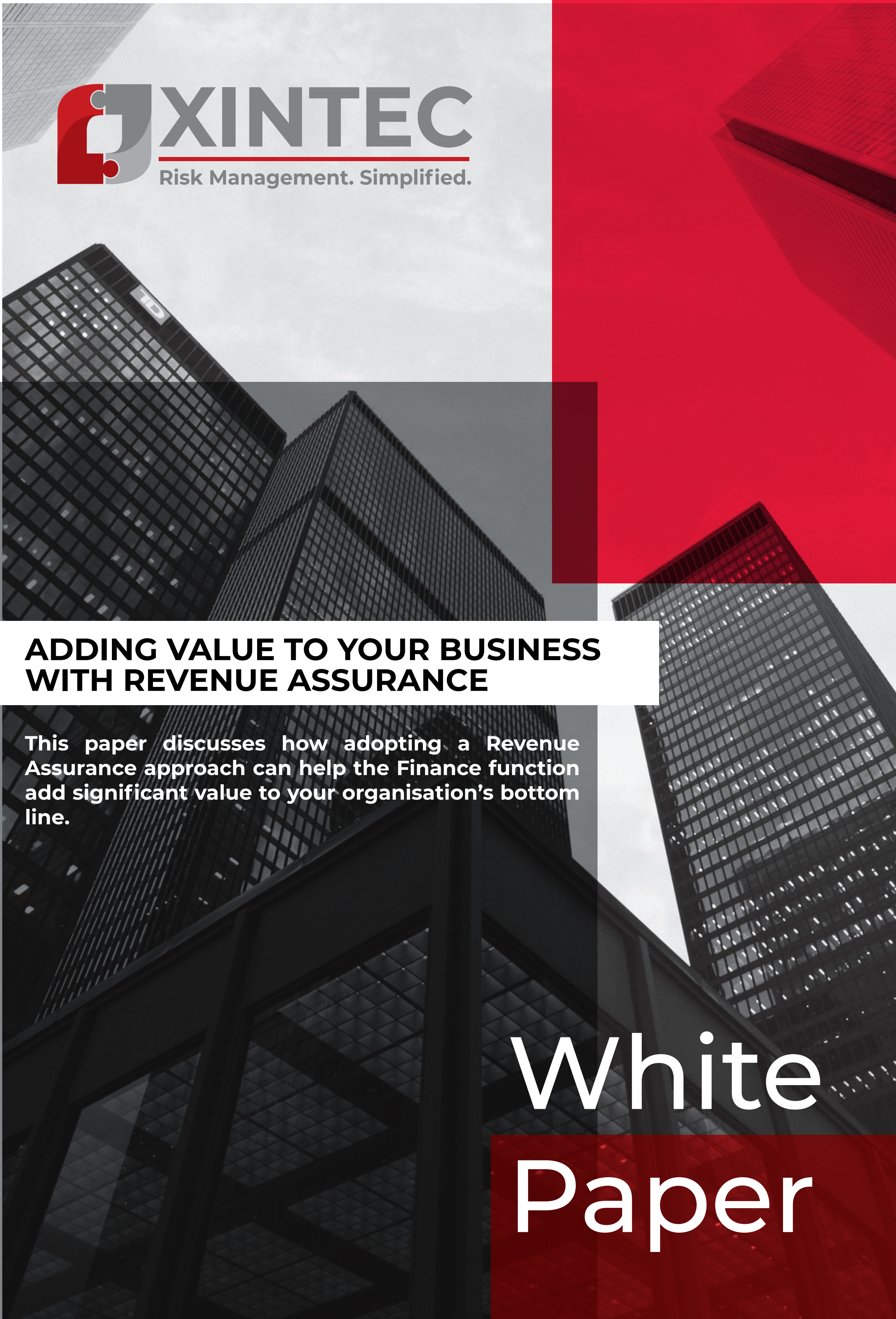

XINTEC

Risk Management. Simplified.

ADDING VALUE TO YOUR BUSINESS WITH REVENUE ASSURANCE

This paper discusses how adopting a Revenue Assurance approach can help the Finance function add significant value to your organisation's bottom line.

White Paper

REVENUE ASSURANCE STARTS WITH THE CFO

As the title would suggest the Chief Financial Officer (CFO) or Finance Director (FD) of a telecommunications company will be responsible for managing all financial aspects of the business as well as setting and executing company strategy together with his or her executive team.

The CFO or FD is responsible for the performance of the business and will constantly face changes relating to advances in technology and an oftentimes uncertain economic and political landscape.

Getting the facts and figures right is one of the top challenges under his or her watch throughout the year. Changes to customer numbers, to projected and actual revenues, to costs, to margins, etc. need to be reported accurately and on a regular basis to stakeholders.

The problem is that the CFO or FD generally has very little direct control over any of these variables. Customer numbers are influenced by sales and marketing teams; revenues are the responsibility of the billing department; costs are determined by operational considerations, etc., not to mention the external or macroeconomic factors influencing the business in general.

"GETTING THE FACTS AND FIGURES RIGHT IS ONE OF THE TOP CHALLENGES"

However, there is a way the CFO or FD can leverage their independence to add value to the bottom line, and this is by adopting a Revenue Assurance approach.

PUTTING REVENUE ASSURANCE INTO PERSPECTIVE

Revenue Assurance is also a term that means different things to different people, ranging from a simple *inspection-based* approach – a one-off reconciliation of what reaches the billing system to what is actually being billed – to a *holistic process* approach, to ensure all customers and partners are being billed accurately and in a timely manner for all their billable activities, including collections. We will use this second definition to explain how Revenue Assurance can help the Finance function add significant value to a company's bottom line.

"REVENUE ASSURANCE IS ABOUT ENSURING THAT EVERYTHING THAT SHOULD BE BILLED AND PAID OR, IS BILLED AND PAID FOR, AT THE RIGHT PRICE, AND AT THE RIGHT TIME, FOR ALL SERVICES, ACROSS ALL REVENUE AND COST STREAMS"

To provide the industry with a standardized method for the designation of different areas of operational responsibility, and their respective "bodies of knowledge", Revenue Assurance has been specified into "domains". This helps us understand what levels of coverage or focus need to be applied to what parts of the operational environment. As the Revenue Assurance Professional can only manage and be responsible for explicitly identified domains, he/she will be interested in what levels of risk containment have been selected by management as being "in scope" or "not in scope". Only by clearly identifying and organizing the scope of the Revenue Assurance function can he/she begin to develop a standard set of controls, procedures and KPIs around its practice.

In our experience, the most important of these domains within the Revenue Assurance lifecycle are Subscription Assurance and Usage Assurance (to include Partner Assurance).

Subscription Assurance

Subscription Assurance is ensuring that the customers creating these chargeable events are present in the billing system and are being billed accurately – and subsequently the money is being collected.

The greater is the accuracy of customer bills, the lesser the number of customer complaints and the likelihood of regulatory scrutiny. Accurate billing also reduces the cost of goodwill gestures and ultimately improves cash collection by reducing the number of invoices in query.

Usage Assurance...

Usage Assurance is the matching of the chargeable events that are generated on the network (calls, messages, data, as recorded by the appropriate network device, switch, media gateway or IN platform) and comparing them with the events that are being invoiced accurately and completely through the billing engine, or pre-pay platform, as appropriate.

...and Partner Assurance

It is also practicable to include interconnect invoices from partners and other licenced operators within Usage Assurance. These are likely to be generating the single largest invoices being sent and received, even though final settlements, based on the difference between the two invoices, may be small. For example, where two telephone companies in different countries send traffic to each other, the value of incoming minutes of traffic may be €1,000,000 and the value of the outgoing minutes may also be €1,000,000, a simple 1% error in one set of charges changes the settlement from €0 to €10,000.

For completeness, Revenue Assurance is also interested in the over-charging of customers. In a regulated or mature marketplace, any loss of confidence in the accuracy of customer overcharging has a much more detrimental impact than undercharging. A regulator is likely to require that any monies overcharged are repaid in full, back to the aggrieved customer. Or where this is not practicable, then possibly given to a nominated charity as an imposed fine.

“THE NEGATIVE PUBLICITY ASSOCIATED WITH CHARGING INACCURACIES CAN ADVERSELY IMPACT AN OPERATOR’S REPUTATIO N AND, IN SOME INSTANCES IMPACT THEIR SHARE PRICE OR MARKET VALUE”

Depending on the gravity of the findings, customer confidence levels may drop, resulting in an increased churn rate as customers cancel their contracts. It then becomes even more difficult to attract new customers without sacrificing further spending on win-back marketing campaigns.

LEAKAGE LEVELS IN OUR INDUSTRY

Studies by independent experts such as KPMG and Ernst and Young suggest that revenue leakage within the telco industry is greater than 1%, with some organisations leaking above 5%. The TM Forum's own 2017 survey suggests that the average leakage is around 1.9% and it will vary by operator and geographic location. As the costs have already been accounted for, these savings are reflected directly onto the bottom line. We suspect that the actual leakage is likely to be in the range of 1-5%, as organisations will tend to report only the known and measured leakages, not the unknown ones. For a company with a 30% margin, putting €10,000 on the bottom line is the equivalent of increasing sales revenues by €33,000.

Most organisations will have at least some controls in place. It is not uncommon to hear the claim that everything has been reconciled, and there is no leakage. Our experience is that individual departments tend to reconcile only the revenue streams for which they are responsible. However, there is no area responsible for the end-to-end process, and revenue leakages typically occur at the boundaries between these different departments. Hence the need for Subscription and Usage Assurance.

Subscription and Usage Assurance provide confidence that all the events are being captured and are appearing on customer invoices. Even an entry-level Revenue Assurance system will enable this process to be performed automatically, allowing the Revenue Assurance team to focus on addressing and correcting the issues identified, and not spending their time on the data collection and loading process. As such it will provide a significant improvement in the overall accuracy and completeness of the invoices, but does leave some areas such as margin assurance, test-call generation and tariff testing for later enhancements.

A holistic Revenue Assurance process looks at the business end-to-end, ensuring that all the records are generated by the switch and that these records all appear, correctly rated and in a timely manner, on the relevant customer bills, partner invoices or settlements. In doing so, it identifies systematic process errors that can be addressed, or causal errors where systems and interfaces have failed. Where it finds errors, it assists the business in correcting the processes or in ensuring better monitoring of the systems, thus gradually improving the level of leakage.

The holistic process also offers significantly more: it looks at new product design and testing to ensure that leakages are eliminated from the outset. It looks at prevention techniques, and this is valid for the whole business. From our perspective, while this direction is the right one, there is a need to have earlier-stage controls in place (Subscription and Usage Assurance) before moving further along the Revenue Assurance maturity chain.

FROM QUICK WINS TO A DECLINING RATE OF RETURN

When a new Revenue Assurance team or function is set up, it will initially pin-point leakages with great success. The leakages will probably have been around for some time and will have created a reservoir of high-value opportunities. Once the root causes of these easy wins will have been addressed, the reservoir will have gotten smaller, and hence the value of the wins will become less obvious and harder to measure.

The challenge is to identify these leakages while they remain small and implement quick recovery actions before the costs of recovery become a significant factor.

To be successful, the Revenue Assurance team needs independent access to data at various points throughout the revenue generating chain. It is this independence that provides confidence in the rules and controls implemented in the main Business Support System (BSS) and which helps detect anomalies.

It is through the Subscription and Usage Assurance tools that these quick wins can be identified. And more importantly, once they have been rectified, the cost of running the system as a preventative measure is not prohibitive. A good system will provide regular reports automatically and not be dependent upon the Revenue Assurance team to chase the business for the information.

PEOPLE & TECHNOLOGY

Telecoms is a rapidly changing environment with new products and services being launched with increased frequency.

In addition to hiring the right people with the determination, grit and scalability to continually push Revenue Assurance to the next level, another challenge is to identify a suitable “off the shelf” toolset that can support the business’ growth plans without requiring significant investment or development costs.

There are several tools available that can provide an independent view of transactions so that leakages in revenue streams can be identified quickly. These tools are able to handle high volumes of data repeatedly, consistently and accurately, identifying problems that need to be addressed. They display the data for the Revenue Assurance team to perform a root cause analysis and then implement corrective actions, relieving the Revenue Assurance team from otherwise time-consuming manual data gathering and matching tasks.

With the right skill set and experience, the Revenue Assurance team can move into being proactive, helping with the design, development and testing of new products, new interconnects, new tariffs before they go live, etc. As the Revenue Assurance team matures, it will identify additional areas that can be incorporated into the basic tool functionality.

A common mistake is to try to identify a tool that can do it all right from the start. The difficulty with such an approach is that in the early stages the enhanced functionality will not be used, the team will be addressing the relatively simple but numerous reconciliation issues, and with the speed of technology development, when they have the time to address these, technology will have moved on and the system will need upgrading anyway. Better to start with a system that focuses on Subscription and Usage, the two most common sources of errors. And once these controls have been embedded into the business, identify the next stage to be addressed and buy the appropriate enhancement at that time.

CONCLUSION

Unless a CFO or FD has already implemented a Revenue Assurance programme within his or her company, doing so today can provide significant development opportunity for many years to come.

Opting for a Revenue Assurance approach is firstly about having the right people in place, about establishing a risk management culture within the organisation, and creating a structure and processes to support the function.

Secondly, it's about moving from spreadsheets to tools that will crunch data automatically and can be expanded simply and painlessly as the function expands. It's also about not paying for system capabilities that will not be used for years, if ever. Getting a straightforward Subscription and Usage Assurance tool provides a good rate of return, provides a solid platform to build on, and can be implemented relatively quickly.

This combination of people, processes, and tools, ultimately driven from the top down by the CFO or FD, has the potential to recover lost revenue and to unlock tremendous growth potential within the business.

Please visit www.xintec.com for more information.