

If you're using your network to deliver content to customers — and who isn't? — you face a dual risk, says Alon Aginsky of cVidya. First, you lose out when system faults mean you can't collect the revenue from a customer. Second, you still have to pay a share of the money to the content originator, even though you were unable to collect it. No wonder CFOs are worried

How to avoid the double-dip risk

Technology is not the challenge: instead, revenue growth and profitability are the most important factors that operators are facing in today's telecommunications industry.

"The differences between technologies — whether it's 3G or 3.5G — are marginal," says Alon Aginsky, CEO of revenue assurance specialist cVidya. But at the top of the agenda for all operators, he says, is increasing revenue and increasing the bottom-line profitability.

In fact, pressures in this regard are increasing. On one side, the advent of number portability in many markets means customers are more willing to churn to other providers. On the other, Sarbanes Oxley and other regulatory issues mean CFOs have to be extra-careful in how they manage the money.

"And on top of this interesting salad, we have new services such as IPTV, social communities on the internet, Web 2.0 and so on," says Aginsky. "At the end of the day there are more and more free services that don't generate revenues."

This is putting operators in a dilemma, he says: "Should they focus on offering a very efficient pipe or should they also offer content over those pipes? Whichever decision they take, it changes the whole business. In any case, this is becoming a very different world, with new players."

And these changes increase the need for revenue assurance, says Aginsky: though he points out that operators are, at last, getting the message. "We are getting more and more requests for proposals," he says. "There is now a maturity in revenue assurance budgets. The awareness is higher and higher — it has not reached its peak yet globally but interest is growing."

But while the revenue assurance director or the CFO of a fixed or mobile operator might know they have to do something, "but not necessarily what they have to do or what should come first", he says.

Revenue assurance takes many forms, he adds. Mobile operators should do their best to offer personalised services, he says. Customers will spend a lot of time loading their own ringtones and wallpapers, and the operator should reinforce that by offering targeted services — news, sport and so on that the customer likes.

Watch for unexpected traps, says Aginsky. For exam-

to customers: download this piece of content and you get five free games, or sign up to this bundled offer and get 50 free ringtones from your favourite band.

"It can be complex to bill these properly," says Aginsky. The billing people have to be told which features are free and under what circumstances. "What the marketing department needs to keep people happy is just not in the same league as the billing department's capabilities."

There are different issues for fixed networks, he says, noting that cVidya mainly works with incumbents — the companies that have mature infrastructures that are now being wholesaled to a range of competitive providers in the second and third tier offering unbundled ADSL.

It's a different sort of reaction to what incumbents are used to: changes happen daily rather than monthly or quarterly. And consolidation in the industry means that there are even more changes taking place: "We have mergers and acquisitions, and it's possible when migrating two networks to forget five switches or so," says Aginsky.

This all creates a huge financial pressure on operators, he adds. "It's a moving target. The topography does not rest for one day."

One of the key questions, he adds, is whether to concentrate on the biggest market that operators currently have — voice — or the growth areas of IP-based content. "They're not currently generating revenues there but they will in five years," says Aginsky. And if they don't install revenue assurance systems now, they will face challenges of retro-fitting them once the problems become acute.

And the problems will become acute, he says, because content is different from voice: telecoms operators are just part of a food chain. They provide the pipes so that content creators or aggregators can deliver their material to the end users — fixed or mobile.

"You have to do an end-to-end inspection of both traffic and revenue," says Aginsky.

What you have to worry about as an operator, he says, is "the double-dip risk". There are two separate risks for the CFO and other senior executives: first, you don't get revenue for a service you delivered to a customer, for whatever reason; second, you have to pay a share of the notional revenue — even if you didn't collect it — to the content originator.

"This is the worst nightmare of the CFO," says Aginsky — especially these days when CFOs has to sign off that revenue has been stated accurately.

But this is putting revenue assurance on the agenda of the board meetings of operators, who are now finding that it's easier — and more rewarding — to invest €10 million in revenue assurance, and see the results directly on the bottom line, than to spend €50 million on developing five new services, for which there is no guaranteed revenue. And the CFOs have now got that