

As the industry moves to NGNs and the services they will offer, operators need to think hard about their revenue assurance systems and how they use them. Global Telecoms Business invited some of the world's experts to discuss the issues

New generation assurance



Rose Moura, director of the revenue assurance team at Swisscom Mobile



Geoff Hammond, head of BT's revenue assurance centre of excellence

Alan Burkitt-Gray, editor of Global Telecoms Business, chaired a roundtable conference, on the issues concerning revenue assurance in new generation networks.

Participants were:

Rose Moura, director of the revenue assurance team at Swisscom Mobile

Geoff Hammond, head of BT's revenue assurance centre of excellence

Anthony Sani, former head of revenue assurance at T-Mobile and Cable & Wireless, and now a consultant

Gadi Solotorevsky, chief scientist at cVidya, also leading the TeleManagement Forum's revenue assurance work

Alon Aginsky, president and CEO of cVidya Networks

Alan Burkitt-Gray: What are the challenges that revenue assurance people face now?

Rose Moura: In Swisscom Mobile we see the challenge for revenue assurance in the number of services and the number of providers that will be available. To manage all the services that will be available and all the providers that are connected to our network and to cross check and reconcile will be a big challenge for us.

The services that will be available to our customers have a range of values that is much wider than we are used to. We need to change our mindset now.

Rose Moura

Geoff Hammond: For us it's going to be an absolute explosion of new products and services being offered to the wholesale customer as well as to the retail customer. It's really key that we move away from understanding the business as just a calls business and move to an events-driven business. It might not just be a telephone call, but it could be a video call, or somebody downloading a film. There are things we have to consider, such as flexible pricing options.

Revenue assurance used to happen after the event. Now we need to make it as real-time as possible so when the customer does want that content, the controls are in there and available — not just to the network, to the OSS and the BSS, but also available to the customer.

There will be services such as an e-wallet, that customers can top up for different services. People will want to log on and see exactly what is left on their card, and for that you'll need revenue assurance in place. The key for us is that we do not move away from the basic principles

— that the products and services are completely end to end, not just the network bit, not just the customer bit, but a complete end-to-end system.

Burkitt-Gray: Let's have a TeleManagement Forum view from Gadi Solotorevsky. Are Swisscom's and BT's experiences typical of where the whole industry is going?

Gadi Solotorevsky: I think that they are typical of the more advanced companies and what they are facing today. If you look further you will see new challenges, because one of the things that the industry is concerned about is where the incomes will come in the future, with next generation networks, because more and more services will be IP-based.

So if you use Skype, where is the share for the operator? New models will be needed for the operator to continue to exist.

Operators are talking about collecting macropayments, getting banking licences. But the mindset of operators is different from the mindset of the banking industry. In banking, if there are leakages, it's something nobody will accept. But an operator lives with it. So now the question is how revenue assurance will act in the future to enable a transition to these new challenges.

Burkitt-Gray: Alon from cVidya, what do you think about the challenges?

Alon Aginsky: What I'm hearing from C-level executives of telecoms operators these days is going back to the bottom line of the financial statement and P&L. The balance sheet has to look different and revenue assurance and revenue management processes that can move the needle. Operators can really affect the bottom line of the company.

The numbers are high and the returns are quite fast — with ROIs that we know about of less than six months in most operators. For software as a whole and telecoms software in particular that is very quick.

Board-level discussion

What I hear from CFOs and other C-level executives is that revenue assurance is a board-level discussion these days, more than it ever was before. It's because they see that they can affect bottom-line numbers quicker than by introducing a new service. Of course they have to do that as well, but revenue assurance is becoming higher on the priority list when it comes to quick wins and return on investment.

Burkitt-Gray: Rose, are you seeing that in Swisscom? Is revenue assurance a driving force because you can see

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the results on the bottom line?

Moura: Yes. We have a pilot that can show what we can do in the future. In addition to the new generation of networks there is the new generation of terminals, and these are open, so the clients can communicate peer-to-peer or on another network. The operator is losing contact with the customer, because they can communicate with each other, and access all other service providers over the internet.

The operator will just be a bridge to all these services, and that means low margins. That means revenue assurance is very important function in the telco, because if you are expecting low margins you need to be sure that everything is booked.

The services that will be available to our customers have a range of values that is much wider than we are used to. We need to change our mindset now.

If I lose an event now I'm not losing just €3, but it can be thousands of euros. For example the customer is able to buy train tickets through mobile. This is the kind of service that we will have. We need to have a bank mindset now. The control needs to be much more like that in a bank.

Burkitt-Gray: Geoff at BT, are you having to think more like a bank?

Hammond: Yes, I think we do already. Within the UK we are a very highly regulated business. In the NGN we're already building, we are putting the RA in place, to make the revenue assurance better than it is now. I think we're in a good shape.

Anthony Sani: The introduction of NGNs is going to change the entire OSS and BSS infrastructure. Generally leakage occurs because of change in an organisation, or change that isn't controlled. So in the transitioning from circuit switched to packet switched they will need to be involved.

Dynamic pricing

In the medium term pricing models are going to be more dynamic, and the risk will be increased. The value of events will be significantly increased — and the 1%, 2%, 5%, whatever one believes is the amount of leakage, will increase.

The banking sector has experience of this — and every change to their system has to be tested to the nth degree, so there is no margin for impact. Telcos are going to have to adopt the same principle, where previously they may have allowed an acceptable level of error that was agreed upon by the executives. That won't be the case any more.

Burkitt-Gray: Does that fit in with what so many operators say, that they want to be more responsive with a faster time to market and setting up relationships quickly with new content providers. How does that fit in with the need to test these relationships and the quality

of the data on revenue?

Sani: The ownership of services will move increasingly from operators to third parties. The operator will become the medium whereby these services are provided to the customers. There are a number of issues when you talk about change of ownership. You need to start looking at who is the principal, who is the agent. That in itself has implications as far as taxation and customer relations management are concerned.

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Burkitt-Gray: Geoff, is that reflected in BT, because you mentioned that BT would like to be an end-to-end provider? Do you see it as a way of delivering content for other people to your customers?

Hammond: A very loaded question. Revenue assurance starts right with the acquisition of the customer with the credit checking, and right when they put that first order on the system — and then, when they download the service and features, revenue assurance is there to make sure it aligns with the content owner as well.

Solotorevsky: Revenue assurance is becoming more involved at the contract stage, so that revenue assurance starts not just from when a new product is launched but when a new contract is signed, to prevent later problems. Sometimes when you find the leakage it may be restricted by a contract that says you cannot do anything about it — and you lose the money.

Burkitt-Gray: What is the main cause of leakage? Is it poor systems, or fraud, or some other reason? Are you talking about people deliberately extracting money from the industry?

Solotorevsky: From the TMF point of view, we draw a distinction between fraud and revenue assurance. Fraud is a reason for leakage, but without fraud operators are losing a lot of money through revenue leakage. The relation is very close: you cannot know at the beginning, before you investigate it.

Revenue assurance is the traditional name, but it also covers cost assurance: not just collecting all your revenues but also making sure you don't pay more than you need to pay.

Hammond: That's a good point. For us leakage is purely about the accuracy of the deal, to get that deal. We have a standard in the UK which covers overbilling as well as underbilling, set up by the regulator.

We differentiate between fraud as well, but leakage could occur just because the customer didn't put the order in correctly. It could occur because of a fault in the system. It could occur because of a clock change somewhere: some people's systems don't react well to those things. That could mean the duration of the call



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isn't counted properly.

Aginsky: We see the reasons for revenue leakage in incumbent fixed operators are different from those in the mobile segment. In the fixed incumbent leakage will be related to old inventory and old OSS systems that have been around for many years that are not tuned to the business processes that are being used in the field by the marketing department.

In the mobile operators we see more on the billing, CRM, rating side. The operators are new, and though the network may have existed for 10 or 15 years, they are still newer than the old fixed networks.

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Alon Aginsky

Burkitt-Gray: Has revenue assurance got to the point when investors in operators start to take an interest in it and how much is leaking out?

Aginsky: From an investor point of view, if you look at the recent transactions of hedge funds that are acquiring stakes in telecoms operators, there is an increasing demand from those investors to use revenue assurance tools to assess the risk of acquiring companies.

Burkitt-Gray: You mean externally, before they do the deal?

Aginsky: They ask for an opinion from an independent company such as cVidya on the numbers, the potential revenue recognition in the years to come and whether we see any risk there.

Burkitt-Gray: Rose, are you getting more probing questions from the really top level of management?

Moura: Yes, at Swisscom we are supported by the CEO and CFO and by the advisory board, and we have meetings twice a year with the advisory board. We work directly with the CFO.

Maximise the finance

Revenue assurance is the function that can maximise the finance. All the other functions can just prove the control of finance. That's why the CFO is very interested in revenue assurance — and wants to extend functionality in the company.

Hammond: It's very clear that revenue assurance is very much at the top of everything we're doing. I spend most of my time, for everything we're rolling out, getting the controls in, and Sarbanes Oxley compliance as well — for example, so that when we state our broadband numbers, they're 100% correct.

We have a relatively mature business, so revenue assurance is not just squeezing the accuracy of the bill, but allowing us to look at the margin management and focus on the cost of sales, to put extra money back to the new operations. Investors know that broadband is get-

ting saturated, and they want to know where the additional revenue is going to come from. That's where RA controls can be developed and used to help the growth of the business.

My CFOs get awfully worried when they read articles about revenue leakage of 10-15%. We have to demonstrate that we have controls in place and I have to show the measures and the accuracy. They can just that by the number of credit notes that are issued because of billing anomalies. From an investor point of view, this is very, very key.

Sani: From a management perspective there's a huge realisation of what revenue assurance can bring. If you lose a dollar of revenue then the impact of that is a dollar on revenue — you've already paid the cost of that revenue, so the impact on margin is greater. Improving ebitda margins by 1-2% is extremely difficult in the developed world, but it is a lot easier with revenue assurance programmes.

Solotorevsky: Three or four years ago companies were doing revenue assurance internally, and nobody gave it too much attention. Now the TeleManagement Forum has a set of KPIs for revenue assurance — because when you speak about ARPU it's very clear what that is.

But revenue leakage — that's not as clear. If someone reports a \$1 million leakage, is that good or bad? If you covered 99% of your organisation and it's a big organisation, that's good; if you covered 1% of the organisation and it's a small organisation, that's bad.

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Gadi Solotorevsky

Industry benchmarking

As a result of the TM Forum, some operators have started a benchmarking — until not long ago, no one wanted to share their revenue leakage information, even without disclosing its name. Now we will be able to specify the leakage in the industry, according to a standard.

Sani: Historically everyone has measured leakage in different ways, so standardisation is absolutely crucial.

Hammond: I absolutely agree on that. We've just done an invitation to tender, specifying the TMForum KPIs. I want to motivate my team by pointing out that Swisscom is at the top, say, so we can try to outdo Rose's team. There will be a league table: you can see it coming. With the question: Do you want to invest in this company?

Moura: The KPIs show that you need to benchmark and show how to do it. We don't discuss any more which are the figures that we will benchmark. There's no question about taking my KPIs or your KPIs — we can compare because now we have a standard. We need to have a benchmark, or we can't show management how well we are doing.

Solotorevsky: Swisscom did a lot of the work in establishing the KPIs, so a lot of thanks specifically to Rose and Swisscom on this. ■

The roundtable was sponsored by cVidya Networks