around 17% of its revenues, a much higher percentage than peers of its size. That has resulted in continuous innovation and technology breakthrough. At the end of 2009 Comptel had 12 granted patents and 82 pending patent applications.

One major area of focus is on policy control. In 2009 the vendor introduced Comptel Control and Charge that combines its policy control (including bandwidth management and roaming cost control functionalities), charging and mediation on a single platform, providing communications service providers with the means to more effectively balance their resource-constrained service environments.

Customers

With more than 280 customers in the vertical, Comptel has been on a tear signing new and expanded deals with many fast-growing communications service providers especially those in India and the Middle East. Elisa, Indosat, OPT, Romtelecom, Telesur were among new or expanded reference wins in 2009.

Last year, Comptel sold a total of 19 licenses, compared with 21 in 2008. Among the 19 licenses, five were Comptel Mediation and Charging, five Comptel Control and Charge, four Comptel Provisioning and Activation, two Comptel Fulfillment, one Comptel Order Management, one Comptel Inventory and one Comptel Service Repository.

Additionally, its applications have been deployed at major accounts including America Movil, Axtel, Base, Bharti Airtel, Cosmote, DiGi, DTAC, FET, Idea, KPN, Oi, Orascom, Q-Tel, Saudi Telecom, TDC, Telefonica O2, Telenor Pakistan, T-Mobile, Vodafone, Wind, and Zain.

Opportunities

Comptel's biggest opportunities remain in the fast growing and developing markets such as the India sub-continent and the Middle East. In the maturing European markets also, bandwidth demand seems to be constant and its full array of operations support systems, coupled with policy control and fulfillment applications, have been instrumental in helping service providers meet or exceed customer expectations when it comes to the delivery of high-performance communications services.

Risks

The recession has disrupted Comptel's steady growth over the past few years. Despite the tentative signs of recovery in its European operations, its Middle East and Africa business has yet to rebound in the first quarter of 2010 showing the difficulties in sustaining its momentum in new and developing markets where sales cycle could be elongated because of stiff competition.

Comptel also faces challenges closer to home. Last year Comptel saw an almost 3 percentage point decline in revenues from countries such as Finland and Norway, dropping from 18.6% to 16%. It was a far steeper drop than its other major countries.

In 2010 Comptel's staying power will be measured by its ability to jumpstart its sales to developing markets, while preventing any slide in its home base.

Ecosystem

Comptel primarily sells direct, but its partners contribute more than 30% of its business. In 2009 Comptel strengthened its ties with Alcatel-Lucent, Cisco and IBM. In the case of IBM, Comptel has been working closely with the Big Blue operations to target fast-growing telcos especially those in India.

Shares

With 2.9% share in the communications vertical, Comptel's ability to gain share is above average because of the breadth of its product portfolio and the backing of its partners.

On the upside, Comptel's pipeline is healthy and its ecosystem robust, enabling the vendor to continue to take advantage of surging demand for mobile services in developing countries.

On the downside, its product roadmap is still in a state of flux and the integration of the Axiom fulfillment applications into its core offerings remains a work in progress.