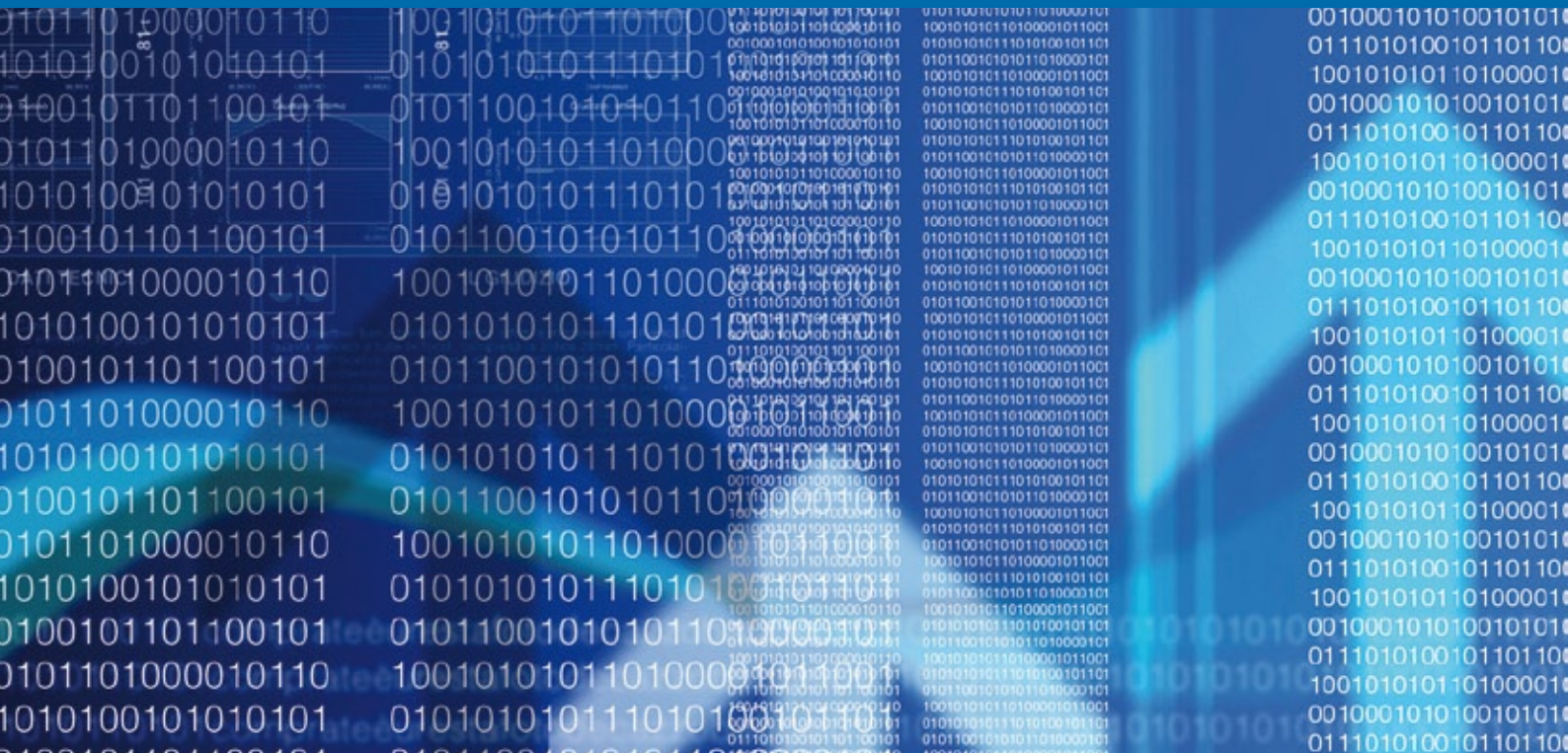


Optimization Services

Increasing the effectiveness and efficiency of your business

Overview

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WHAT'S IT ALL ABOUT?

In the majority of worldwide economies, the telecommunications industry is entering into a more mature life cycle phase. Saturated markets, increasing competition and higher end-user expectations with regard to quality-of-service (QoS) and innovation are the current market challenges facing operators in the more mature telecommunications markets – they need to identify new ways of real differentiation and unique value proposition. Complexity is ever-increasing, yet time-to-market considerations with regard to network roll-out and new service launches are of crucial importance.

At the same time, end-user prices and average revenue per user (ARPU) are trending downwards. Operators' focus is therefore shifting from subscriber and revenue growth to cost optimization – with regard to both operational and capital expenditures (OPEX and CAPEX) – and profit protection. The telecommunications companies' survival depends on how well profitability is understood and managed.

Fortunately, the recently experienced disaggregation of the traditional, integrated telecommunications

operator's vertical value chain and the shift towards open interfaces enables the creation of new vertical partnerships, such as out-tasking, outsourcing and managed services, as well as horizontal alliances between operators (e.g. network sharing), which in turn can help operators to improve their cost structure and become more efficient. However, these new constructs must be well understood if one is to reap maximum benefits from them.

OUR APPROACH

With our Optimization Services, we address the phase when an operator, either moving from “greenfield” to “brownfield” – or steady-state – operations, or anticipating or reacting to upcoming market challenges, is faced with the need to increase the effectiveness and efficiency of all facets of in-house business:

- Going-to-Market Strategy, including Segmentation, Target Marketing, Product, Pricing, Promotion, Sales Channels and Customer Care
- Organization Development

- Partner Selection and Sourcing
- Financial Performance Measurement and Benchmarking
- Forecasting and Budgeting
- Service and Process Costing
- Network and Process Performance Measurement and Benchmarking
- Business Process Reengineering, Process Audit and Improvement
- Shared Delivery, Regionalization and Centralization, Outsourcing and Managed Services

We use our consultants' operator, supplier and service provider experience to identify best practice and determine the gaps in the operation under consideration. We not only provide analysis/assessment and recommendations for improvement, we also assist and accompany our clients in implementing the necessary measures.

Thus, instead of relying solely on analytical tools, we also customize production-grade software tools intend-

ed for ongoing client use. Examples of the latter are our strategy toolbox, the long-term business planning tool, the forecasting and budgeting toolkit, as well as the Activity Based Costing (ABC) and Element Based Costing (EBC) modules, which can be commissioned using standard spreadsheet or customized software functionality.

Of course, optimization is a highly field-work-driven activity. We conduct process audits and support business process reengineering, as well as helping our clients to determine the optimal degree of regionalization and centralization of network operation processes across operations and countries, taking into account strategic, economic, technical and regulatory issues.

We consider out-tasking, outsourcing and managed services to be an extension of such shared delivery options, which increase management decision complexity; we assist our clients not only in properly defining the scope and highlighting realistic economic benefits, but also in screening potential suppliers and partners



and negotiating the transaction with them – a task that is often novel to operators, and certainly a much more complex one than the purchase of network equipment and turnkey services.

- **Going-to-Market Strategy, Segmentation, Target Marketing, Product, Pricing, Promotion, Sales Channels, Customer Care:**

We use our due-diligence-grade toolkit to evaluate the current conditions of the key success factors relevant to the going-to-market strategy. This first phase consists of three steps: First comes data gathering via desk research, questionnaires, structured one-to-one interviews and field surveys; the second step is benchmarking against competition, comparable operators worldwide and best practice; in the third step the findings are quantified using argument balances, a customized framework, PEST analysis, Porter's Five Forces Analysis and SWOT analysis.

The second phase includes the identification and prioritization of areas for potential improvement, the development of specific measures and recommendations, as well as support for implementation.

- **Organization Development:**

We have extensive experience in the fields of successful telecommunications operators' hierarchical organization schemes, management and coordination, as well as process organization, gleaned from previous due diligence, review and consulting assignments. This allows us to identify and point out organizational strengths and weaknesses and assist our clients in reorganizations and restructurings.

Organization development is also an ingredient in major business process reengineering projects that affect a larger number of departments.

- **Partner Selection and Sourcing:**

We assist our clients in soliciting bids and in qualitatively and quantitatively evaluating and negotiating suppliers' offers and contracts and in other instances of partnership. This includes, in detail, the formulation of requests for information (RfI), requests for proposal (RfP) and requests for quotation (RfQ), as well as the evaluation of the related vendor feedback.

Our services cover complete deal support for complex partnership and service provider models, such as out-tasking, outsourcing, managed services and managed capacity, but also horizontal partnerships between operators, e.g. network sharing. When the complexity of partnership models and related contractual frameworks necessitates it, we involve legal advisors.

- **Financial Performance Measurement and Benchmarking:**

Where financial performance measurement and benchmarking are concerned, we start with an analysis of the operator's financial statements and a review of the latter's budgets and medium- to long-term business plan. We then focus on the structure and breakdown of the business plan line items and on the reporting structures. After identifying the key parameters to be assessed, we research comparable operations and gather the related benchmark data – competitor and industry averages and best practice.

After a gap analysis, we identify the critical parameters and develop measures and recommendations for financial performance improvement. We can further support our clients in the implementation and monitoring. Especially in cases when transparency is limited due to improper forecasting and budgeting or costing systems, the deployment of better tooling also becomes a necessity.

- **Forecasting and Budgeting:**

We review our clients' forecasting and budgeting in terms of both form (tool support) and content (actual data). Review assignments often involve the review of the short- and medium-term client business plans, combined with reconciliation with past annual and interim financial statements, as well as matching to the reporting structure.

As we not only provide analysis and advice to our clients, but also production-grade tooling, we are also experienced in implementing and customizing software tools for forecasting and budgeting, such as short-term business models and rolling budget systems. Depending on our clients' needs and the scale of operations, we use both standard spreadsheet functionality and special software features.

- **Service and Process Costing:**

We advise our clients in pricing and costing matters, with costing being an important input for pricing decisions. Furthermore, a good costing system is an important prerequisite for reliably forecasting and budgeting costs for business planning purposes.

We are familiar with various types of costing, but focus specifically on the topics of Element Based Costing (EBC) and Activity Based Costing (ABC), which we consider to be state-of-the-art methods for telecommunications operators. Conceptual starting points for costing assignments are either certain end-user services – often new as yet unlaunched services that are highly uncertain with regard to the initial price setting, and for which a dedicated costing project is conducted – or processes, the latter being the common approach when building a complete costing system. Our technical know-how with regard to network infrastructure and operations processes enables us to identify and define the proper cost drivers, activities and resources, as well as to ensure a precise mapping.

We provide detailed definitions of the costing system elements and the cost data actually derived – considering current and projected underlying data on cost drivers – as well as production-grade implementations of service costing systems on the basis of spreadsheets or special software.

- **Network and Process Performance Measurement and Benchmarking:**

We conduct technical audits, focusing on network infrastructure performance measurement and benchmarking, to determine the condition of the installed – legacy – network asset base. For an optimization rather than due diligence project, the aim is to identify network roll-out related areas that may affect improvement potentials in terms of market competitiveness and operational efficiency. We fall back on our experience and knowledge base from previous review, due diligence and consulting projects involving significant roll-out and investment portions. We apply analytical procedures to derive appropriate benchmarks from ratios that link network dimensioning to subscriber and traffic data. Typically, project results are an assessment of the network status quo and planned further roll-out, as



well as forward-looking recommendations regarding equipment retirement, replacement, reinvestment, technology migration and new investment.

Technical audits focusing on process performance measurement and benchmarking serve, in turn, to evaluate the effectiveness and efficiency of operations processes themselves. Our technical consultants are highly proficient in using the common standard industry frameworks to describe and document the processes in a portable format. We have an extensive knowledge base for process benchmarks with regard to time and effort drivers and staffing ratios. The aim is to identify potentials to improve on process quality and efficiency. Additional or different staffing needs or qualification and training requirements may also become transparent.

Our methods for both types of mandate include desk research and inspection of network operation reports and logs, questionnaires, one-to-one interviews with technical staff, as well as field surveys of selected network elements and the major operations processes.

- **Business Process Reengineering, Process Audit and Improvement:**

Business process reengineering (BPR) assignments often follow on from process performance measurement and benchmarking projects, if a need for major improvement is identified. While the assessment – the process audit – is principally based on similar procedures as in process performance measurement, the analysis is conducted in more detail, and the amount of field work is greatly increased.

This is because the focus here is on process improvement, including both incremental and radical process redesign. Business process reengineering is a major undertaking for any operator, and we support our clients throughout the re-organizational phase. For larger cross-departmental restructuring, we provide further organization development advice.

- **Shared Delivery, Regionalization and Centralization, Outsourcing and Managed Services:**

As in today's sophisticated markets the operators' business paradigm is shifting towards a higher degree of specialization and, at the same time, the recently experienced disaggregation of the traditional,



integrated telecommunications operator's vertical value chain and the shift towards open interfaces enables the creation of new vertical partnerships, such as out-tasking, outsourcing and managed services, as well as horizontal alliances between operators (e.g. network sharing), new ways are opening up for operators to improve their cost structure and become more efficient, while still focusing on their critical success factors and unique value propositions.

However, these new constructs must be well understood if one is to reap maximum benefits from them. Also, they cause various degrees of loss of control and in-house know-how, as well as involving reliance upon external partners. Therefore, strategic and quality aspects are just as important to the decision as economic benefits, technical prerequisites and regulatory requirements.

Furthermore, "cross-country" operators with good operations skills and affiliates in multiple geographies can achieve many improvements in-house: They can improve processes (via process performance measurement and benchmarking, process audit and improvement, as well as business process reengineering); and they can benefit from economies of scale on regional and global levels by regionalizing or centralizing affiliate functions in service centres. Only for larger national economies of scale is a neutral third party – outsourcing or managed services provider – ordinarily required in order to bundle services, such as field maintenance services, for competing operators.

We have a comprehensive toolkit for the scoping of out-tasking, outsourcing and managed services, as well as for estimating the economic benefits of the various shared delivery options, whether in-house or external. We use top-down models for indicative – budgetary – estimates and bottom-up, fully customized models to simulate the impacts on the operator's business plan in detail. Bottom-up modelling is also useful in supporting the operator during the negotiation phase of an outsourcing transaction or the transfer price determination in the case of in-house shared delivery.

Our outsourcing and managed services consultancy targets not only telecommunications operators, but

also infrastructure and service suppliers. We provide the latter with value-based argumentation and consultative selling support towards operators, such as differential operator business cases and also service providers' own project calculation and business case.

CLIENT BENEFITS

Operators benefit from a structured analysis of their strengths and weaknesses as well as the identification of opportunities and threats arising from external market factors and innovation. Our experience and large knowledge base allow us to identify applicable best practice and to benchmark the client organization. We are implementation-oriented and assist our clients in first defining improvement measures and then putting them into action.

We aim at maximizing our clients' effectiveness and efficiency and, ultimately, company value, by addressing all internal improvement opportunities. We identify promising new operational models for our clients, including delivery schemes that include external parties, and assist them in dealing with such partners, extending the initial idea of sourcing advice to the provision of complete deal support for out-tasking, outsourcing and managed services transactions.

Clients can benefit not only from analysis and advice, but also from customized production-grade software tools intended for ongoing client use in the areas of performance measurement, forecasting and budgeting, as well as service and process costing.

OUR SERVICES

We offer a broad range of advisory services, as presented in our portfolio matrix. We position our individual solutions alongside services practices and service clusters.

	Strategy and Marketing	Corporate Finance and M&A	Operations and Technology Management
Transaction Services	Strategic Investment Management · Feasibility Study Strategic Due Diligence · Management Assessment Licensing and Regulatory Affairs	Commercial and Financial Due Diligence · Business Plan Analysis and Benchmarking · Asset Valuation Investor Business Plan Development Bankable Business Plan Negotiation · Project Finance	Network Infrastructure and Operations Due Diligence Roll Out Plan Review and Benchmarking Operations Plan Review and Benchmarking
Optimization Services	Going-to-Market Strategy · Segmentation · Target Marketing · Product · Pricing · Promotion · Sales Channels · Customer Care Organization Development Partner Selection and Sourcing	Financial Performance Measurement and Benchmarking Forecasting and Budgeting Service and Process Costing	Network and Process Performance Measurement and Benchmarking Business Process Reengineering · Process Audit and Improvement Shared Delivery · Regionalization and Centralization · Outsourcing and Managed Services
Innovation Services	Business Development · Growth and Transformation Mobile Virtual Network Operator · Mobile Virtual Network Enabler Value Added Services	Financial Modelling and Financial Engineering	Technology Appraisal and Roadmapping Network Planning and Migration Network Infrastructure Sharing



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