

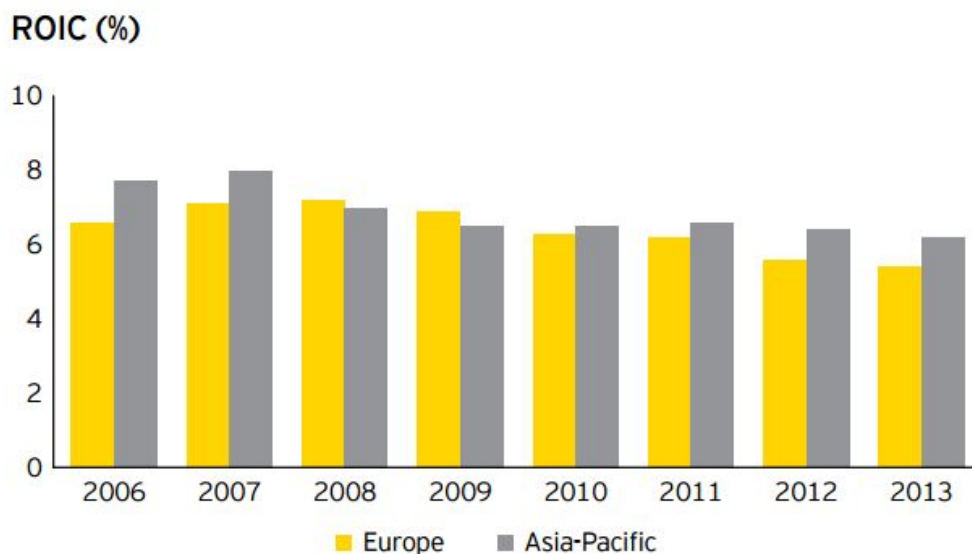
Accelerating Implementation of Marketing Ideas: A Special Report for Mobile Telecoms Marketing Executives

The initial glory days of mobile telephony often meant that a license to use part of the radio spectrum virtually granted a license to generate generous profits. Those days have come to an end. Communication Service Providers' financial results show declining ARPU and profits, while costs to keep networks operating at peak competitive levels are rising.

“For every dollar of revenue I add to the top line, I end up adding at least a dollar of cost to the bottom line.”¹

“For every dollar of revenue I add to the top line, I end up adding at least a dollar of cost to the bottom line.” – Global Tier 1 Chief Financial Officer

Despite the forecast double-digit compound annual increases in revenue in growth areas, margin management remains a key concern for operators. Return on invested capital (ROIC) continue to decline for operators in different regions. Greater agility is essential. Communication Service Providers (CSPs) need to develop and launch new service propositions more quickly as technology cycles shorten, proving more responsive in the face of disruptive competition from smaller, more agile innovators.²



Source: Capital IQ, EY analysis.

¹ *The New Economics of Telecom Networks Bringing value back to the network*, <http://images.tmcnet.com/online-communities/ngc/pdfs/application-enablement/whitepapers/The-New-Economics-of-Telecom-Networks.pdf>, Alcatel-lucent, retrieved on 2015/08/20

² *Top 10 Risks in Telecommunications 2014*, [http://www.ey.com/Publication/vwLUAssets/EY_-Top_10_risks_in_telecommunications_2014/\\$FILE/EY-top-10-risks-in-telecommunications-2014.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-Top_10_risks_in_telecommunications_2014/$FILE/EY-top-10-risks-in-telecommunications-2014.pdf), Ernst & Young, retrieved on 2015/08/18

Market conditions require service diversity and a faster time to market

During March 2014, Telecoms.com Intelligence surveyed over 100 network operators and found an almost universal conviction that the agility of an operator is largely tied to the agility of the BSS systems it relies upon. In total 86 per cent of respondents either Agree or Strongly Agree that current market conditions require increasingly agile BSS systems that give operators the ability to provide service diversity and a faster time to market.³

CSPs are gearing up to exploit macro trends. Africa has become an especially fertile market for CSPs to establish themselves to benefit from the expected telecommunications boom. GDP growth in Africa is projected to slow slightly to 4.5% in 2015, before rebounding to 5% in 2016 and beyond. That puts Africa on track to double its economic output every 15 years.⁴ The explosion in broadband data consumption offers yet another opportunity to increase revenue. Global mobile data traffic is set to reach 52 million terabytes (TB) in 2015, an increase of 59 percent from 2014, according to Gartner. The rapid growth is set to continue through 2018, when mobile data levels are estimated to reach 173 million TB. Gartner analysts advise communication service providers (CSPs) to rethink their data caps to meet consumer needs and win market share. CSPs must create and sell data plans with higher caps to increase their share of this growing market.⁵

Some subscribers carry with them a set of SIMs from different operators to exploit the best benefits on offer.

Mobile data traffic in the Middle East and North East Africa region is expected to grow 14 times between 2014 to 2020, while globally data will expand 9 times.⁶

Increased competition means that subscribers have more choice and that churn increases. CSPs are increasingly turning towards Value Added services to augment revenue, improve subscriber experience and retain customers. That makes sense, especially in pre-paid markets where consumers have multiple SIMs – one operator in such a market reported that it had a massive 40% churn.

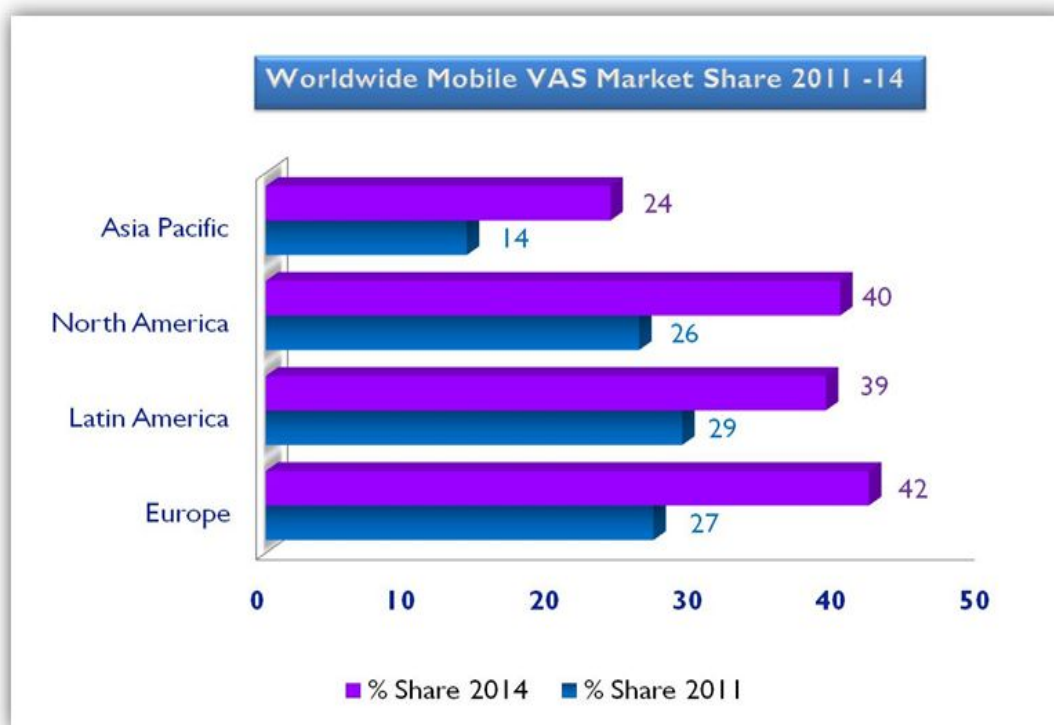
³ Operators' BSS Strategies: Turning BSS agility into business ability, <http://telecoms.com/intelligence/operators-bss-strategies/>, @telecoms, 2014, retrieved on 2015/08/19

⁴ Vanham P, 2015, *Twelve facts that will make you look differently at Africa*, World Economic Forum

⁵ Reported by Cellular News, <http://www.cellular-news.com/>, retrieved on 2015/08/18

⁶ Ericsson Mobility Report 2015, retrieved on 2015/08/19

For the purposes of this paper, Value Added Services (VAS) are seen as those services that are not part of the basic voice offering and used to develop alternative revenue streams. The importance of VAS revenue is clearly increasing as shown below:⁷



Global Mobile Value Added Services Market is forecast to grow from \$330.35 Billion in 2015 to \$655.07 Billion by 2020, at a CAGR of 14.7%.⁸

Mobile Value-added Service (VAS) applications represent a key aspect to the ongoing success of mobile network operators and everyone in the mobile communications value chain. With core services, such as voice and data communications becoming commodity offerings, wireless service providers are dependent on VAS applications to drive additional revenue and improved margins.⁹

The challenge to CSPs now becomes the ability to (i) conceive of VAS that will be attractive to subscribers and (ii) to launch such services before its competitors always cognisant of the growth in data traffic. An early launch of a new service or promotion means early revenue generation. Launching later than a competitor potentially means subscribers channelling revenue towards a competitor – revenue which is forever lost to the late launcher. This was empirically confirmed by a 2013 survey by

⁷ Survey of mobile telecoms executives in 18 countries, <http://telecomsource-24x7.blogspot.com/2011/12/global-mobile-vas-importance-to-mobile.html> Amdocs survey 2011: 220 , retrieved on 2015/08/17

⁸ *Mobile Value Added Services (MVAS) Market by Solution (SMS, MMS, Mobile Money, Mobile Infotainment, and Others), by End User (SMBs and Enterprises), & by Vertical (BFSI, Government, and Others) - Global Forecast and Analysis to 2020*, MarketsandMarkets

⁹ *Mobile VAS Markets, Applications and Opportunities*, 5th edition www.reportlinker.com, retrieved on 2015/08/18

Heavy Reading which found that 70% of CSPs identifies slow time to market as a major factor impacting their ability to compete.

Srinivasan and Gnanapriya¹⁰ conclude that to realise the benefits of the growth in mobile broadband adoption, mobile operators have to move beyond rudimentary solutions such as cap enforcement or throttling, and develop a new approach to subscribers and services that requires them to:

- ...
- Have the flexibility to quickly launch new services that subscribers want, and to refine them as necessary based on subscriber response, network load or other criteria
- ...
- CSPs must react in near real time to insights about subscribers and to simplify and personalise subscriber experiences – conceive of and implement VAS fast.

To realise the benefits of growth in mobile broadband adoption, CSPs must conceive of and implement VAS fast!

Value Added Services have become an extremely important and growing component in the makeup of CSP revenues. VAS and the associated promotions and products additionally assist in subscriber retention and loyalty and lessening churn. However, the poor implementation of a promotion or service comes with more than financial costs. Of much more importance is the potential damage to a CSP's reputation, brand and subscriber loyalty in the longer term.

Approaches towards a Solution

Several software solution providers across the globe recognised the need to shorten promotion time-to-market. Although they were unable to assist in conceiving new services and promotions attractive to subscribers, they channelled their efforts towards providing a way to implement new services and promotions speedily, thereby attempting to lessen the time between conceiving an idea and launching a new service.

The process to get a newly conceived service ready for use by subscribers typically proceeds as follows:

- the Marketing department devises a new service or promotion concept;
- the concept is refined and interpreted in more technical terms for consumption by computer programmers;
- the programmers, either internal or staff of an external service provider, write the computer code which implements the service or promotion;
- the code which comprises the new service is technically tested;

¹⁰ Srinivasan M S, Gnanapriya C, 2009, *Transformation of Product Management for Rapid Launch of Next generation Products*, Infosys

- the code is tested by marketing to determine whether it is a fair implementation of the marketing idea;
- the new computer code is integrated with existing core computer systems; and finally,
- the new service or promotion is ready for use by subscribers.

Much time is consumed during the process of converting the marketing idea into satisfactorily working computer code, i.e. during the technical specification, programming and testing phases of the process. Telecommunications software providers focussed on these areas in order to shorten time-to-market. Their approach was to identify subtasks which are commonly used across services (e.g. send the subscriber a sms, charge the subscriber's account, set indicators in the charging system, etc.) and then create software modules to perform these tasks. Programmers could then use these pre-coded and pre-tested modules when writing the computer code to implement the new service instead of coding it themselves. Although this approach resulted in a significant time saving for both the coding and testing phases of service development, computer coding was still required.

An Even Better Way

At Concurrent Systems, analysts studied the requirements for many services and promotions as specified by a multitude of CSPs. It was found that certain features were common to most:

- A subscriber should request access to the service or promotion using USSD or SMS;
- Validations should occur before allowing the subscriber access to the service, e.g. certain promotions are only available to certain segments of the subscriber base;
- A subscriber would be charged to use the service;
- Standard handling of a subscriber without sufficient funds to subscribe to a promotion;
- An indicator or multiple indicators would be set on the charging system to signify that the subscriber should receive a benefit (such as broadband activation, use of data, discounted calls, etc.);
- The benefit is usually only available for a certain time period, e.g. a day, a week, a month;
- The subscriber should receive certain SMS or USSD notifications, e.g. a welcome message, a warning that his subscription to the service or promotion is about to expire, notification that his subscription has expired, etc.;
- Handling of cancellations of subscription to a service or promotion;
- Extending or re-subscribing to a promotion;
- Other subscription lifecycle events;
- Customer care facilities; and

Services and promotions offered by different CSPs have much in common

- Reporting regarding the uptake of and revenue generated by the promotion.

Many more implied commonalities were not found in promotion specifications, but nevertheless exist. Error handling, integration with some of the CSP's other systems (e.g. the SMSC and USSD gateway) and integration with external third party systems, to name but a few.

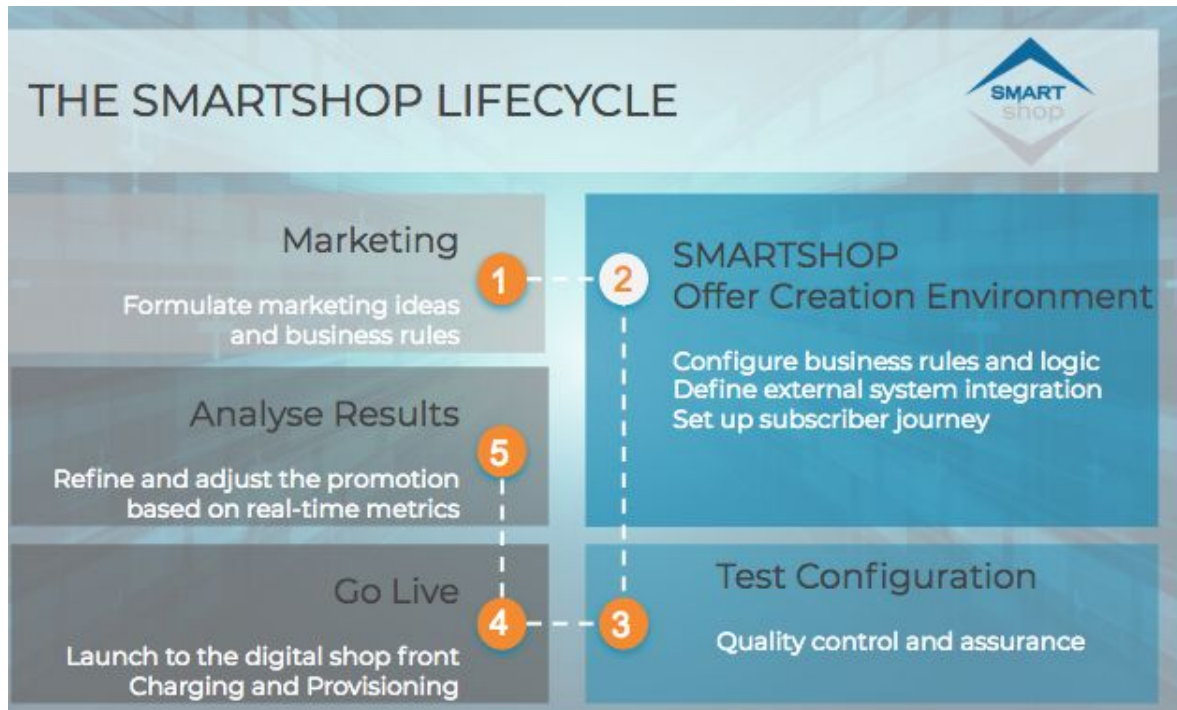
The business logic underlying all these common functions were defined and a system, SmartShop, was developed. This resulted in the UN-coded promotion – in other words, the ability to create a new promotion or service without any computer coding. Attributes defining the new promotion are simply configured via an easy to use graphical user interface, e.g. the charge, the duration, the charging system

UN-coding new
promotions and services
dramatically reduces
time-to-market

indicator(s) involved, the wording of notifications to the subscriber, and much more. This results in an instantly testable promotion where underlying business rules and common logic have already been tested – the marketing department merely needs to verify that the newly configured promotion complies with their original idea. Cutting out computer coding

and the technical aspects of testing results in significantly reduced time between conceiving of a new marketing idea and launching the promotion or service.

SmartShop is designed specifically to assist CSPs in emerging markets to rapidly introduce new technologies and manage the complexities of implementing relevant marketing strategies. SmartShop has recently proved highly successful with a West African operator, aiding with a 3G Go-to-Market (GTM) deployment, including a vast array of new promotions and bundles.



A Case in Point

A leading mobile operator in West Africa enlisted the services of Concurrent Systems to support the launch of new promotions and bundles related to their recent deployment of 3G voice and mobile broadband.

With over 10 million subscribers (58% market share) the operator nonetheless faces stiff local competition from two competitors who have already launched 3G broadband services.

The problem faced by the operator’s marketing team was how to achieve the rapid deployment of 3G, while differentiating value propositions and launching these faster and more efficiently than competitors. Their stated objectives were (i) reduce time-to-market thereby securing 3G market share, and (ii) drive additional revenue through enabling promotions that are optimally aligned to the individual needs of subscribers (the enablement of micro segmentation). This implied the swift launch of a large number of data offerings.

The operator was able to rapidly launch more than 300 new data bundles

The operator went live with the latest version of SmartShop on the 27th of February 2015 and rapidly launched over 300 different data bundles – using the conventional approach this may have taken up to 18 months to implement. Results are impressive:

during the first six months following the introduction of the SmartShop managed data offerings, active users of these bundles have grown to number more than a million. “The operation launched 3G services in March 2015. Local currency ARPU increased by 2.7% quarter on quarter”¹¹ with one of the data bundles proving to be the biggest contributor to the operator’s growth in revenue. Time-to-market for the highly segmented data promotions was reduced from months to days.

About Concurrent Systems: Concurrent Systems offers industry leading products, services and solutions in the Mobile Value Added BSS domains. Having a loyal customer base in over 40 countries, it offers a variety of services and reaches a subscriber base of over 200 million throughout Africa, Middle East, Europe and Asia Pacific.

¹¹ Commentary from operator’s published quarterly financial results