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Evolution of Telecom Billing: From Inflexibility to Dynamic Customer-Centric Practices

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Introduction

There's no way to make telco billing fashionable, right?

It may be time to rethink that assumption. A just-published GlobalData study concludes that both consumers and enterprise end-users require far more billing flexibility and personalization choices than they currently receive from their existing telecoms service provider. Conclusively, offering a richer and more robust set of billing choices – including model varieties, billing frequencies, and bill splitting options, for both enterprises and consumers – should be an important goal for telcos in all markets. Furthermore, those enterprise and consumer users surveyed in this study indicated not only a strong interest in billing model choice and flexibility, but also a clear willingness to switch from their existing operator to a rival provider should the latter start commercializing such options in the near-term.

This GlobalData white paper for Amdocs summarizes the results of an independent Telecommunications service provider billing study undertaken in mid-2023. The aim of the research was to investigate current and future telecommunications service billing sentiment and preferences among both consumers and enterprise users. The study comprised a survey of 200 enterprise telecoms service

buyers and 300 consumers alongside an accompanying set of 1-to-1 interviews to better understand end-users' views and attitudes to their telco billing models and related options.

In the Enterprise domain, the survey attracted a relatively even split of respondents by region and size. Roughly two thirds of Enterprise respondents were drawn from Small and Medium-sized companies, with one third from Large and Very Large companies.

The billing schema for enterprise takes its roots from earlier days where voice was king and the monopoly or near monopoly of telcos was the standard model. This, combined with the limitations of technology that occurred when computer-based billing came to the fore, meant that billing models were largely inflexible. Advancements in technology and innovative billing practices for IT services outside telecom service providers are opening the eyes of enterprise buyers. For 62% of enterprise respondents indicated that they lack flexibility in billing options with their telco provider. Enterprises respond positively to even relatively small changes in billing. Over a third of surveyed enterprises indicated that a quarterly billing model would be an option that would interest them.

Enterprise:

Enterprise
Respondents by
Region



- APAC (50)
- EMEA (70)
- Latin America (30)
- North America (50)

Source:
GlobalData

Enterprise:

Size of Enterprises
Surveyed



- Small (50-100 employees) (40%)
- Medium (101-1001 employees) (40%)
- Large (1001-5000+ employees) (13%)
- Very Large (5000+ employees) (8%)

Source:
GlobalData

Billing Flexibility is the Secret Sauce (to Greater Customer Engagement)

Perhaps the most important conclusion from the study is that end-users – both consumers and enterprises – clearly want more flexibility in their billing options than they currently receive from their current provider or providers today.

To be sure, nobody likes getting a bill. But this study uncovered a degree of dissatisfaction with telco provider bills that goes far beyond a disinclination to paying in general.

According to the survey responses, 52.4% of all respondents (enterprise and consumer) claimed they were dissatisfied with the bill or bills they receive from a telco, and when asked to explain or give a reason for that dissatisfaction, most provided more than one. A quarter of the base complained that their bill or bills were too long; another quarter claimed their bill or bills were too difficult to understand. Around the same proportion stated that they received too many bills, and slightly more claimed their bill or bills sometimes felt wrong and required an explanation.

However, the single most common complaint by far from these dissatisfied consumers was that their telco bill, or bills, were too ‘inflexible’.

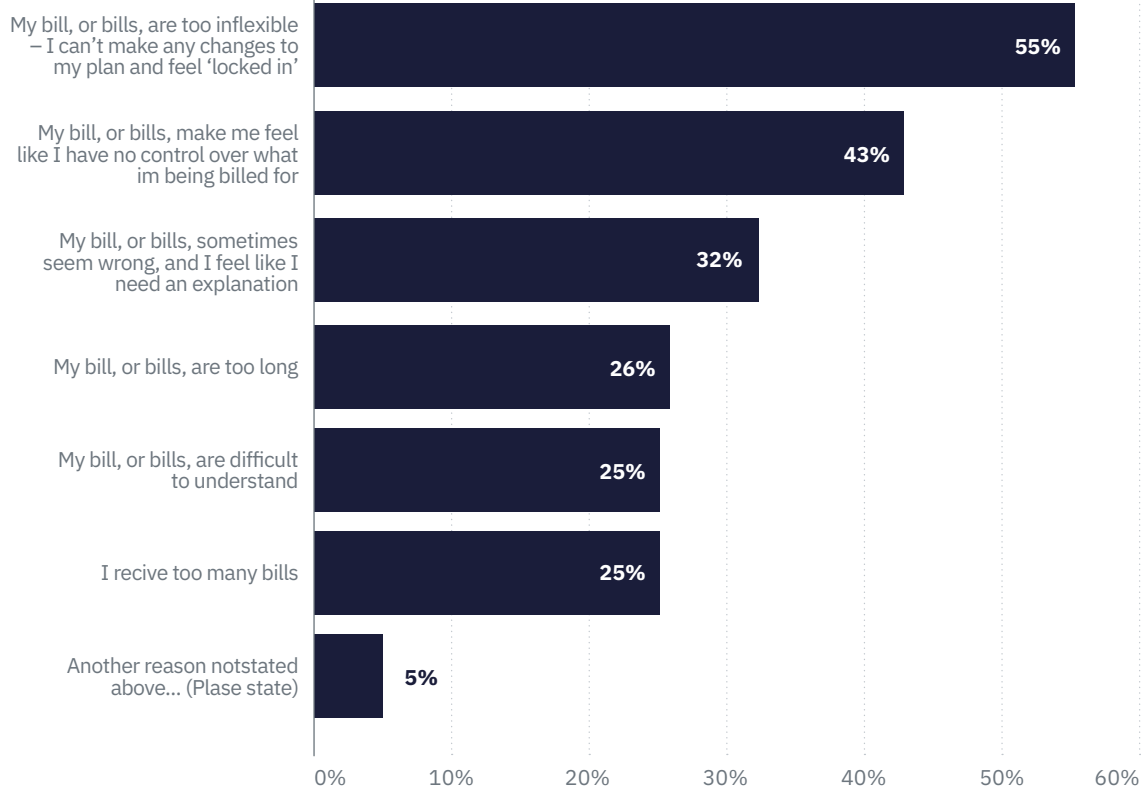
Almost 55% of these respondents claimed that their bills failed to allow them the option to make changes to their plan or plans, with the result that consumers feel ‘locked-in’. The proportion of dissatisfied customers citing inflexibility as the reason for their negativity was roughly twice as high as any of the other reasons cited. What’s more, the second most common complaint of telco bills is that they leave consumers feeling out of control. Specifically, around 43% of the base claimed their bill or bills make them feel as if they have no control over what they are being billed for.

The lack of flexibility was also the most frequently cited frustration of enterprise respondents, with 62% bemoaning the lack of flexibility on payment options. Lack of real-time visibility into the amount which their organisation was spending was also called out as a point of dissatisfaction by a majority of respondents (53%). A mere 6% of respondents stated that they don’t currently face any challenges at all.

Locked-in, and out-of-control – today’s telco bills are producing substantial negative consumer sentiment.

Consumer:

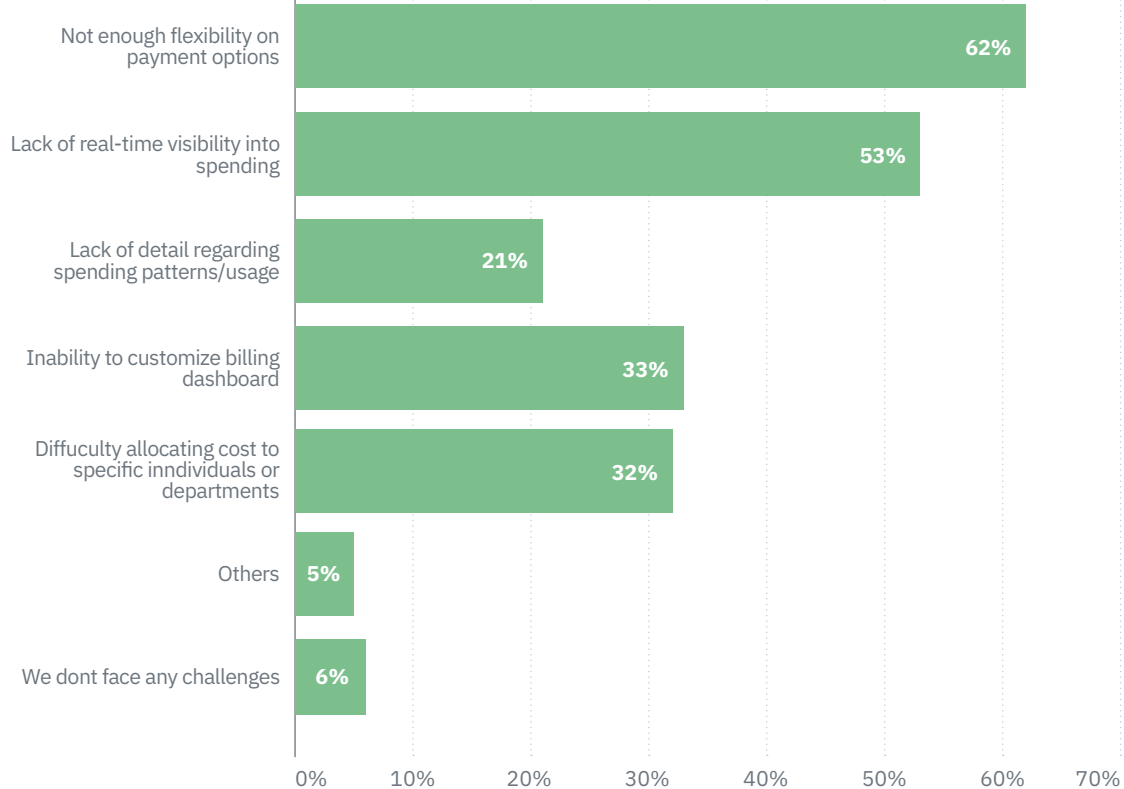
For what reason(s) are you dissatisfied with your telecommunications service provider/s bills?



Source:
GlobalData

Enterprise:

What are the top challenges you currently face in regard to your billing experience? Enterprise



Source:
GlobalData

Customers Will Churn Without Billing Flexibility

In the telecoms services market, price is generally held as the most important trigger for customer churn. It stands to reason: there's precious little loyalty in today's over-saturated and highly competitive communications market and customers will likely switch providers if they can get a better deal elsewhere.

For enterprises, price is one of the top concerns, but, overall, they are less price sensitive than consumers, due to the higher business risks of the switch itself to another telecoms services provider. Enterprises are also likely to have much longer term and deeper relationships with a given provider, by choice or by inertia.

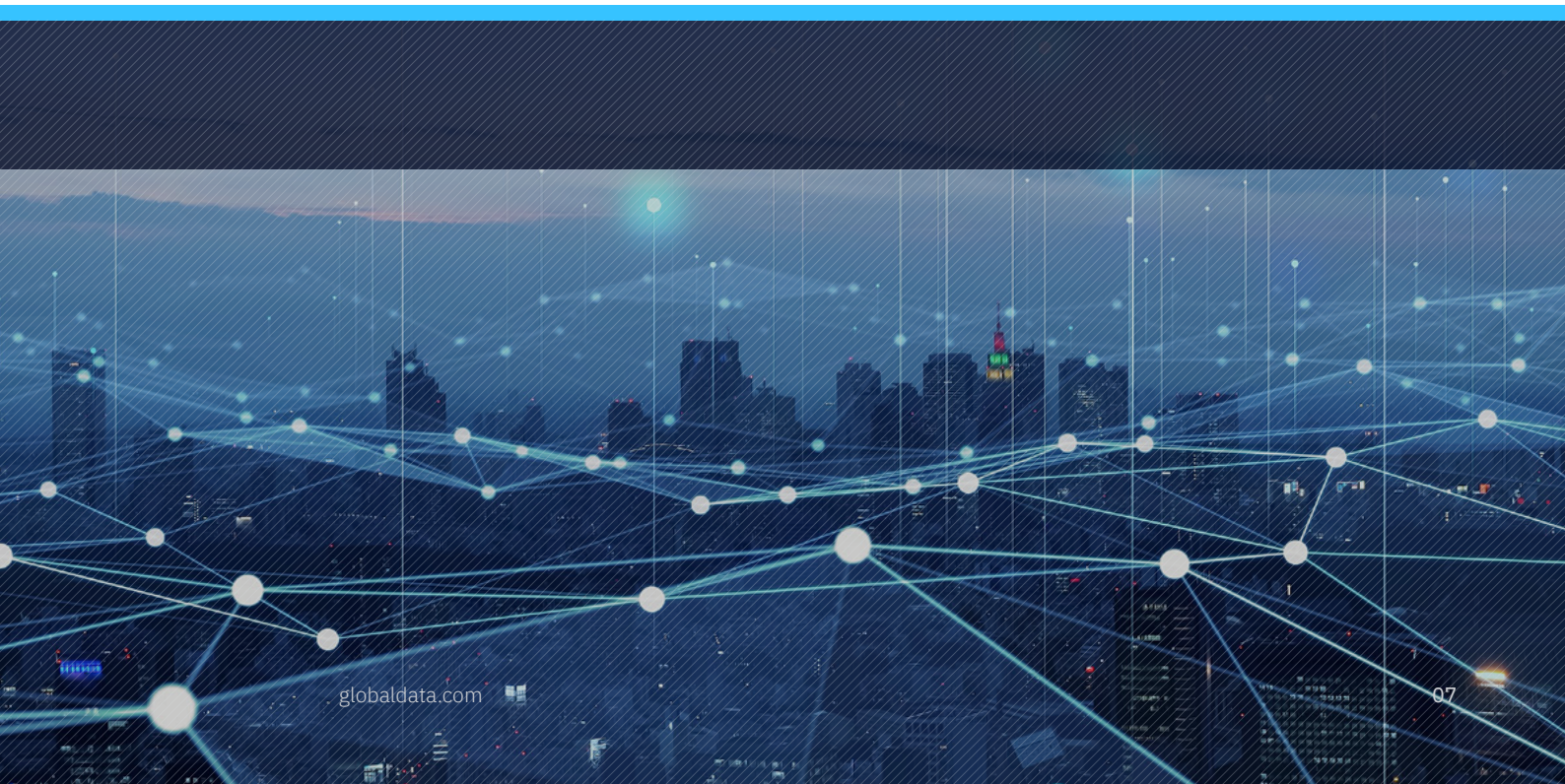
But while the importance of telecoms service pricing cannot be denied, this study found that billing inflexibility is not only a common consumer pain-point, but it also warrants consideration as a potential churn trigger.

In another part of the survey, we asked consumers whether they would consider leaving their current service provider for an alternative provider that allowed them to pick and choose from different billing models for different services. A clear majority of 70% indicated they either 'probably' or even 'definitely' would.

This churn sentiment appears to be even higher among "convergence consumers", i.e., consumers who take multiple services from a single telco at any one time. We asked the respondents to imagine a future scenario in which they were purchasing 5-6 different services from a single provider. 88% of the base said they would find it attractive or even very attractive to have the freedom to select the most suitable billing model for each service. And 74% of the base agreed they would be either likely, or even very likely switch to a new provider which offered all these billing flexibility benefits.

Clearly, consumers are ready to churn for more billing flexibility – and this propensity is the highest among multi-service consumers. But not only that: this study finds that billing flexibility is a privilege that customers are also ready to pay for.

Churn is an important factor when considering enterprise customers as well. The survey indicates that 70% of respondents were in the 'probably' and 'definitely' category in considering leaving their current telco service provider if another allowed them to pick different billing methods on a per-service basis.



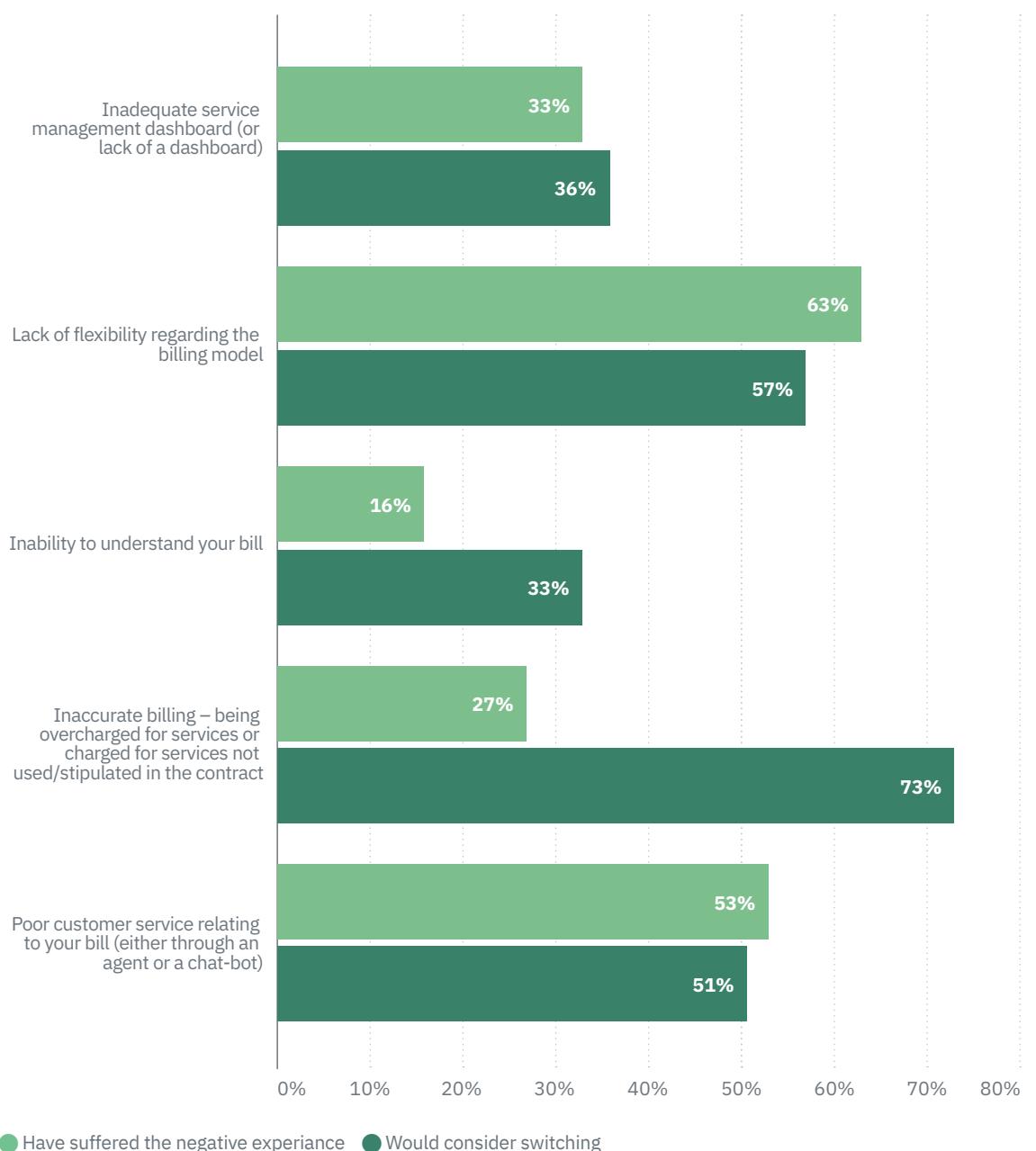
The level of interest shown by enterprises willing to make those changes shows how much churn is possible in the market. Furthermore, when asked if a telecoms service provider that offers flexibility around when and at what frequency they could pay for their services would be of interest, 80% of respondents indicated that this would be attractive or very attractive to them. Further evidence that billing causes churn in enterprises is that just under half of organizations stated that they would switch telco service providers if they moved to a pure subscription model only. Such a model

is the functional opposite of flexibility and is an example of billing rigidity despite this model's ubiquity in certain other tech markets.

Telco service providers need to be aware of the importance of the customer experience. Most enterprise buyers stated that they would consider leaving their operator if they were billed inaccurately (73%), not offered a flexible billing model (57%) or received poor customer service (51%). Similarly, the fact that almost two-thirds of respondents (63%) feel that they have suffered or are suffering from inflexible billing models should be of huge concern.

Enterprise:

Negative experiences which lead to telco churn (The Enterprise View)



Source:
GlobalData

● Have suffered the negative experience ● Would consider switching

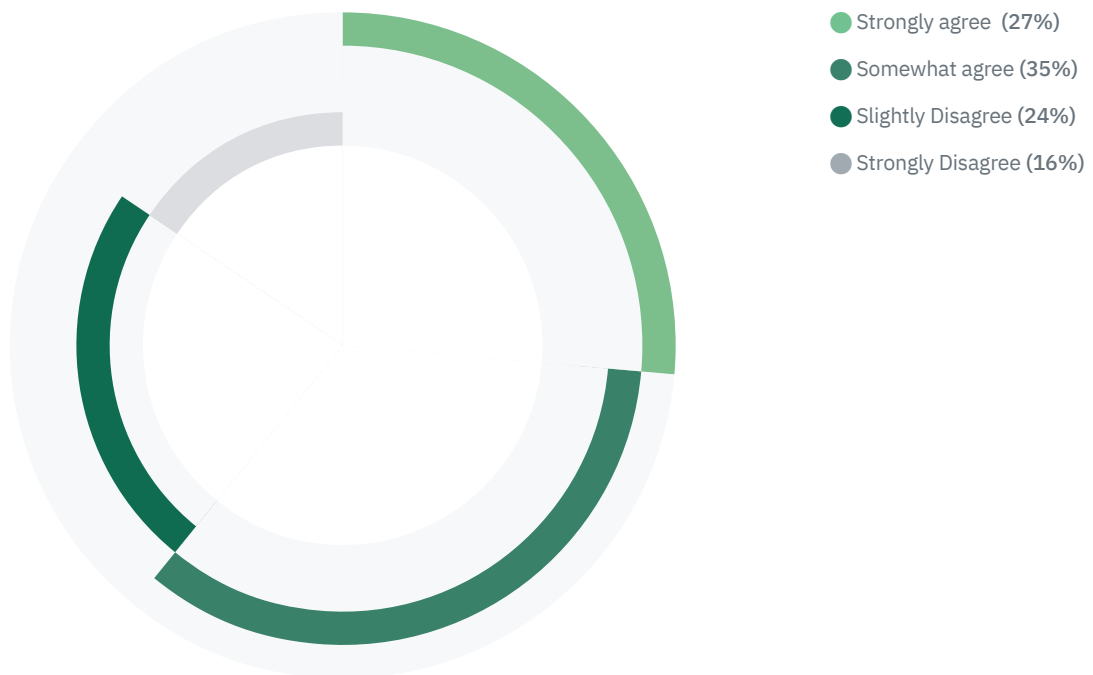
Beyond One-Size-Fits-All: Billing Model Choice and Flexibility Opens up new Telco Revenue Opportunities

As well as minimizing churn, flexible billing offers telco service providers the opportunity to both capture new customers and grow their revenues from existing ones. Enterprise respondents were emphatic when asked to confirm the importance of billing flexibility. 62% of respondents agreed that they would be willing to pay a premium for an otherwise identical service if it came with billing flexibility.

An astonishing 76% of respondents stated that they would be likely to procure additional services from their provider, on the condition that they were offered more flexible billing models for the different services. Since such a feature is not common among telcos currently there is a huge first-mover advantage to be gained here.

Enterprise:

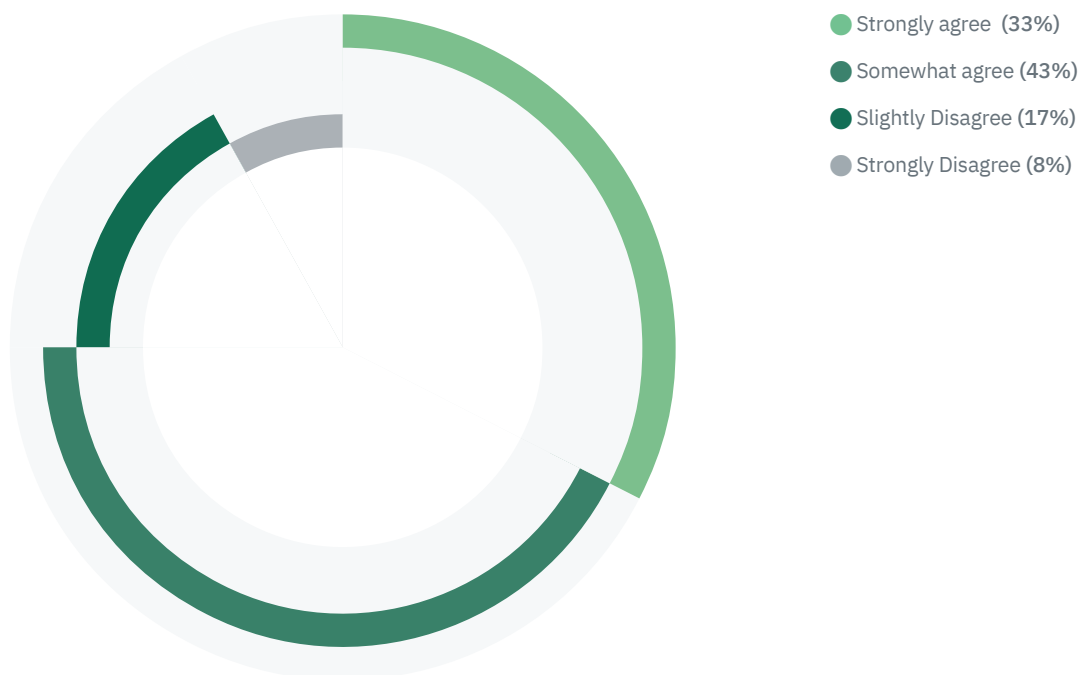
'I would be willing to pay slightly more for a service which offered me billing flexibility.'



Source:
GlobalData

Enterprise:

'If the service provider offered more flexible billing my organization would be more likely to purchase additional services from them'



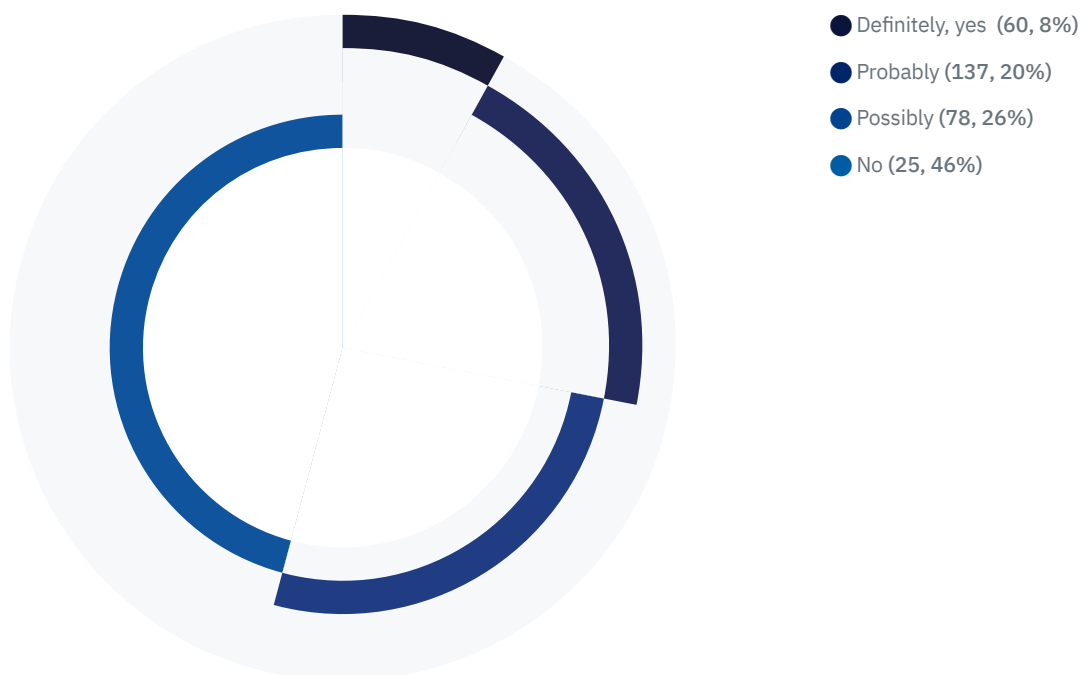
Source:
GlobalData

And on the consumer side, telcos that are ready to offer customers a wide range of flexible billing options will be able to better persuade consumers to test and try out new services for size. Over 65% of the base agreed they would either 'probably' or even 'definitely' be more open to trying out more services, such

as a pet tracker or a smart home service, if it were offered on a flexible billing model. Given the fact that value-added service upsell is a key factor for most if not all telco convergence strategies, this high degree of consumer willingness to explore new services should not be ignored.

Consumer:

Would you be willing to try out new services if they were made available on a flexible, non-subscription billing model?



Source:
GlobalData

Subscription is Not the Only Flavor

To be sure, the subscription model has emerged as a preferred Silicon Valley favourite: a visible component of many of the success stories from the world's most popular digital brands such as AWS, Microsoft, Google in the enterprise space or Amazon Prime, Netflix, and Spotify in the consumer market. Many telcos have also started moving closer to the subscription model for telecoms services, with some even starting to prepare for a future scenario in which all telecoms services could be delivered via this model.

It's easy to see why telcos are thinking about subscription-only models. Multibillion dollar businesses considered in the hot zone of technology use these subscription models, and thoughts of moving to subscription in the hope of increasing revenues from those models are natural. Yet these companies are all newcomers in relatively new markets – it's easy to force customers into a monolithic billing model in a new market where they have no preconceptions on what the billing model should be or even what they want. However, the conclusions of this study clearly warn telcos against such an assumption – one size does not fit all services. Telecoms services may be better suited for a non-subscription model, or one of the many

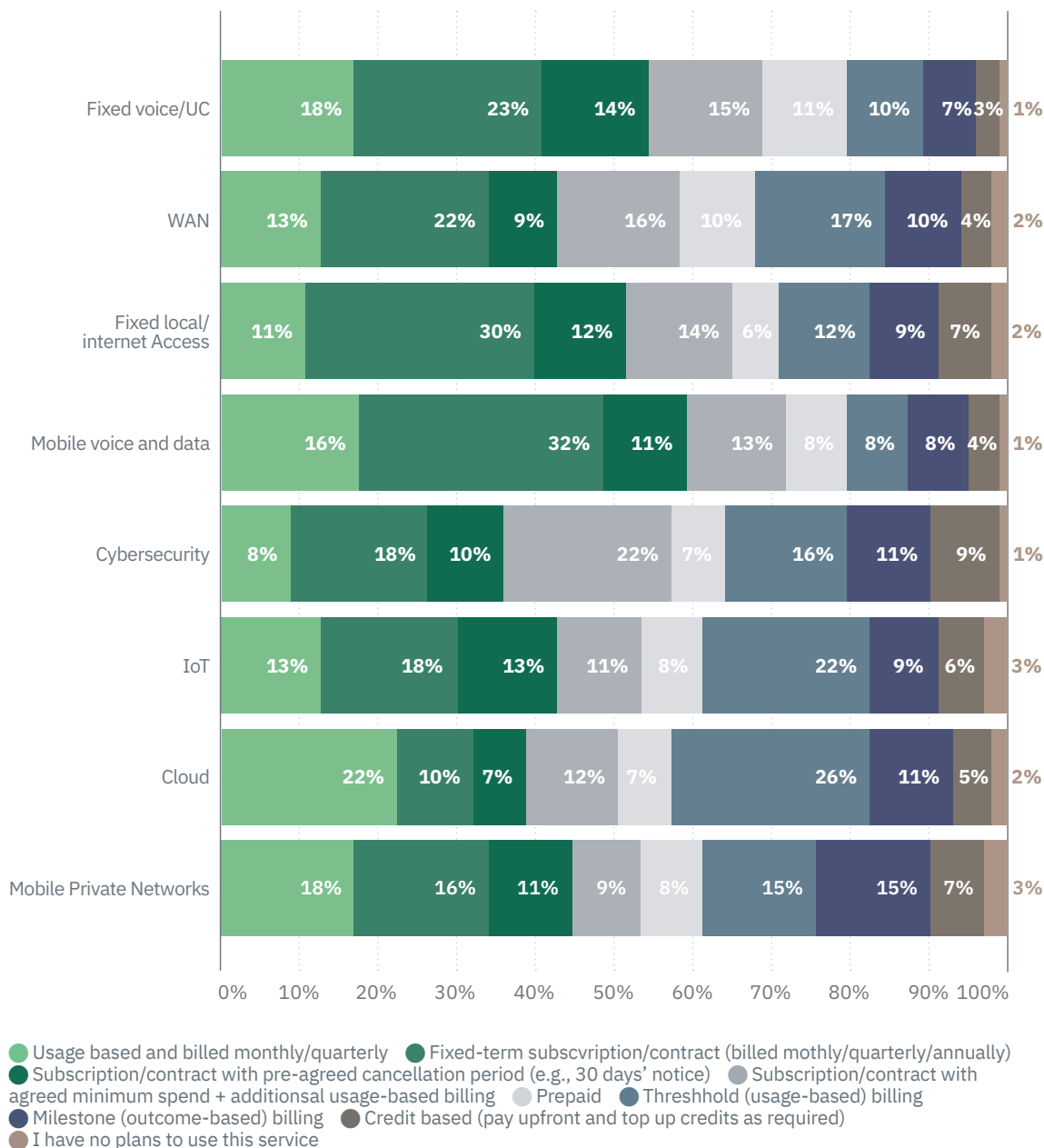
models available. There is no clear agreement in the market linking specific services to a subscription model preference.

Flexible billing services matter hugely to enterprises. This flexibility should start by focusing first and foremost on the customer's business needs. For instance, 53.5% percent of enterprise respondents indicated they wanted their first bill to be prorated to ensure that all their services have the same monthly start and end date. This indicates a desire for regularity and conformity, to aid in planning and analysis of telco bills. The survey also found considerable interest in a subscription model for products such as internet connectivity and mobile communications. Yet, when it came to WAN services, 17% indicated that a threshold billing model was the preference. Cybersecurity and Internet of Things (IoT) are also technologies where enterprises found a threshold model to be of interest. Cloud services was an even bigger percentage at 26%. In abstract these numbers seem low, but it highlights that quite a few enterprises can be enticed to transfer to a rival service provider or contract additional services from an existing provider with the requisite level of billing flexibility.



Enterprise:

What would be your preferred billing model for the following services offered by a telecoms service provider?

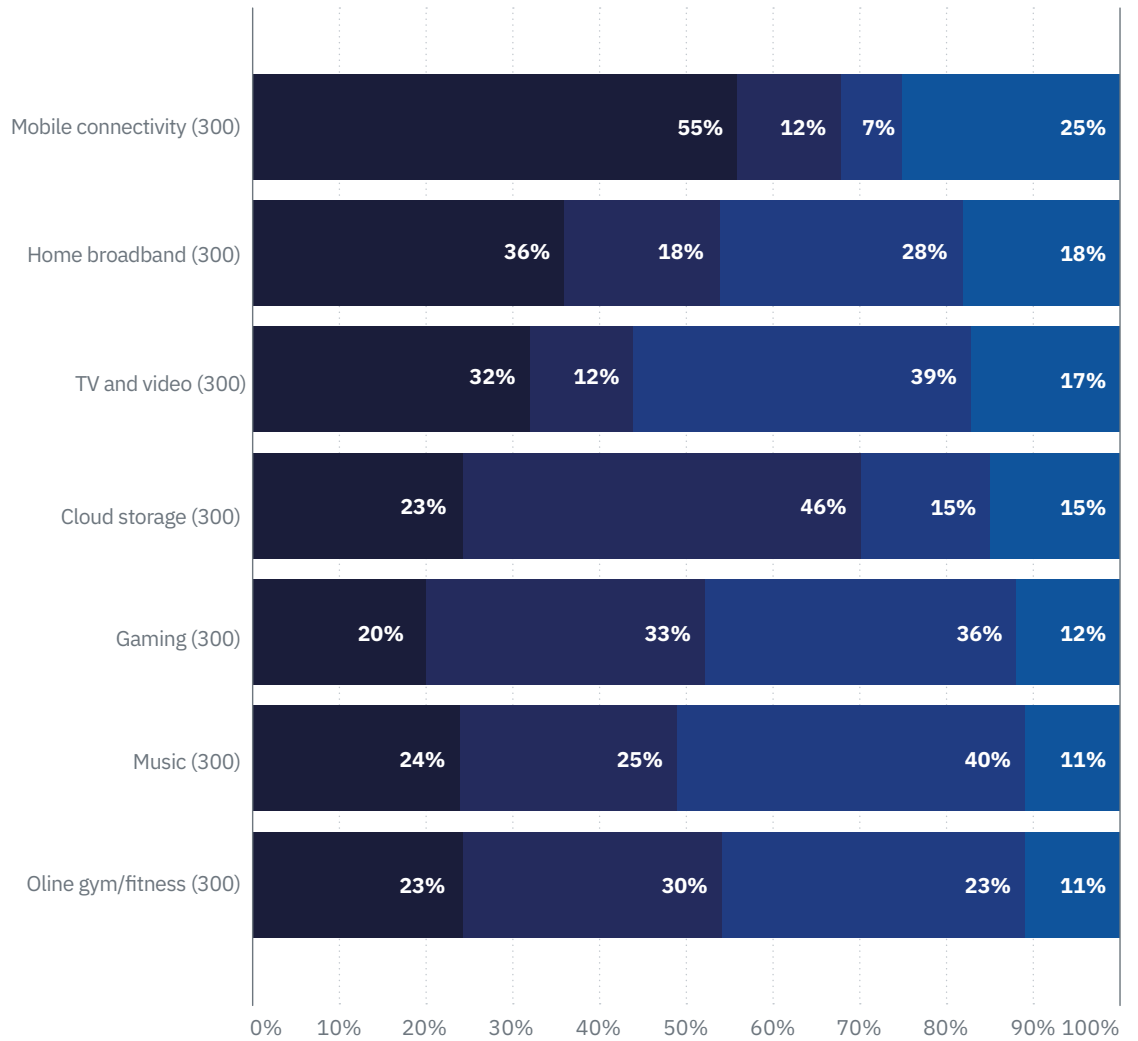


Consumers were also asked to select the best billing model for a variety of typical telecoms services, choosing between a prepaid, pay-per-use, subscription or postpaid model. The most popular type of service deemed most appropriate for the subscription model was, perhaps unsurprisingly, entertainment services: Music streaming, TV and video streaming, and gaming. However, consumers indicated a stronger preference for non-subscription options for core telecoms services such as home broadband and mobile connectivity, with prepaid a clear favourite for both, and pay-per-use the most popular option for cloud storage.

What is interesting about this set of the results is the lack of a clear winner in any of the telecoms service categories. None of the billing options per service were chosen by 50% or more of the consumers surveyed, with results evenly matched, across the board. In other words, there is no clear favourite billing option for any of the services. Clearly, telco customer needs vary, from one end-user to the next. And although the subscription model is undeniably an important structure for telcos to offer, it is by no means the only option they should consider. Rather than reducing or even consolidating their billing options, telcos need to broaden their choices to capture the best market share.

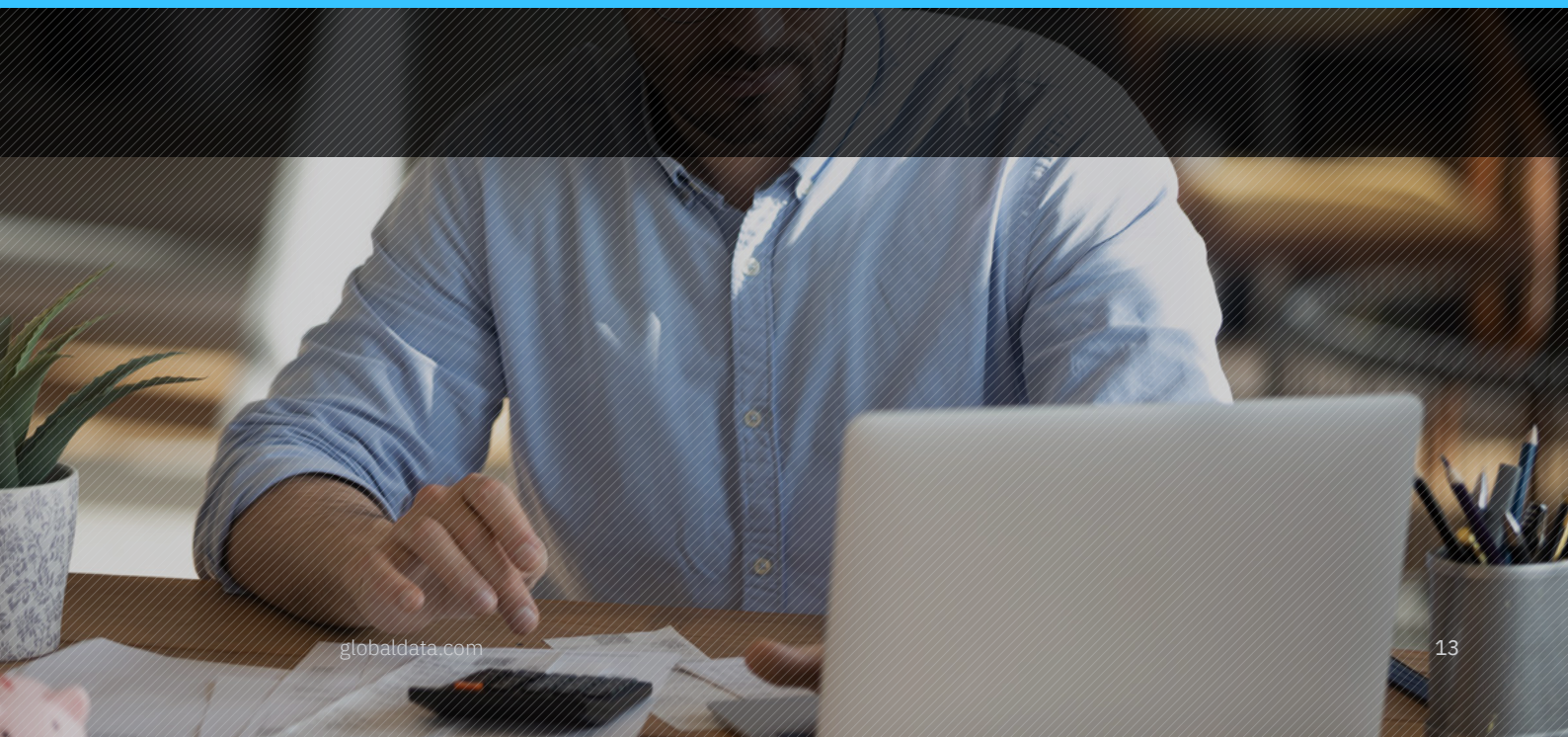
Consumer:

What would be your preferred billing model for the following services offered by a telecoms service provider?



Source:
GlobalData

● Prepaid ● Pay-per-use ● Subscription ● Postpaid



Don't Underestimate Billing Concern

Many of the results of this study will likely come as a surprise to telcos today. In attempting to maximize customer satisfaction and delight, few to date have highlighted or even investigated end-user billing pain-points, and even fewer have challenged the billing status quo in this market. There is an overwhelming assumption in the market that telecoms service bills simply need to be transparent and accurate. Whilst that's certainly the case, this study suggests they need to be even more than that – they need to be customizable and flexible, and that has important ramifications for telecom executives in charge of managing the customer experiences.

When asked to rank the most important billing-related criteria when selecting a new service provider, billing accuracy and transparency scored well, as expected – but by no means by an overwhelming majority. For example, around 53% of consumer survey respondents ranked 'billing accuracy' as their most important criterion. Yet almost the same number gave the same ranking priority for 'the ability to select my preferred billing model'.

What's more, amongst both consumer and enterprise customers, this study clearly uncovered appetite for new types of billing models which are either extremely rare or absent entirely from many of the largest telco markets in the world.

In the enterprise market the appetite for new billing models is especially strong. There is a substantial dissatisfaction with the current billing models: 46% of enterprises expressed sentiments that they are somewhat or entirely dissatisfied with the billing experience. There is also a clear desire to leverage new and currently rare billing models such as threshold billing or milestone billing. When asked about willingness to explore new models, 75% of respondents indicated that they would be interested in one or both new billing models for different services.

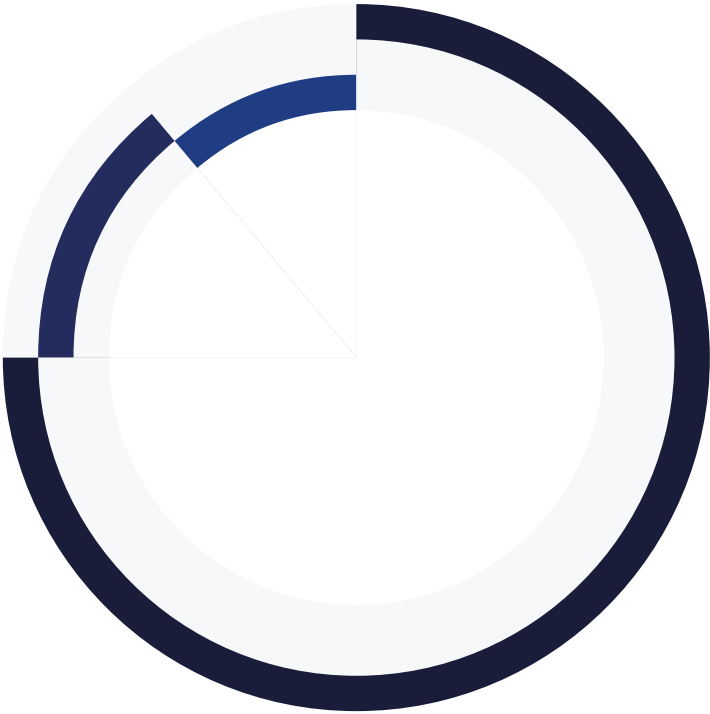
A CLEAR DESIRE FOR BILL CUSTOMIZATION

Another important conclusion of the survey is that customers – both enterprises and consumers – would appreciate the ability to self-configure the visualization of their bill with customizable graphics, images, and chart presentation, and supported API access, as required.

For businesses, clarity of the bill from a visual sense and providing the ability to quickly comprehend the bill without any head-scratching is a key requirement. Almost three quarters of respondents reported that charts and graphs were essential or very important. In the category of numbers/data breakdown being included directly within the bill 84% of respondents indicated that it was essential or very important. However, the most interesting statistic was that the overall ability to customize the visual elements of their billing statement to match their business needs, with 75.5% reporting that as an essential or very important. Businesses are increasingly focused on efficient analysis and interpretation of data received. They require the ability to customize bills to make them easy to read and comprehend, as well as identify and highlight the areas that matter the most to the business.

Consumer:

Would you appreciate the ability to personalize your bill to include visual representations of charges in customizable graphics, images, and charts etc., that makes the most sense to you?



- Yes (225, 75%)
- No (43, 14%)
- Im not sure (32, 11%)

Source:
GlobalData

Enterprise:

How important is it for you to be able to customize visual elements (data, charts, graphs, videos, images) of your bill to meet your business's needs?



- 5 (Essential) (70)
- 4 (81)
- 3 (40)
- 2 (8)
- 1 (Not at all Important) (1)

Source:
GlobalData

One more thing...

Enterprises are becoming more sophisticated and are seeking to automate the processing of telco billing data and increasingly, telco billing APIs are their preferred method of automation.

The survey indicates that 65% of enterprise are currently using telco APIs in billing, while 30.5% do not currently use telco billing APIs but would like to. Only 4.5% had no interest in APIs.

Surprisingly, there is quite a bit of variety on why enterprises use APIs. For example, companies use telco billing APIs to bring consolidation and regularization of data for use in internal systems. The use of APIs to integrate bills from multiple providers is popular and common. Enterprises also use APIs to achieve billing customization to get the data they want sorted in the way they want and aligned with their business needs.

The 'billing experience' is clearly something both consumers and enterprises care about, even if they have not yet had the opportunity to articulate their requirements.

There is a gap between enterprise expectations and what is being delivered. Over 80% of survey respondents expressed that their billing experience was really important to them personally as well as to the organization in general. But close to a third of those same enterprises are contacting their telco service provider more than once a month regarding billing issues. Telco service providers need to and can do better by applying the high-level principles of digital transformation to themselves – improvements to the billing system that allow for the degree of flexibility, analysis, and accuracy that meet enterprise needs is clearly necessary.

And while around 60% of consumer survey respondents agreed they were unsatisfied with the bills they get from the telcos, there is a broad set of reasons for this dissatisfaction, with lack of flexibility, customizability and control leading the pack.



Conclusion

While all technology is change, telco service providers are entering a new era that bears little resemblance to the old market order, where voice and data were the principal products and telcos competed strictly with each other for business. Non-traditional competitors are beginning to edge into telco service provider space, and some of them may be about to challenge the traditional telco billing model with more flexible, customer-centric features and options. Digital service provider billing models, which rely heavily on subscriptions, make it seem that subscription is the only way to compete. But with telco service providers' requirement to satisfy a wide variety of both consumers and enterprises, it is quite clear that a 'one size fits all' strategy for billing is insufficient.


As the results of this study demonstrate, enterprise buyers of telecom services are increasingly sophisticated and seeking to ensure their spend meets the needs of the business. Consumer buyers are demanding higher levels of personalization. All this points to a new requirement for more flexible billing models, and a more open and creative telco mindset on billing generally. Telco service providers have a chance right now to make competitive inroads against other service providers, hold off non-traditional competitors, and increase customer spend on existing and new services, all while improving their customer service satisfaction and loyalty. Billing may be one of the last, great unexplored avenues to unlocking all this potential.

Appendix

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HEAD OFFICE

John Carpenter House
7 Carmelite Street
London
EC4Y 0AN
UK

Tel: +44 20 7936 6400

 GlobalDataPlc
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 GlobalData.com

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