

# **Roaming** – from cash cow to end-user follower

The roaming area is going through a transformation phase. Technology and regulations will force operators roaming business to change – from being a lucrative cash cow to a slim-lined business where strong innovation skills are needed to ensure revenues.

To save operators from further roaming losses and secure future revenues, operators need to streamline their roaming business model and, together with the subject-matter-expert vendors, focus on breeding innovative and effective products to the end-users. The key success factors for operators are increased control, insight and agility – and foremost – find a way to a comprehensive end-user perspective.

Today, most operators either use in-house systems or clearing houses to realize their roaming and roaming billing strategies. <sup>Ref1</sup> Regardless of solution, operators are facing a variety of challenges in the future. The fundamental challenge is how to handle the growing traffic volumes; to manage those in order to serve the subscriber, but also to maintain and secure the revenue streams. Another challenge linked to that is how to develop routines that provides an overview of this growing traffic. Furthermore, operators need to find solutions to manage implementation of discount rates and specialized agreements in an effective way. This calls for the ability to quickly adapt new technologies and implement necessary changes that will shorten time-to-market for new roaming service packages. Operators need to take control of their roaming business to be able to win the struggle of the subscribers.

#### **REGULATORS PUSH FOR A CHANGE IN CUSTOMER DEMANDS**

In mature markets like EU and USA roaming is regulated and operators are obligated to follow the regulatory principles and offer a product that works seamlessly with other networks. These charge limits and the transparency implies increased competition. This setup also increases the demand for a Business Intelligence system in order to get an overview in real-time to foresee and plan for traffic capacity usage. But regulators also inflict a change in customer demands. When regulators set a price limit, the trend towards a flat rate becomes stronger since subscribers are used to a flat rate price model from their domestic market. Therefore, keeping a roaming charge per minute will in the long run become a risk of losing the subscriber. From this perspective, in order to keep up with customer demands, operators need not only to stay in total control of traffic volumes, but also patterns, types (voice, data, video, VoIP etc.) and the devices being used (iPad, Smartphone, Blackberry etc). This brings the operator an opportunity to address specific client segments. Operators also needs to develop routines that lead to more process automation with the purpose to decrease administration costs and be more flexible in forecasting and adapting to market changes. The operators need to be more agile to be able to make the right changes towards customer demands.

## REAL-TIME BILLING CALLS FOR AN AUTOMATED FLEXIBLE SOLUTION

Today many operators are informing their clients about real-time consumption, but this is done by using a hodge-podge of many old systems instead of having one flexible solution. This can cause a problem for operators, when they want to invoice both the roaming data and the traffic data from their own network, in real-time. Here, the challenge for operators is to set up a billing system that is as close as possible to real-time. Receiving tap files once a day does not necessarily mean real-time. Not even if you receive data four times a day.<sup>Ref2</sup> In order to fulfill the objective of having real-time billing for data and voice, the operators need a powerful solution at hand. By having an automated yet flexible solution, operators are able to avoid sellouts and get closer to their subscribers and their roaming and consumption patterns – when analyzed can be used to offer tailored service packages. In conclusion this means that the operator needs to gain more insight of their roaming business in order to get closer to the customer to learn their needs and demands.

## DO I NEED A CLEARING HOUSE?

Today there are about 800 telecom operators on the global arena. Size of the operator and markets will determine if the operator outsource or has an in-house solution. Far from everybody needs a full-service offering from the clearing house. Among many operators, the trend is rather to move the function in-house, as much as possible. The need for data clearing houses are greatest in rapidly growing markets where mobile penetration is still relatively low, as in Africa. But although markets as well as operators exhibit entirely different characters, in terms of maturity and size – all clearing houses basically have the same offering. The desire to differentiate its offering does not appear to exist. Experts and operators claim that the reason for this is the poor competition.<sup>Ref3</sup> But also because the market has not requested anything else, since revenues has been steadily high.<sup>Ref4</sup> Now, many people believe that their inability to differentiate the offer and the operator's risk of loss of competence and control – can lead to the clearing houses in the long run undermining its own business.<sup>Ref5</sup>

This is due to the fact that many believe that the clearing house does not help the operators to get closer to their customers. The answer to the question “do I need a clearing house”, is probably both yes and no. Their role will most likely be reduced. But even though many are critical of their inflexible customer offering, meaning that they raise barriers towards the end-customer – lack of control, competence and the ability to release new services and offers quickly, they will probably remain in the future as there are still many small operators that operate in immature markets with a low degree of regulation, such as in Asia and Africa.

## THE BRIDGE OVER TO THE NEXT GENERATION

More operators will follow this example as modern IP-based networks make it feasible to deploy roaming bundling offers and also because the subscriber want to know what they are paying for. In short, the charging principles requested by the customers will lead the way for new pricing models, which will keep the roaming revenue streams coming in for the operators. But in order to maintain or even grow the roaming revenues, operators need to incorporate tools that can analyze and optimize the roaming business process in order to maximize the margins and avoid cheap giveaways. Combining new technology and new offers with a deployment of unified core networks across multiple countries does not only reduce the roaming costs and optimize the routing options, which can be used for creating attractive commitment offerings such as Quality of Service to the end users.

### WHAT YOU NEED TO HAVE IN ORDER TO BE SUCCESSFUL IN YOUR ROAMING BUSINESS!

**Innovation skills** – the field of roaming is going through a transformation phase. Technology and regulations will force the roaming business to change. Have a clear strategy on how to maintain and upgrade your organization's innovation skills.

**Insight** – Transparency in your own processes. You must be able to manage and overview increased traffic volumes in order to serve the end-user.

**Control** – Manage your business according to what the market needs. Gain control over your business and act based on that acquired intelligence.

**Flexibility/Agility** – Most definitely you can add the rating, discount agreements, reports, business logic, etc... but can you add it NOW? Embrace your entire business and avoid dependency from a third party partner.

Perhaps the biggest advantage of deploying unified core networks is the fact that all services can be provided under a unified brand. This since the international traffic remains within the same operator's network. But also because high end network infrastructure, operational structure and services are moving towards a commodity market situation. In the future the handling of market branding will become the key success factor for any operator. The road to success passes through a stand-alone solution that enables operators to offer end users more and better services at lower prices. That is how the battle of the end user is won.

#### **HOW DO OPERATORS STAY BEING SUCCESSFUL WITHIN ROAMING BUSINESS?**

A complete strategy in place is necessary to survive in the long run. The leading operators in the future will be those who can take control of their business and deal with different traffic volumes. But it is also imperative to have the ability to draw the right conclusions when analyzing the traffic, and thus be able to package the services to the end-users. That will be the winning formula for getting closer and build a relationship to the end-user. Key for the operator is to be in charge of its own roaming business.

This requires a stand-alone solution that does not rely on large-scale IT projects. This solution also allows investment in internal competence. With such a solution, the business owner is allowed to see how the Roaming Manager is conducting its business, when launching a campaign. One good example that illustrates the possibilities in next generation network, is a recently launched roaming offer in the Baltics. Here, the operators have launched a joint offer for roaming bundling, which is even below the EU pricing recommendations.

### **Examples of flat rate roaming business models**

#### **T-MOBILE**

T-Mobile has introduced three flat rate data plans that cover all EU countries including the UK and countries that T-Mobile does not operate in. The packages include €1.95 for 10MB and €4.95 for 50 MB per day and a week flat pass for €14.95. Every T-Mobile customer will receive a text offering the service when they move in to a new country.

#### **VODAFONE**

Introduced under its 'Passport' scheme, Vodafone offers up to 25MB of data for £4.99 while laptop dongle users pay £9.99 for up to 50MB. For those using under 1MB the rate is 50p per 100KB. Outside Europe, customers will be charged £14.99 for each 25MB when accessing the Internet via their mobile and £29.99 for 50MB through a laptop. Vodafone also has a time alert service for customers as they approach the end of their data allowances.

#### **FREE-OF-CHARGE INCOMING CALLS**

The operator airBalticcard does not charge for incoming calls in more than 70 countries around the world. Use of the service is absolutely free: no flat-rate fees, connection charges or other hidden costs. The list of free countries consists of European countries and Russia, as well as popular tourist destinations such as Turkey, Egypt, Arab Emirates, Cyprus, Switzerland, Israel, Ukraine and more.

#### **USAGE OF CUSTOMER'S PROFILE**

One possibility to provide free of charge mobile communication in the future might be the detailed usage of the customer's profile by gaining much more information about the user of mobile devices than today. The carrier gains revenue and it can provide the service free of charge to those people, who agree with giving away their personal information.

## REFERENCES

- Ref 1** *Interconnect and Partner Billing*, by Peter Mottishaw, Teresa Cottam and Larry Goldman.  
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- Ref 2** In-depth interviews with experts and clients in Basset Telecom Report.
- Ref 3** In-depth interviews with experts and clients in Basset Telecom Report, Gartner, November 2009.
- Ref 4** In-depth interviews with experts and clients in Basset Telecom Report.
- Ref 5** *Interconnect and Partner Billing* by Peter Mottishaw, Teresa Cottam and Larry Goldman.  
In-depth interviews with experts and clients in Basset Telecom Report. Gartner, November 2009.

## BASSET TELECOM REPORTS

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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