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## Mobile dealer management fraud is on the rise

Published by Susana Schwartz  
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"About 15% of a typical mobile operator's total cost goes to managing dealers and sales channels," according to Orna Sadan, product manager of cVidya's dealer fraud solutions business.

Not only does the management aspect comprise a large part of their cost distribution, but the losses operators incur from lack of robust management comes in at about 1% and 3% of total commissions.

Because so many carriers rely on homegrown systems rather than commercial and common-use tools to enable them to manage what are becoming extremely complicated commission schemes, they have little recourse for the number of loopholes that are emerging, and sophisticated tactics used by dealers and sales channels to increase their commissions.

According to Sadan, there are approximately six key ways in which dealer fraud metes itself out:

1. Internal sales people increase the number of activations for which they get commissions by creating fictitious activations on business customers they know do a poor job of monitoring their employees' mobile phones;
2. Increasing activations by bringing in family and friends that have no intention of really using services, so operators make little or nothing because of poor utilization and poor quality of the subscriber;
3. Engaging in 'price hopping,' where a subscriber in a store asks for an upgrade, and the dealer upgrades the person through multiple steps rather than one so there can be multiple commissions paid;
4. Out-of-premise sales, where dealers brings new subscribers in from outside regions;
5. Low-commitment period contracts, where an agent is asked by a subscriber not to lock them into a contract of 18- or 24 months, and so the dealer doesn't commit that person to a regular subscription plan, which exposes the carrier to revenue risk;
6. Subsidized phones that go unsold and unactivated either for lack of focus on selling or because dealer is selling those phones to other fraudsters, so carrier garners no revenues.

### The Solution?

Awareness is the first step toward a solution, after which, operators should be looking at a blend of rules, scalable event processing and sophisticated processes to identify and address abuse.

"First you decide for just how long you want to monitor different dealers and commissions—four months from activation? Six months from activation? Then you identify all the data sources that are relevant, such as point-of sale, activation points, CRM, billing, dealer commission management systems, etc. You need this to be very 'configurable' so you can be very specific about the transactions and time frames and other variables you need to assess," said Sadan.

She explains that the sheer volume of events necessitates a very robust engine for event processing (cVidya calls their solution CEP) to accurately define the most complex scenarios around dealer fraud. "You want to seek scalability and ease of use in terms of defining abuse patterns," she added.

In addition to processing millions of transactions, solutions should be able to organize data into chronological and contextual scenarios that are highly configurable in terms of the fields and measures, such as "dealer," "handset," "location," "time frame," and other variables that help define "key risk indicators" for each channel and dealer. "We group this type of information into an OLAP cube for sophisticated aggregation and above that we have an application to define

KRI for inspecting specific dealer behavior,” said Sadan, noting this then allows for evaluation of how many “silent subscribers” there are per month for specific activation periods, or how many instances of “price hopping” there are in a month for a specific sales channel. Then there can be comparisons to other months, other dealers, other segments of the population, etc.

As the name would imply, regarding “complex event processing” the engines behind this type of processing and smarts have to be heavy duty, which means they might have a sizable price tag attached, but according to Sadan, the payback more than pays for itself. “We just did this for a tier-one and within a couple months resolved a few million dollars of leakage.” But to succeed, operators have to choose suppliers with real expertise in the dealer management domain and with systems built around that expertise.

(For the original article: [http://connectedplanetonline.com/bss\\_oss/news/Mobile-dealer-management-fraud-is-on-the-rise-1202](http://connectedplanetonline.com/bss_oss/news/Mobile-dealer-management-fraud-is-on-the-rise-1202))