



How Cloud Service Providers Can Effectively Monetize and Deliver the Ultimate Cloud Offering

Revenue Management for on-demand access to any service or resource in any volume

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White Paper





Introduction

The Cloud ecosystem has ushered in an exciting era of new open access to world-class computing power, resources, storage, development framework and software applications.

With this has come an explosion of innovation and uptake of new types of service delivered via the cloud, leading to acceleration of cloud services by enterprises large and small. While Cloud Service Providers (CSPs) have enabled much creativity, cost reduction and innovation for their customers, they themselves have been challenged to usher similar creativity and innovation to monetization and billing of their own services. This has resulted in the emergence of some key business risks, such as:

- › Becoming a commodity provider due to CSP customers churning at a high rate due to lack of differentiation
- › Inability to exceed client satisfaction as a result of poor usage and billing details that enterprise customers expect
- › Missed revenue and maximization opportunities due to the numerous value-added resellers moving to cover this growing need
- › Slow time-to-market and up-take of new services because there's no dynamic promotion mechanism built into the charging model
- › Credit risk exposure, as enterprises with low credit ratings can end up using more than what they can pay in a billing cycle

Whether a CSP is focused on Infrastructure as a Service (IaaS), Platform as a Service (PaaS) or Software as a Service (SaaS), effective monetization of services remains a key challenge to overcome in order to accelerate the delivery of the Ultimate Cloud Offering, minimizing key business risks, developing a sustainable long term business model and creating market differentiation.



Defining the Challenge

As Voltaire wrote, "With great power comes great responsibility." Likewise one can say that, "With great opportunity comes great sophistication." The Cloud Computing monetization models today remind us of the telecom world's billing models of the past. Previously, the distinct bias was towards flat rate billing and there were few, if any, monetization models that were low latency usage or activity-based, reflecting consumption behavior. Additionally, the billing models were restrictive. Bundling across accounts and hierarchies was quite difficult (and sometimes impossible) to achieve. However, with the onset of the data tsunami, bundled packages to enterprise and retail clients and overall market saturation monetization models had to be changed to meet customer needs which demanded revenue management based on various permutations and combinations of usage, activity, peak/off peak, low latency credit control, quality of service, pre-paid or post-paid and other criteria. Providers saw in this an opportunity to design billing plans that not only aided in churn reduction by delivering the best offer at the most competitive prices, but also an avenue to increase average revenue per user (ARPU).

Recently some have positioned subscription billing as the answer to billing challenges faced by CSPs. Subscription billing, simply put is charging a flat recurring fee for services. While subscription billing has its place, it is inadequate for the needs of CSPs or providers who need the ability to be flexible with their pricing plans, require hierarchy-based usages and billing break down, and stronger revenue recognition capabilities. Subscription billers are simply not able to match the needs of today's enterprise consumers of cloud service providers. Consumers of CSPs are extremely sophisticated and it is hard to imagine they would accept a "one size fit all" monetization model that fails to take into account their usage and consumption patterns. The goal must be a value-based billing model. "Subscription," "all you can eat," or "flat rate" billing models alone simply do not meet the needs of today's CSPs.

Market realities are rapidly pushing CSPs to become more sophisticated and robust in how they rate, charge and bill for their services. This process is similar to the experience telecom service providers underwent when the wireless data tsunami and enterprise bundles started to gain wide-spread traction in the marketplace. Recognizing the lessons, challenges and opportunities learned from that experience will provide advantages for CSPs in today's environment.

CSPs monetization models need to address five key challenges to be ready to meet future challenges:

1. Billing and charging models must be value driven and more reflective of consumption behavior (eg: on demand, usage based, peak/off peak, discounts based on hierarchy and packages, a la carte services, usage patterns, type of use etc.).
2. Transparency and granularity of usage details must be available by accounts and sub-accounts that reflect enterprise customers organization structure and budget units.
3. Effective policy control & enforcement to deliver appropriate quality of service & SLA according to the purchased offer. This need will become highly critical as demands on computing resources grow exponentially.
4. Implementing a low latency credit control policy will be necessary so clients don't experience the "bill shock" effect.
5. Delivering reliable and scalable billing and revenue management will be paramount to building trusted client relationships.



The Potential

Value maximization potential in the cloud computing era is limitless for all “as a service” models (IaaS, PaaS, SaaS, etc.). This is because the array and permutations of services CSPs can potentially provide are limitless.

Effective revenue management and billing can help power the delivery of the Ultimate Cloud Offering by enabling multi-dimensional pricing models.

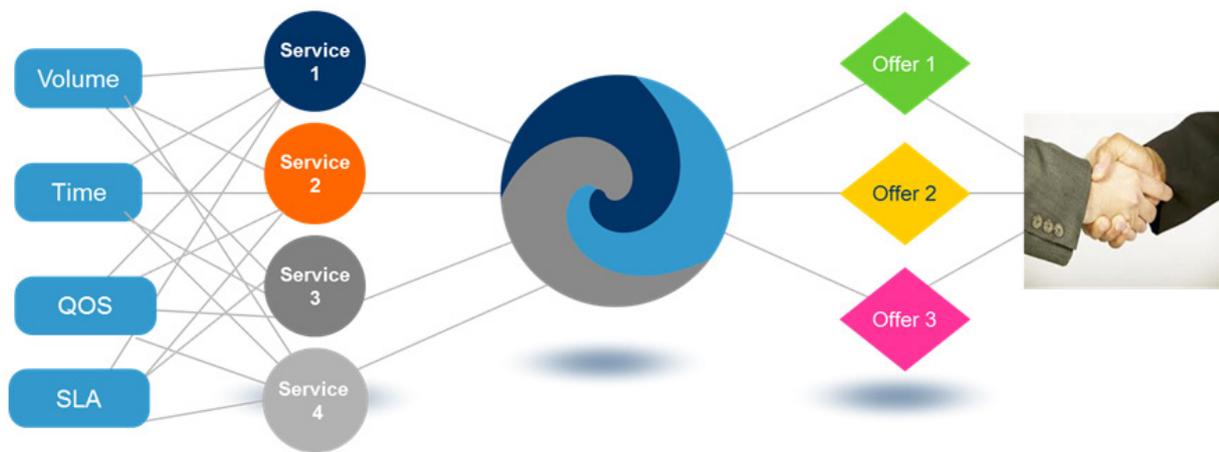


Figure 1

The flexibility that is notionally represented in Figure 1 can also be leveraged to deliver benefits to end clients and business, including:

1. **Bundle:** by bundling different services and packaging them as one offer
2. **Incent:** by leveraging metered information of usage and consumption behavior to incentivize uptake of new services
3. **Reward:** by giving limited period bonus services once certain criterion are met and/or usage levels have been crossed
4. **Inform:** send near real-time notifications of key account activity or critical usage to a client's preferred channel
5. **Satisfy:** deliver rated unbilled usage information to CSR or enforce credit limit checks to avoid bill shocks

Another benefit of using multi-dimensional revenue management attributes is that billing transaction data records can be used to obtain the end-customer's usage and consumption behavior. If analyzed, this data can then become a valuable source for efficient pricing and offer management.

This flexibility will provide the added creativity and innovation to truly make for the Ultimate Cloud Offering by enabling global service providers and enterprises to maximize revenues, minimize churn and help them to differentiate themselves and the services they provide.



Effectively Monetizing the Potential

CSPs have an unprecedented opportunity to be creative, innovative and successful in deploying monetization models. Rather than the traditional one dimensional billing model like subscription, all you can eat, or flat rate, CSPs can greatly increase value and customer satisfaction by leveraging rating and charging attributes from the Comverse Kenan billing tool box.

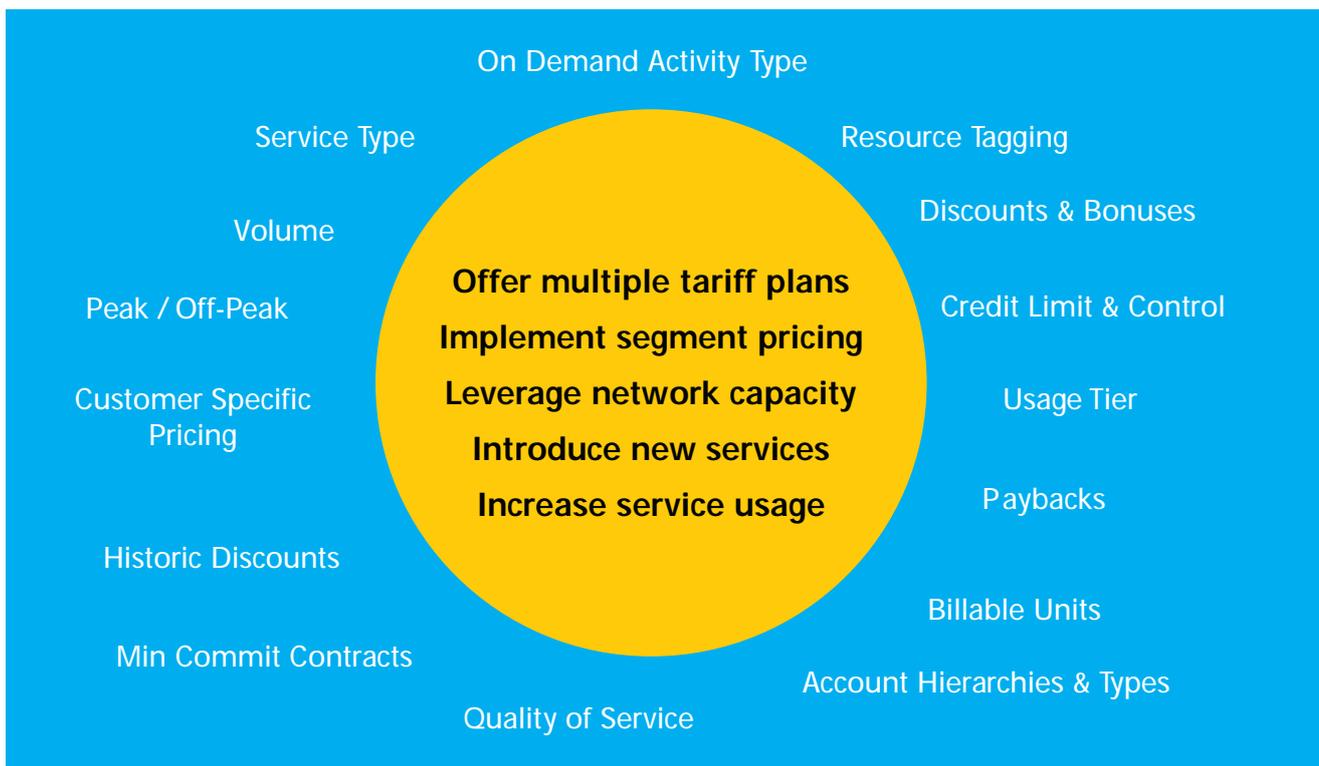


Figure 2

Items represented in Figure 2 illustrate the low hanging fruit and some of the most time tested rating and charging keys that have been applied across industries to effectively monetize services. These monetization strategies, coupled with very strong enterprise hierarchy-based usage and billing tracking models, can significantly boost the value that IaaS, PaaS and SaaS deliver to their clients.



Conclusion

There are several items that need to be resolved to deliver on the promise of the Ultimate Cloud Offering, which calls for ultimate flexibility with on demand access to any resources at any time. One of the key challenges to deliver on that promise is delivering flexible, scalable and reliable monetization, billing and revenue management for Cloud Services. The CSPs that are able to effectively monetize and bill for their services will thrive by meeting the quickly evolving needs of this dynamic market. By learning from the past and understanding the dynamics of the future, CSPs will triumph with higher client satisfaction, reduced churn and a sustainable, successful business.

About Comverse

Comverse delivers a true carrier-grade cloud-based suite of software solutions that support users' connected lifestyles and help our customers monetize, future-proof, and differentiate their offerings with faster time to value and less complexity. We offer proven and flexible solutions that include managed BSS and Policy (PCRF), Enterprise and Cloud Billing, and Digital Services, all guided by an experienced Managed Services offering, that ensure our customers gain competitive advantage. Comverse's customer base spans more than 125 countries with solutions successfully delivered to over 450 communication service providers and enterprises serving more than two billion subscribers.

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