

Converged Revenue Management: Giving All Your Customers – and Your Bottom Line – the Benefits of Real Time

Abstract

What the customer wants, the customer usually gets, as everybody well knows. So it's no surprise that the convergence of prepaid and postpaid offerings is largely driven by the competitive need to give all of your customers more plan options, more services, and more real-time flexibility. And to do so before your customers look elsewhere for it. By bringing the customer into the equation together with operational streamlining and savings, you have a compelling business case for converging your prepaid and postpaid customers and services into a single, differentiated business and service delivery environment.

In this paper, we'll consider the impacts of converged revenue management on the customer, the services, and on the network. Because in the end, what's good for your customers and good for your operations is going to be good for your balance sheet as well.

Introduction – The Once-Disconnected Lives of Prepaid and Postpaid

In many organizations, for many years, there was a virtual wall between prepaid and postpaid. Separate customer databases. Separate sales and marketing organizations. Separate billing and customer care. That worked, because prepaid and postpaid accounts were truly separate kinds of users. But those differences are rapidly evaporating. Prepaid users are ripe for more sophisticated bundling and service options. Postpaid users are ripe for more real-time flexibility and control. And both types of customers often work shoulder-to-shoulder in the same office, live in the same household, or have their bills paid by the same source. Service providers are all trying to chase the same customers in their markets, while still being challenged by their legacy environments. So the key to any next generation model is one that can unlock the differentiation you need to win that customer. One that is independent of payment model and one that is ready for the new two-sided business models that include content providers and advertisers as potential customers.

Providers who are ready to act have much to gain, with new revenue streams from differentiated services that will appeal to more of their customer base. They will also be able to drive costs down by consolidating infrastructure, as well as key functions like billing, customer relationship management, and marketing. Conversely, providers who resist the convergence of their prepaid and postpaid offerings take a big risk as competitors and third-party over-the-top providers begin to flood the market with compelling, converged service offerings. Those providers will miss a prime opportunity to give their customers more payment choices and service options, and neglect a chance to increase customer loyalty, along with their average revenue per user.

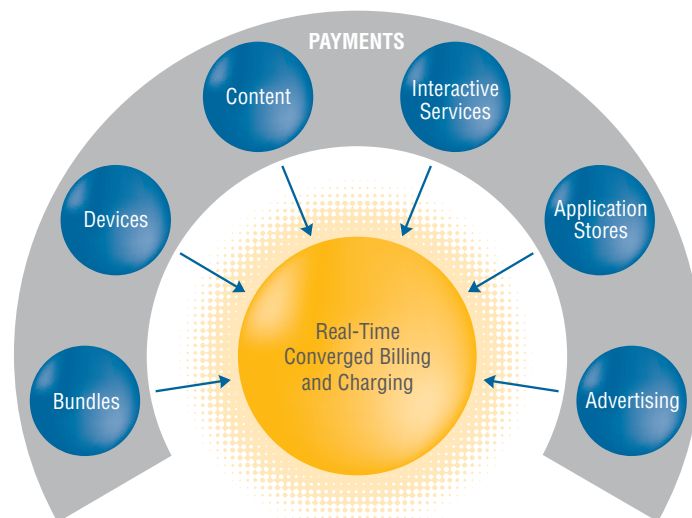


Figure 1: The Many Drivers for Converged Revenue Management

Real-Time Postpaid

Prepaid customers have long enjoyed the benefits of real-time charging. A customer downloads a video and, if they download a second, receives an instant offer for 100 free text messages. Or, they get close to their limit and get an immediate reminder so they can top-up their account. Postpay users, on the other hand, often don't know where they stand until the bill comes. And they miss out on the many in-the-moment promotions and offers that are a fixture of prepay

accounts. Real-time charging is the triggering agent for these interactions, and it is the central element that will enable providers to instantly track and reward behavior across all types of customers, including postpaid.

The time has come to enable real-time control of the user experience for every customer, no matter what their current usage pattern or preferred method of payment. Postpaid customers should be able to get all the real-time usage controls of prepaid accounts, including up-to-the-minute balances and event-based offers and discounts, plus real-time policy management, so they can make on-the-fly changes to family or business usage policies, as individual situations dictate.

One Customer, Many Options, Multiple Personas

Converged revenue management means a consolidation of your prepaid and postpaid customer databases, so you can now conceive and launch new services targeted at a wider audience. Or, perhaps, at a narrower, premium, high spending audience that cuts across both prepaid and postpaid, such as mobile broadband users with USB dongles or smartphones, or even heavy weekend users of voice. With one customer view, you can get creative with a combination of prepay and postpay services.

Maybe a customer has a postpaid business account, but can now have the option to prepay for personal use items such as downloads, after-hours calls, or value-added services. Maybe a postpaid user wants to apply a cap to their usage — a self-imposed credit limit — with real-time notifications, so they can make informed choices and have no surprises at the end of the billing cycle.

And the real-time charging aspect opens up a host of service pricing possibilities. A “dynamic pricing” model, for example, allows customers to be charged different amounts depending on what’s happening on the network at the moment. If traffic is high, the price might reflect that — a very real consideration given the explosion of mobile 3G devices and applications, and the need to encourage responsible usage. A “bill on behalf of” feature would allow application providers and third parties to charge directly to the user’s bill.

Whatever the service may be, customers will now have more payment and usage options than before. And providers can gain a competitive advantage by being able to rapidly deploy differentiating new services, bundles, and payment plans, while leveraging their service-creation investment across their entire customer base.

A customer device, whether it’s a mobile phone or a personal computer, can be used for personal and work activities. Only the customer knows which persona they are operating in and can make the service and payment choice that matches that role.

The Who and the Why

Different providers will have varying reasons for considering a converged revenue management model. Some will be operational, such as the need to upgrade an aged and inefficient infrastructure. Some will be revenue driven, like the need to increase their share of a key market segment such as the premium customer segment with its high spending profiles and increased demands for customer service and care.

Most, if not all, will need to respond in order to answer competitive market threats. One such threat exists in mobile broadband, where operators have to confront the danger of being relegated to connectivity provider status — a bumpy road many operators have been down before. Operators will need to offer services that are reactive to the user in real time. In addition, they will have to offer services that are attractive to third parties, such as advertising and flexible resource allocation. Otherwise, the third parties have proven that they will simply go “over the top” of the operator, and will take those potential revenues with them.

Those with the most compelling reasons to move to converged revenue management are providers who have:

- A desire to create services that increase subscriber volume and loyalty regardless of payment types
- The need to evolve to a centralized customer- and order-management system
- A desire to offer all payment models — prepaid, postpaid, hybrid, and pay-now — on a single platform
- The ability to support new two-sided revenue models based on content partner, or support advertising-based revenue models
- The necessity of getting revenue management processes engaged more quickly to get new services to market faster
- Greater visibility of the entire user base to enable more targeted selling
- A desire to provide a real-time user experience to all customers
- The need to scale their revenue management from a million to hundreds of millions of subscribers.

Whatever the reason for consideration, a converged revenue management strategy can be the basis for a more customer-centric approach for providers, allowing them to focus on reducing churn, to grow revenues within their customer base, and to provide users with a more satisfying customer experience.

Going Hybrid and Beyond

One of the most attractive applications of converged revenue management is the ability to provide some element of both prepay and postpay in user accounts. These so-called “hybrid” accounts expand the ways users can access and pay for services, and can even help encourage trial usage of new services and content. For example, parents might postpay for basic service on a teenager’s phone, but let the teenager prepay for additional content, like ringtones and movies. The parent has control, but the child has some limited ability to try and to buy.

The benefits go beyond typical hybrid accounts to the value of real-time control across all payment plans. A business user might take advantage of a voice VPN to provide more controlled mobile access to business calls with short codes. And flexible, rules-based rating allows a provider to create niche-market, or mass-market rating plans that reward behavior instantly, including real-time usage tracking, discounts, revenue sharing, sponsorship, and bonuses.

A Truly Converged Customer Experience

For the user, the converged revenue management experience is all about real-time choice and control. The customer has more ways to pay to suit their individual circumstances. The customer has real-time control over usage, and a wider menu of available services. The customer also receives more personalized offers, discounts, and promotions that would be more likely to pique their interest. And finally, the customer is more satisfied, with a broader range of customer inquiry portals, better retention workflow, and trouble ticketing.

A Real-Time Converged Operation

With converged revenue management, maintaining separate infrastructures and organizations for prepaid and postpaid is no longer necessary, freeing up human and monetary resources that are already stretched too thin. For the operator, this means a single order processing, billing, and customer-care system for all users and all plans.

Service providers are hesitant to look at billing system replacements, and often need to realize a system is broken before starting a transformation program. But as service providers realize that they cannot compete in the new markets of premium customers, value-added services, or mobile broadband, the need for new real-time, converged operations becomes strategic to their business.

Service providers who are looking to introduce this new environment based on the business case of supporting their next generation services, have the benefit of focusing the introduction on the new services and premium customers that are targeted for growth. This supports their immediate priority to capture market share, with a follow-on phase to replace legacy systems. This option also enables the retiring of old services and avoids re-development of older redundant services and offers in their next generation environment.

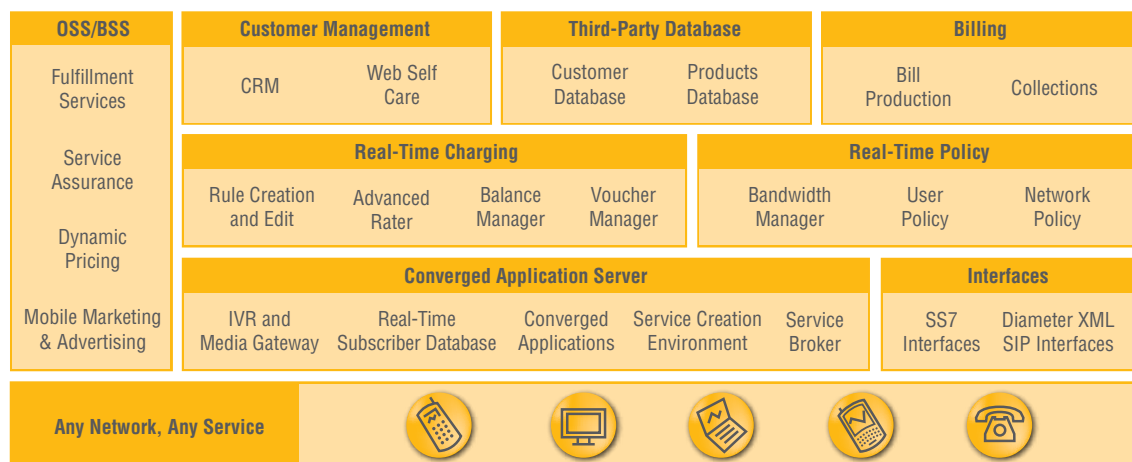


Figure 2: The Converged Service Provider BSS/OSS Ecosystem

Combining systems enables you to simplify the management of your user base, the key strategic asset of your business. Product managers can now view and analyze all your customers at once, so they can make smarter, more profitable development decisions. Plus, a wider view helps you cross market your services more effectively. You may wish to seamlessly move some users from prepaid to postpaid accounts and vice versa, with a straightforward, but reversible process. That prospect now becomes a lot easier.

Now, the downstream revenue management processes are in accord, making the introduction of new services and bundles a much quicker process, even to the point where providers can experiment with new offerings and pull them, without creating infrastructure nightmares. For example, a customer who consumes more than 80% of their broadband limit in a month will probably be more open to a real-time campaign that encourages them to move up to the next level tier to get a higher bandwidth limit, than to a similar campaign message in their bill. Along with targeted new services, you can have the flexibility to introduce interactive advertising-driven content and mobile marketing business models based on real-time advertising controls across services. You can also support mobile, mass-market broadband, and enterprise services integration.

A Model of Convergence

There are many benefits of converged revenue management — from the customer standpoint, from a service-creation standpoint, and from a network infrastructure standpoint. As with any network evolution, there are risks involved, and without a comprehensive strategy and solid solution, a provider might needlessly create difficulties that can overshadow the positive effects. For example, when transactions are done in real time, the system will need to support tens of thousands of transactions per second and will need higher availability revenue management solutions. That is, they must be much more reliable than is typically necessary in the postpaid world. Customers will only be enamored of new services and control if they are interactive and are available when they need the services. There must be no risk of downtime or poor quality of service. The stakes are high, so there is pressure to get the solution right. But there are potentially big gains for those providers who do.

No single convergence solution is right for every provider, but there are certain questions providers should seriously consider when selecting a solution that is the best fit. Does it offer:

- End-to-end management for service offers, including order management, customer care, billing, and network services
- Complete converged payment support, including prepaid, postpaid, hybrid, and pay-now
- The ability to track new technologies as they are deployed, including GSM, UMTS, CDMA, wireline, cable, VoIP, IPTV, and IMS
- Support for standard protocols, such as INAP, AIN, WIN, CAMEL, Diameter, and SIP
- Advanced operator- and customer-defined policies and credit controls in real time for all types of accounts
- Proven components within existing deployments in various geographies and various types of service providers
- Proven scalability, reliability, performance, flexibility, and trusted customer references
- Powerful APIs for integration with IT and external systems such as payment gateways, financial services, SDPs, VAS systems, and legacy components
- The flexibility to emulate existing prepaid solutions, to minimize customer disruption during replacement?

Providers might also do well to consider things such as: a single point for solution delivery; whether or not a solution is fully customizable; the relative merits of cost-versus-value of each solution; other possible off-the-shelf components and services that might be available; and support for converged services like mobile broadband, fixed-mobile, and video-data-voice-messaging convergence.

In the end, the customer experience should be at the center of the process of determining a solution, because the success or failure of your converged revenue management solution is ultimately in the hands of your customers.

Conclusion – It's Real, and It's Time

There was a time when separate infrastructures for prepaid and postpaid made perfect sense. The technology for converging the two was less than mature, and the needs of prepaid and postpaid customers were quite different. But now, the needs of all types of customers have become more sophisticated. And the costs of maintaining those aging infrastructures are compounded by the opportunity cost of failing to give all your customers more of what they want — a real-time, interactive customer experience.

Converged revenue management is no longer a question of “if,” but “when.” Providers who are ready to move to a converged revenue management solution now will have the added early-mover advantage of offering breakthrough services and bundles with real-time campaigns to their customers linked to information that the customer wants.

The technology has already made the leap. Many users have already made the leap, initially with “over-the-top” content players. Only one question remains: what are providers waiting for?



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