

Pipeline

Knowledge Is Power

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Premium Content and Ethics in Wireless Billing

by Ed Finegold

Watching oilman T.Boone Pickens on *The Daily Show* and *60 Minutes* promoting his plans for energy independence evokes something my sarcastic father used to say about Wall Street philanthropists: "first you get rich; then you get ethics." If only the phrase were universally true. The rich and unethical have been exposed in recent months, and yet governments around the world aim to hand them bundles of cash and hope they've learned a lesson. The communications industry doesn't need a bailout, which is fortunate for those of us who work in it, but it faces its own challenges when it comes to ethics. As billing infrastructure is offered as a service to 3rd party content providers, the open door policy welcomes not only the overtly fraudulent, but the grossly unethical who walk the line between criminality and plain old greed.



Fishing for Marks

Let's get one thing perfectly clear. Fantasy football is a disease. On the surface it seems like a great way to keep in touch with friends and follow a beloved sport. In reality, it's a time sink, it creates pointless arguments among good friends, and it undermines traditional team loyalties. And yet, reading up on which scrub is suddenly the ideal free agent addition to one's ailing squad becomes a compulsion for far too many people. Scanning *The Sporting News* fantasy football website for

elusive tidbits of information, like how well the Saints' 3rd string receiver fared in practice on Wednesday, one is likely to encounter premium content providers fishing clandestinely for unwitting marks.

The advertisement says, "Brett Favre's IQ = 105. Can you beat his score? Try now! Take the quiz!" It's an innocent ploy that plays on one's subconscious insecurities. It says in so many words, "C'mon, you might suck at fantasy football, but you're still smarter than a guy who's had his head pounded into the turf for the past 20 years." Clicking on the link takes you to a 10 question quiz that's about as close to an IQ test as Favre is to a particle physicist. It is suspiciously simple.

When complete, it asks you to enter your cell phone number to retrieve your results by text message. Those wary enough at this point to read the fine print hidden at the bottom of the web page find that entering a number subscribes one automatically to an ill-described premium content service that will automatically charge \$9.99 per month to that number's wireless bill. This is only one example of such unethical and abusive practices becoming more prevalent in wireless today.



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Hiding Behind Caveat Emptor

The Roman Empire is often praised for bringing roads, aqueducts, sanitation, education and political order to vast areas of Europe and the Near East. But the Romans also practiced slavery, fed people to lions for sport, and introduced the world to the concept of Caveat Emptor – buyer beware. This concept became fundamental to capitalism and it is a healthy reminder to consumers that businesses are, first and foremost, out to make money. The dark side of the phrase, however, is that too often it is used to justify unethical business practices, as is apparent in the 3rd party content world.

It makes sense that a professional poker player would live by a similar creed that says it's a crime not to part a sucker from his money. It's a fact of life that we all have to use our wits to protect ourselves from criminals. But if we enter into a contractual agreement with a legitimate business, it's reasonable to expect that business to try to protect us from those who aim to abuse our trusted relationship.

In the ploy involving Brett Favre's diminishing IQ, we find a perfect example of an unethical business that is permitted to abuse the trusted billing relationship between wireless service providers and their subscribers. Without question, the unethical types that run the IQ test scam deserve harsh punishment. But there's an easy way to put these knobs out of business – wireless carriers should not pass their charges through to customer's bills.

The idea of turning billing infrastructure into a revenue-generating service is extremely smart. Billing infrastructure is capital intensive and far more difficult to replicate and perfect than many services. Just ask all the folks who decided to charge flat rates for VoIP rather than attempting to create complex, usage-based billing infrastructures. As communications service providers (CSPs) seek new revenue streams and avenues for growth, it just makes sense to take all of the OSS/BSS systems hiding in back offices and find ways to turn them into profit centers. The processes they manage, and the data they house, are probably the most valuable untapped assets these companies own.

But billing isn't just about the infrastructure. It's about that trusted relationship with the customer. The IQ test guys might deserve a good flogging, but the CSPs that have allowed them to become a partner also deserve a good slap. There needs to be a thorough and continuous vetting process that stops such scams before they get started. Wireless carriers need to have high standards that are well defined to which all partners must adhere. It's not enough to terminate their billing rights when the complaint level escalates – which rarely happens without lawyers getting involved. It's also not enough to remove unwanted charges from the customer's bill after the fact. There are real consequences here.

Credit for Dollars We Never Meant to Spend

In a limited way, CSPs are trying to do the right thing when it comes to unwanted 3rd party charges. Figure 1 shows an example of a wireless customer who, after uploading his wireless bill to www.fixmycellbill.com for analysis, discovered that his bill included \$19.98 in charges for premium MMS services for which, as far as he knew, he'd never subscribed. The online service helped to request not only that these charges be removed, but that the wireless provider investigate how many times these charges had appeared on previous bills and credit those charges to his account as well. He wasn't going to pay his bill until the situation was rectified. Turns out, he didn't need to.

What Figure 1 shows is that the abusive billing practice had recurred for at least eight months, and that the state and local tax authorities grabbed their own piece of the action along the way. The CSP agreed immediately upon request to apply credits to the customer's bill. Not only didn't the customer owe the CSP any money, the CSP ended up in the hole, owing the customer a \$14.41 credit. The customer walked away feeling pretty good about the online service, and extremely wary of his carrier's questionable billing practices.

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Payments and Adjustments	
Previous Balance	\$157.19
No Payment Received	
Total Payments	\$0.00
Adjustments	
Premium Mms Content Credit	-160.00
State Tax Adjustment	-10.00
Local Tax Adjustment	-1.60
Total Adjustments	-\$171.60
Credit Balance	-\$14.41

Figure 1: Wireless Bill with Unwanted Premium Content Charges

Here's where the side effects come into play. First, with random charges showing up on bills, it only exacerbates what's already a massive problem. Industry studies generally show that more than 70 percent of all calls to contact centers are the result of rate plan confusion and billing disputes. Each call costs the carrier somewhere in the neighborhood of \$8, adding up to billions in call center expense each year across wireless sector alone.

Billing and rate plan problems are also among the leading causes of customer churn. Churn is the largest and most punishing cost every wireless carrier battles. The very best of them loses one customer for every two it acquires. Allowing every thug with a shady business model to treat customers like rubes will only drive these killer costs up. The thugs don't pay the freight - CSPs, and their customers do.

Next, there are plenty of legitimate 3rd party content providers out there who respect the trusted billing relationship and want to use the mobile channel to deliver quality services. They don't want to be associated with crooks and scam artists. They want to do business in a safe, clean and secure environment and value the upside that comes with it. There's a reason retailers like Ralph Lauren, Apple, Disney, and Bloomingdale's all have major stores on Michigan Avenue in Chicago, far from the check-cashing and liquor joints. Customers who feel happy and safe spend more money. They'll pay full retail prices for things they can get cheaper online because they trust and enjoy the transaction more.

Further, if we as consumers aren't protected within the context of the trusted billing relationship we aren't going to trust our CSPs. If we have to call contact centers to

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fix problems that shouldn't have occurred in the first place, we'll be increasingly dissatisfied. (Check out the latest customer satisfaction ratings for the wireless industry on J.D. Power's website; they're similar to George W. Bush's approval rating.) Given the number of pending class action lawsuits regarding early termination fees, the consumer-wireless carrier relationship is clearly strained. Personalized content should become an opportunity to give consumers what we want; to make us happy as we are blissfully absorbed in our beloved mobile devices. It might be high time for all wireless carriers to find some ethics along the road to getting rich.

If you have news you'd like to share with Pipeline, contact us at editor@pipelinepub.com.