

How to stay ahead in a risky **marketplace**

The global telecom arena is undergoing rapid change, mainly due to a technology upshift in the next generation networks and a wave of deregulation swiping operator markets all over the world. This is opening up for a diversified marketplace, which makes it difficult to foresee what type of services users are willing to pay for. Flat-fee for data traffic is considered a must, while paying \$4.99 for “Angry Birds HD” is a no-brainer. The winning operator in this competitive marketplace must have a clear strategy for the next generation networks, understanding their customers and the right set of tools for analysing their revenue streams.

It is very clear that the need for next generation networks are being pulled by the aggregated market demand for more IP-based services and apps, which ultimately leads to a strong continuous demand for more bandwidth. Looking at sales figures and the market growth of smartphones and other devices equipped with mobile Internet and WLAN capacity makes the situation even more obvious.

The bandwidth expansion of the wireless market is also pushing the industry for more mobile apps and cloud services, like mail accounts for example. The trend towards data traffic constituting a majority of the communication in next generation networks grows even stronger as voice calls over IP on mobile devices through applications like Skype, are becoming mainstream,

ROAMING - TRANSFORMED UNDER TECHNOLOGY AND REGULATIONS

The data traffic paradigm and market regulations are also changing the roaming market from being a lucrative cash cow in to a slim-lined business where operators need to be innovative to secure future revenues.^{Ref 1} The key to success in this market situation is customer focus. To identify, and always be updated on what the customer is looking for and being able to go beyond customer expectations requires a closer relationship with the customers and the business. This will enable operators to draw the right conclusions from their traffic and package their roaming services in an effective way. A good example is a recently launched offer in the Baltics, where operators have released a joint offer for roaming bundling, which is below the EU price recommendation.^{Ref 2} One of the biggest advantages of such types of flat rate international roaming offerings is that all services can be provided under a unified brand. The handling of market branding will become even more critical as the roaming market is moving towards a commodity market situation. The road to success passes through a stand-alone roaming solution that enables operators to offer end-users more and better services at lower prices.

SEIZING THE OPPORTUNITIES ON THE CARRIER TRADING MARKET

The carrier trading marketplace has turned in to a fast moving commodity market, which means that operators need to have a strategy for short and long term contracts and also have the know-how to capitalize on the opportunities. In practice, this means that operators need to adapt their Interconnect agreements from the outset for different customer segments and markets. Call quality, price and security are key differentiating factors for end customers.^{Ref 3}

The market characteristics of carrier trading create many pitfalls. But for those who know how to adapt in to these new circumstances, there will be lots of new opportunities. New land cables and increased satellite capacity on the African continent are some examples of how the market foundations are evolving, creating more IP-capacity and consequently more VoIP-trading possibilities for mobile service providers and transforming this capacity to end-user offerings.^{Ref4} For example, by offering end-users differentiated services depending on the required level of quality and making sure that these choices can easily be selected, operators are able to set up the most cost-efficient routes and send long distance call traffic accordingly. By using this Interconnect strategy, operators are able to significantly reduce the competition from Skype and prepaid cards.

FOLLOWING THE MONEY – THE DRIVERS OF FRAUD

Fraud is a major concern amongst operators. All reports and studies on fraud in recent years show that fraud is costing operators billions of dollars yearly on a global basis.^{Ref5} The security threats are expected to multiply with the expansion of the next generation IP-based networks and the rapid growth of gadgets, services and applications connected to mobile networks and the Internet. Understanding the market challenges for fraud and revenue management is important. But knowing how to address the most common and expanding types of fraud is crucial for securing the overall business and keeping customers safe from cyber-attacks.

In order to be successful in the struggle against fraud, operators need to have a strategy in place and also have a clear focus on winning the trust of their customers.. Otherwise, the consequences will not only put operators at a financial risk due to more losses. It will also – if operators fail to guarantee a safe connection and usage of services or applications – endanger the subscriber business model due to growing number of dissatisfied customers. This, since many new mobile Internet services are linked to money and economy, which in turn means that it is even more important that customers can feel safe and trust the service provider.

THE IMPORTANCE OF QUANTIFYING FRAUD

Being able to quantify fraud and measure the damages related to fraud, enables organisations to realise the losses due to fraud and take appropriate actions. But it also requires a focused leadership and an organisation in place that have the know-how to act proactively and quickly when fraud attacks occur. ITU estimates that operators' aggregated yearly loss, on a global basis, is approximately 6 per cent of the aggregated turnover.^{Ref6} Translating this in to money means that operators loose perhaps 30, 40, or more than 50 billion USD, per year. Quantifying fraudulent activity is very difficult and many frauds remain undetected because they can often be connected with internal errors in the network. Also, being open about fraudulent activity statistics can put the brand name at risk, thus creating bad PR. But, being able to pinpoint fraud is crucial simply because it defines the starting point of the quantifying process.

The variation of fraud is large. Only an experienced fraud or revenue assurance manager would be able to decide which techniques to use to prevent fraud. This is why training and leadership is an integral part of fraud prevention.

An enhanced integration of methods and fraud alarm functions amongst operators in the world would be a big step towards reducing the loss to fraud on a global basis. It would also enhance the trust for operators, thus turning loss due to fraud to increased revenue streams.

REFERENCES

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Basset Telecom Report is an annual series of White Papers. They provide an overall summary of the challenges operators are facing in the next generation network marketplace, and what operators need to consider and understand in order to be an effective, attractive and profitable player. The Basset Telecom Report consists of four white papers, covering the following specific areas: Roaming, Interconnect, Fraud in the next generation networks and Quantifying fraud in the next generation networks.

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Phone: +46 (0)8 562 676 00

Fax: +46 (0)8 28 62 31

Löfströms Allé 6C PO Box 1156

SE-172 23 Sundbyberg Sweden

www.bassetglobal.com