Managed Services Update



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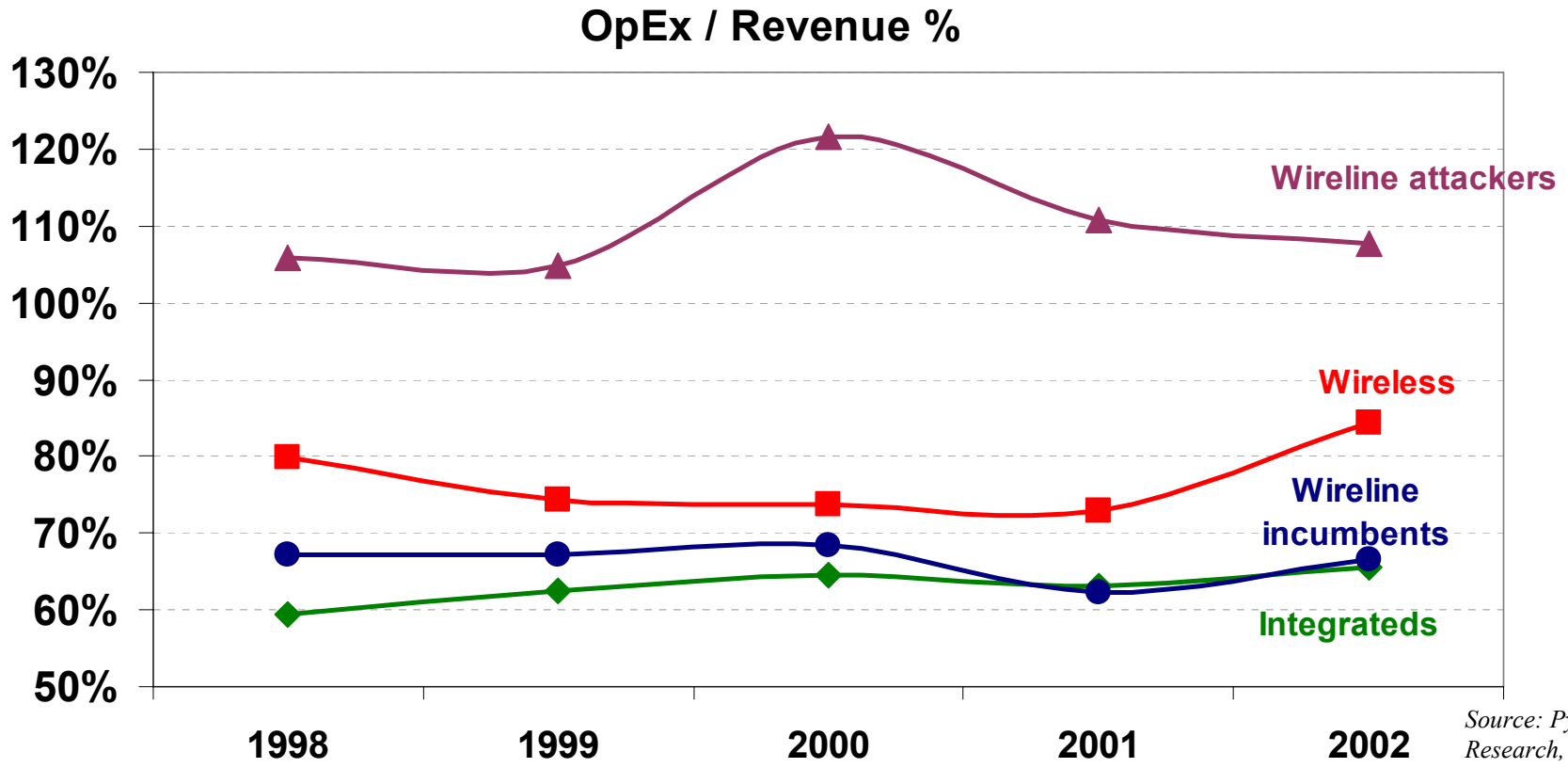
OpEx as Percent of Revenue Demands Attention



Source: Pyramid Research, 2003

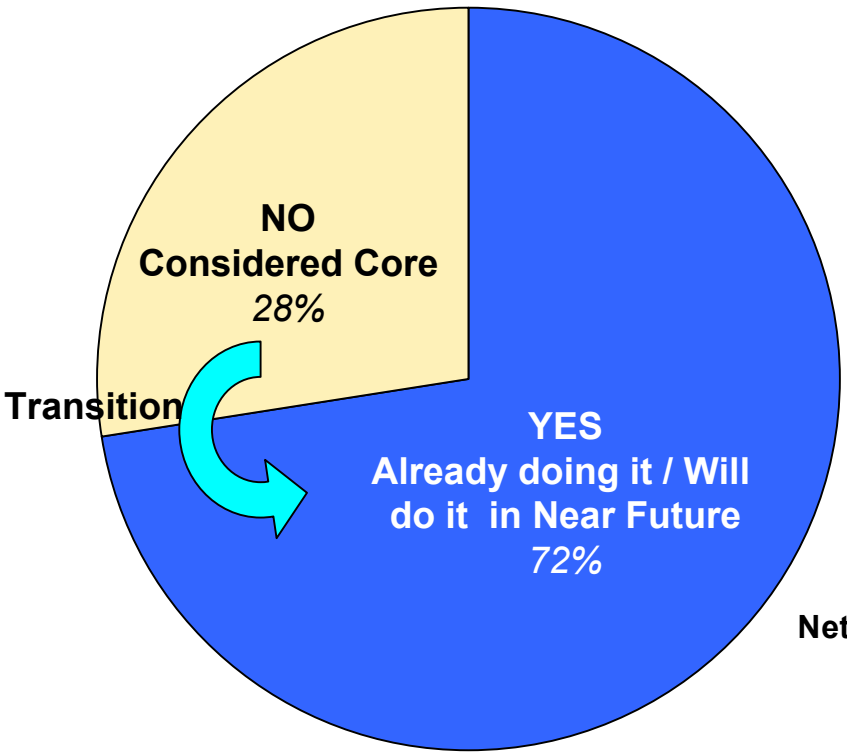
General Efficiency Zone

All of the Carrier segments face significant Opex Challenges

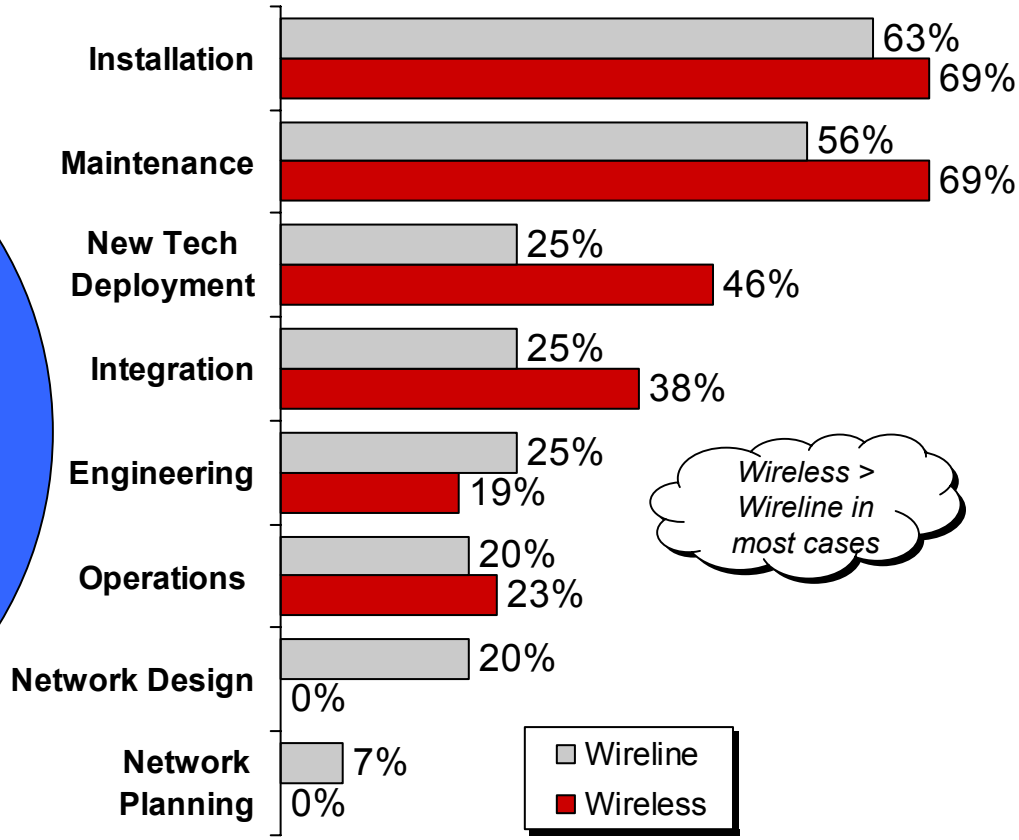
In fact, Service Providers are actively considering relinquishing control of network related activities – once considered core

Interview Findings

Do You Seriously Consider Outsourcing Network Activity Functions?



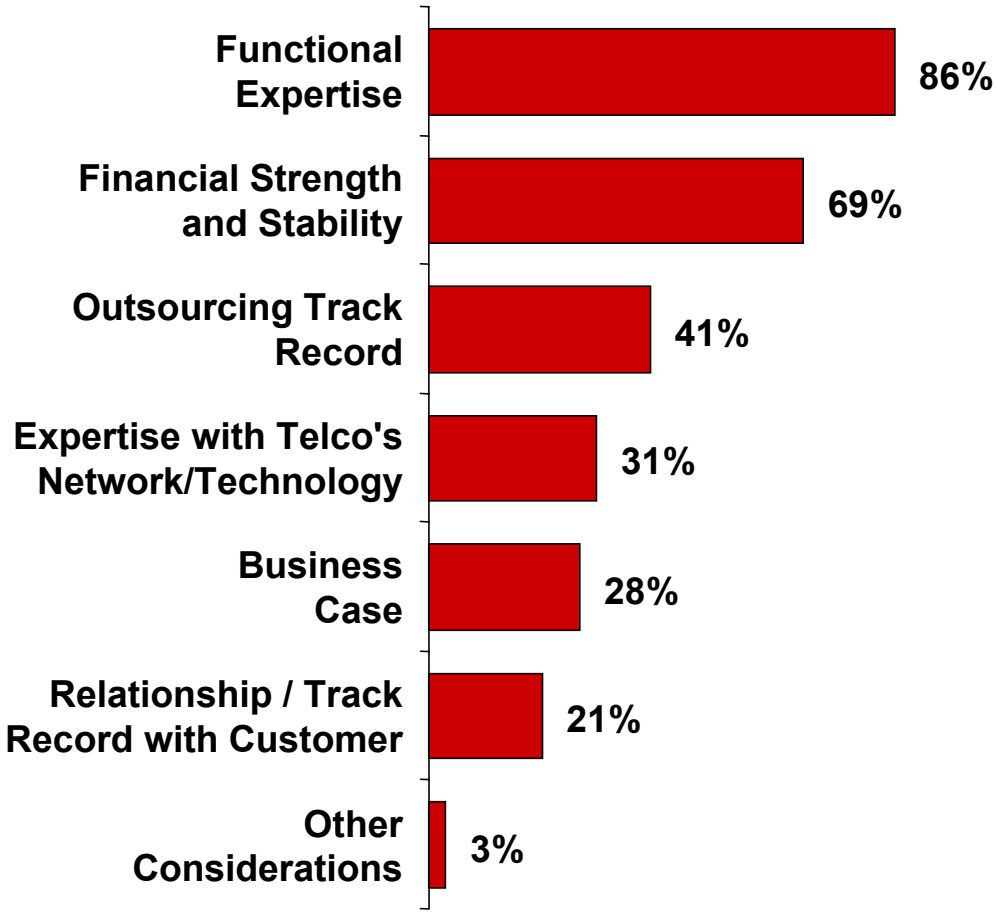
Which Network Activities Would You Outsource?



Source: Booz Allen

While Service Providers are looking at a large range of players, they prefer vendors with strong functional expertise and financial strength

Vendor Selection Criteria



Source: Booz Allen

Key Buying Criteria

Technical expertise and financial stability considered as the most important criteria

Technical expertise was considered the most important criteria by most SPs

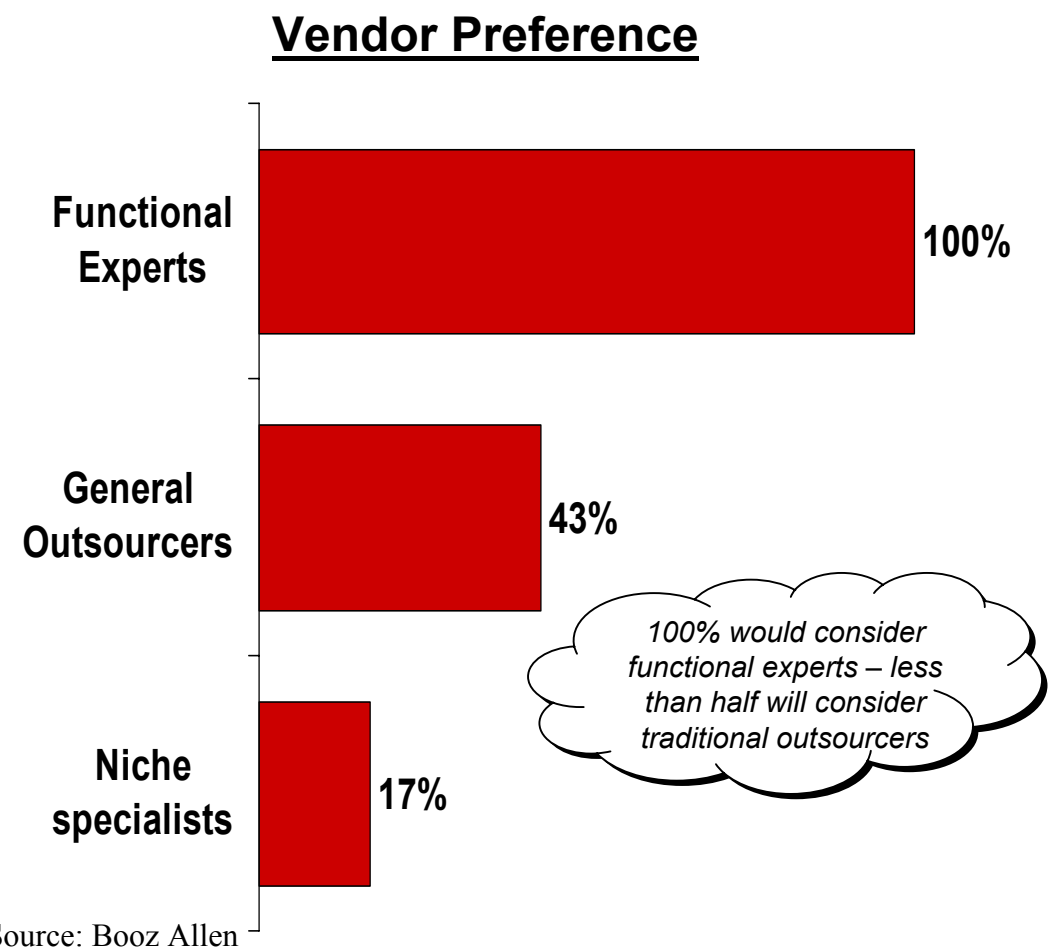
- Almost 75% of the interviewees ranked technical expertise as #1 criteria
- Further, SPs most often prefer vendors with experience on its installed base

Financial stability was the 2nd most important criteria – though, usually associated with vendor size rather than profitability

Few other criteria around overall vendor fit were also mentioned

- Vendor track record -- "do not want vendor to learn with us"
- Cultural/ philosophical issues
- Ease of doing business / strength of existing relationship
- Labor issues (e.g., wireless players reluctant to outsource to represented workforce)

There was an overwhelming preference for functional experts over generalist outsourcers



Source: Booz Allen

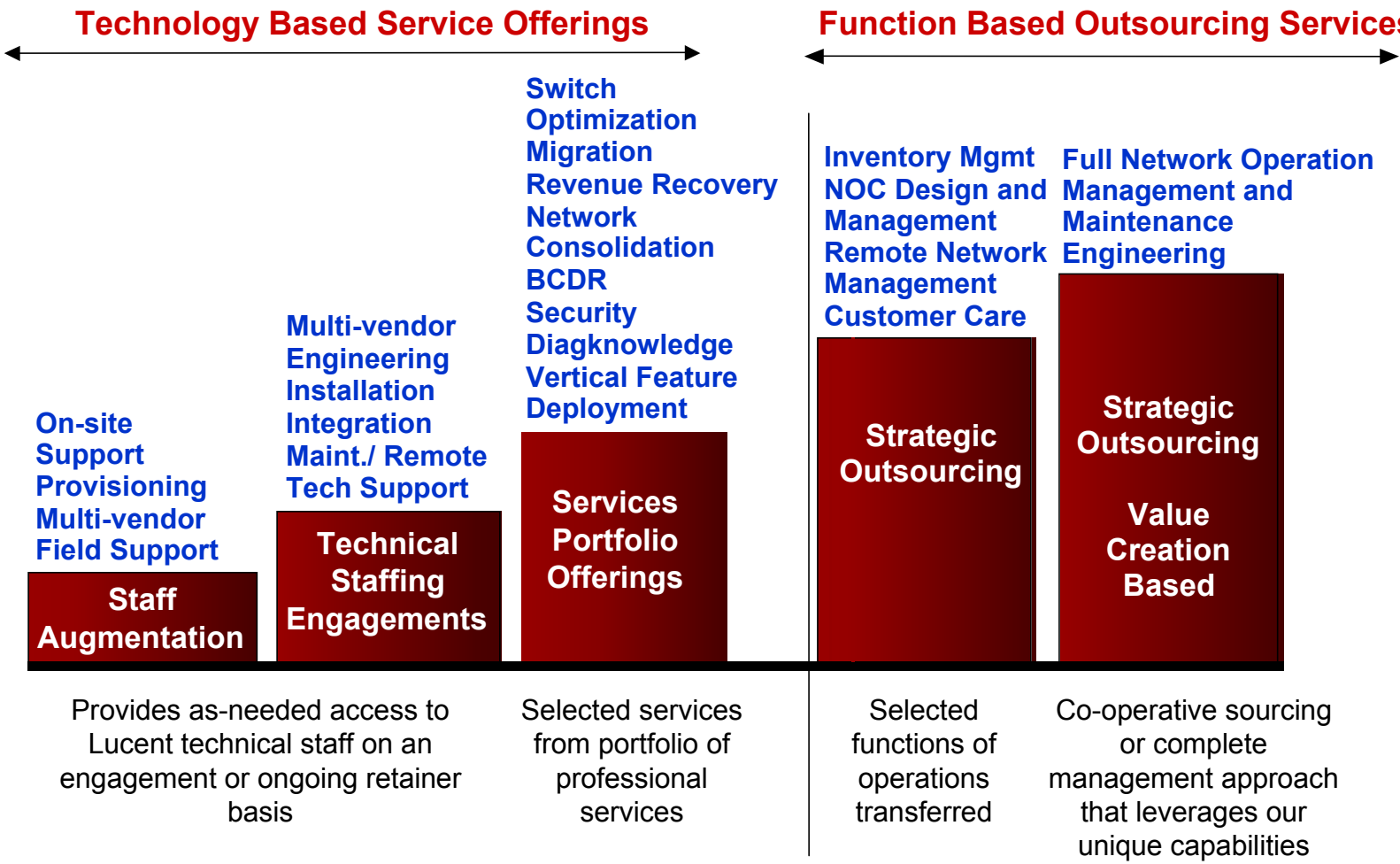
Comments

Overwhelming preference for functional experts

- Prefer traditional outsourcers for process engineering related efforts (e.g., Accenture)
- IT outsourcing to traditional IT outsourcers (e.g., IBM, EDS)
- Telecom equipment vendors / services companies for network activities

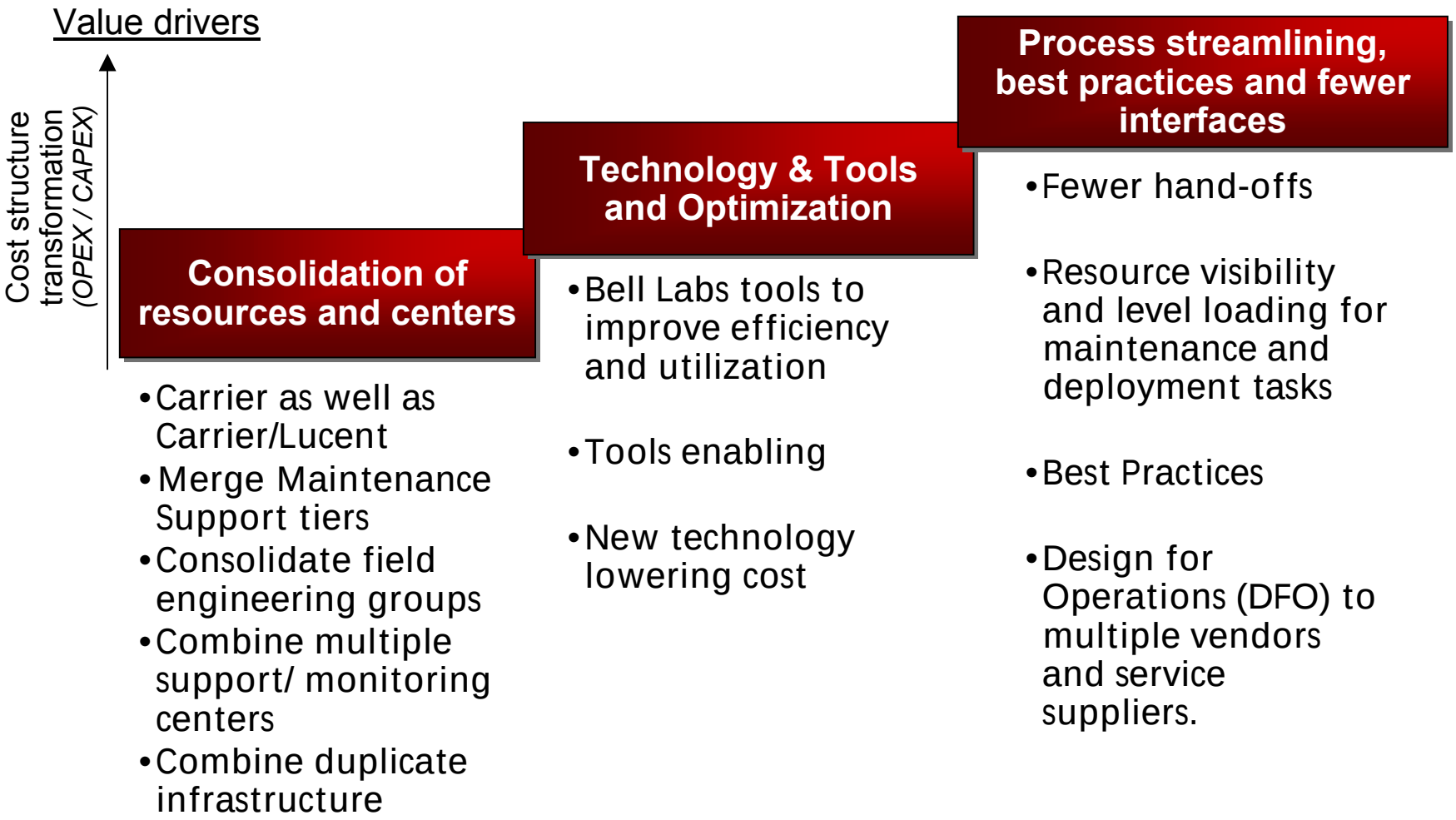
At the same time, Service Providers reluctance towards functional experts with limited outsourcing experience

How Lucent Outsourcing Can Add Value



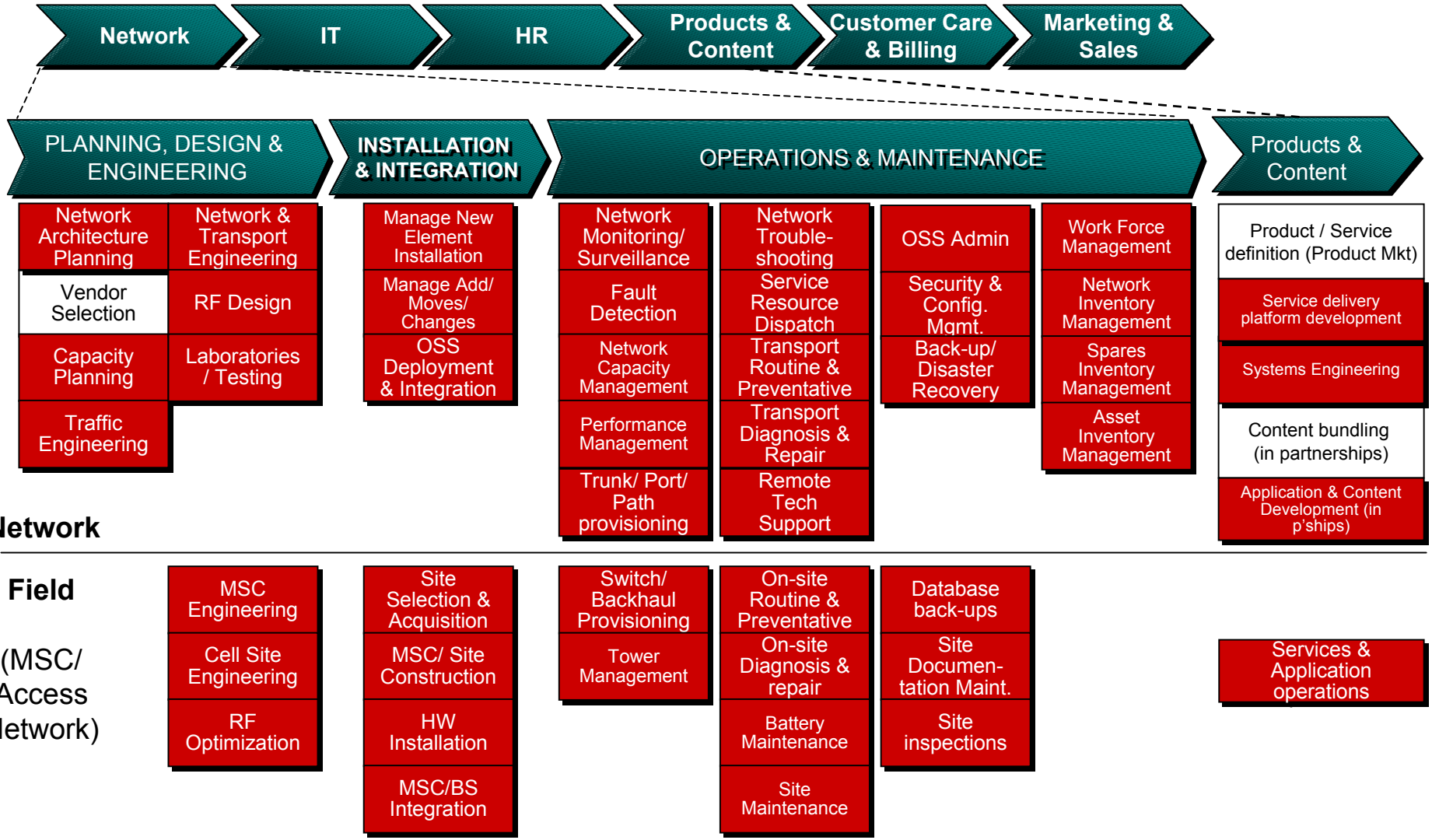
You can decide to outsource at different levels

Managed Services Can Reduce Costs 15-30%+



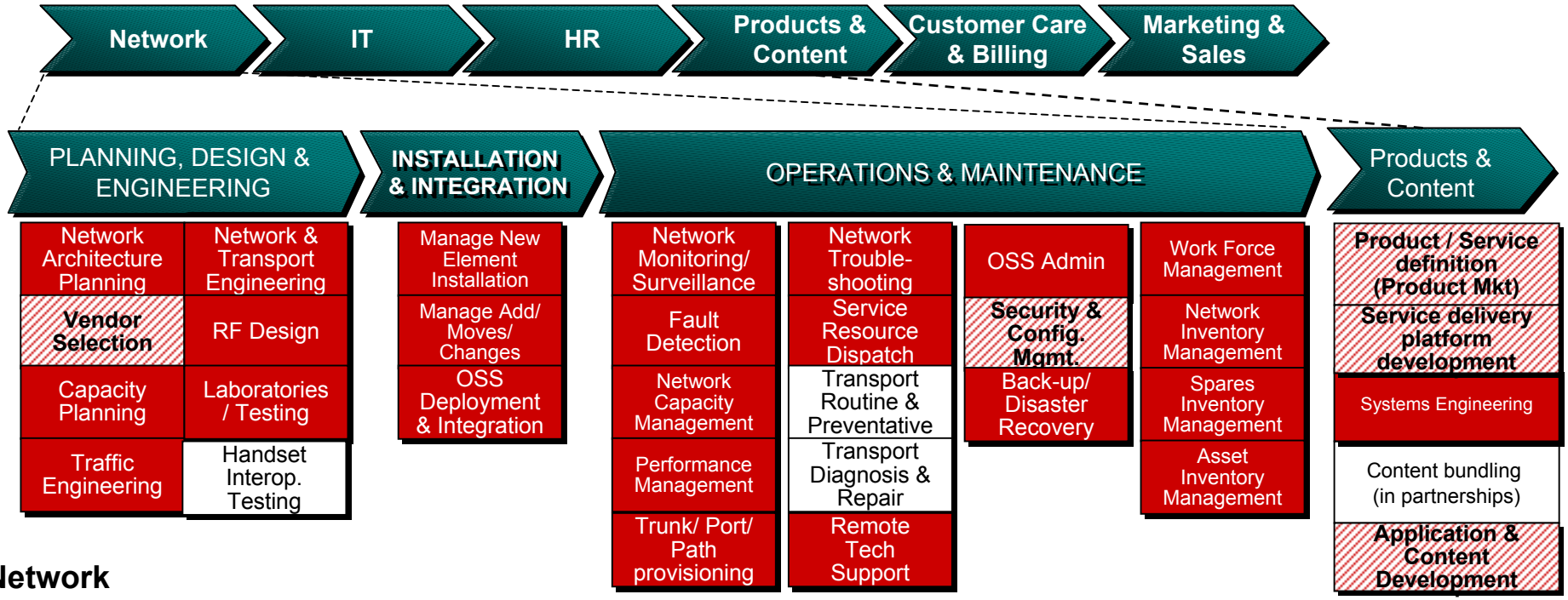
Each of the three drivers individually can reduce costs 5–10 %

Typical Network Operations



Source: Booz Allen, Lucent

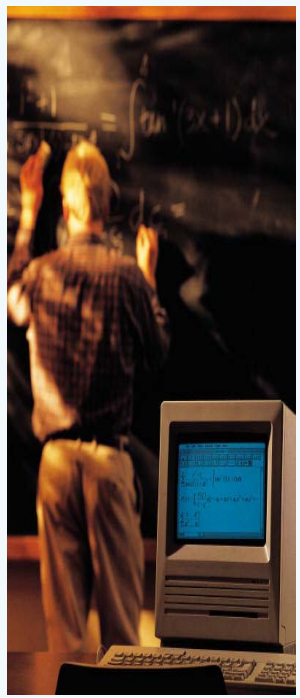
Telecom New Zealand Scope



Source: Booz Allen, Lucent

Five Guiding Principles

- #1 Agree strategic commerical intent early
- #2 Understand all the costs - baseline
- #3 Do extensive and detailed due-diligence
  - Organisation, systems, performance, process, 3rd parties, etc.
- #4 Value is a sum game – costs, leverage & innovation
- #5 Transition Planning is key – HR, IT, Real Estate and work in progress



Telecom