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CLOUD REVENUE MANAGEMENT: OPTIVA SOFTWARE



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MARKET DISRUPTOR

Report summary

After a restructuring, Optiva has emerged with a clear focus and vision. The company has built its future on public cloud innovation, specifically leading CSPs to deploy its charging and BSS solutions on public cloud with a promise to cut TCO by up to 80%.

▶ What makes the company a disruptor

Having established itself as trusted provider of charging and end-to-end BSS solutions (rating, billing, charging, CRM) for more than 15 years, and over 100 customers worldwide including Tier 1 operators such as Vodafone Idea, KDDI, and Ooredoo, Optiva Software (formerly known as Redknee) embarked on a distinct new path in 2017 following a restructuring. The company's new mission: leading the telco industry in its cloud journey by offering cloud-native telco BSS software solutions built natively on the public cloud. For that Optiva is in the midst of a \$100 million R&D cloud architecture transformation investment.

Optiva believes its cloud-first strategy is enabling its customers to achieve dramatic savings while generating standout results. Using its proprietary TCO model and practice, Optiva estimates that customers can save 60%-80% in total cost of ownership by deploying its solution on public cloud compared to on-premises.

Just the facts

Founded	1999
Funding	Public (TSX: OPT)
HQ	Mississauga (Ontario), Canada
Employees	536 employees and contractors (as of 9/30/18): <ul style="list-style-type: none">• 197 Support and Maintenance• 123 Professional Services/Implementation• 92 Research and Development• 93 Administrative• 31 Sales & Marketing
Geographic Reach	For the quarter ended September 30, 2019, geographic split was: <ul style="list-style-type: none">• \$13.7 million EMEA (59%)• \$4.6 million APAC (20%)• \$4.8 million NA/CALA (21%)
Key Products	<ul style="list-style-type: none">• Convergent Charging Engine• End-to-end BSS suite
Momentum	<ul style="list-style-type: none">• September 2019: Signed new customer for its BSS platform hosted on the public cloud. The unspecified customer will launch an MVNO using Optiva's BSS suite offered "as a service".• August 2019: Announced early success building a cloud sales pipeline, including completion of public cloud TCO analysis for 15 operators showing significant savings.• April 2019: Adopted Google Anthos as the Kubernetes platform of choice for its charging solution to support private, public, and hybrid cloud deployments.• February 2019: Truphone announced plans to deploy Optiva cloud-native charging solution on the public cloud.• February 2019: Optiva BSS Suite made generally available on the public cloud.• December 2018: Tier 1 telecom service provider in Australia goes live on the public cloud with Optiva wholesale billing application.

▶ Go-to-market strategies

- **Google Partnership Provides Credibility:** Optiva works closely with Google on its charging solution, bringing GCP experts into customer engagements of that product to discuss GCP features, explain Kubernetes and Anthos and how they facilitate and ease CSP journey to the cloud, and address concerns related to data privacy and regulation.
- **MVNO Focus:** Optiva believes its public cloud BSS-as-a-Service solution is particularly well suited to smaller MNOs and MVNOs, typically lacking extensive internal IT resources and budgets. Optiva's MVNO Rosette Framework helps MVNOs to roll out their services with an out-of-the-box (OOTB) BSS suite with reduced upfront investments and flexibility to explore new monetization approaches.
- **Need to Know Full TCO?:** To help CSPs better understand the benefits of public cloud, Optiva calls in its "Business Value" team to build deployment roadmaps and quantify potential cost savings working directly with customers to establish TCO.

▶ Key challenges

- **Long Sales Cycles:** The purchase cycle for core BSS applications like billing and charging products is long already. Adding in proofs of concept related to pivoting to the cloud is likely to extend sales cycles even longer, at least in the next few years.
- **Limited GCP Footprint:** GCP is widely deployed but not ubiquitous; and not all services are available in all parts of the network. As a result, GCP will not be the best option for all customers.
- **Near-Term Revenue Declines Likely:** While Optiva attempts to lead customers in the pivot to cloud-native charging solutions, it is likely to see continued defections away from its legacy products for the next several years.

▶ Finding the disruptors

GlobalData's "Market Disruptor" series of reports recognize up-and-coming vendors offering a new approach to the market as identified by our analysts. The vendors chosen as "Market Disruptors" share some or all of the following characteristics:

- 1) They challenge the status quo of an established industry segment.
- 2) They are embracing innovative, new operating models.
- 3) They are seeking to define and monetize an entirely new segment or revenue opportunity.
- 4) They are looking to redefine the segment's value chain.

▶ Assessing the market landscape

Like many other business support systems, billing and charging solutions have traditionally been operated by CSPs on-premise. However, the economics of the public cloud that apply to an increasing number of enterprise IT workflows across industries also apply to telco BSS. Benefits of public cloud deployment include removing the requirement of a significant upfront investment in hardware and data center operational costs; the use of public cloud based products (such as database management, artificial intelligence and machine learning, and security products); the ability to scale computing and database resources up and down to match capacity requirements; and the ability to provide constant software upgrades as new features and services get added. Cloud-native OOTB BSS and charging turns out to be an ideal product with focus on specific industry future challenges; for example, the expected rollout of 5G services with unknown monetization models, pressure for leaner IT investments, expanding MVNOs and small disrupting MNOs, which typically do not have a significant investment in their own IT.

Most CSPs are currently at the very early stages of this journey, with likely less than 5% of core business support systems being operated in the public cloud. While most CSPs prefer to maintain the bulk of their current billing functions on-premise, there is a growing appetite for public cloud billing and charging as a more flexible and cost effective alternative, especially for new services such as IoT, new lines of business like MVNE, and alternative market players such as MVNOs looking to modernize and digitize their existing stack. This trend is likely to increase; as it does, it stands to reason that more openness by operators to cloud billing will lead to an increasing market for cloud-native BSS and charging as well.

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