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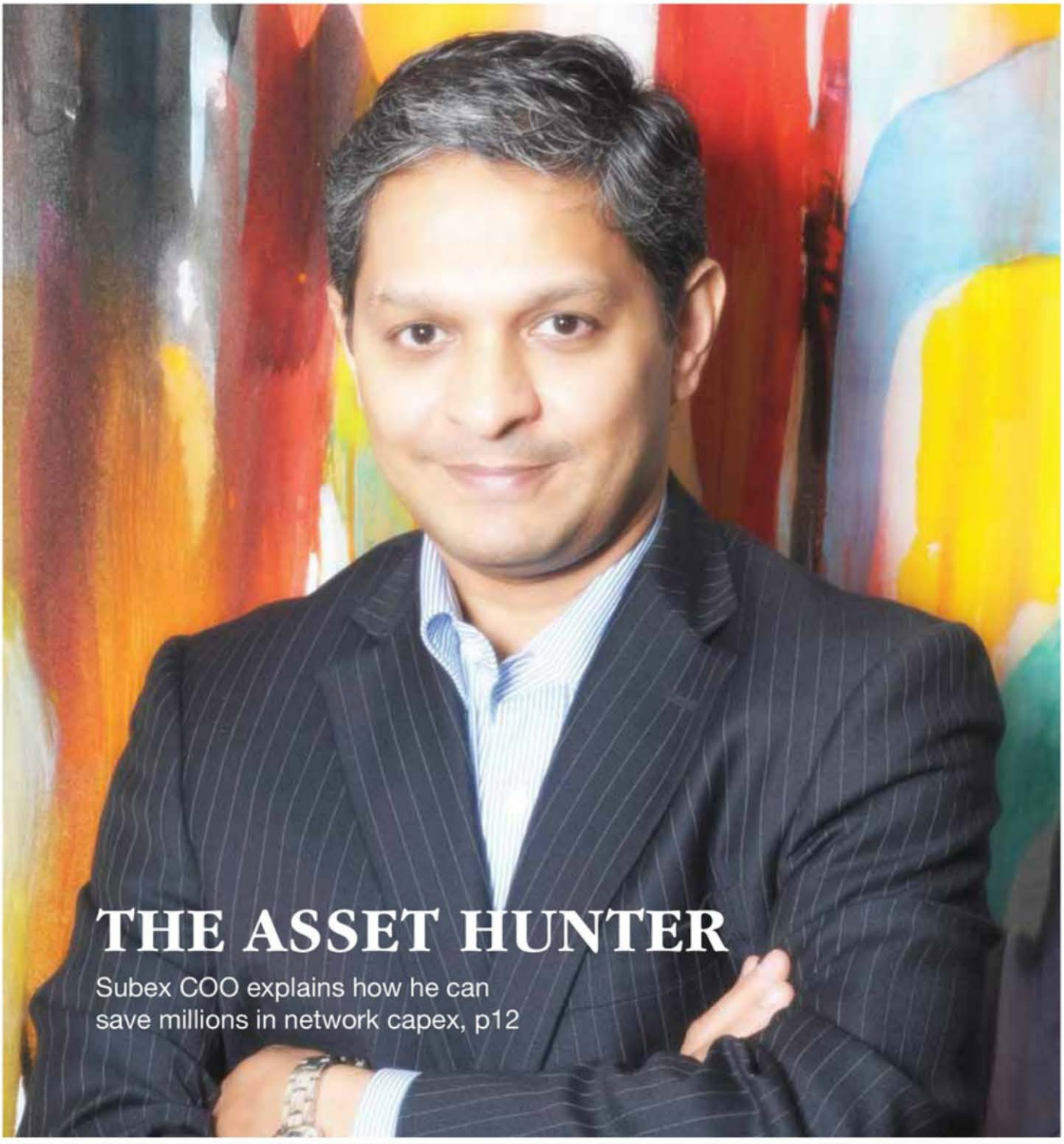


THE ASSET HUNTER

Subex COO explains how he can save millions in network capex, p12

Subex COO Vinod Kumar: How to save millions in network capex

Effective capital expenditure and network asset lifecycle management is rapidly becoming a big boardroom issue for telecoms operators in these cash strapped times. Faced with decreasing EBIDTA and ever increasing pressure on margins, operators can no longer afford to keep on spending like they always have on capital assets and network projects with no questions asked.

We all know that it's nothing like as easy for telcos to raise finance as it used to be and once interest rates in developed markets start to rise again there's every chance that it will become more difficult. Gone are the days when the CTO could simply tell the board "well I needed $2 billion last year, so this year can I have $2.2 billion", they need to present a business case and they need to prove and justify a return on the proposed investment.

But telcos are not managing their assets adeptly, and this is something that senior management needs to address with some urgency in order that they can control their capital expenditure more effectively.

An inaccurate picture of assets and inventory

At the crux of the problem is the unfortunate reality that operators don't have an accurate picture of what assets and inventory they already own, let alone how these assets are being used. According to Vinod Kumar, chief operating officer at Subex, which caters to 33 of the world's 50 biggest telecoms service providers among its customer base, his company discovered the nature and scope of this important issue recently when working with a large North American carrier.

Says Kumar: "The CFO was asked by the board if he knew where all the capex was going and asked if we could help. We looked at just a week's data from one small operating region and found that the operator had in excess $17 million of equipment lying in a warehouse that no one had any idea about. And purchase requests for the same devices were being processed at the same time."

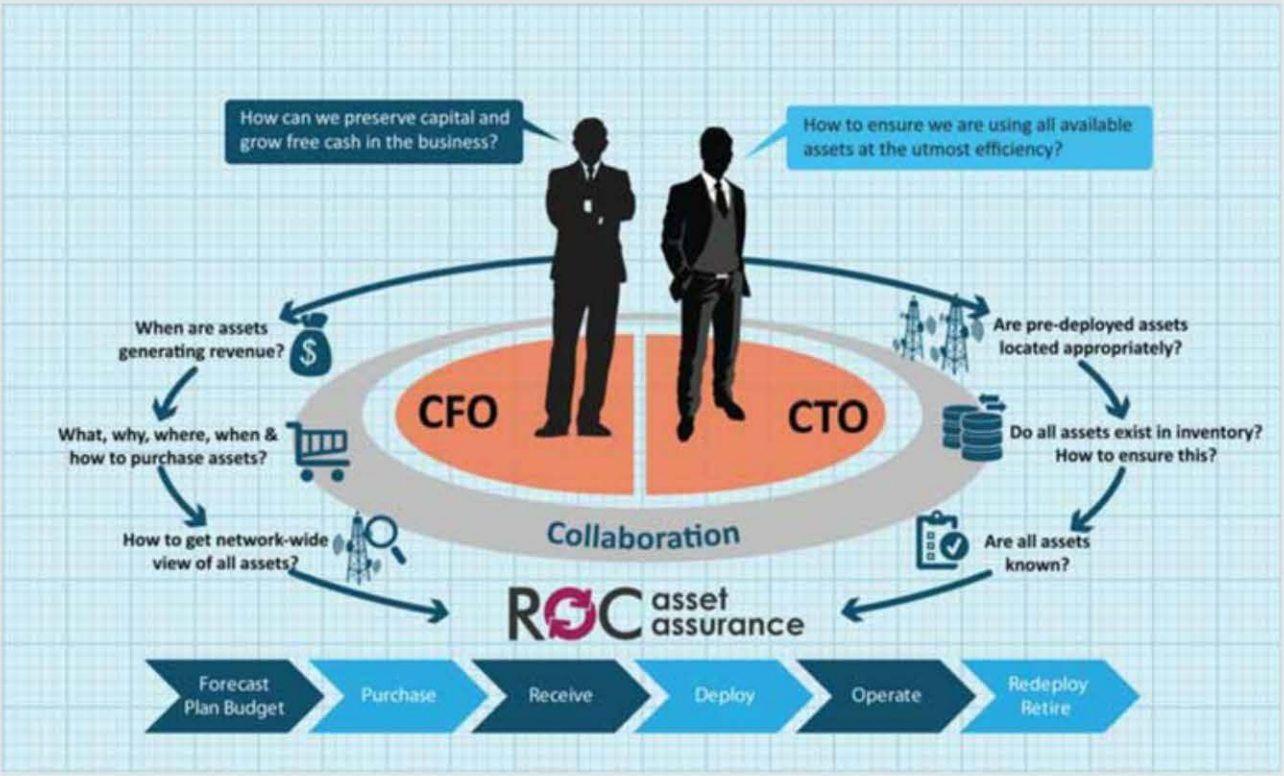
> "The best case we've heard is 70-75 percent accuracy on inventory across enterprise"

Subex has other – understandably anonymous – examples of service provider ineptitude which reveal the huge scale of the problem: it cites a service provider which ordered $50 million worth of network equipment for a project only then to leave the equipment sitting in a warehouse for six months before the CTO asked what had happened to it.

The vendor discovered $25 million worth of stranded assets at another operator, while in another example it found a large number of assets carrying no services when resource was a critical level on other network nodes. It seems no one is getting it completely right: "The best case we've heard is 70 percent to 75 percent accuracy on inventory across enterprise," says Kumar.

Multiple reasons for multiple errors

There are a number of reasons why this inaccurate mishmash of undiscovered and under-utilised assets have led to an overall lack of visibility and inefficient asset management



among so many communications service providers. Just think back to the consolidation we've witnessed over the last decade. Today, operators are an amalgamation of many different companies, combining their assets, cultures, computer systems and working practices with varying amounts of success, so perhaps it's no surprise that they don't have an accurate picture of what they own. In the past, as Kumar puts it, "telcos have had other things to focus on" and perhaps only now has asset management become something that they really need to focus on.

In addition, with network sharing increasingly becoming common, visibility over assets becomes ever more important. Kumar gives the example of a European operator that outsourced its network management but is struggling to understand how its network is performing and how SLAs are being met because "they can't validate anything".

The COO thinks there has long been an acknowledgement among many operators that there is an asset management problem but now macro-economic issues and competitive realities mean both the CTO and CFO offices have started to focus on the issue. The CTO wants to know that all network assets are being used with the greatest possible efficiency, for example, while the CFO wants to be assured that capital is being deployed where it is needed and deployed efficiently.

Says Kumar: "There's a parallel with the revenue assurance issues in the industry of a few years ago, telcos knew there was leakage and that there were process issues but only when growth started tapering and margins got squeezed did leakage and revenue assurance become an issue to be fixed. The ideal asset management scenario is one where whenever there is a change – a device is moved or pulled out or a new device put in – everything is updated appropriately so that there is complete visibility as to what is there in the network, the warehouse or wherever."

Certainly going forward, the repercussions of not paying attention to asset management and assurance could be great. There's the possibility of losing market share through poor quality of service, not to say the potential risk to a carrier's reputation when shareholders learn it has millions of dollars of unused assets which may also be unaccounted for.

There's also the issue of regulatory compliance to be considered as international operators commonly need to provide regulators with reports on their assets and where their assets are sitting.

At the moment, says Kumar, inventory records and management tend to be manual in nature and there is little overall control. "There is no feedback loop between the operations and finance side of the business. The CTO may not know where assets are, or whether they've been repaired or retired. They need visibility of where assets sit in the network, whether they are the active and carrying any traffic or just sitting there."

ROC Asset Assurance

These problems have prompted Subex to launch ROC Asset Assurance, a solution that combines asset and capex management with workflow and analytics so that operators can gain visibility into the complete asset lifecycle through dashboards, KPIs and reports.

Kumar says that ROC Asset Assurance is a first: it is different from asset recording or ERP services because of its workflow and analytics element and its ability to track down the assets. It can initiate work flow to ensure that stranded assets are utilized before procurement and once procured such assets deliver value at the shortest possible time. All of which means that operators should be able to and reduce their capital expenditure and manage the capacity needs of their networks with greater precision. Kumar adds: "We have a very strong technology that enables us to discover all the network elements and then we have a very strong reconciliation capability. We've looked at how we can provide a bridge between the operations and finance - where are the network elements, what are the stranded elements, and then we can bring that visibility to both finance and network operations organisation so that they can bring clarity to their capital expenditure and procurement requirements."

> "Five to 15 percent of network assets are stranded in one way or another"

Kumar adds that it is really about managing capital expenditure, in order to give answers as to what should you buy, why should you buy it and when. He cites the example of the need to look for stranded equipment before procurement.

"We think that about five to 15 percent of network assets are stranded in one way or another. Providing visibility on this can deliver a huge capital expenditure saving, as rather than buying new equipment operators will be able to use existing equipment which is either sitting idle or partially used in the network," he says.

ROC Asset Assurance also allows operators to monitor the time to value, that is the time it takes to get the equipment in use and delivering value by carrying traffic, as well as delivering analytics on time to asset exhaustion. Says Kumar: "ROI can be improved by ensuring a device is carrying traffic within a meaningful time and not sitting in a warehouse idle for a year – no good at all if it's useful life is only six years."

The service also delivers tight controls and oversight of retiring assets. Kumar comments that this can be significant and cites the example of a service provide that planned to redeploy retired 2G/3G equipment to extend coverage in rural markets. Delays and disorganisation meant that the retired equipment never made it back to the warehouse on time and resulted in unnecessary adhoc capex requests to meet roll out targets.

Initially, the Subex approach to asset assurance is consultative. Concludes Kumar: "Our preferred approach is consultative. We have a technology which can be licensed, but as there is no commonality as to how capex is managed in operators we like to provide ROC Asset Assurance as a service – at least until customers are comfortable with the technology. We can then license the technology if customers want to take it in-house."

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