

# Why Telcos Must Make Convergent Charging the New Engine for Growth

The prime drivers to adopt convergent charging include cost reduction, customer experience and competition. Each of these drivers needs to be explored and understood before implementing a convergent charging model.

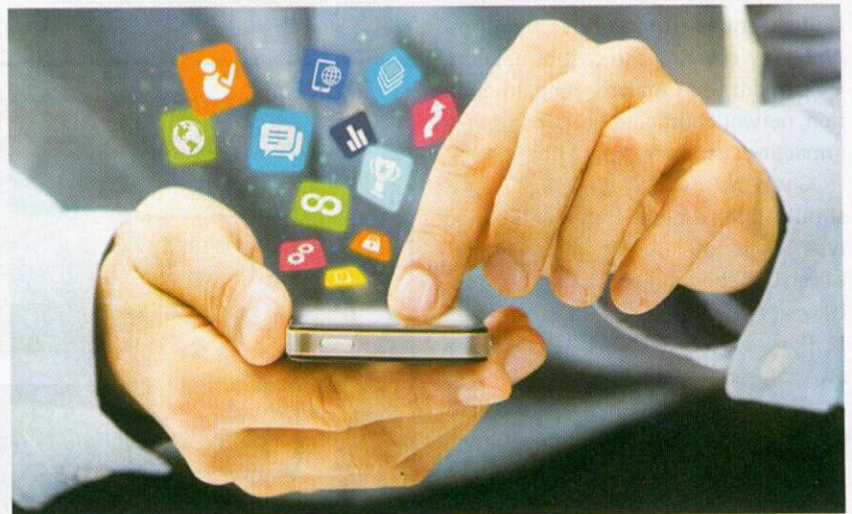
**F**or the first time in the history of the telecom industry analysts are forecasting that by 2018 mobile revenues will contract. The prime challenges Communication Service Providers (CSP) face include margin pressures due to slowing revenue, increased customer churn, competition from Over the Top (OTT) providers and a lack of innovation around new services to boost revenues. On the other hand, CAPEX doesn't appear to be shrinking. CSPs continue to invest 15%-20% of total costs in network and IT infrastructure to extract the best out of their existing estate and improve customer experience.

The problem is that most CSPs function in multiple charging silos, limiting the launch of new, innovative and personalized services with users in control of consumption. This paper looks at the opportunities and constraints around a convergent charging system that can free CSPs from their current challenges and help roll out new services irrespective of them being pre-paid or post-paid.

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## Cost Reduction

Most CSPs, with a few green field exceptions, have implemented pre-paid and



post-paid as disparate systems and as different businesses. When products and services offered to customers are priced and charged in different systems, maintenance of both systems becomes complex and expensive. Convergence can enable significant cost reductions through consolidation of software licenses, vendors, contracts and diverse skills running the billing operation. In addition, CSPs will dramatically improve time-to-market for new products/services. The financial and business benefits delivered in the long term will outweigh the transition cost to a convergent charging environment.

## Customer Experience

It has become important to remain customer centric by combining innovative

services with attractive pricing and a great experience. This means empowering customers to personalize and control services plus get rewarded through offers and discounts. The goal must be to seal their loyalty and influence them to increase their usage of voice, messaging and data.

Customers – individuals, families, businesses -- have a strong urge to control the cost of services consumed by them. Converged pre-paid and post-paid charging will unlock a huge potential for CSPs and help tap the benefits of this urge. Convergent charging will facilitate hybrid offers with a mix of pre-paid and post-paid services, giving the customer greater flexibility and choice. Some of the typical hybrid variant scenarios are

depicted below.

By providing control to the customer of their account, CSPs will promote customer confidence, influence them to increase usage and avail new services. The platform will enable operators to offer any combination of differentiated services with cross product discounts and promotions, improving revenue and customer satisfaction.

## Competition

With fierce competition from other operators and aggressive OTT players, service differentiation and faster time-to-market has become the key to survival. Today, traditional voice and SMS services account for a very small portion of network usage. And revenues from data services are no longer covering the cost of network investments and maintenance. In addition, network bottlenecks are negatively impacting customer experience.

Given the situation, charging systems should differentiate between service types. For example, watching movies with a fixed QoS should be charged higher than browsing or email.

Converged systems aid operators in offering personalized services, lower tariffs, faster products launches and help in service differentiation. Importantly, smart converged systems create business models for revenue sharing with OTT and other content providers.

## Convergent Charging Architecture

Convergent charging engines should handle pre-paid and post-paid usage online with real time sessions/event supervision providing CSPs a single cost-efficient charging system that also enables rapid deployment of new services. The system should give the customer complete control of the account over any device, irrespective of the payment method

## Conclusion

There is ample justification for convergent charging. But some CSPs are delaying their migration to converged systems because of two persistent challenges:

- Legacy systems: Replacing current

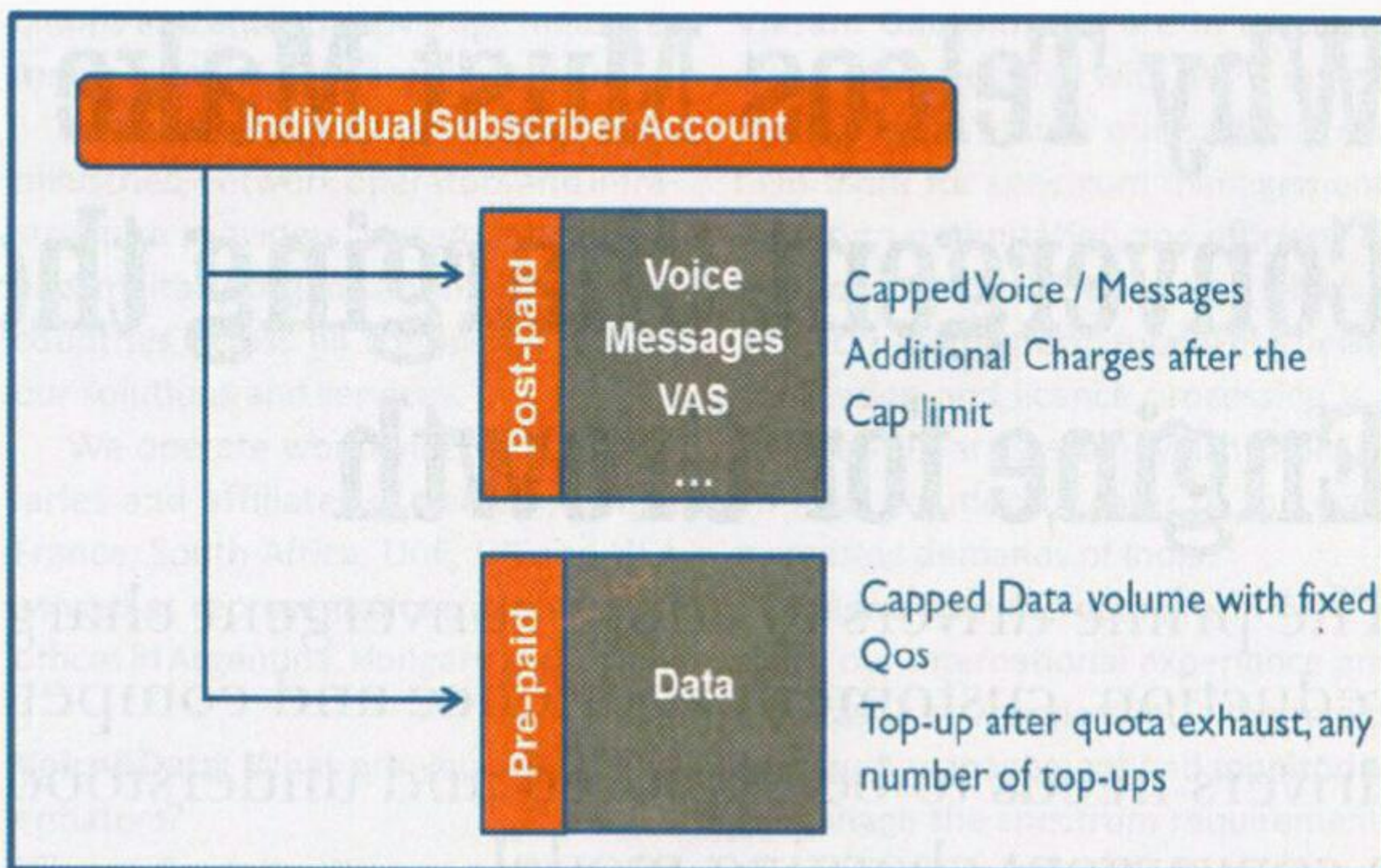


Figure 1: Individual Subscriber account

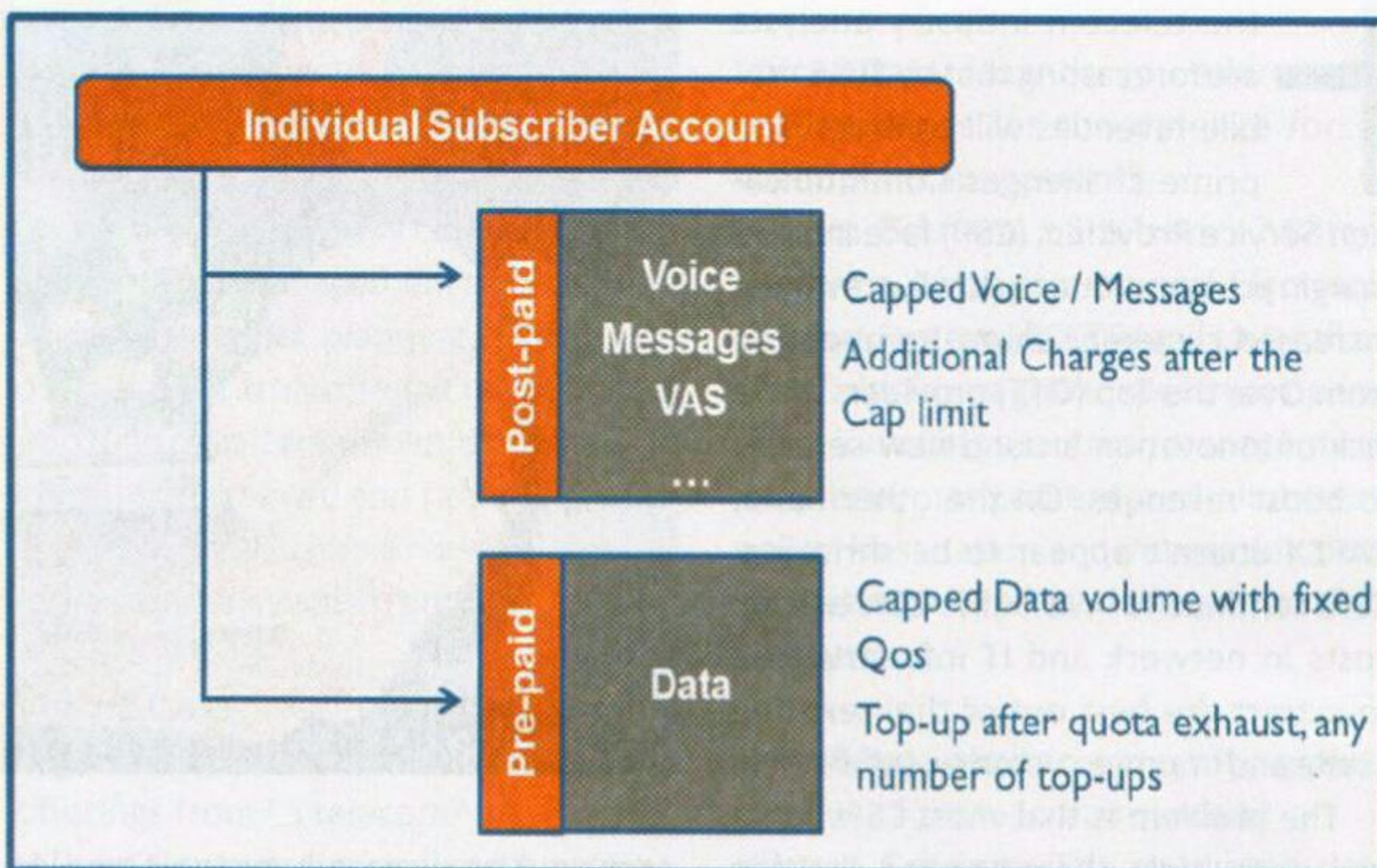


Figure 2: Business Subscriber account

systems and a smooth integration with disparate systems is complex.

■ Business risk: CSPs have a significant spread of business between pre-paid and post-paid, and creating the right pricing and service offerings catering to both will be the key. If not done right, there could be a business risk.

However, enriched customer experiences through new, personalized services that can be controlled by the customer are bound to drive growth. Convergent charging provides a great opportunity for CSPs to unleash the power of being customer centric and reap the financial benefits. 🍀

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