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Simplifying BSS: *Cut down on hype and focus on simple reality*
By Ed Finegold

I hit the Yankee Group's 4G World event in my hometown of Chicago a few weeks back. It left me thinking that our industry is out of touch with where users are driving the market. We're still trying to convince ourselves that customers will keep paying increasing subscription and per-use rates for a superior service experience. We want to believe that top line revenue will explode if we just stop offering unlimited service packages in favor of far more complex pricing and charging scenarios. Categorically, I just don't buy it.

You can't swim up the falls. The market has gone to all you can eat pricing. Customers like it and expect it. Pay-per-use has its place, but it's a value-add, not a basis for pricing that can replace unlimited plans.

Further, we can't out-innovate the Internet. We all know Google and Apple changed the game. But with Hulu and TV.com, NBC Universal and CBS have blown cable and telco TV out of the water. There are many more similar examples out there from Skype to Justin.tv. The Internet breeds simple but sophisticated services in ways telcos and cable operators just don't.

All is not lost though. We just need to face reality: telecom is a commodity business where we move bits across pipes in high volumes. We do it well. It makes for great cash-flow. If service providers get their cost structures in line and focus on delivering the best pipes, they can win big. I believe BSS

providers can help them by backing off the hype, focusing on the cost issues, and making their offerings simpler to understand and deliver.

"We All Sound the Same"
A colleague who is an officer with a major billing provider said to me the other day that it is very difficult to market BSS products these days because "we're all saying the same things. We all sound the same." Many of the messages coming from the BSS vendor community focus on complex, multi-service scenarios where customers will be nickel-and-dimed for doing stuff they can pretty much do online for free now. It's just that many do sound the same, and they're selling the same confusing, vague, and unrealistic messages.

CSP engineers love the idea of complicated, multi-service scenarios because it means they get to play with cool technologies. The telco, wireless, and cable sectors spend millions in cash and person hours debating complex specifications for things like IMS, Tru2Way, SCTE 130, and more just to try to get services out the door that cross network boundaries. Google, Apple, NBC, etc. – they're already doing this stuff online without all the complex standards and specs. Most of the standards effort seems to aim at getting legacy infrastructure to do what the Internet already can. Granted, we need standards to make networks function, but it all seems like overkill in the services layer.

Whether I buy it doesn't matter. CIOs and CFOs need to believe, but the messages don't seem to be aligned with what's on their radar screens. My mentor, a well known CIO and billing guru, told me the truth. He said CIOs are mostly concerned with "keeping the lights on." He says simplifying things for customers is the way to win and that making bills easier to understand would slash care and churn costs out of the business. He also says that simplifying BSS infrastructure makes it easier and cheaper for a CSP to operate. Shadow IT organizations pop up, fester, and bleed cash when CSPs get creative with technology boondoggles. Most importantly, he said CFOs want results, not promises. They don't care for complexity. They want IT to cost less and do more.

All of this screams "simplification." It flies in the face of the idea that I'll pay a subscription fee, plus per-use charges, to video chat with my friends while sharing a game and shopping for my wife's birthday gift. I can already do all of that for free online and, perhaps more importantly, my 13-year-old cousins are probably doing all of that and more online *right this second*.

For BSS providers, I think it's time to simplify the message. Help the CIO make his or her case to the Board and to the CFO. How will you move cost out of the business without too much risk or pain? How will you help make this commodity business ultra-profitable? How will you make your software more predictable and mature so, as is the case with most hardware, it just works when you plug it in? That's the sizzle on your steak. The rest is just wishful thinking that smacks of delusion.

Make Billing Make Sense
Not everything will shift to unlimited price plans. Broadband is already there. Mobile is headed there. But there are still plenty of successful examples of pay-per-use or per-download services, like ringtones and iTunes, to show that customers are willing to pay a bit extra for certain services. I'm willing to bet there's a limit, though. Pay 99 cents for a song I love? Sure. Pay a buck, then two bucks, then 50 cents, in the course of texting a friend, sharing a video, and playing a side-game based on our fantasy football league? Maybe I would. However, a problem would inevitably arise when I got my bill at the end of the month. It won't reconstruct the context of what I was doing, or give me line items in language I understand.

When you look at mobile bills that include applications and downloads, they don't make much sense. Things like navigation applications are spelled out pretty clearly, but most off-deck content is listed with a number or a code that looks like a cryptic field pulled right out of the database. This kind of failure to cater to the customer on the bill drives call center volume and contributes to churn. Those are costs that need to be driven out of the business. So, if we move away from unlimited pricing and do more of this kind of billing, it might drive top line revenue for a while, but it'll crush profitability and customer loyalty along the way.

BSS vendors can help here. This is a discrete problem that can be solved without transforming the enterprise or federating every database in the organization. Yep, I'm suggesting a point solution. I realize that's become taboo in this sector where we rail against silos and rally for transformed infrastructure. Let's face it though – CSPs' IT infrastructure is messed up. We've been talking about fixing it for more than a decade and we're still just talking. When you look at how CSPs operate, how jobs are broken out, and how the politics work, it's just logical to go with the flow. If CSPs want to solve specific problems with simple solutions, then let's do that. If you want to know more detail on this, or completely disagree with me – email me. I'd love to hear from you.'
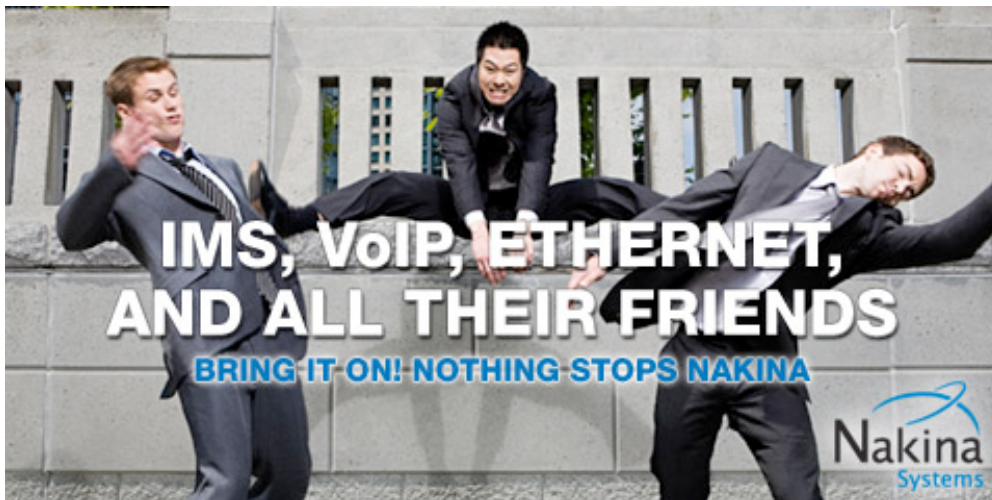
Value in Data

If BSS systems aren't going to flex their rating muscle in complex charging scenarios, then where's the value in today's advanced billing systems? It's in the data. This is where I think the BSS sector is starting to get it right. When you're looking at all of the transactions- whether they are billed to the end user or not – you've got the keys to the kingdom. Everyone wants to know what people are doing online, with their TVs, and with their mobile devices and how to segment people into identifiable audiences. That's where business intelligence, or analytics, becomes extremely powerful.

Advertisers especially want to know this information. As they advertise more through services like online video, they want to target and tailor their ads and measure their effectiveness. Hulu is trying to do this already. When I see an ad on Hulu, it asks me to give it a thumbs-up or down so it can tailor ads to me. That relies on my cooperation though, and as Pipeline's publisher and editors can tell you, I'm often not very cooperative. I don't even sign-in when I use Hulu. I just use it.

Call me a rebel.

My cable operator, however, already knows who and where I am. That means they have something to offer to Hulu that's valuable to Hulu's advertisers. They're in the revenue chain, they're just not taking advantage of their position. This doesn't violate Net-Neutrality, because they're not stopping me from doing anything. Instead, they can be a key enabler providing connectivity to the end user and intelligence about me. I may not be billed for watching Hulu, but billing technology could know a lot about what I'm doing and how often.

This approach doesn't fundamentally change billing, it just steers it into the flow of where the industry is headed. Further, it doesn't require a full blown SCTE 130 implementation to make this customer- and service-awareness happen. Billing, mediation and analytics systems can already do this stuff today. I'm not saying SCTE 130 isn't valuable. It's just the aspects of it that deal with understanding user behavior are even more valuable than the parts that deal with ad delivery through legacy set-top infrastructure. Those aspects are things many off-the-shelf billing solutions can already provide.

One Tidy Package

While pondering this rant as I walked through the exhibits at 4G World, I had a sit down meeting with Manish Gupta, vice president of global marketing and Sukki Sandhar, head of service aware

solutions for Kabira Technologies. Gupta and Sandhar essentially agreed with me that we can't go backwards – unlimited plans are here to stay. They did argue, however, that per-use charging will, for example, allow mobile operators to access greater portions of their customer base with data and application services. Unlimited plans, as they stand, can be overkill for a large percentage of the customer base. Plus, data subscribers make up a small minority of wireless users, but that minority contributes a disproportionately large percentage of revenue.

Generally I agree with Gupta and Sandhar's point of view as far as it applies to the mobile sector. If someone doesn't want to subscribe to a data plan, then giving that person access on a fair pay-per-use basis makes sense. We've seen this with text messaging where budget-concerned users will pay for text as an alternative to voice. Generally speaking, with more payment and pricing flexibility, it's possible to build service penetration in parts of the market that aren't going to go all-in for monthly data, applications, and messaging subscriptions. It also encourages users to try before they buy, which could help move more users up the ARPU ladder over time.

What strikes me about Kabira's solution, however, is that it looks like the future of BSS to me. It looks more like hardware than software. My CIO mentor once told me that hardware is great because the light is either green or red. If it's red, you plug in a new box. Software is all shades of grey, making it much more difficult to work with. Kabira's solution is software, but it's leaning in that "greed light/red light" direction. It's very well defined – you plug in this high performance real-time charging and provisioning platform and it pretty much does what it does.

Kabira's solution also has the advantage of being service-aware. It can deliver service and charge for it. The platform knows what's moving and where it's going. It's a source for the powerful intelligence that advertisers and marketers want. It's not limited to specific types of transactions or services. And it's proven to be a capable OEM component for Hitachi. This means Kabira has figured out how to get high-volume, low-cost distribution out of a very complex software product without throwing armies of integrators at it.

Kabira, like the rest of the BSS space, is arguably guilty of jumping on the hype bandwagon. But I think there's something to be learned from how well defined its solution is. The technology is amazingly complex and advanced, but it's wrapped up in a tidy package that provides specific functionality and is relatively straightforward to implement. In my opinion, the BSS sector needs to offer more of this sort of thing to help CIOs limit their risk, restrain costs, and sell businesses cases to Boards. If BSS providers can talk about practical and well defined solutions to specific problems, rather than shoveling a lot of hype and making somewhat vague promises about future revenue growth, they'll do their CSP prospects and customers a favor. They'll also help the industry focus on the reality of where its market is headed: being an enabler for more of what millions of people are already doing online.