Amdocs' acquisition of TEOCO will help it to create a more comprehensive OSS product range

June 2023

Dennisa Nichiforov

Amdocs announced on 10 May 2023 its intention to purchase TEOCO, a service assurance solutions company, for USD90 million. This does not come as a surprise: Amdocs's planned acquisition of service assurance provider MycomOSI (announced in May 2022) was called off in January 2023. TEOCO has previously partnered with Amdocs to provide assurance capabilities, and this partnership may have prompted Amdocs to reassess its plans to pursue an acquisition. This deal will help Amdocs to address a key area of weakness in its portfolio – its assurance capabilities.

CSPs' demand for automation is driving the consolidation of vendor applications portfolios

The introduction of 5G architecture is leading to massive changes in the way that networks are deployed, run, maintained and assured. This means that communications service providers (CSPs) have to innovate and deliver on the service front, as well as implement and support new network architectures and functions that will support the delivery of evolving services with stringent requirements. CSPs are therefore under pressure to reduce operational costs (driven by the increasing complexity of the network) while maintaining or improving service quality, all within a more-complex, distributed, could-based infrastructure. This requires a shift towards more automation in the network and in service delivery.

To fully realise the benefits of close-loop automation, functional areas that have traditionally been discrete from each other in legacy networks must be brought together (see Figure 1). Connecting these components helps to greatly reduce the timescales, costs and risks related to the implementation and delivery of fully automated processes. For instance, orchestration and service assurance used to be delivered through distinct product categories. However, the emergence of closed-loop systems has propelled these concepts closer. This is because orchestration and assurance must be integrated if a closed-loop system with feedback is required alongside self-healing based on this feedback. Assurance is essential for feeding service and network data back into the closed-loop system, and it enables corrective actions to be taken to avoid or resolve issues.

Assurance solutions, alongside service design and orchestration and network orchestration systems, provide the groundwork for CSPs to achieve fully autonomous operations. CSPs need all three of these interworking OSS elements to achieve the goal of autonomous operations, with assurance being the most-critical component.

Figure 1: Key elements of close-loop automation
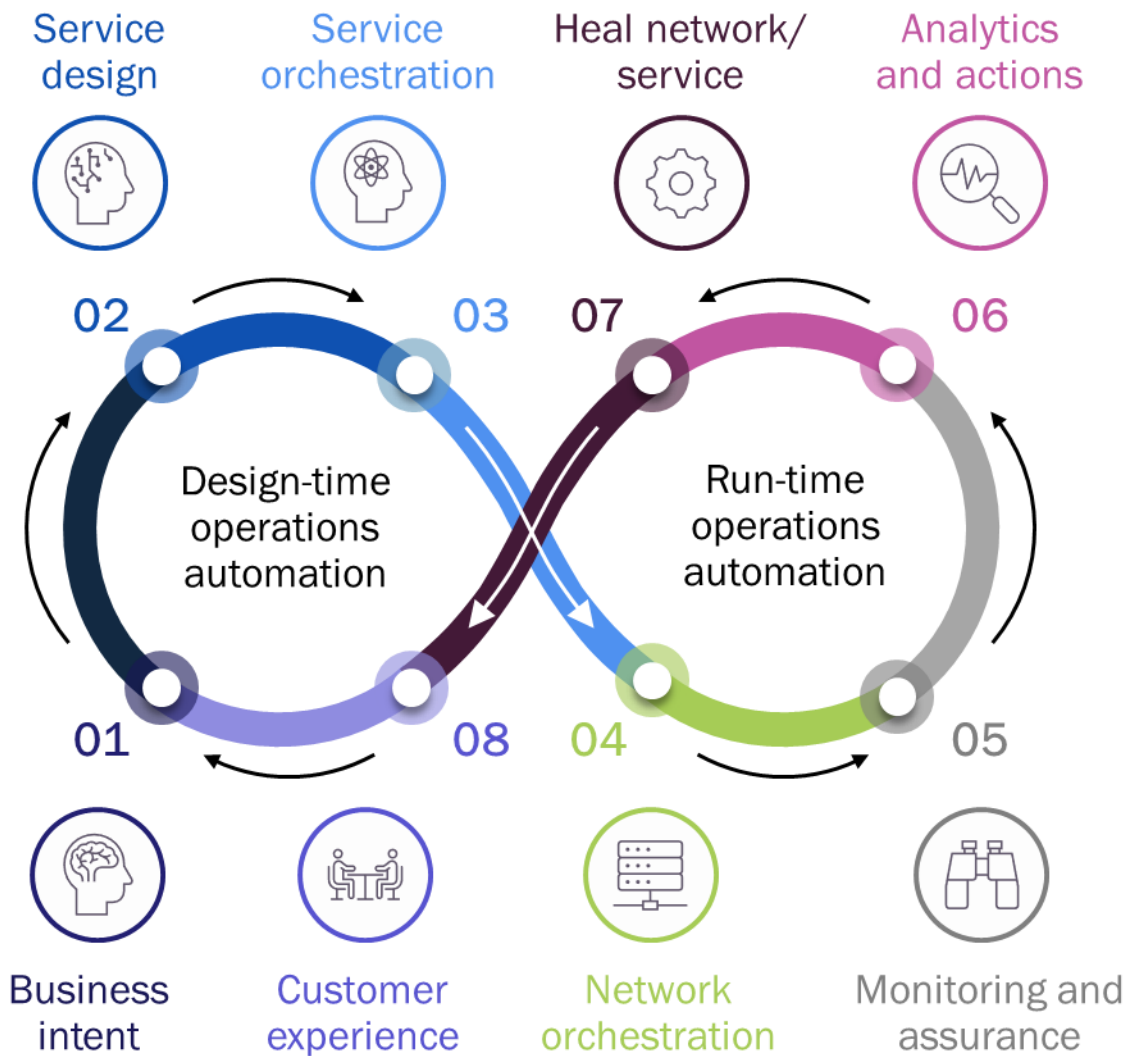
Source: Analysys Mason

TEOCO can benefit from Amdocs's market position and will gain several advantages from the transaction

Amdocs' OSS/BSS solutions have helped the company to maintain a dominant position in the market, particularly in the service design and orchestration (SDO) and monetisation domains. Amdocs' global presence and established customer base provide TEOCO with an opportunity to expand its market reach and to penetrate new geographies and verticals. TEOCO's solutions (which include fault, performance and service management modules with embedded analytics, self-learning and automation features, as well as its revenue assurance, network planning, configuration management, optimisation products and analytics) will benefit from being sold as part of a broader range of products and services, as well as the added sales capacity that Amdocs offers. Amdocs' comprehensive suite of software and services presents cross-selling opportunities for TEOCO. In addition, Amdocs' investment in R&D can significantly benefit TEOCO. The combined R&D capabilities would enable TEOCO to accelerate innovation, develop new solutions and enhance its product offerings.

Amdocs will be able to provide a comprehensive closed-loop solution

Amdocs's related solutions, such as Amdocs Network Performance Management, are already deployed by some Tier-1 CSPs and can be integrated with other Amdocs solutions to provide automated responses for the networks and services that they monitor. However, TEOCO's richer service assurance portfolio, which includes fault and performance management, service management and cloud analytics, will help Amdocs to gain more traction in the assurance application segment.

Moreover, the anticipated tighter integration between the Amdocs and TEOCO product lines is likely to be an attractive proposition for Amdocs clients that are looking for higher degrees of automation. It is also likely that Amdocs will aim to cross-sell additional assurance capabilities that support more-complex automated assurance to its Tier-1 and Tier-2 customers.

analysys
mason