



Are you 'avoiding' revenue?

Revenue spillage happens silently and invisibly in the operations of every communications service provider. As K Nanda Kumar writes, while the focus of the industry is on stopping visible revenue leakage from mishandled transactions and improper processes, a much larger form of revenue leakage is spilling from the top of the revenue barrel.



The author is K Nanda Kumar, president and CEO, SunTec Business Solutions

As a result, operators are in effect becoming susceptible to revenue avoidance from customers and content partners, especially in the context of value-added content services with the large number of content providers. Stopping revenue spillage is, therefore, the biggest opportunity.

While the focus of the industry is on stopping visible revenue leakage from mishandled transactions and improper processes, a much larger form of revenue leakage is spilling from the top of the revenue barrel. As a result, operators are in effect becoming susceptible to revenue avoidance from customers and content partners, especially in the context of value-added content services with the large number of content providers. Stopping revenue spillage is, therefore, the biggest opportunity.

Unlike revenue leakage which occurs due to

flaws in the internal revenue management processes and procedures, revenue spillage is a direct consequence of an operator's inability to tailor product pricing and loyalty programs for narrowly focused customer segments. It's also down to their inability to manage and reconcile with multiple content providers, due to the lack of appropriate control mechanisms.

Cause and cure

Pricing decisions have never been more important for communication service providers (CSPs). Wrong pricing decisions could be a deterrent to growth and are bound to have adverse long-term consequences. For instance, in a cable network, extreme internet users might consume more than their fair share of the access bandwidth. These 'abusers' might congest a major portion of the operator's network, leading to dissatisfaction among a majority of customers. ▶

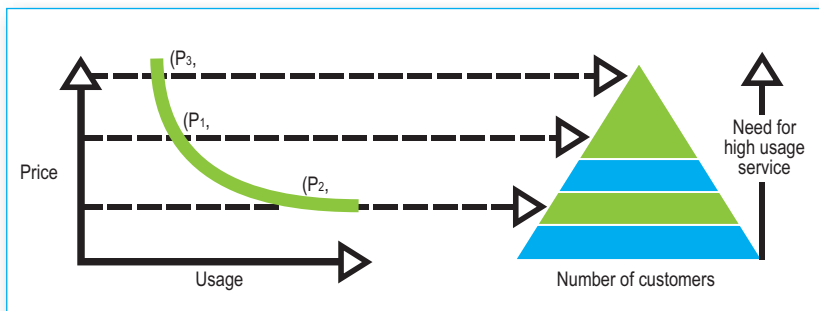


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This situation arises when service providers have ‘back office’ infrastructures that are only capable of offering and pricing ‘All you can eat’ services. The infrastructure, though capable of measuring usage, is not able to price based on actual usage. Hence the resulting inequity in network usage leads to revenue spillage.

An ideal Revenue Spillage Control Suite defines and implements a usage-based pricing strategy helping the CSP not only to avoid spilling revenue, but also acting as a great opportunity to actually increase revenues in many ways. For example, using SunTec’s system operators can offer a higher price point and matching service levels for heavy users that meet their needs. Meanwhile they can offer a median price for average users with a corresponding median level of service. In addition, they could have an even lower price point with lower levels of service for untapped market segments, thus expanding their footprint.

Fig1. Preventing revenue spillage with usage-based pricing



In addition to the inability of the operator in providing usage-based pricing, revenue spillage also results from a failure to accomplish content-value-based pricing. A case in point could be the latest movie being priced the same as an old movie or TV serial; in effect, inadvertently pricing the new film at a loss.

Defection of valuable customers

Gone are the days when operators could follow a one-size-fits-all strategy. Today, it is all about providing personalised service and price for each customer taking into consideration the actual tenure and consumption of the user.

Operators need a Revenue Spillage Control Suite that enables them to identify, recognise, and reward high value customers by exploiting next generation systems, such as Integrate Loyalty Management.

Segmentation of the customer base according to usage and risk, combined with

loyalty programs suited to the behaviour and risk associated with each segment, leads to significant increase in revenues.

Ineffective management of multiple partners

The communication industry is at an inflection point, with user base saturation setting in and ARPU (Average Revenue per User) stagnating. Offering value added services (VAS) in association with partners seems the only way forward. But in their urge to provide VAS, operators today are losing substantial revenue streams as a result of poor and ineffective partner management systems. The fact is that there may be a difficult future for many of these operators in a few years if the current levels of loss continue.

Apart from the loss for operators due to failure to generating more revenue than the revenue share guaranteed to their partners, there is the risk of partners with popular content churning to competitors. Clearly, better revenue share is the operates Achilles’ heel today.

A robust Revenue Spillage Control suite addresses the myriad contractual terms and conditions with the multiple partners of an operator, taking into consideration profitability margins and usage-based revenue sharing agreements.

Such a solution helps operators retain profitable partners by giving them higher usage-based revenue shares. The solution also has the flexibility to provide profit-based revenue sharing to restore the probability of operators making losses in the case of less popular content.

Coming back to the question I raised at the outset, are communications service providers ‘avoiding’ revenue? The response is YES.

Without a comprehensive Revenue Spillage Control suite that gives you the ability to define, implement and automate effective usage-based and content-value-based pricing, integrated customer loyalty management systems and partner revenue-share solutions, communications service providers are indeed (inadvertently) ‘avoiding’ revenue! **\$**

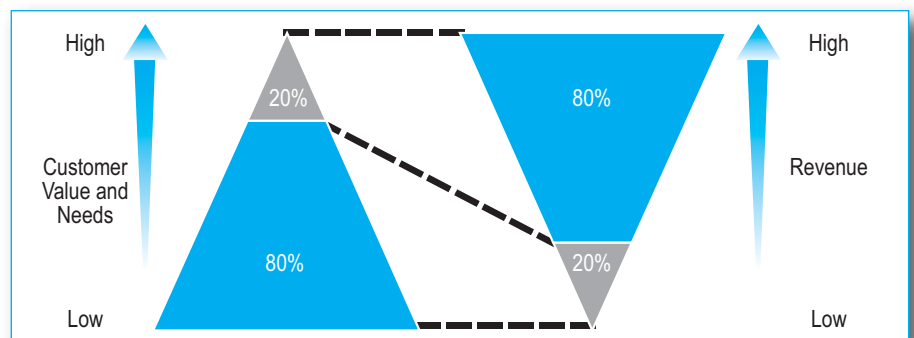


Fig 2. Segmentation of customer base by usage and risk

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