

Survival of the slackest

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We live in a shrinking world, but sometimes the apparent simplicity of making distant things closer together leads to a faster frequency of change. Remember holding a ruler to a desk at school, hitting it to vibrate and then shortening its free length to increase the pitch? For the business world these are not always good vibrations.

Convergence, the term used almost everywhere in the IT and telecom industries as the gap between different services shrinks, is leading to many changes and a 'collision' of industry and business models. The word 'convergence' is now almost as massively overloaded and over-used as the expression 'two dot oh'.

Both are often applied to anything that has gone through some sort of change that in the 1990s marketing folk would have termed a 'paradigm shift'. It sounds and looks great on the marketing plan, but the impact is not necessarily well understood in the boardroom or easy to control.

The reality of convergence is at once both simple and complex. As a simple statement, it is the agreement on a wide-scale adoption of a set of common and open standards. The telecom world is converging on the same open standards the IT world rallied behind in the 1990s – the internet standards, fundamentally, IP. This is simpler because everything can now share, communicate or work with everything else, while enabling anything to be replaced by something else. Welcome to open systems.

The more complex side of convergence is the impact it has on 'incumbent' suppliers and their business models. The disintermediation and fragmentation caused by the relentless transition to IP and other open standards in the IT industry

led the collapse of once great industry powerhouses. These companies, their tightly integrated solutions and their oft-times technically superior but proprietary technologies were brought down by widely adopted open standards that created new options and encouraged innovation.

As well as upstart newcomers, the established players who survived were the ones who looked beyond NIH (not invented here) thinking, bringing in external technology and building strong partnerships and broad eco-systems where everyone could flourish. One or two of the larger players, most notably IBM, survived by making sweeping internal changes, cutting out or selling off old faltering product lines and adding new revenue streams.

Similar changes are happening in the telecom industry, but here the major players wield more influence due to the interlinked network infrastructure everything needs to be built on. Recent Quocirca research indicates that despite the plethora of new service providers, IP telephony companies and aggregators (Telecom 2.0?), most businesses think the incumbent fixed or mobile telecom providers will play the major role.

They have certainly invested in infrastructure, but being overly protective of continued profits have also acted as gatekeepers and although this has kept a lid on service deployment, it has not stifled innovation. Barely a week goes by without another company proclaiming a new earth shattering service that generally puts the traditional players out of business – paradigms shifting so often they ought to be in top gear and able to make a quantum leap across any market chasm.

However they aren't and it's often because they fail to bring the entire ecosystem along with them. A start-up pledging to put the traditional carriers out of business but needing the same carriers' networks to become established is unlikely to win the friends necessary for success.

This is particularly apparent in the world of mobile carriers, where subscriber access is controlled by the networks, useful or valuable content is controlled by 3rd parties, and innovation typically involves some upstart IT company.

Thus far, the mobile ecosystem has been a little lopsided, generally in favour of the carriers, but here too there is now recognition of working together with other players in aid of a greater good. This we might call a 'keitairitsu', a term coined by Richard Meyer in 2002, as a play on the once favoured 'keiretsu' model of doing business in Japan, and the Japanese word for cell phone 'keitai'.

This implies a group of organisations collaborating in the mobile market to provide a useful service or worthwhile solution to a problem. It doesn't mean tightly integrated or primary supplier dominance, but a loosely coupled model where everyone contributes and is fairly rewarded. The model is deliberately symbiotic, encouraging all participants to work together to ensure adoption and success.

An example of this model can be seen in the mobile banking solution currently being deployed. This is the convergence of the cash point/ATM world of banking with the mobile phone. The major players are the banks and mobile operators, but a small IT company, Monitise, provides the core software in a model designed to ensure that all parties gain, so this convergence is not a damaging collision of the various vested interests.

The banks retain control of the financial side, making savings by extending services to mobile 'virtual ATMs', and gaining new revenues by picking up mobile top-up payment transactions. The mobile operators add value to their mobile service, by allowing top-ups to be conducted anywhere at anytime - including parents using their mobile to top-up an offspring's phone - and gaining a cost saving share of revenue from the use of the mobile as a cash machine. Hole in the air instead of hole in the wall.

This type of model is based on trust, and a mutual interdependence for success. The companies involved are loosely coupled but have to be highly aligned to the challenges they face together. This type of solution could not have come about in a pre-convergence world, where one company would try to own, control and manage the entire solution. They would not succeed because although convergence allows the technology to be simpler and more connected, it does not remove the need for market sector specific skills and knowledge that banks, operators, retailers and even IT companies, bring to the table.

When looking at those promoting a message based around convergence, try to identify if they have built an effective 'keitairitsu' or loosely coupled, but interdependent ecosystem that provides value for all suppliers. These are the ones most likely to succeed in the longer term, and also offer real value to their customers.

About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

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