



## CUSTOMER SUCCESS STORY: **XO COMMUNICATIONS**

XO Communications achieves operational excellence with CSG Convergent Billing

XO Communications is a full-service provider of communication services for small and growing businesses, large enterprises and other carriers in the United States. With market presence in 75 US metropolitan markets and a comprehensive portfolio of services addressing the needs of its corporate customers, XO has grown from start-up local exchange carrier (LEC) to sizeable national operator.

XO's growth and success has stemmed in part from strategic choices made with an eye to trends in the telecom business and technology advances. XO's management understood that being a successful competitive alternative to the Bell telephone companies depended on operational excellence and market flexibility, drivers underscored by the telecom slump of 2001-2003.

Streamlining operations at XO was quickly identified as a key strategy for implementing tighter cost controls and driving profitability, while also keeping pace with the telecommunications market's high rate of change. XO's management knew tighter BSS/OSS integration would ensure better customer order flow through rates, thereby shortening the interval from order entry to billing, reducing the work effort required to process an order, and lowering order rejects. These productivity improvements were critical if XO was to reach its financial and customer service goals.



### **BACK OFFICE INTEGRATION**

Assembling and integrating the requisite back office systems that would allow XO to achieve these order flow through goals was not an insignificant task. Because the business was initially dependent on a highly-customized, legacy billing system, which was outsourced to a third party, XO lacked one of the cornerstones for its back office.

Not only was the legacy system not well-suited for integration with the newly selected provisioning and order entry systems, XO was spending millions of dollars annually for basic operations. Lengthy planning periods and costly outsourced services were required to make price changes or create new products and generate invoices. Selecting a new retail billing system was critical to achieving XO's overall business objectives. CIO Rob Geller was brought in to help make the project work.

"We identified early on that the billing system was an important part of our effort to decrease operational costs," said Geller. "By integrating a modern billing solution with other critical applications, we combine the power of these systems on a unified platform for greater flexibility and operational excellence."



A rigorous selection process was undertaken in late 2002 to compare leading billing systems, including CSG Convergent Billing (Singleview). Geller established three key decision criteria: functionality, cost, and conversion risk. “It was important to control our own destiny; it was time to move past the model of outsourcing and bring the billing system in-house,” Geller noted. “We knew being in control of the billing engine and doing our own work would allow us to be more nimble and save money.”

With its large suite of services, complex discounting and bundling requirements, and sizeable customer base, XO required a system with Tier One functionality and superior performance. Geller explains, “Our team did a functional assessment of multiple Tier One systems including Amdocs and Convergys. CSG Convergent Billing compared very favorably, performing equal to or better than its competition.”

A state-of-the-art billing application, CSG Convergent Billing offered ease of integration with the OSS infrastructure XO was implementing. Additionally its hierarchical boiling capabilities and complex discounting structures allowed XO to meet its unique bundling and discounting requirements.

And unlike many of the competitor products, CSG’s solution offered XO the ability to truly bring its billing operations in-house. Rather than requiring consultancy hours for customization upon customization as each new product was designed and rolled out, CSG Convergent Billing could be configured for XO’s operations and the XO team trained to operate and maintain the system.

“With parity in the functionality, it became a fairly easy decision for us to make,” recalls Geller. From a financial perspective and in evaluating its conversion risk, CSG clearly offered the best value.

### KEY ACHIEVEMENTS

Industry veterans can attest to the truth of Geller’s observation that “it takes a lot of work to simplify operations.” Implementing and integrating the three base systems — billing, order entry, and provisioning and activation - was a multi-phase project requiring parallel operations and extensive testing. In the midst of the project, XO acquired Allegiance Telecom and added the operational challenges associated with the merger of these assets. However, XO’s approach has paid large dividends.



Order flow through, one of XO's key performance metrics for operational excellence, improved by more than a factor of 10. Reject rates, a second key metric; have been reduced to less than 10%, a sixty percent reduction from previous rates.

Productivity improvements have led to very significant bottom line gains. By entering data once instead of into three or four separate systems, both the work effort and errors are greatly reduced. Before the streamlining project began, XO's team numbered more than 7,000 people and Allegiance's nearly 3,000. Now the combined company employs roughly 4,400 while serving the same number of customers.

The most striking results may be XO's ability to innovate and respond to competitive market changes. The employment of an outsourced billing model and a legacy billing system, dictated XO routinely invest six to eight weeks planning and building detailed specs for consultants to then review and implement. Now able to perform their own system changes, XO points to timelines which have been cut by as much as 75%. Proof of this improved responsiveness can be found in XO's ability to respond to legislative change. The FCC's Triennial Review and Remand Order (TRRO) legislation resulted in new charges; using CSG Convergent Billing, XO was prepared to comply within 30 days.

## OPERATIONAL EXCELLENCE

While cost reductions and operational improvements motivated the streamlining project, establishing a solid back office platform has allowed XO to shift focus. With leased services becoming more expensive, XO has expanded from traditional telephony services to IP-based bundles, delivering

the range of value-added bundled and managed services its corporate clients rely on to run their enterprises. "New product development and customer-facing initiatives deliver more value to the business," states Geller.

In fact, speed to market and the ability to deliver innovative products is a key benefit of the CSG Convergent Billing implementation. Geller cites XO's XOptions Flex service, where the time to market from marketing team conception to sale and rollout was a mere 60 days. Importantly, XO has been able to maintain a consistent release pace of 4 major product releases per year. With 65-70% of its new sales resulting from its commercial and wholesale VoIP offerings, XO has a leg up on competitors, some of whom are struggling to launch even a single VoIP product for the business market.

"CSG Convergent Billing is a critical component allowing XO to remain competitive. We are able to move quickly in response to legislation and market conditions," states Geller. With CSG, XO has achieved its initial goals of operational excellence, self-sufficiency, and cost reduction while providing a strong base for future growth. Business customers looking for a reliable, end-to-end source for innovative telecom services continue to choose XO for its broad product suite backed by trustworthy, dependable customer service.

## GELLER

**"WE IDENTIFIED EARLY ON THAT THE BILLING SYSTEM WAS AN IMPORTANT PART OF OUR EFFORT TO DECREASE OPERATIONAL COSTS."**