



Rumors of Sprint Nextel outsourcing network operations raises questions

[Allie Winter](#)

Story posted: February 18, 2009 - 5:59 am ET

With Sprint Nextel Corp. continuing to struggle, rumors have been flying regarding possible extreme measures the industry's No. 3 carrier might have to take to right the ship.

One that popped up in the [Kansas Business Journal](#) had the carrier looking at offloading its network operations to Ericsson Inc. The newspaper reported that if the deal were to go through, it expected Ericsson would inherit between 6,000 and 7,000 Sprint Nextel employees.

Sprint Nextel spokesman James Fisher said the carrier had no comment on the speculation, but did say the carrier is always looking for ways to improve its service.

Even though no announcements have been made, analysts said the carrier's lack of comment was a clear indicator.

"In the absence of a firm denial you can assume that it's very likely," said Pete Dailey of Strategist. "The signs all point to this happening."

Ericsson was not available to comment.

Dollars and sense

Peter Jarich, analyst at Current Analysis, said the potential move makes sense for Sprint Nextel.

"The argument is going to be that you can get more done with less if you have Ericsson, who knows the network better, take over some of those functionalities for you," Jarich said.

Dailey was on the same page and sees the takeover completely beneficial and possibly necessary at this point.

"Ericsson's going to do a fine job, in some ways better than Sprint," Dailey said.

Indeed, Dailey continued, handing the network over to a network vendor would be a financially sound decision and give Sprint Nextel the potential to save millions of dollars.

"It's usually in the neighborhood of around \$200 million a year," Dailey said. "It's reasonable to expect 25% off back savings."

Outsourcing network operations might be a nightmarish scenario for certain carriers such as AT&T Mobility or Verizon Wireless, Jarich said, calling it a “touchy-feely” situation. Let’s face it; the network is a carrier’s baby.

“It’s one of those holy wars and one of those issues that can really divide people,” Jarich said. “You’ve got someone saying ‘look, we are a network, if we don’t control that then what do we control and where is our value?’ It’s not about the down pipe. It’s about providing that service on top of it.”

Focusing on customers

Aside from some extra cash, the carrier would have more time to focus on other priorities. Sprint Nextel has repeatedly said that [2009 will be about improving its murky customer service](#).

“It is still one of the top priorities,” said Sprint Nextel’s Fisher. “We’re not at the level we want to be yet.”

Offloading network management would give the carrier the opportunity to pay attention to other things, such as improving customer service, especially when the task is a tough one, Dailey said.

“The consumer perception of Sprint is that they provide pretty poor customer service,” Dailey said. “It’s hard to change that perception very quickly.”

But when it comes to Sprint Nextel’s reputation, handing the network over to a different player will have little, if no effect on customer perception, Jarich said.

“I don’t think it will be an issue for the end user,” Jarich said. “It’s got to be a good thing for them, unless you could imagine the Verizon commercials with Verizon service backed up by all those Verizon people and on the other side a Sprint person backed up by a bunch of Swedes. Would the average customer really care?”

End game

Further, Dailey believes Sprint has bigger problems to worry about, like possibly putting itself up for sale.

“Sprint ultimately needs to get bought,” Dailey said. “I believe that Comcast or some other cable company would want to buy Sprint.”

Dailey suggests cable customers are looking for integrated value plays. And when competitors AT&T Mobility Inc. and Verizon Wireless offer these extra wireline services it can be tough for a one-trick pony like Sprint Nextel.

