SAP Thought Leadership Paper
Revenue Assurance

Revenue Assurance and the Future of Telecoms

Building a Strategic Arsenal Against Revenue Leakage

The Best-Run Businesses Run SAP™

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For service providers in the telecom industry, converging factors, including next-generation networks, emerging technologies, and new business models, have propelled revenue assurance (RA) to the forefront of their revenue management strategies. The change has been so rapid, many carriers have been caught unprepared with nonintegrated, disaggregated, and silo-driven RA processes. This SAP thought leadership paper helps you prepare for the future the only way you can – with a flexible, holistic, end-to-end RA strategy.

Preventing Revenue Leakage and Stagnation

Telecom companies like yours are answering a new call to compete effectively in today's fast-paced digital marketplace. New multisided business models require changes to the way you process orders, bundle and price offerings, and collaborate with partners to ensure optimized business processes and revenue performance. Today, you need to balance the pressure to grow revenue and prevent leakage while adapting to multisided business models without repeating the mistakes of the past.

The telecommunications marketplace is changing fast. The business models of yesterday, when service carriers provided for a single audience, are giving way to a generation of customers who are demanding new technologies and new applications that have the ability to support multisided business models. This new model is called Telco 2.0.[1] In this challenging environment, telecoms often buy, sell, or facilitate content and services from a network of partners and deliver or distribute these offerings to customers.

This new world of complex connectivity not only demands that you be able to support customers on older legacy systems, but it also dictates transitioning to the next generation of systems and business processes that will support the new Telco 2.0 environment. It requires moving away from ad hoc manual processes to streamlined processes capable of supporting complex bundles. These evolving network frameworks and new, multisided business models are reshaping our world – changing entire societies and moving billions of dollars across the globe. Within these robust networks, which support and give access to any service using any platform, partner ecosystems are popping up like mushrooms – faster than anyone ever anticipated.

UNDERSTANDING SINGLE-SIDED AND MULTISIDED BUSINESS MODELS

Single-sided model: A supplier offers products and services to retail customers only, having no strong interdependencies with other parties.

Multisided model: To generate new economic value, two or more companies collaborate to create and bundle products and services in fresh and innovative ways. This shift changes business models and company roles, disaggregates the value chain, and allows the parties to work together in ways that unlock innovative opportunities.

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PROTECTING ASSETS WITH AN END-TO-END RA SOLUTION

For too long, telecoms have treated fraud management, analytics, billing, rating, charging, and revenue assurance as separate areas of revenue management. Since each area is managed by a different department with its own applications, organizational silos have blocked telecoms from having a holistic view of their customers and of the processes and systems that run the day-to-day business. With emerging technologies and consumer demands, you need to expand your focus across the entire enterprise to prevent leaks.

Treating each area separately is indicative of where telecoms have been but not where they are heading. All these areas fall under the umbrella of RA, which requires a holistic view into all aspects of the value chain. By using these areas collectively in a Telco 2.0 environment, you can identify, correct, prevent, and respond to problems quickly, enabling you to protect not only your data assets but also your business.

RA strategies need to address how you can proactively prevent revenue loss and increase profitability while still remaining competitive. Today's telecoms need an RA strategy that addresses both wireline and wireless technologies, protecting existing and future assets. And you will require a horizontally integrated RA solution with advanced business intelligence functionality to support your strategy.

Your ultimate strategic RA arsenal needs to include business intelligence and analytics; real-time monitoring to prevent fraud, ensure data quality, and support adherence to business practices; and a fully integrated consume-to-cash process. To help carriers create a holistic view of their revenue and business processes, SAP has identified five strategic areas in RA (see the figure): data quality management, margin management, partner settlement, risk management, and fraud management.

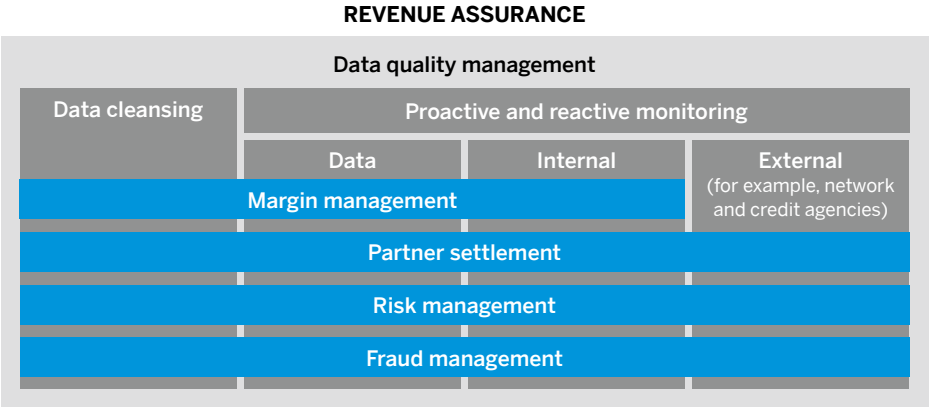
To help you make the most of the changes that are reshaping telecommunications, this paper addresses the challenges of how to optimize revenue performance and prevent revenue leakage by looking at these five strategic areas.

Minimizing Revenue Leakage with Real-Time Monitoring

Many analysts believe that global revenue leakage among communications service providers (CSPs) can be anywhere from 3% to 15% of their revenue. Simply put, in today's demanding, high-efficiency environments, carriers cannot afford to have high revenue leakage rates. As long as you have a decentralized and fragmented revenue assurance system, how will you stop the leakage?

The answer is an integrated, holistic, and bottleneck-free revenue assurance solution that can monitor all revenue-event traffic in real time. To minimize revenue leakage and assure monetization of all of the services you offer, you need real-time collection and correlation of network usage and real-time monitoring of all activities of your operations support system and billing support system – from order to cash.

Figure: Five Strategic Areas of Effective Revenue Assurance Management



Selecting Software Solutions for Revenue Assurance

To adapt to emerging wireless technologies and industry verticals that have become part of the communications space, such as the entertainment, finance, and retail industries, you are going to need a comprehensive revenue management strategy. This strategy should support multiple billing systems and allow diverse revenue models to operate freely in different channels and to interact with different partnerships. To ensure you can accurately account and bill for all the services you provide to and with your vertical industry and ecosystem partners, your revenue management strategy needs to encompass all revenue touch points, including fraud, roaming, and interconnect and network billing, to name a few.

As it touches process points throughout your business, your holistic RA strategy must incorporate advanced process integration and business intelligence capabilities across your platform. This is a prerequisite to ending applications that exist in silos and enabling a holistic view of revenue – not only across the enterprise but also spanning the entire value chain. This holistic view of the value chain, including your partners' value chains, is enabled by integrated RA solutions that you can adapt to your business processes and systems.

CHOOSING FROM FIVE AREAS OF FOCUS ON REVENUE ASSURANCE

Ensuring that your business processes and the data that drives them are reliable and trustworthy means you must expand your view of how products and services are being managed from order to cash. Efficient, accurate processes are essential to avoiding costly "do-overs" that can erode margins. Truly efficient processes are those that are predictable, repeatable, and reliable.

Sound processes help you identify and mitigate risks, protect against fraud, and proactively monitor products and services throughout their lifecycle. As much as possible, data flows should be automated between systems.

Depending on your processes and RA strategy, you can select from the following five areas to build your strategic RA arsenal.

Data Quality Management

To help your company compete in a Telco 2.0 world, you need to manage and treat your data and your business processes as assets that are accurate and trustworthy. Trust is often the word used by CSPs when it comes to data quality. Because you make important business decisions based on what the data is telling you, data quality management is at the crux of RA. Managing with anything less than high-quality data can make your company vulnerable to fraud, impact your margins, and increase your customers' and partners' risk.

Improving the quality of data requires understanding not only how the data flows through your system but also the business processes that contribute to the quality of the data. The concept is simple, but the challenge is capturing how your business practices support both legacy and emerging services – how the data really flows through your systems, be it automatically, manually, or both. Understanding this flow is critical, because each time that data is touched is an opportunity for correction or corruption. These are the touch points that can either cost you money or optimize your revenue performance.

The key to moving toward quality data is establishing a methodical process in which you start by addressing connected or related systems, just a few at a time.

WHAT IS A REVENUE TOUCH POINT?

A revenue touch point is any place in the order-to-cash process in which a system or a person moves data between systems. In an ideal world, systems should be integrated, allowing the data to flow freely without manual intervention. However, between merger and acquisition activities and a rush to get systems into place to handle new technologies, many telecoms have relied on workaround activities, such as swivel-chairing, e-mail, phone calls, and spreadsheets, that have become part of the everyday order processing effort. These are all touch points that can introduce errors as well as increase the total cost of operations and thereby lower revenue.

While this minimizes the number of "moving parts," keep in mind you will ultimately be looking at every touch point to achieve full data quality. As systems and processes are cleaned, you can now monitor them to prevent degradation. This incremental approach provides a clear focus, prevents a "boil the ocean" mentality, and encourages understanding of how systems and processes affect each other without becoming overwhelmed.

A benefit many CSPs experience as they improve their data quality is the recognition that their systems are often not as unique as they may have once believed. With this new insight, they are now able to see a way to begin migrating off of older systems, thereby reducing their operational costs. The same methodical approach that improved data quality for RA can also be used in the migration of data. An additional benefit also comes in the form of standardization across systems and across organizations, helping you to remove the silos that may have been keeping you from seeing the whole picture.

Using an incremental approach, as the volume of cleansed data increases, you will be able to more readily identify problems from other systems, enabling you to respond and correct. Filters and monitors put into place will only improve as the data repository improves. This helps move you toward the ultimate goal, which is to proactively prevent issues from happening again.

Knowing that you need to address existing and future data and business processes, you should look for solutions that give you the flexibility to create business rules and filters that enable you to analyze and cleanse data, whether before or after processing. With volumes of data already in place that may not be accurate, such solutions help CSPs to extract, transform, and load data into a repository where it can be cleansed – allowing you to move toward a "golden" data base.

Solutions should also allow new data to be analyzed upon arrival, ensuring its quality as well as allowing it to be rerouted and managed in cases where the data is questionable. No matter whether the data is to be stored in a data warehouse or is to appear in a customer invoice, you can know the data is accurate and complete. Moreover, the data and processes can continue to be monitored to prevent future quality issues.

Margin Management

With shrinking margins and increasing consumer demand for more products and services, CSPs no longer have the luxury of conducting lengthy pricing analyses before making products and services available. With the new, multisided business models, which support products and services from both upstream and downstream customers, you must be able to see and monitor whether or not a service or product is selling as expected.

While price plans are an important part of the margin assessment, it is also critical to understand whether the right processes are in place to help sell and activate the product or service efficiently, or whether these processes are cutting into your margins. As stated earlier with data quality management, the flow of the data and its touch points can affect your margins.

In this era of high call volumes, it is important to be able to assess the performance of any product or service you offer. With such assessments, you can decide, for example, if the product or service is performing as it should or needs to be discontinued, if you should increase or decrease the price point, or if you should streamline a business process. You can assess if you should adjust the marketing behind a product or service to be more weighted toward a particular audience.

With a profitability and cost management solution in your RA strategy, you can see what the product or service is costing you and conduct what-if analyses before launching a product. You can then use an information management solution to continue monitoring the product to confirm if you are receiving the expected performance and adjust products, prices, or processes, as required.

Partner Settlement

Twenty years ago, the mention of "partner" in the context of a communications service provider typically meant another carrier with whom the CSP shared infrastructure for the purpose of providing local and long-distance services. Under the new Telco 2.0 model, a partner is anyone from whom telecoms buy, sell, or facilitate content and services, as well as anyone who delivers or distributes these offerings to customers.

When you use real-time convergent charging software to help avoid revenue leakage, you can rate and capture events based on the rules you set that are aligned with your partner agreements to ensure your partners are paid accurately. Unlike older systems that required weeks to implement new rating plans, the use of a rating and charging engine allows you to make changes in minutes.

With the mobility market growing, support of multisided business models is a must for telecoms within their landscape. An integrated solution that can manage receivables and payables and is low touch and high value will become a key differentiator. Telecoms should expect the number of partners to expand as more industries look for ways to leverage smart mobile devices. Telecoms that can balance between positive cash flow while ensuring accurate and timely payments will become the partner of choice.

Risk Management

With nonintegrated systems, CSPs are at risk for lacking a 360-degree view of their customers. In the absence of a complete view, it is easy for you to be leaking money without realizing the impact on both your company and your customers.

Customers and telecoms recognize that, with such high call volumes, it is unlikely a customer will talk to the same customer service representative (CSR) twice. Often referred to as the "roulette wheel of customer service," it can either work to their advantage or disadvantage. For the customer trying to get a problem

resolved, the lack of a 360-degree view works to their disadvantage when they are required to repeat "their story" to each subsequent representative who does not have access to their call history or to systems that contain other pertinent information.

In contrast, the lack of a 360-degree view can be used to the customer's advantage when they can spin a different story, such as "the check is in the mail." The customer can easily provide false information to a CSR, placing your company at risk for bringing in false data.

With a financial risk management solution, you should be able to clearly see all activities that allow you to properly manage the account. It is important, from a risk perspective, to be able to see how frequently your company interacts with the customer, because frequent calls about credits, disputes, changes in service, or payment information can signal a potential risk, such as a customer who plans to default on a payment. When this type of information is readily available to each CSR, it empowers your employees to make better decisions, including whether to flag an account for future monitoring, thereby reducing your risk and protecting your revenue stream.

Fraud Management

The threat of fraud is viewed by most industry watchers as growing, with estimates placing fraud in the 25% to 28% range of the overall revenue picture. Those intending to defraud a telecom know you are struggling to support not only the more traditional services but also emerging, real-time wireless services that have a myriad of options requiring more sophisticated business models.

Those who commit fraud are the ultimate early adopters of emerging technologies, ready to take advantage of your dilemma and adapt quickly to your non-integrated systems and siloed business processes. It's the perfect playground not only for submitting false information but also for stealing information as well as your bandwidth.

Once fraud is detected, those who commit these crimes know their window of opportunity to continue exploiting the weakness will close but that there is likely to be a weakness elsewhere. What does this mean to you? It is critical to have a system that allows you to proactively prevent fraud and to react quickly when a breach does occur so that you can stop the leak immediately.

Proactively monitoring critical activities, both internally and externally, and eliminating business silos make your company a less desirable target. When coupled with a data repository that has been cleansed and business processes that are trustworthy, filters to monitor anomalies make both fraudulent and nonfraudulent activities clearly stand out.

RA solutions with real-time event functionality allow you to create the rules you want triggered to gain insight into business activities that are costing your company money. By using a powerful quality management solution, you can flag questionable activities, allowing you to get to the root cause and address it quickly – minimizing loss and helping you prevent it from recurring in the future.

With emerging technologies and consumer demands, telecoms need to expand their focus across the entire enterprise to prevent leaks. Revenue assurance requires a holistic view over the end-to-end value chain of your business.

TALK TO SAP TODAY TO BUILD A STRATEGIC ARSENAL FOR TOMORROW

Putting RA at the Forefront of Revenue Management Strategies

At SAP, our goal is to help our customers run business better. Through our modular approach to revenue assurance, you can create a strategy that is right for your company and provide a holistic view of your business. Using SAP® BusinessObjects™ enterprise information management solutions and the SAP BusinessObjects Profitability and Cost Management application, together with solutions that support your consume-to-cash processes, you gain the insights you need to cleanse your data and monitor your day-to-day activities across the enterprise. With these solutions, you can develop an RA practice that moves you from the more traditional postprocessing of activities into the realm of proactive processing, which allows you to monitor activities to make timely decisions.

SAP understands the pressure of transitioning to the new, multisided business models in your organization, and it can help you make this transition. Your RA solution does not need to be an "either-or" model that forces you to choose between pre- and postprocessing or between today and tomorrow. Whether you are looking to add services, remove them, or migrate to a new paradigm, our RA solution can be scaled incrementally to support your enterprise needs. To build your strategic RA arsenal for tomorrow, talk to SAP today.

LEARN MORE

In today's challenging new world of next-generation networks, emerging technologies, and innovative business models, shouldn't RA be at the forefront of your revenue management strategies? Shouldn't you be building a strategic arsenal against revenue loss? To start building one now, visit our telecommunications page at www.sap.com/industries/telecommunications.

You may also want to watch the Telco 2.0 YouTube video, playing for you now at www.youtube.com/watch?v=HDIXp2w2AwE.

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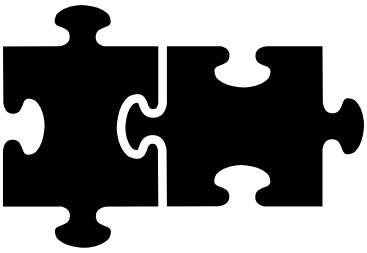

FOOTNOTE

1. Telco 2.0 is an initiative supported by a boutique of analysts and consulting partners under the direction of STL Partners (www.stlpartners.com/telco2_index.php).

www.sap.com/contactsap

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