

Episode 15

TelecomTV DSP Leaders World Forum | Totogi

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Speaker 0 00:00:02 We're about to rock the telco industry. Are you guys ready? Let's do this. I'm Danielle Royston and this is Telco in 20.

Today I'm going to share something really fun with you. Last week, I spoke at TelecomTV's annual DSP Leaders World Forum, you know, aka the Davos of telecoms. It's a fantastic talk. I kicked off this talk with one of the world's best old school business stories. The story of Siebel versus Salesforce. See, 21 years ago, Mark Benioff of Salesforce had a brilliant idea that rocked the market. His key insight, the world only needed one CRM. With that, he introduced the world to one of the first webscale SaaS products available only in the cloud. His idea shifted the way we think about enterprise software applications for forever.

In my talk, I debut a soon to be launched webscale SaaS telco-software-market disruptor that I can't wait to tell you about. This startup is building a SaaS charging engine that can handle 100% of the world's charging volume on one platform. Their idea is so big that I had to bring the talk to our podcast. So we're sharing it here in full with minimal editing. So sit back, pop in your headphones, and listen up. This is great stuff. We also have a link to the original video version in our show notes in case you want to see me and all my cool graphics, charts and stats. So let me introduce you to the new world of – drumroll, please – Totogi.

Speaker 0 00:01:56 Hi, I'm Danielle Royston, the CEO and founder of TelcoDR. But you can call me DR. You may know me from such hits as “I'm totally going to MWC” and “IBM is fake cloud,” but most people know me as the girl that always has something interesting to say, and I'm not going to disappoint you today. Are you ready?

Today I'm going to talk to you about the huge business potential of the public cloud. But I'm going to start with a story about a corporate battle because who doesn't love a great business story? How many of you know about the war between Siebel Systems and Salesforce? In the late nineties, Siebel, founded by Tom Siebel, was the darling of CRM software. And back in 2000, they were flying high. Their stock had risen from an IPO price of \$2 in 1996 to an incredible \$120. By November 2000, they were unstoppable. They had 45% market share for their full-stack, on-premise CRM package, which was installed at some of world's largest companies. One thing was for certain, they were more than happy to let you customize to your heart's content. It was expensive as shit to do that, but it was the gold standard. I guess you could call them the Amdocs of CRM.

But then this tiny challenger called Salesforce came along. It was a classic San Francisco startup, working 24/7 from someone's apartment. Marc Benioff's apartment to be exact. And back in 2000, Mark had a great idea. There should just be one CRM. Companies didn't need their own CRM installed on premise. His idea was to build the world's first webscale enterprise application

in CRM with no software to install. Customers would pay to use it and they would access the software through the internet and nothing would be installed on premise.

Speaker 1 00:03:50 There was a catch – to use the software required customers to give up control of the stack and let Salesforce manage their precious customer data for them. But it would be cheap as hell. Mark was going to take Siebel head-on. And so, what did everyone say to Mark's brilliant idea? They said, “we'll never do it”. Everyone said never in a billion million years will we let this random startup manage our customer data. The list of why Salesforce would never work was a mile long. It wouldn't work because it's not secure enough. People worried about data privacy. What happens to my customizations and integrations? What if the internet goes down? But wait. There's something strangely familiar about that list. This list is the same list I get from all you telco execs about why you can't use the public cloud. It may be 21 years later, but the objections to the public cloud are the same.

Speaker 1 00:04:46 And so let's go back to our story and find out whatever happened with Siebel and Salesforce. Salesforce, of course, figured it all out and got customers to get over their issues, trust them and give them their data. And Siebel, well, things didn't go as well for them. After their stock hit an all-time high in 2000, it then dropped 90% plus, at which point Oracle bought them for \$10.66 a share. Ouch. Siebel sold out to his hated enemy, Larry Ellison and Oracle. And Mark Benioff took over the CRM market, surpassing Siebel and their all-time-high stock price and never looked back. So where are all those naysayers that said no customer data could ever be stored in the cloud, and had all those objections about security, privacy and the internet going down? They were all wrong. And so that brings me to the second part of my talk.

Speaker 1 00:05:41 Everyone talks about this great business story, but no one ever talks about why Salesforce was destined to win and Siebel was destined to lose. People were wrong because they forgot three key issues about Siebel. They were super tech focused, they were customized, and they were super expensive.

So let's take the first one. Number one, they were super tech focused. See, Siebel installations were focused on the technology, not on the business. 80% of the budget of a Siebel installation was not spent on the software. It was spent on all the system integrators, coding all the on-premise integrations and customizations. So when you think about where the organizational energy was going, it was being spent on just getting the system to work on premise, not on building a better sales process. Salesforce, on the other hand, had none of that expense. And that's because when you do a Salesforce project, the VP of sales talks to Salesforce about the sales process she wants to implement not how the installation process is going to go. On the other hand, when you do a Siebel project, you have to talk to your IT and infrastructure team about installing the thing, what operating system version it runs on, how many servers to buy – all these technical details. I know what you're going to say, but Siebel could focus on the business process if they wanted to. We all know that never, ever happened because all the organizational energy was consumed by just getting the thing to work.

The second reason everyone was wrong is they forgot every single installation of Siebel was super customized. And while this might seem appealing – “Hey, I'm spending all this money, why don't I just customize the shit out of it?” – is that the problems start to happen the day after the installation is done. You have to realize when you buy enterprise software, you're setting up a decade long relationship with your vendor. If you make the mistake of customizing the crap out of it, you have effectively cut yourself off from all the innovation coming from the vendor.

And here's where I have a lot of personal experience. As someone who's run a lot of software companies, you have a limited resources. When I was CEO of Optiva, this was my biggest problem. I was spending all this money on R and D. Why was I not getting the innovation in my product? And that was because I was spending on delivering the customization requests we were getting from customers. Because you're either doing a lot of custom work for customers and not putting it into the product, or you get to be like Salesforce, uber-product focused, where every dollar you get, you can put into R and D, and every feature you've produced gets pushed out to every customer immediately. Which brings me to my third reason.

Speaker 1 00:08:24 Everyone was wrong about Siebel because Siebel was super tech focused and super customized. It was way more expensive than Salesforce. And you can see the results. It's a very stark comparison. When you look at what you get from Siebel versus what you get from Salesforce, because Salesforce is a webscale product where every innovation goes to every customer immediately, they have the economies of scale to keep their prices dramatically lower than Siebel's. And because they are so business-value focused and not tech, customers love using the product because it's so easy to set up, start using, and start realizing value immediately. When you compare the two companies on these dimensions, it's not even close, and it hasn't been for decades. And so remember what people got wrong about the Salesforce versus Siebel battle was that they failed to see the fundamental flaws in Siebel's strategy, which were Siebel was super tech focused, not business focused, every single installation was super customized, and third, it was super expensive. Hmm. Remind you of anyone?

Which brings me to the third part of my talk and what Salesforce has to do with the business impact of the public cloud. In case you haven't noticed, the Siebel versus Salesforce story is repeating itself all over again in telco. And that's because the majority of telcos still run all their highly customized, super expensive applications on premise. You know, me, I'm always out there with a case study, an article or podcasts, trying to prove to you guys how great the public cloud is. But today I have something extra special for you. I know of a startup that has the best product for telco I've ever seen. And I consider myself a domain expert in their field. It highlights everything that I'm trying to convince you of. This team is in stealth mode and they still have not announced themselves to the world yet.

Speaker 1 00:10:19 They're going to debut the product at MWC and you will definitely want to check them out. But I begged them to let me give you just a little taste of what they are working on. And they gave me permission to talk about a few things that are really going to

blow your mind. So here it is. There's a new charging startup in the world with a super cool name – Totogi – and they are building a webscale public cloud charging engine that can handle a hundred percent of the world's charging volume on one platform. They have a slide in their presentation that literally looks like the one I just showed you, except instead of Siebel, it has Amdocs, Ericsson, and Huawei. And instead of Salesforce, it has Totogi. And just like Salesforce, they believe there should be one charger for the entire world. The telcos shouldn't be installing and wrestling with their chargers because Totogi is going to be built just like Salesforce. Focused on providing business value. And so instead of talking to you all about infrastructure, datacenters, servers, database support, Red Hat, Kubernetes, blah, blah, blah... Totogi is going to focus on three huge business value drivers: 1. automatic plan design, 2. a super app, and 3. it will be 80% cheaper than your fake cloud solution.

Number one, let me tell you about a great idea they have. They call it automatic plan design. Because their system is based on the public cloud, which has the best artificial intelligence and machine learning tools, it understands your goals, knows your tariffs plans, subscriber network, data, and scans the competitor plans out there in the marketplace. And like magic, it recommends and can implement the optimal plans for you automatically. These recommendations will help you reduce churn by up to 20% , attract up to 25% more subscribers from competitors, and boost ARPU growth by up to 15%. This is going to generate tons of value.

The second big business value idea they have is that instead of spending your time wondering about the huge IBM hybrid cloud and the Red Hat incompatibilities, what machines do you need to buy and what you're going to integrate it to, Totogi has built a super app. Everyone wants a super app, but you know what superpower telcos have that big tech doesn't have? Telco mobile apps can be pre-installed on just about every home screen of every mobile phone in the world. But today, telcos rarely leveraged this superpower. Instead, telcos deploy lame account management dashboard apps that frustrates subscribers. They should have apps with five star reviews, and instead they hover somewhere in the threes.

Speaker 1 00:13:05 Now, I'd like to introduce you to the Totogi super app. And so to start, what is a super app? In every country, when a service powered by a mobile app gets wide usage on a single dimension, like Uber did for rideshare or WhatsApp did for texting, once that app got traction, the service provider immediately said, I need to expand my reach beyond whatever I started with to something more. For example, Uber expanded from rideshare to become Uber Eats and Uber Scooters. And it works. But telco carriers don't have super apps. So the Totogi team built it for you and connected it to charging. The super app is a framework where you, the carrier, select the biz dev deals that you want to offer to your subscribers that Totogi has pre-negotiated for you. Just look at all these different, exciting services that subscribers currently use their mobile phone for – watching videos, banking, setting up a ride, booking travel – to make sure you understand why the economics of the super app are incredibly compelling.

Speaker 1 00:14:14 Let's take a look at video. This could be any streaming service, it could be Amazon Prime video Disney +, something regional. And so in this example, let's say the deal

Totogi has pre-negotiated, a revenue share deal where the carrier gets between \$1 and \$2 per sub per month, coming through the super app. When you open up your mobile app to offer other services, you create a new opportunity to promote new ways for your subscribers to increase their spend and engage every day with your telco. Or maybe something like banking, where you're sending money to friend. Banking will depend on country regulations, but today there are close to 400 million mobile money accounts sending almost \$700 billion a year, where each user sends on average, about \$20 per transaction. Let's say in the deal here, the carrier gets between \$2 and \$4 per sub per month. Or a rev share deal with Uber, Lyft, or another ride share partner. Let's say the deal here is a revenue share deal with a carrier gets between \$1 and \$1.50 per month coming through the super app. When you aggregate all of these potential deals together, they will be worth more than your monthly revenue from the subscriber. And that is why telcos must have a super app.

And last, and this is just an extra benefit really, just like Salesforce was to Siebel, this system will be way cheaper because you don't have all that infrastructure to deal with. It's all built in and provided as a service. Totogi believes they will be 80% cheaper compared to your TCO on premise. And so I wondered, can Totogi run a viable business while pricing their products so low? So I got my crack team at TelcoDR to do some math. How much do telcos spend globally on charging infrastructure?

Speaker 1 00:16:10 Every single telco has a charger installed. Sometimes more than one. We found that the global market spends about \$12 billion a year deploying and managing charging systems, which include everything from datacenter, hardware, software, disaster recovery, people, and don't forget all the consultants you need to implement your plans quickly. Assuming there are 8 billion subscribers globally, we figured telcos spend on average, a \$1.50 per subscriber per year for charging. Totogi thinks if everyone would just adopt its platform, instead of doing it themselves, the industry spend on charging would go from \$12 billion to two and a half billion dollars, which is obviously a great business for Totogi even while they save you 80%. So three fantastic ideas – automatic plan recommendations using AI and ML, creating super apps for the telcos, and making charging super cheap for you. Tons of business value, just like how Salesforce beat Siebel.

Speaker 1 00:17:14 When I saw Totogi slides speaking my love language, public cloud, I knew they were part of my tribe. But wait, hold the phone. Just to preempt all the objections, because I know what you're going to say, I bet you're saying to yourself, no way will this work. There is no charging engine on the market today that can handle all the transactions from all the carriers, from all the subscribers at once. Most charging engines can't do it for even one carrier in one country, much less the entire planet. Back at Optiva, where we had a really great charger for one of our largest customers, we had to have different application stacks for different cities to handle a transaction load. It was a pain in the ass. But because Totogi is webscale and built on the public cloud, it can handle a hundred percent of the world's charging volume.

Speaker 1 00:18:09 It's absolutely mind blowing. And since this is the Davos of Telecom, and I'm talking to the biggest execs in telco, let's play a game of, would you rather. For the next 10 years, would you rather talk to customers about your business, the cool customer retention ideas, the conquest plans, your super app, and the plans you want to design? Or would you rather spend your time talking about the latest issues with your datacenter because you decided to do everything yourself instead of using the public cloud? Let me tell you the answer. You want to talk to Totogi about your business. And so make your plans to do just that. They'll be demo-ing at MWC and you'll be able to see it. And while this is just one example of what's coming to telco, there are dozens of examples like this across every application you have.

Speaker 1 00:18:56 And so when you think about Totogi and you have these thoughts going through your head – it's not secure enough, people worry about data privacy, what happens to my customizations and integrations, what if the internet goes down – I want you to remember my story, the story about Siebel and Salesforce. Which side will you pick? Will you select vendors like Siebel, or vendors like Salesforce? Amdocs or Totogi? Would you rather be brilliantly solving the wrong problem or brilliantly winning subscribers and crushing your competition?

When Salesforce debuted, Bloomberg called them “an ant at the picnic.” Totogi is totally the new ant at the picnic, but I'm betting it's going to take our industry by storm. It's a whole new approach to software and telco – an approach that is way overdue. I can't wait to see it happen. Visit my website. We can connect on Twitter or LinkedIn, subscribe to my newsletter and listen to my awesome Telco in 20 podcast. And be sure to check out the Totogi.com website. Thank you so much for your time today.

Later, nerds.