EXPERT OPINION:

Monetising mobile data growth – Challenges and opportunities

Today mobile network operators are increasingly facing up to the realities of constrained networks and an impending capacity crunch; it is easy to forget there was a time when most of the world's UMTS networks were under-utilised. As Guy Reiffer, VP Marketing at MACH writes, following the years of spectrum auctions and network build, there were some who wondered whether the long-promised killer app would actually emerge and justify the huge amounts of capital spent on making 3G a reality.

The author is Guy Reiffer, VP Marketing at MACH

Just a few years later and we have a situation no-one could have predicted: thousands of applications sit on the network and are drawn down into data-hungry devices owned by consumers who increasingly consider internet connectivity to be a human right.

Domestic challenges

Mobile network operators (ably assisted by content and handset developers) have been undeniably successful in the push to encourage data use on their networks, but the results have not been without unintended side-effects – the current overburdening of networks being the most notable example. Regardless of these side-effects, however, the growth of data services has been encouraging for an industry facing flat to declining voice revenues and increased regulatory pressure.

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For the benefits of the current data gold-rush to be realised though, mobile network operators need to address how data should be monetised. After the vast amounts they invested in 3G, network operators opted for simple pricing strategies in order to encourage rapid take-up of data services. The fixed-rate or flat-rate plans that came to dominate phone bills were a direct result of this strategy.

This plan succeeded in accelerating the adoption of data-centric applications, most clearly seen in the runaway success of smartphones and their associated app stores. The heady combination of innovative end user apps, simple pricing and the lower price points of feature-rich smartphones has changed user behaviour irreversibly.
The current state of affairs has left mobile network operators in a challenging position. Their networks are congested, the cost of service provisioning has become disassociated from their revenue models and there has been a loss of control of the end user (this relationship increasingly being forged at the apps store). The domestic market is, therefore, presenting a very challenging environment for mobile network operators, and one that could not be more different than that seen in the international roaming market.

The roaming market

International data usage has a long way to go before it reaches the levels of uptake seen on home networks. Cost is still seen as prohibitive and pricing structures can be extremely complex, stifling the growth of data usage.

MACH statistics show that around 40% of enterprise customers switch off their data capabilities while abroad, so fearful are they are running up expensive bills. For voice, enterprise users have traditionally been at the heart of the roaming business, generating between 70 and 80% of total usage. For data these users are approximately 90% of the total revenue.

In a world in which the user expectation is to be able to connect seamlessly regardless of national boundaries, there is a huge potential to take data roaming into the mainstream and boost revenue for network operators. The successful exploitation of this opportunity, however, rests heavily on introducing alternative pricing modes with lower costs for end users while evolving charging and delivering service innovation via specialised platforms. It will also prove vital to convince users to adopt data applications while ▶

roaming and giving them a sense of control on cost.

Charging evolution

Some of the biggest changes will take place in the way that network operators charge for international services. The most obvious methods of increasing take up of data services lies in lowering cost points and simplifying pricing models, but this is only a part of the answer. The key lies in gaining an intimate understanding about customer behaviour.

If data roaming is to be a success, network operators will need to achieve a granular view of subscriber roaming behaviour right, down to the IMSI or even the equipment type (IMEI) level. This is a level of business intelligence granularity that is only now becoming available to network operators, and it will see a new age of micro-segmentation for mobile roaming tariffs.

A further evolution lies in providing end users with greater visibility and control of the amount of data they are consuming. By introducing a pre-paid for post-paid (pay-as-you-go) approach to roaming, data use management can effectively be carried out by the subscriber via self-care portals or phone applications, allowing them to monitor closely how much data they are consuming.

In addition, operators need to communicate more with their customers. This could take the form of an intervention when a certain data threshold is reached (be this a warning text message or the cessation of service). Such approaches are designed to enhance consumer confidence that there will not be a nasty bill awaiting their return – they are kept abreast of how much they are spending almost as they spend it in near real-time.

Service platform and innovation

Once consumers have been reassured over the price points of data roaming, the next consideration lies in service enablement. By ensuring the most seamless and comprehensive data roaming solution, mobile network operators will be able to deliver an optimum customer experience that further encourages take-up.

For a truly global roaming platform, inter-standard roaming will be necessary. The ability to roam between competing network standards, over either pre-paid or post-paid, will open new roaming markets for network operators and further grow revenue. Nor will this simply be a matter of roaming between GSM and CDMA – canny operators should also look to provision services over any technology be it WiFi or even fixed line (FMC) to offer consumers a complete roaming experience.

Embracing alternative standards in a roaming strategy further benefits operators, by allowing them to optimise the costs of carrying data through offloading it to alternative access technologies rather than building out additional base stations to cope with growing capacity demands. By offloading via WiFi operators can save money while keeping standards of quality high, as well as making it faster and cheaper for the end user.

Hosted platform services

Mobile network operators are at the threshold of a new era of data roaming; one in which services are consumed without the fear of bill shock and optimised to work across any standard. Services will be effectively monetised and pricing will become more flexible. But these changes will require hugely complex operational changes and ongoing maintenance.

This can be costly for operators and distract them from their core business processes. For many, the best option will be to outsource aspects of their roaming processes to third-party specialists in order to enjoy both economies of scale and product innovation. MACH today is supporting mobile network operators as they look to offer a seamless retail approach to international roaming, as well as helping them more effectively monetise their domestic apps business through payments innovations that are driving flexibility and ease of use.

By so doing we are helping to enable operators to most effectively leverage core assets – such as billing, location and subscriber interaction – and maintain a presence in the data value chain. In the final analysis, therefore, the monetisation of data is an important part of the wider story of Telco 2.0, and will prove vital in enabling operators to evolve their business models to the rapidly changing world of mobile data. $

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VanillaPlus Jargon Buster

FMC = Fixed Mobile Convergence

IMEI = International Mobile Equipment Identity

IMSI = International Mobile Subscriber Identity