

Get proactive on revenue assurance

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Economic crisis or not, operators have always taken great pains to minimize revenue leakage and make sure every scrap of traffic is billed accordingly. But the art of revenue assurance is now undergoing a fundamental shift as networks converge and metrics become more complex. The scope of revenue assurance strategies is widening to include more and more touch points in the network as telcos become increasingly aware of the fact that revenue-assurance isn't as easy as it used to be.

At the heart of this trend is the rapid advancement of next-generation network services over last few years, which is bringing in additional players that are creating an increasingly complex set of new billing and revenue management relationships. Among those already in the market, content aggregators, content providers and advertisers have reshaped the way operators manage their revenue chains, and complicated the revenue-assurance landscape as their respective OSS processes collide with each other, says Brian Lindsay, enabling technologies service provider analyst at Yankee Group.

"Previously, simple discrepancies between an operator's records and other parties in the chain were relatively easy to detect, monitor and resolve largely because of call data record [CDR] reconciliation and switch traffic," Lindsay wrote in a research note. "However, with the proliferation of new parties, each supported by their own processes, data which was previously simple to obtain sits potentially on a number of different systems in a number of different organizations, often beyond the reach of any one operator."

In other words, changes to existing networks and implementations of new systems are creating more potential cracks in the system for revenue leakage and enabling more weak links that can be exploited by fraudsters.

Revenue-sharing content, which contains a number of new processes across multiple service providers, is particularly susceptible to new source of revenue leakage and fraud, says Dr Gadi Solotorevesky, chief scientist of cVidya Networks and TMF Advisory board and RA team leader. "When you are dealing with revenue-sharing content, operators can find themselves in a situation which they're not collecting money from the customers but they are paying money for the content providers," says Solotorevesky.

This puts operators at higher risk compared to other service offerings, he noted, partly because of the large volume of content they deliver, and partly because the cost for content transactions is higher than call transactions.

Broader approach

The good news is that operators are becoming increasingly aware of the risk of revenue leakage, especially with IP-based services like VoIP, IPTV and digital marketing poised to create new and potentially lucrative revenue streams. Consequently, many service providers are increasingly

placing revenue assurance at the heart of both strategic and system planning to stem potential financial losses from the delivery of these new services.

In fact, says Lindsay of Yankee Group, rather than treating revenue assurance as something to be done after the fact - i.e. identify the leakage and recoup the lost revenue - some telcos, especially those with a reasonably mature RA practice, are now taking a more proactive approach to include revenue-assurance planning at the initial stages of product development, and whenever changes are made to existing products and services.

"This is increasingly about making sure that you can secure future revenue from your products and service before product rollout," says Lindsay.

One result of this is that service providers have also begun factoring quality of service, best practice management and customer experience to the RA equation - elements that previously never figured into revenue-assurance planning. And a number of RA vendors like Subex, ECtel, Arantech and cVidya have responded to meet customer demand by expanding their RA solutions to encompass a broader revenue management approach incorporating other skills of customer care, strategy development and service fulfillment.

Lindsay predicts this will drive operator spending on licensed software, outsourced and system integration, and consulting solutions to combat revenue leakage from \$600 million in 2007 to \$1 billion by 2010.

Budget pressure

However, as always, awareness is one thing - successful implementation is something else. Many operators are undergoing major transformations of their network back-end systems, where the risk of revenue leakage is highest, but the will to put a solid RA plan in place is often at odds with market realities such as limited budgets or time constraints. Operators are often under pressure to cut corners to launch a service or complete a network upgrade on schedule, which can lead to errors in system setup, data integrity and business processes.

"If companies are going through significant changes through transformation, budget pressure may bring it back to some sort of timeline and therefore impact quality of implementation, which could result in revenue leakages," says Dean Smith, president of Asia Pacific at Subex. That said, the amount of leakage risk also depends on the complexity of the project, and the quality of the systems integrator, he adds.

"Some integrators and project teams will take a very deep dive into the data integrity issue, and get right away to every piece of data that would be affected, every system interchange, every touch-point across the board and doing a thorough job," he says.

Perhaps unsurprisingly, another weak link in doing proper revenue-assurance planning is the human element. Even though more operators are planning RA at the product development stage, Smith says many product teams and marketing department heads still have a perception that building RA into new product/service will slow down their process and reduces the value of that particular product or service.

"So the challenge really for the RA [team] is to educate their business so that they can be seen to be a valuable addition to individual responsibility and functional business," Smith says.

Get your money back

Revenue assurance may have moved to the forefront of telcos' strategy, but telcos are not making enough effort in recovering the losses they uncover, according to a study of telecom service providers from five continents.

The Revenue Assistance Benchmark Study, conducted by the TM Forum in conjunction with cVidya networks, reveals that operators typically identify revenue leakage amounting to 1.19% of their total revenues, but only recover around one-third of that lost revenue. Moreover, inexperience with RA planning has little to do with it - the study noted that most of the 14 operators covered in the worldwide survey have relatively high RA maturity levels.

Dr. Gadi Solotorevesky, chief scientist at cVidya Networks and TMF Advisory board and RA team leader, attributed this to a number of factors, including higher cost of recovery (as manual correction is costly), business reasons, lack of information and regulatory restrictions on back billing. Another cause: some operators don't understand how to associate a leakage with a customer.

To minimize their losses, Solotorevesky urges operators to adopt a proactive approach to RA, as "preventing a leakage has five times the economical impact of detecting a leakage."

To get a full picture of the correlation between RA maturity and KPI benchmarking, the TMF will launch a RA Maturity benchmark this month, he added.

On the upside, telcos in Asia Pacific have been accelerating their efforts in revenue assurance and moving to more sophisticated and mature models of RA over the last 12 months, says Dean Smith, president of RA specialist Subex Asia Pacific. He estimates that about 15-20% of Asian telcos now has implemented reasonably mature levels of RA practice.

The bad news, he predicts, is that there will be an upward trend in revenue leakage in 2009 as telcos continue to make complex changes to their networks, operations and business processes.

"When telcos start looking for these things more, obviously they will find more [leakage] and the perceived losses will likely be higher," Smith noted.

- Fiona Chau