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WHITE PAPER

THE VALUE OF BILLING TRANSFORMATION IN AN ECONOMIC DOWNTURN

Evolving the Billing Infrastructure to Cope and Thrive

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EXECUTIVE SUMMARY

To cope and thrive through the economic downturn, service providers look to reducing the cost to serve and generating new revenues even more. Service Providers' billing infrastructure is a key imperative for both strategies.

To address cost reduction, service providers must look at two main drivers:

Charging and Billing System Consolidation:

Service providers can significantly reduce operating costs by consolidating all billing systems into a single charging and billing system that provides real-time charging for all services and users.

Productization and Modernization:

Providers can reduce the cost to serve with a modernized charging and billing system that adopts a true product approach having a rich set of out-of-the-box functionality and designed on industry specific business processes to shorten implementation time and reduce risk.

A transformed billing system can generate revenues and grow the business by addressing critical elements:

Speed:

An agile billing system that combines a flexible product catalog and sophisticated rating engine facilitates quick response and enables fast launches of new offerings and business processes.

Excellent Customer Experience:

With a modernized, consolidated billing system, providers can achieve a holistic view of their customers and usage and then provide them with the customer experience that delivers simplified offerings; visibility across all services; relevance based on their profiles; and control over their own wants and needs.

Innovation:

Flexible billing systems that evolve to support emerging paradigms, new services and complex business models stay in step with innovation, without extensive changes in infrastructure and high personnel costs.

Service Monetization:

Advanced billing systems enable service providers to gain pricing differentiation and customer segmentation to enable revenue streams and ROI for vast infrastructure investments.

Evolving the billing infrastructure to enable service providers to cope and thrive through the economic downturn requires transforming the billing system from a barrier to change to a change enabler.

INTRODUCTION

The latest economic crisis has brought the already very competitive communications, media and entertainment market to a new extreme. The competition over gaining and retaining customers has never been fiercer; and there is a strong conviction that improving business performance in such times has become a necessity.

To cope and thrive through the economic downturn, service providers look to two complementing strategies – *reducing the cost to serve*, and *generating new revenues*. Let's examine why evolving the billing infrastructure is a key imperative for both strategies.

REDUCING THE COST TO SERVE

On the cost reduction side, the economic downturn forces service providers to adopt leaner operating models and lower the costs of serving customers. It is imperative to reduce all operating costs including the cost per subscriber, the cost per event, the cost to bill and more.

To address these, service providers must look at two main return on investment (ROI) drivers.

CHARGING AND BILLING SYSTEM CONSOLIDATION

Many service providers are still using multiple charging and billing systems for different lines of business, services and customer segments – with duplicated resources to manage them and a lack of overall billing liability of total cost of ownership (TCO). Service providers can significantly reduce operating costs by consolidating all billing systems into a single charging and billing system which provides real-time charging for all services and users.

Charging and billing consolidation is the foundation toward full convergence, whether it's a payment channel convergence or service convergence. With a converged, real-time platform, service providers can offer their customers open hybrid accounts with both prepaid and postpaid payment channels (e.g. offer families a postpaid account for the parents and a prepaid account for the children; or corporate accounts with a postpaid budget for business transactions and a prepaid limited budget for private use, or vice versa). Also, with a real-time, converged platform, prepaid customers can finally get all the advanced new services usually offered to postpaid customers. At the same time, providers can offer postpaid customers value-added, real-time charging services, such as real-time spending limits and

online "Advice of Charge," thereby enhancing customers' sense of control over their budgets followed by an increased level of trust and satisfaction with providers' services.

PRODUCTIZATION AND MODERNIZATION

Another aspect that helps service providers reduce the cost to serve is related to adopting a true product approach when seeking a charging and billing system. A true product usually features a rich set of out-of-the-box (OOTB) functionality and is designed based on industry specific business processes to shorten implementation time and reduce risk. A clear roadmap and backward compatibility make system upgrades significantly simpler, thereby reducing long-run maintenance costs, allowing rapid time to market when launching new services and enabling considerable savings in customization costs.

In addition, legacy billing infrastructure poses key challenges on cost reduction. We usually see legacy charging and billing systems with inefficient processing of charging events, long and costly system change management, and lack of overall billing liability of TCO. These legacy systems are often pushed to the limits in terms of scaling and performance capabilities; this is true for high growth markets where millions of subscribers are added on a monthly basis as well as in developed markets with exponential growth in data usage. Service providers are considering implementing modernized charging and billing systems that can assure superior performance, scalability and agility. These should be complemented by business models assuring the ROI of billing transformation such as managed services.

GENERATING NEW REVENUES

Increasing revenues and growing the business is a fundamental part of service providers' organization strategy. These become even more important in the face of the current economic downturn as it's clear that those who grow and evolve during this period will lead the market afterward. Let's examine the billing requirements to support the second strategy – generating new revenues.

SPEED

In a competitive environment, service providers need to *move fast*. To remain competitive, they must react quickly to customer demands and competitors' moves, and introduce new services, price plans and bundles, all within days or weeks. This means that an advanced billing system should not only facilitate innovation, but do so quickly. Overall, this calls for an agile billing system combining a robust and flexible product catalog and a sophisticated rating engine to launch new offers and products, and new business processes regardless of payment method or lines of business (LOB).

Full convergence should also provide single, unified customer management that enables adding or updating price plans and services to millions of users with a few simple commands.

The results can be quite dramatic – there are examples of service providers who, thanks to deploying a new advanced business support system (BSS), launched new services and offers in two to three weeks that took their competitors six months, thereby gaining a significant competitive advantage in the market.

EXCELLENT CUSTOMER EXPERIENCE

Providing an excellent customer experience creates major differentiation and enhances brand equity. Customers today are demanding **simplicity** in all aspects of offerings (e.g. simple price plans); **visibility** across all services that include, for example, real-time indication of their balance status; **relevancy** across services and promotions offered, based on customer profiles and consumption analysis; and **control** over usage and specification with the ability to define spending limits and receive notifications.

A modernized, consolidated billing system helps service providers accomplish all this. With a consolidated, single billing platform for all customer segments, service types and payment channels, providers can achieve a holistic view on each of their customers and their usage patterns and then provide them with consolidated customer care and a simple, clear and easy-to-understand bill. This not only means consolidating all service charges into a single, simple, price plan, but also keeping the actual complex pricing considerations of cross-service rewards, incentives, refunds and benefits “behind the scenes” while presenting the user only a simple, easy-to-understand pricing scheme and total balance. Providers can also provide their customers better control over their spending and charges via real-time charging mechanisms while the relevant price plans and discounts can be offered to customers to match their personal usage habits and spending limits.

INNOVATION

Innovation, such as 4G, LTE, WiMax and more, is part of the essence of brand value and leadership, and creates new customer and service paradigms – for example, anonymous customers in Wi-Fi, or ad-funded services with dynamic opt-in/opt-out options. Traditional billing systems will need to evolve to support these new paradigms. To bill these new services, new and complex business models need to be supported. A consolidated, flexible billing system includes a single product catalog, rater and mediation that are all flexible enough to enable future definitions of new pricing parameters, pricing schemes and business models – all without requiring extensive changes in infrastructure and high personnel costs.

As it still remains unclear which business models will come out on top, service providers must assure that the billing system is not a hurdle for new service innovation but facilitates it.

SERVICE MONETIZATION

The exponential growth in demand for bandwidth driven mainly by video applications and peer-to-peer services has created many challenges for service providers – as a result, they make large investments in network infrastructure to make sure the current Internet architecture will not reach its limit in less than three years.

But will the services revenues compensate for that investment? Most service providers today deploy simple pricing strategies for their services, namely flat-rate usage plans or “all-you-can-eat.” Current flat-rate business models don't seem to be sustainable and as such service providers will look at pricing differentiation and customer segmentation to ensure ROI for vast infrastructure investments – for example, tiered pricing by quality of service and geography, premium charge for content services and more.

Billing systems will need to evolve to include policy control mechanisms as well as business analytics to support this. Detailed customer and usage data accumulated in an advanced billing system can also be used to benefit the service provider's revenue stream. There are numerous methods for optimizing revenues (all require good analytic tools). These include planning dynamic price offerings by identifying congestion peaks and creating promotions for off-peak hours; maintaining an optimal offer catalog for different user segments (based on the segment consolidated usage data) and then matching an optimal offer to new subscribers per their segment characteristics; and even creating and enforcing dynamic price offerings and service policies in real time. Price plan simulation tools can also be used to predict future usage and revenues and assist in the decision-making process.

CONCLUSION

Service providers implement different strategies and tactics to cope with the market's challenges. The two main strategies, reducing the cost to serve as well as generating new revenues, present various implications to the billing environment. Evolving the billing infrastructure to enable service providers to cope with the economic downturn and to thrive requires

transforming the billing system from *a barrier to change* to a *change enabler*. Traditional billing systems will have to evolve to support those strategies and ensure service providers remain profitable and competitive. The current economic climate magnifies this need and indeed, now is the time to evolve the billing infrastructure.

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