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Global Telecoms Face 'Catch 22' as Order Fallouts Steal $38 Million Per Year

BEDFORD, Mass., May 06, 2009 (BUSINESS WIRE) -- More than half of telecommunications companies (54%) lose up to 10% of their annual revenues - up to $38 million a year - through failed transactions, according to research commissioned by Progress Software Corporation (NASDAQ: PRGS). The survey of CIOs, senior IT managers and department heads across 61 global telcos also revealed that 95% lost money owing to transaction failures.

Order fallout appears to be driven by the growth in the number of transactions with three quarters of those surveyed experiencing an average increase of 26% in 2008. Of those telcos reporting a rise in transactions, 73% percent saw an increase in the number of failures - with those telcos reporting an average 42% increase in failures.

"The telco industry is facing an unprecedented challenge in the shape of increased transaction volumes which in turn is leading to more IT failures. However, the figures suggest that these failures are being driven by other factors, too. Just look at the travel and leisure industry - it experienced an increase transaction volumes of just 12% but its failures increased by almost a third," noted Dan Foody, vice president of Actional products, Progress Software.

The survey suggests the growth in transaction volumes has been driven by customer demand for new products and services - and this in turn has led telcos to build and rely on ever increasingly complex IT environments. Three quarters (77%) of respondents said that delivering bundled products and services had intensified the complexity of IT.

Seventy-eight percent of respondents rated their IT complexity as a "4" or "5" on the five point intensity scale and, 92% also said that this complexity had led to occasional or frequent order fallout with 5% unable to track order fallout, representing a clear impact on the bottom line.

"This research uncovers a 'Catch 22' situation for global telcos. To satisfy customer demand and further monetize existing customer relationships telcos are rolling out more and more services. But, these new services are resulting in a an exponential growth in complexity and transaction volume, which is dramatically increasing order fallout - sacrificing customer experience and directly impacting revenue in the process." explained Foody.

The survey indicated that the $38 million estimate in lost revenues is conservative. Of the companies surveyed,

- 64% feared that order fallout definitely or probably resulted in customer churn,

- 82% said their best customers did not receive the best service on offer, and

- 92% felt that order fallout diminished the customer experience.

Another hidden cost to the telecommunications industry identified in the survey was the cost of fixing order fallout issues. A staggering 89% of companies said dealing with transaction failures increased demand on resources with respondents estimating that it took the equivalent of 11 full-time employees a minimum of two hours to fix each transaction problem once identified.

"This research clearly highlights the far-reaching effects of order fallout within the telecommunications industry. The trend of increasing IT complexity is further compounding revenue loss through increased order fallout, customer churn and inefficient use of IT resources.

"Companies should consider introducing a more streamlined approach to monitoring order flows across their IT environments. The right approach provides visibility and control that can stop the 'Catch 22' cycle in its tracks," concluded Foody.

About Progress Software Corporation

Progress Software Corporation (NASDAQ: PRGS) provides application infrastructure software for the development, deployment, integration and management of business applications. Our goal is to maximize the benefits of information technology while minimizing its complexity and total cost of ownership. Progress can be reached at www.progress.com or +1-781-280-4000.

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