

## Service Providers: *Take Control of Your Policy Decisions*

by Lucas Skoczkowski

Today's banquet of mobile broadband capabilities offered to customers is not only challenging service providers' bandwidth management, it is also putting increasing pressure on CSPs on how they can monetize these services. When we consider that watching an hour of YouTube clips is the equivalent in terms of data usage to sending a million text messages. Downloading a movie over a mobile device equates to almost 400,000 e-mails. Yet consumers, under today's business models, are lulled into thinking that as long as they purchase and subscribe, there is little they cannot do on their mobile devices.

**“The days of light users compensating for heavy users in the flat-rate model are gone.”**



The days of light users compensating for heavy users in the flat-rate model are gone and now operators are in a race against time to overturn this premise as projections show mobile data to increase five-fold in as little as a year's time.

When considering this problem, one must ask: When subscribers overburden networks, or go over their minutes and incur penalties, is it because they don't understand their voice and data plans, or is it because service providers don't understand their subscribers? With anti-bill shock legislation worldwide, voice ARPU dwindling, and competition among carriers ever-increasing, the answer is clear: It

Not for distribution or reproduction.

# Marki*texture*

*Maximize your marketing.*

PR | Social Media | Web | Advertising | Events | Collateral

is incumbent upon service providers to take charge of their policy control now if they want to retain and add customers, increase revenue, and avoid customer bill shock.

To some, policy management means policing their networks and dissuading the heaviest users – even going to the lengths of degrading service and sending out warning notices. With tiered pricing and prepaid plans growing in popularity, policy control is shedding its reputation as a punitive measure. Now, service providers can see it as a means to generate revenue and ensure that the subscriber receive the highest quality of service, partly because of transparency in billing, but largely because of increased communication.

Service providers want to provide service, not limit it. They should support new pricing models that encourage increased usage, and they can do it while boosting ARPU and protecting the network from capacity strains.

When integrated to the charging layer, policy control helps to give the subscriber more. It can track when subscriber data use goes beyond a certain threshold so the operator can send balance notification alerts – and help avoid the dreaded bill shock. User profiles

**“As tiered pricing plans become more prevalent, holding on to the old ways will become even more dangerous.”**

and preferences can be supported, creating a more personalized user experience. With this information, service providers can recommend bolt-ons, rate plan upgrades, service specific packages, and targeted promotions that resonate with the subscriber.

In a recent survey, Heavy Reading predicts service providers will add a new policy every six-to-eight weeks. Policies set around service delivery will impact various triggers, including location, network type, device, the subscriber’s tier, URL, type of application, time of day, subscriber preferences, etc. The list is practically endless, and it will bring greater customer loyalty and more revenue to the service provider.

As telecoms adapt in this era of transformation, policy control will also become more interdependent with rating and charging—all in real time, providing ways to really know each subscriber individually enough for it

**Pipeline**  
Your OSS/BSS Information Source

KnowledgeCast Webinar

**Leveraging Customer Analytics to Reduce Customer Churn**

March 3, 2011 at 2 p.m. EST

Featuring **Portrait** SOFTWARE  
A Pitney Bowes Business Insight Company

**INFONETICS RESEARCH**

**REGISTER NOW!**

really matter.

In fact, the survey also states that, "...service providers need to use policy in a new way and work to integrate it with back-office operations and support systems and with other functions such as charging."

It is important to point out that a large reason real-time rating, charging, and policy solutions offer so much transformation is because of the two-way relationship between the operator and customer they enable. Currently, the majority of the network elements in a service provider's environment still manage the lifecycle of a service as an entity. The systems handle batch-billing, but not rating or analysis of consumed services, nor can they intelligently analyze subscriber habits.

What ends up happening is that fulfillment, billing and service delivery channels are not interconnected to provide the entire view of the subscriber; information is wasted. This is where bill shock usually occurs, which causes customer-churn and government policy infractions. And as tiered pricing plans become more prevalent, holding on to the old ways will become even more dangerous.

After combining real-time rating, charging and policy, service providers understand their subscribers to offer pricing choices based on their profile. Also, they can make bill payments and purchase third party applications. No longer are they unsure about what their plan covers, and this is proving to drive uptake in data services, as customers feel more confident in their purchasing options.

From the standpoint of creating new services and increasing revenue, real-time, converged systems are essential. By managing subscribers and services this way, an operator has an instant view of user communication, behavior and spending. This type of profile management also enables knowledge of user status, presence, and location. All of these factors allow service providers to offer relevant services to their subscribers based on their habits. Also, they are able to up sell and cross sell services.

With flat-rate pricing, there is no incentive to promote

heavier usage of data. Tiered pricing plans, both pre- and post-paid, allow service providers to fairly monetize the amount of data services used by subscribers. With real-time policy mechanisms, clear notification of usage and advice of charge and flexible, quick payment options greatly diminish the need for service providers to penalize subscribers for overages with fees or to throttle usage.

A leading EMEA group operator is using policy to build packages to match real, everyday usage patterns in order to target different market segments. For its customers it gives them the pricing simplicity, flexibility and control to match their service package to their immediate needs by selecting a 'daily' package, or to allow for future usage, by selecting a weekly or monthly package. In addition, users have the flexibility to select bundles according to the types of services they intend to use. For example, if a user wanted to stream video they have the option to select a 'duration-based' bundle where they are charged according to the duration of the video rather than the total volume of data, which is difficult to quantify in dollars and cents. This pricing transparency gives users better clarity to the charges they will incur, as opposed to billing based on bytes, and avoids customers from experiencing bill shock or quickly depleting their prepaid account. As a result, subscriber uptake has increased 10% month-on-month since it was launched and it has grown its mobile data prepaid ARPU to over USD 20.

Another Tier 1 operator is using policy management tools to support the tremendous growth of data traffic it has experienced in the past two years and to promote 3rd party content. Using policy to support per-event charging of content downloads, zero rating traffic for promotions and 3rd party content and differential charging for roaming has led to the operator to increase its data ARPU by 9.2% and boosted non-SMS revenue by 55.4% year-on-year.

Essentially by knowing more about their subscribers, these service providers are using policy controls to create value and give their customers more options—not take them away.

Not for distribution or reproduction.

In this era of anti-bill shock regulation and monstrous appetites for broadband from mobile subscribers, it seems like it could be harder than ever before to grow a business. Operators are being required to provide absolute transparency on pricing while having to manage exponential increases in network traffic, to keep their customers from trying out the competition.

But oddly, policy solutions that might be perceived as merely the remedy to bill shock regulation, are actually serving a much higher purpose. They are enabling operators to increase revenue, greatly improve the customer experience, and protect the network from capacity strain.