

PipelinePub.com

June, 2006 | Volume 3, Issue 1

Pre-Paid and Post-Paid: a Convergence that Must Happen

By: Dana Porter, Director, Amdocs Revenue Management &
Yaron Morgenstern, Manager, Amdocs Revenue Management

For years, service providers have looked at and discussed pre-paid/post-paid convergence. There was no driving need to bring these two together, which left many service providers content to stick with business as usual.

Now, convergence has become an imperative. As the telecom industry undergoes significant change, service providers are focusing on new business issues that must be addressed through pre-paid/post-paid convergence: retaining and growing existing customer relationships, offering new content and data services and service bundles, and enabling flexible payment methods. This article lays out the various benefits to service providers for pre-paid/post-paid convergence.

Let's start with a definition of pre-paid/post-paid convergence. Under convergence, customers are supported by a single system, resulting in a unified view and enabling unlimited payment flexibility for all customers. However, converged solutions may vary by degree. On one end is a very limited degree where both types of customers are stored in the same database but handled by separate systems. A fully convergent solution is where a single system handles all customers and services. For service providers seeking to offer next-generation services, a fully convergent solution is vital. It must be composed of:

- **A single customer management repository** for prepaid and postpaid customers that provides a unified account view of all services.
- **A single billing or invoicing process** that provides customers with the option to be invoiced by payment type or services. With one usage repository to capture events and a single discount engine for calculating and applying end-of-cycle discounts, service providers can target offers to their most valuable segments, carry out prepaid balance recharges from postpaid accounts, and offer cross-channel benefits and discounts.
- **A single product catalog** that acts as a repository for all services, regardless of payment method, reducing time-to-market and streamlining the billing process.
- **A single pricing engine** for rating all types of events performed by the same pricing engine and using the same product catalog. With this, service providers can provide services such as closed-user groups, shared rewards, free calls from children to parents, multiple/shared balances, spending limits, and advice-of-charge, as well as split recharges and balance transfers.

Previously, the network organization operated prepaid systems and the IT organization operated postpaid systems. As each organization created and rolled out services, new systems for support were implemented, which resulted in disparate systems that are complex and expensive to maintain. The siloed approach involving multiple software licenses, vital hardware requirements and vendor relationships for the duplicated teams that support maintenance and upgrade processes has resulted in high operating expenses and organizational inefficiency. This is a price mobile service providers cannot afford to keep paying.

There are many benefits to pre-paid/post-paid convergence. Let us review the three major ones.

Hybrids can attract and retain customers:

A true convergent solution enables service providers to create hybrid accounts that can use both prepaid and postpaid payment methods, making it easier for customers to do business with them. A hybrid account can be defined by payment method for individual users (some can be prepaid and others postpaid) or communications services (such as prepaid for content and postpaid for voice). Payment has never been more flexible or more convenient in this environment as customers can choose the best method to suit their needs and budgets. Hybrids give service providers the opportunity to improve ARPU and reduce churn by linking prepaid customers (typically those with lower ARPU and a higher churn ratio) and postpaid customers through innovative bundled offerings where all users can share minutes and content. Regardless of the payment methods and offers chosen, service providers have a complete view of all customer accounts since all customers are supported by a single system.

Hybrid accounts also pave the way for innovative offerings and customer incentives. This can include shared rewards where the service provider might give away 100 free minutes to be split between the prepaid and postpaid subscribers on the account or offer cross-channel benefits where \$50 spent on the postpaid account could garner a \$5 bonus recharge on the prepaid account.



Convergence makes it easier to introduce new content services:

MMS, mobile email and 3G services such as music, video, and games continue to grow in popularity, offering new revenue sources, particularly in the growing youth market. Bundling data and content services with voice also increases the potential for additional market penetration. However, before service providers can roll out and cash in on lucrative content services, they will

need to overcome a few obstacles. These include: customer hesitancy about using new services, ensuring that service providers effectively collect the revenues, and managing regulatory issues such as notifying customers before they exceed their prepaid spending limits. A fully convergent solution resolves the challenges, including advice-of-charge (the provision of a price quote for a service prior to its consumption), centralized budget control (spending limit options for both prepaid and postpaid customers), and the ability to provide next-generation services over a prepaid platform.

Convergence supports IMS:

IP Multimedia Subsystem (IMS) is a new service-creation and control architecture based on a 3GPP standard, a leading industry standard for managing telecom operations in real-time, which will make both defining and managing next-generation services simpler. It will enable mobile service providers to roll out a superior service environment for launching blended services and supporting fixed-mobile convergence. IMS will also allow service providers to cut related costs, such as system coding, testing and ongoing maintenance, as well as reduce time-to-market of services by enabling shared network resources. However, traditional network-based prepaid platforms will provide a challenging environment for IMS due to their reduced rating flexibility that delays the launch of new services.

In order to deploy IMS, charging systems need to support pre-paid/post-paid convergence. This enables service providers to market IMS offerings to all subscribers, regardless of their payment method preferences. It also provides service providers with budget-control mechanisms such as personalized advice-of-charge and spending limits, all of which help alleviate any concerns customers might have about potentially overspending on IMS services.

Market saturation and increasing competition will accelerate service providers journeys towards pre-paid/post-paid convergence. However, true convergence is a process. Service providers will choose varying routes to progress and the right path depends on the service provider region, primary line of business, strategy, customer blend, and the status of their current systems. Once achieved, pre-paid/post-paid convergence will enable service providers to provide an improved customer experience to their entire customer base, thereby increasing customer loyalty and the consumption of advanced new services.