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The Next Big Thing

Keith Willetts, Chairman and CEO, TM Forum, outlines his view on the big potential changes the industry must face

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Keith Willetts is Chairman and CEO of the TM Forum and was its co-founder. He has served as Chairman, board member and advisor to a number of other companies as well as executive positions at BT. His international experience working with service providers; software companies and consulting firms has given him a very broad view of the industry and he is widely regarded as one of the world's leading authorities on the business management of services and networks. His achievements have been internationally recognized, recently being numbered in GTB's '100 Most influential' people in the communications industry; being honoured twice in the Communications Week "Top 25" awards for industry visionaries; awarded the British Computer Society's Gold Medal for innovation and the BT Gold Medal for innovation as well as authoring the influential book, "The Lean Communications Provider."

Q: What for you is the 'Next Big Thing'?
A: We may be truly seeing a fundamental reshaping and realignment of the digital economy. If you can transport goods electronically you will do that because it is the easiest way to do so. Putting goods in a warehouse and trucks is rapidly fading away and it is interesting to see Rupert Murdoch publishing a newspaper exclusively on the iPad. The ordering and administration of goods that aren't electronic is still being done in an electronic way.

We can be reasonably confident that the economics of the situation will see a vast mushrooming of things that move around in the digital economy. Money will be made in the digital economy not just by new kids on the block but by smarter bricks and mortar companies too.

If you peel apart the average communications company there at least two and probably many more functions that comprise their base activities. Most of them are in the infrastructure that physically sends information around. You have also got a growing set of services, whether it is Twitter, Facebook, Google or SMS Texting. Some of those services are being provided by the communications company themselves but an increasing number are not. There is endless speculation on whether the phone companies are simply bit carriage providers or whether they will turn themselves into full service companies. The answer is really that nobody really knows at the moment.

Q: What advantages do traditional phone companies have in becoming full service companies?
A: They all have very large customer bases. Retail analysis of phone companies show that 20 percent of the operators have 80 percent of the market and the market is now 5.1 billion customers. A number of phone companies have very large customer bases and they are quite 'sticky' and having that customer base is an enormous advantage when you want to provide services to people.

Being a service retailer is not just to selling services but also providing a front end to customers to provide a set of services and handle the customer care, billing, quality of service and the integrated suite of services that the customer likes.

We plainly haven't done that today and our Management World conference in Dublin is focusing on why that hasn't been done. Identifying the barriers to that is one of the inevitable ▶

▶ consequences of that line of thinking. It is actually very hard for a Board to one minute talk about a fifteen year payback on a multi billion dollar networking investment and then discuss a fleet of foot new service launch. It seems a different animal and I can't help thinking that the inevitable step is that the service parts of the business and the network part of the business will tend to move apart.

Q: Can they change?
A: Ten years ago while working in the US I was told that AT&T was dead from the neck up because they hadn't got mobile platform and the future was going to be mobile. AT&T went out and bought lots of mobile assets and is now the largest mobile in company in the States.

Phone companies are very cash rich and very resilient because they have fantastic revenue streams and have a very important ability to survive and change. If you then look inside that and say that there will be a vast number of services which are all going to be using fast mobile and fixed communications infrastructure to get to market. The economics of that infrastructure would tend to indicate there will be a small number of networks owned by a small number of players. That is why you are seeing T-Mobile and Orange merging in the UK, and all sorts of network sharing between companies elsewhere. The next version of that will be network infrastructure companies acquiring other network infrastructure companies. Over the next 5-10 years, there will perhaps be five or ten of these world wide companies with very big chunks of infrastructure. Whether they are quasi state owned or completely commercial is anybody's guess. The key to it all is you have to have some standardisation to make it all work.

If you think about the phone business, we can call the same number and it would still work because telephone companies around the world can provide a completely seamless service to the end user, based on just a few standards that glue it all together. The same is true of with the Internet and millions and millions of servers linked completely seamlessly, again because of few standards. If we make the service world work that way you can pay for or use an application and it will just work from the transmission of the bits to the administration and management of the service. The latter part is a much harder to tackle so some standardization of how the players in the value chain plug together to provide the customer with a seamless services is fundamental and must happen in the next few years. Otherwise the world is likely to bifurcate into a number of stovepipes that you can't jump across.

The digital economy will see most of the world's population having access to ubiquitous high speed mobile and fibre access tighter with an explosion of services. The big unknown is the commercial model; who is paying where in the value chain and how it provides seamless services and how problems get fixed without the sort of pained grief that the average broadband customer has. Most telecoms has got to be fundamentally rethought because it is driving the industry in quite the wrong way in trying to enforce network level competition when it is really a service level competition that matters.

What shapes the digital economy is the economics of the digital economy not what some architect in an office somewhere decides.

Q: TM Forum's role in the world?
A: TM Forum's service provider members serve more than 90% of the world's communications subscribers, and we are driven by our service provider led Board. Each year the Board sets the organization's strategic plan, and last year we started to focus on enabling future growth for our industry.

The Forum offers a safe and proven environment for industry collaboration, critically bringing together the entire ecosystem of providers and suppliers, with our 775 member companies spanning every country in the world. Through collaboration, we've delivered the Frameworx suite of standards which have played a critical role in underpinning the transformation of service provider operations, allowing them to survive in market conditions where margins are now under constant pressure by enabling them to simplify and automate those operations.

Today, we're focused on delivering leadership, standards and best practices needed to enable this new service-oriented future. That doesn't mean to say that traditional voice and messaging products can be forgotten - they will be in that mix but future growth will be based on application and content based services delivered through the Cloud.

The world is starting to remember that the phone business works because of standards, and that the future of innovative services means they will not be provided by a single end-to-end company. Instead, we have to have a value chain of companies who want to provide services and add value to those services. How you order things, fix problems and move money around needs to be standardized, otherwise the high cost of managing those services will kill them. The Forum's emerging role is as an enabler for the industry to change in the business models, processes and systems that sit behind that, and standardize management of services no matter how they are delivered.

A lot of our work today is focused in the area of Cloud Services. We set up the Enterprise Cloud Leadership Council (ECLC) around 18 months ago – comprising some of the world's largest enterprises across multiple industry verticals. The ECLC is working to define the needs of major enterprise customers, and more broadly the Forum is focused on overcoming the barriers that exist to success in the Cloud.

Telcos increasingly see a major role for themselves in that value chain. Telcos have however had lot so bright ideas over the past ten years, but few of them have really come to pass. Will this be different? I don't know, but I do see a lot of operators getting quite serious about the opportunities. The Forum is attracting an increasingly senior audience – attendance at our conferences has moved from predominantly mid-level, technical management to now include a lot of Chief Strategy Officers, Chief Marketing Officers and CIOs, much more interested in our standards and what we are doing because ultimately, operations are always their Achilles Heel.

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