IBM

T-Com Croatia draws a map toward faster and more profitable growth in broadband services.

Overview

■ **Business Challenge**

Although T-Com Croatia – the nation's largest carrier – is better positioned than anyone to capitalize on the skyrocketing growth of DSL demand in that country, deeply rooted process inefficiency was thwarting its ability to seize the opportunity.

■ **Solution**

T-Com Croatia worked with IBM to redesign its core business processes from the bottom up and created a roadmap to process optimization based on the eTOM standard and drawn from IBM's best practices in the area of telecommunications processes.

■ **Key Benefits**

• *Optimized network deployment*

• *Integration of end-to-end planning: marketing and sales, network-to-materials requirement planning processes*

• *Optimized quote to service process – shorter delivery times, fewer kick-outs and reduced backlogs for new DSL service*

• *Improved supply chain reliability; elimination of stock-outs for DSL modems*

• *Improved customer satisfaction and retention*

• *Improved competitiveness and profitability*

T-Com Croatia is Croatia's leading telecommunications provider of both fixed telephony and Internet services. Based in Zagreb, the company offers a broad spectrum of telecommunication services – voice telephony, data transmission, dial-up or wireless access to the Internet and local area networks.

In the global telecommunications services marketplace, Eastern Europe represents one of the fastest growing regions. To a large extent, the region's vigorous growth is one of the most visible signs that its economic and political transformation efforts have begun to bear fruit. One proxy for the region's economic maturation – and for improvements in the region's standard of living – is the deepening penetration of basic Internet access services among the population. But it certainly doesn't stop there. Like most of the Western countries before it, the Eastern European telecom market is evolving and becoming more sophisticated.

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Indeed, much of Eastern Europe's vibrant telecom growth comes from burgeoning demand for more advanced communication and entertainment-oriented services such as Internet-based video services, or IPTV. In this respect, the region's consumption of communication services has reached a new level of sophistication.

Beyond POTS

If "plain old telephone service" (POTS) has been the foundation of the old communications era in Eastern Europe, broadband communications—which provides the bandwidth needed to deliver rich media services like streaming video—is taking over that role today. In fact, over the past year, Eastern Europe had the fastest growth in the number of customers adopting broadband services of any region in the world, with DSL the dominant service. Pent-up demand for services that have long been available in the West is one big reason for this rapid growth. Another factor—one that is typical of markets in the early stage of growth—is the declining price of broadband services as more competitors enter the Eastern European telecom services market, which has spurred adoption.

Because of the higher margins for services like DSL, the growth of the broadband market represents a major opportunity for the region's service providers to increase their profitability. This is especially true for established, or incumbent, providers, whose base of existing POTS customers give them a natural advantage. However, as the case of T-Com Croatia reveals, having an entrenched position in the market is no guarantee of success. Formerly known as Hrvatski Telekom and rebranded by majority shareholder Deutsche Telekom, T-Com Croatia (www.t-com.hr) is the largest wireline service provider in Croatia, which lies beside the Adriatic Sea in the northwest part of the former Yugoslavia. While its DSL subscriber growth has been significant, T-Com Croatia realized that major flaws in the processes underlying its service delivery were undermining its ability to fully capitalize on the market opportunity. The fact that new competitors were increasingly encroaching on its customer base made bold action all the more important. It looked for a provider with strong business process experience in the telecom arena and found that provider in IBM Global Business Services.

From a process perspective, offering DSL is a complex proposition, requiring the harmonious interaction of demand planning, network planning, order management and—because DSL requires the distribution of modems—inventory and supply chain management. Misalignment of any of these processes can seriously compromise an operator's ability to meet the market opportunity.

IBM, engaged by T-Com Croatia to conduct a thorough review of its business processes, uncovered numerous examples of such misalignment. Perhaps the most fundamental disconnect was between demand planning and network planning and deployment, which in many cases resulted in the company deploying DSL in areas of the country other than where it was in greatest demand and, conversely, insufficient resources in regions where it was most needed. Furthermore, in those cases where service was available, T-Com Croatia lacked the process integration required to coordinate between the receipt of customer orders for the service and its physical inventory of DSL modems. All too often, technicians assigned to hook up new customers discovered only when they arrived at the fulfillment center that they were either out of DSL modems altogether or had the wrong kind (i.e., wired versus wireless) in stock. In addition to creating another bottleneck in the process flow, the long waits for service required of customers – from weeks to more than a month – threatened to undermine customer satisfaction and, ultimately, loyalty.

Making matters even worse for T-Com Croatia was an inability to provide customers with timely and accurate information on the status of their orders. More often than not, customers inquiring about the status of their order encountered agents who, while aware there was a delay in the DSL order, had neither a way to trace the route of the problem nor a path to resolve it. While customers may not be surprised by this vestige of the country's more bureaucratic past, T-Com Croatia's realized that they are far less inclined to tolerate it from their service provider now – especially given that new competitors are focusing on providing a superior customer experience.

Mapping the future
To address these problems, the IBM team followed an IBM "Strategy and Change" engagement methodology that focused on identifying and prioritizing potential process improvements. What made the specific approach stand out – and one of the key reasons IBM was selected – was the team's use of IBM's unique telecom process framework to model the end-to-end process flow for DSL delivery. Based on the enhanced Telecom Operations Map (eTOM), the industry standard for business processes in the telecommunications industry, IBM's telecom process framework consists of a suite of models, methods, guides, tools and techniques for applying and operationalizing eTOM to yield business results. T-Com Croatia saw IBM's thought leadership within the TeleManagement Forum, which developed the eTOM standard, as strong evidence of IBM's process expertise in the telecom domain.

To begin the engagement, IBM conducted a top to bottom assessment of T-Com Croatia's business processes, and from that cataloged the hotspots, bottlenecks and inefficiencies it found within these processes. Working within the telecom process framework, the IBM team created a 25-point process improvement plan

focused on improving DSL network deployment practices, eliminating modem stock outages, reducing cost and improving the customer experience. As an operator seeking to strengthen its competitiveness, the fact that T-Com Croatia's proposed new processes adhered to a worldwide industry standard was just one benefit of its decision to engage IBM. Gustavo Adolfo Perez Carpizo, executive director of Call Center/Customer Care Sub-Unit and acting director of Process Management Department for T-Com Croatia, sees even more value in the company's ability to leverage the fruits of IBM's unmatched experience in telecom process consulting. "Working with IBM enabled us to plug directly into the best practices and 'wisdom' that comes from working with some of the world's largest and most advanced telcos," says Carpizo. Adds Stjepan Brbot, manager, Process Improvement, "Being able to embed those insights into our process redesign efforts gives us a huge advantage."

Going beyond

The T-Com Croatia project also highlights IBM's unique ability to push beyond the boundaries of traditional business process transformation, and extend it into such areas as application development, organizational change and even telecom network provisioning. In the area of application development, for instance, the process team mapped out how modifying T-Com Croatia's ERP parameters could help relieve modem stock-outs, while on the organization side, it laid out a new quality control function that would drastically reduce the chronic fulfillment errors that led to a high rate of returns and diminished customer satisfaction. The critical role integration played in IBM's process change roadmap was most evident in the revamping of T-Com Croatia's DSL rollout practices. To bridge the gaps between market planning and network provisioning, IBM designed a new, more integrated workflow and information infrastructure that would ensure that the whole company was reading off the same page – and that DSL would be deployed in the right place at the right time.

With its IBM transformation roadmap in hand, T-Com Croatia is poised to operate more efficiently, serve customers more effectively and beat back the competition in the DSL market. In addition to being a prominent sponsor of the project, CEO Ivana Soljan has also taken on the role of chief evangelist for the process changes laid out in the roadmap. "IBM gave us a level of process insight we couldn't have gotten from anyone else," says Soljan. "We're excited to put that insight to work for the benefit of our customers – and to make us a stronger competitor."

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