
Telcos team to find better ways to recapture 'lost' revenue

Work to be unveiled at TM Forum will help revenue assurance managers prioritize RA projects to recover dollars and plug biggest leakages

Apr 30, 2010 4:30 PM,
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Because the scope of revenue assurance can be quite broad, it's often difficult for revenue assurance managers to identify for CFOs and management specific areas most ripe for a large return on investment. What's needed is a systematic approach that leads to a blueprint, metrics and benchmarks for implementing RA projects – and maximizing project ROI.

To address that challenge, Telefonica Latin America, Portugal Telecom, China Unicom, China Telecom and Swisscom will unveil a "Catalyst" project focusing on revenue assurance at the TM Forum Management World show in Nice in May.

By creating a revenue assurance "coverage" model – or specific ways for RA teams to actually recover that lost revenue and plug holes – the group hopes to help service providers develop the analytics and business processes they need to optimize their revenue assurance budgets, as well as provide a baseline for industry benchmarks.

At a high level, revenue assurance refers to the tools and processes to ensure that telecom operators actually realize the fees owed to them for the services they've delivered to their subscribers. Typically, revenue "leakage" occurs due to a number of factors, including faulty billing practices, poor-performing systems and fraud.

According to findings by the TM Forum Catalyst team, revenue assurance departments today recover on average about 25% of the leakages they find – leaving significant money on the table. For that reason, carriers in this Catalyst want to make the corrections necessary so that leakages do not repeat themselves in each billing cycle.

"The economic downturn moved revenue assurance into the boardroom; senior-level people are now involved, as they see it as part of their strategic planning," said Amir Gefen, director of business development for vendor Cvidya, which is part of the nine-member team launching the revenue assurance coverage model. "[Service providers] aren't moving or launching products without revenue assurance managers in the room. That's a big change, as traditionally, it was an after-the-fact consideration for leakages. In this last year, we see that board rooms are consulting with RA teams in advance to prevent leakage."

The aforementioned carriers will be working with vendors Cvidya, Huawei, Ericsson, and Quantellia to relate revenue leakage findings to the percentage of services that are covered, and to define the quality of the controls.

“We will have very sophisticated decision analytics and algorithms, as well as a new touch-screen technology through which people can type in and modify assumptions and soft considerations in what we call a ‘decision engineering’ platform, which we have modified to support revenue assurance and budget allocations. You can flexibly change your variables according to the decisions the model produces about ROI,” explained Gefen.

Overall, the Catalyst aims to help revenue managers who must relate hard numbers to senior executives. “If a revenue assurance manager finds one million dollars in revenue leakage, he or she needs to help the CFO and others relate to that number...what is the quality of the coverage? Is that covering the entire portfolio or just part of it? The loss is greater or smaller depending on the coverage that brought the one million dollar leakage [about],” said Gefen.

Also important are evaluations of the quality of the controls – for instance, are there consistent, automated controls or just one-time check? “You have to have metrics and benchmarks to put leakage into perspective according to the quality of the controls and the coverage over your portfolio,” Gefen added.

Once metrics for coverage are in place, revenue assurance managers can look at their budget and optimize their investment in revenue assurance controls so they can maximize their ROI.

“Decision engineering technology will put the assumptions in place to help service providers’ revenue managers make knowledgeable and calculated decisions of how to optimize the money allocated to them. Then they can know in what products and services to invest during different stages of a product’s lifecycle—whether ordering, fulfillment or others,” said Gefen.

As this work evolves, Gefen and the RA team hope to enhance existing revenue assurance standards and to do benchmarking among service providers, so each company can rate itself according to the level of revenue assurance coverage and leakage experienced, as compared to others with similar numbers.