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Bills Out, Revenue In: BIMS 2008

by Barbara Lancaster

The tone of the Billing & Information Management Systems (BIMS) conference was set early on Day 1, with an excellent presentation by Bob Webb, CIO of ACN. In describing his love affair with telecommunications billing systems, and yes, even those legacy work horse versions, he simply said: "A river of revenue runs through those systems."

Whether that revenue is calculated in real time, or tallied up at some point later in the month, was the subject of much discussion throughout the conference. At one end of the extreme, NTT DOCOMO described their new MoBills billing environment which handles a hefty 28,000 CDRs per second (on a platform centered on 50 HP Superdomes). Despite the fact that 90% of DOCOMOs customers are post-paid, MoBills calculates charges in near real-time, including application of eligible discounts with results posted on-line for customer review within seconds of completion of each transaction - a real feat at more than 1 Billion transactions per day. For Hong Kong's CSL, customer needs for near real-time views of charges are addressed by polling for CDRs every fifteen minutes, raw rating them, and having the details available for customer view within thirty-minutes. CSL's Peter Smith agreed that they are keeping an eye on the need to move at some point to a more real-time environment, but that currently their customers seem well serviced with the near real-time information.

A most interesting new service provider sits in between these two extremes. Kajeet is an MVNO designed specifically for tweens and teenagers. Balancing what kids want and the controls that parents want is what Kajeet is all about. Working closely with Telcordia, the Kajeet team wanted to come up with a service offering that appeals to kids by presenting them with cool services and brightly colored, fully featured handsets (no "five button" phones for these kids!). Just as high on the priority list was serving the needs of the parents, including knowing where their children are, even when the handset is turned off; being able to set limits on the time of day that services can or cannot be used; which numbers can be contacted, and how much money can be spent. There is even a "Grounded" option which overrides all normal privileges. The result is a fast growing customer base, with very high ARPU, especially for data-oriented services such as SMS, email, and web browsing – but only to sites that meet the U.S. regulators' requirements for child-safe content and tightly restricted advertising rules.

There was complete consensus on the need for speed in defining and launching new services and new rate plans. Every vendor and every operator agreed that this was essential to being able to keep up with, or ahead of, the competition in today's highly volatile markets. For a very large operator like NTT DOCOMO, MoBills enables a new rate plan to go into production in one quarter of the time required previously, but that shortened time frame is still one month. For smaller, more nimble operators like Kajeet and CSL, that can mean a new plan launched overnight, proving that small equals nimble, at least for now.

Show Me the Money!

How to get and keep customers and how to get customers to spend more money was another area of focus at the conference. An interesting new twist is being taken by new Sprint subsidiary Boost, a pre-paid only, "youth lifestyle" MVNO.

Gautam Shah of Boost, Sprint's wholly owned subsidiary, suggested that the US mobile market is evolving rapidly with a trend towards prepaid schemes. Analysis by the Boost team suggests that the traditional price/value equation is not enough to maintain loyalty and that data services are not a compelling differentiator.

Enter Boost Mobile's "Advanced Loyalty Management" approach provides users with relevant rewards based on service usage, in order to stimulate target usage. Rewards are provided as the customer is actually using the service or in a "contextually correct time" thereafter.

Rewards are aimed at customers before they reach the "danger zone" when churn is highly likely. By providing rewards earlier in the customer life-cycle, customers are encouraged to keep using the service and never enter the "danger zone."

A challenge faced by pre-paid service providers is their lack of detailed knowledge of their customers. The Boost Advanced approach circumvents this shortcoming by using pure calling and usage information linked to the customer's number, with no reliance on assumptions about age/culture/ethnic preferences. The success of each reward initiative is measured and used to optimize the program for re-launch.

Advanced loyalty management is accompanied by new approach to market segmentation. Traditional segmentation is replaced by "Super Segmentation" based on social communities, and business growth is fueled by members of these communities who act as "net promoters" and "viral hubs" spreading word of the Boost service through web presence and social networks.

The end result is a continuing perception by each customer of a "for me" customer experience reinforced by timely and relevant rewards. The effort of data collection and analysis is justified by the relative cost of win-back by this method, which is around 30% to 50% of the cost of acquiring a new customer.

A Tale of Two (Very Different) Approaches

The dialogue about changing business models continued with differing views presented by Charmaine Oak of Orange UK and Henk Ensing of the Netherlands' TNO (a government-initiated research and consulting group, with the telecoms team coming from the R&D group at KPN).

First, Charmaine Oak of Orange UK gave a comprehensive account of the new services that billing systems will have to support: content, social networking, user-generated content, location-based services, near-field communication services, payment services and more. For each of these services, we need to allow for conventional subscription and usage charges, perhaps ad-supported or third-party sponsored or all-you-can eat packages. Combine all of these in various segment-targeted bundles, add the need for identity and authentication, and her message was that you end up with a big, complicated challenge. By all accounts of the vendors, this clearly is a challenge that the operators must be gearing up to meet.

This need is predicated on a view of the future that could fairly be described as the mainstream network operator's perspective: a future in which the carrier is still at the centre of the customers' universe, and in which all content and services are provided by the operator itself, or by the operator's partners. This could also be described as Wishful Thinking…

Henk Ensing of the Netherland's TNO (a government-initiated research and consulting group) provided a somewhat different perspective. Henk summarised the evolution of billing approaches: from network-centred to services-centred, and (soon) to customer-centred in which multiple parties cooperate in the delivery of a rich variety of on-line products. Henk envisages a future in which all charging (he avoids the word "billing") is dynamic. Charging options are limited to "pay now" or "charge my pre-paid account." There's no room for traditional post-pay and complex price-plans in this dynamic world in which "each transaction is unique." Supporting all this is a SOA-based billing environment that separates the billing process (or business logic) from the billing functions. In Henk's world, systems will evolve to enable cooperation with multiple partners where "no single company owns every link in the value chain." This version of the future sounds much more likely, in my view.

Keep All of the Money

Another well attended conference track focused on Revenue Assurance. With margins growing ever slimmer, attention on Leakage, Fraud, and Bad Debt remain hot topics. Typically, RA programs tend to be cyclical: in favor one year and budgets cut the next. According to Bahear Shankiti of Zain in Kuwait, this might be because the RA teams fail to integrate themselves into the day to day business. She took an entirely different approach and had some very positive results to report. Zain has tightly connected the Revenue Assurance program to their new service launch program. This rather novel approach enables the RA team to work from the initial concept stage with the Marketing group to identify the likely areas of risk. The service description can either be modified (easily at this early stage) to minimize risk, or the RA program can be tuned and ready to manage the new service when launched. Cross company collaboration is another critical success factor. By working closely with each department, the RA team is able to benefit from each group's expertise, improve its controls and business rules, and deliver better results with each iteration. Ms. Shantiki provided more advice for RA team leaders who would like to be seen as valued members of the organization: When anomalies are found, don't just report on them – go around and fix the problem.

Other great advice included from this track included:

- Get every involved group involved in User Acceptance Testing. For example, make sure that Finance, Accounting and Marketing all have a chance to test the system for the results they expect, in addition to the usual "users" Network Operations, Customer Service, and Billing
- Test each process from end-to-end and from many different expert perspectives to stop leaks before they start.
- The ever popular, simple, and still overlooked: Always look in your Suspense Bucket!
- Monitor your content partners closely to ensure that they don't "spam" the system, generating lots of transactions to make it appear that the service is more successful than it actually is. This raised a rather frightening specter of a new kind of fraud: content partners who not only try to beef up their numbers, but bill you for their fake usage too!

This made the presentation by Andy Harrower, Head of Licensing at MCSP-PRS (the alliance of the UK Mechanical Copyright Protection Society and the Performing Rights Society) even more important. As telecom operators increasingly look to content to boost revenues and hopefully margins, they need to build lasting and mutually beneficial relationships with partners who own and manage the content their customers want to buy.

Andy provided a timely and highly relevant overview of the intricacies of copyright, royalties and licenses related to recorded material distribution over carrier networks: downloads, streaming, or web casting. To handle the special requirements of online distribution, the industry needs to create new licensing models and Andy provided examples of these licenses, including arrangements for accounting, usage reporting and audit. Finally he provided a brief account of current developments in pan-European licensing arrangements.

Convergence: Here and Now

Sabri al Yahya of Etisalat gave the first presentation of the convergence stream, with an account of a converged solution for prepay/postpay mobile voice/data in Egypt. Converged billing was fundamental to Etisalat's aggressive entry strategy to enter the Egyptian market. Although Sabri mentioned a number of business drivers that influenced the decision to adopt a converged solution, clearly the big payoff came from the ability to implement a wide range of imaginative marketing programs to grab attention, and therefore market share.

The presentation by Rupert Berger of Telekom Austria could hardly be more different. A long-established incumbent, exclusively post-pay, with a converged billing objective to provide a single invoice for fixed voice and broadband, mobile voice and broadband, and IP-TV. Integrating the rated billing streams from five existing systems took them a mere three months, not counting a few billing cycles to handle the customer confusion and concerns. Although a single platform is planned, TA couldn't wait: once again the driver was market share, not cost savings or operational efficiency. The new unified bundle, with exclusively on-line bill presentation, allowed TA to slash prices and, according to Rupert, achieve "enormous market success." When competitors complain to the regulator, you know you've made an impact.

The final presentation on convergence was by Navaneeth Kumar of Wataniya Kuwait. Navaneeth described some of the problems and obstacles encountered in trying to transform an existing environment into a converged one. Lots of useful lessons here, and Navaneeth ended up quite convinced that a single vendor solution would have made life a whole lot easier. But he hasn't found one yet. Wataniya chose to streamline the organization too, combining the technical (network) department with IT at an early stage. Clearly this can create benefits over and above the need to converge systems and one that it would be good to hear more about.

Can We Ever Get There?

The round up and wrap up was led by Hugh Roberts. As always, Hugh provided the audience with much to consider. Perhaps most importantly, he suggested that we may never be able to get the sun, moon, and stars to align. His observation is that Business transformation and IT transformation happen on such different time scales that they get in the way of each other, and, in fact, can cause the other to fail. Yet, despite the disruptive choices available to operators (stay a "bit carrier," become an eco-partner, or become a movie studio?), every one of them involves customers buying services.

That means that bills must go out in order for revenues to come in. So, stay tuned for BIMS 2009, more relevant than ever to find successful choices.

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