

VanillaPlus, Moriana Group and Intec

SPECIAL REPORT

*How to Manage Content  
Revenues and Partnerships*





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## EDITOR'S INTRODUCTION

# Sailing ahead of the Perfect Storm

## THE CHALLENGES OF MAXIMISING CONTENT REVENUES

Hello, and welcome to this Special Report on Maximising Content Revenues, brought to you jointly by **VanillaPlus** and **The Moriana Group**, with the support of **Intec** now a part of **CSG Systems**.

In the opening section of this report VanillaPlus studies the challenges of maximising content revenues. In the second section, Moriana Group presents the results of its own survey of content developers about their relationships with CSPs, and provides analysis and insight.

In the third section of this Special Report, Intec presents a discussion of the challenges faced by CSPs when managing their content partners. Intec concludes by delivering a Case Study of a real-world content business model, where a focus on partner management has driven positive results for all parties.

It's been well over a decade now since Communication Service Providers (CSPs) looked over their collective shoulders and saw competitors from other industry sectors treading on what they'd always regarded as their sacred turf. The maturing of IP as a single technology capable of moving voice and video around the world at a fraction of previous costs, the emerging mass market penetration of both fixed and wireless broadband, plus the potential impact of Moore's Law on terminal devices and display, all meant that a perfect technological storm was brewing.

As if that wasn't enough, a host of new commercial competitors from other related sectors – entertainment, broadcasting, ISPs and search engines, consumer electronics and IT – have been hungrily eyeing what had once been a closed market. Could the telco model that had lasted for around 100 years find itself relegated to mere bit-pipe provider – or, as the industry jargon so elegantly put it – be 'disintermediated from the value chain'?

Ten years on and – to a large extent – the jury is still out. It's true that many technological and commercial boundaries once regarded as hard and fast have crumbled, with both companies and their brands reinventing and repositioning themselves to counter threats and take advantage of new opportunities. Certainly, the complacency that once surrounded the telecommunications sector is long gone, with marketeers becoming the key decision makers instead of those executives with more traditional sector-specific or technical backgrounds.

Whether it's in mobile TV, IPTV, app stores, advertising and sponsorship – or a host of other initiatives – the future is no longer about selling voice by the mile or the minute. While call minutes continue to go up, revenues continue to fall so the message must be 'diversify or die'.

As the TM Forum puts it in the specifications for their TR156 initiative *Content & Digital Media Foundational Concepts*, "The content value chain has many types of parties, perspectives, new products, and integration points to consider and manage at both business and technical levels, as communications services converge with content and consumer devices. Many industry specifications already exist, yet the industry lacks a collaborative framework and business architecture to effectively:

- Manage and distribute content using shared operational investments across many types of content and communications services.
- Deliver competitive value to customers and partners with operational assurance."

### CSPs in a good position, in theory

In theory, at least when it comes to generating new revenues from content services, CSPs should be in a good position to exploit both their traditional and non-traditional assets:

*"The last metre of delivery in the customer relationship is just as important as the last mile of access."*



- They often have a strong brand value in terms of reliability and integrity which can place them as a trusted intermediary – at least as far as adults are concerned – when it comes to higher value financial transactions for content purchases or the blocking of inappropriate content or services. That responsibility and trust can also be extended upwards to the content owners who need to know that transactions are being accurately recorded and their own assets protected from digital theft.
- They should have a clear overview of the complex interactions between devices, types of content, bandwidth limitations, copyright and legal restrictions and be able to apply appropriate policy and identity management relationships to ensure consistent and optimised services.
- They have access to a potential wealth of both historic and real-time data about customer behaviours and purchasing decision points. This can prove invaluable in helping third parties develop their own innovative business models.
- They have additional information assets, knowing the customer's location and availability and presence that can enhance both their services and a third party's, such as social networking or sponsored service advertising and promotion.
- In the increasingly important emerging digital home market, they will often already have a potentially powerful platform in place in terms of a set-top box or gateway that can be used to interconnect multimedia devices around the home, deliver automated content discovery and back-up features, and improve customer loyalty through similarly automated set-up and fault management systems.

### Ingredients of success for CSPs

When it comes to turning these potential advantages for CSPs into commercial reality a few key points emerge:

- Billing must be convergent and truly real-time and involve multiple touch points in the value and delivery chain.
- There must be clear and transparent audit trails to keep third parties, regulators and auditors happy and confident.
- Revenue assurance and risk management strategies must be seen as business enablers and not limiters.
- Traditional internal departmental barriers must be broken down, new 'hybrid-skilled' staff trained and retained, and a truly holistic, cross-functional approach adopted to deal with both new services and the transfer of old ones to new, more cost-efficient platforms.
- Finally, there must be a clear understanding that this new wave of convergence is ultimately taking place within the consumer's own home and head, and that the last metre of delivery in the customer relationship is just as important as the last mile of access. In this context, giving customers easy control of their own accounts, services and identities is of paramount importance given the near-exponential increase in complexity of the content and application choices on offer.

### Content revenue maximisation

When CSPs give as much attention to their content partners as they do to their customers, they have the opportunity to generate additional value all around. Specifically, this means greater value to the customers who have access to the content and services that they want and need – whenever they want – and greater value to the CSP's partners by providing the most efficient mechanism to promote, distribute and collect for that content. One of the leading companies that's been helping to enable such a business model over the years is Intec, recently acquired by CSG Systems. Intec supplies Business Support Systems (BSS) to over 60 of the world's top 100 telecoms carriers, and is one of the world's fastest growing suppliers of BSS.

In this Special Report, VanillaPlus, The Moriana Group and Intec explore the needs and challenges of all parties in the content value chain, and hopefully provide some inspiration to CSPs everywhere as they undertake either new or improved initiatives to expand their content revenue streams.

Thank you for taking the time to download and study this Special Report. We hope that you find the answers you are looking for in the following pages brought to you by VanillaPlus, The Moriana Group and Intec.

*Jeremy Cowan*  
*Editorial Director, VanillaPlus*



## Foreword by The Moriana Group

### by Mac Taylor, Senior Analyst

The thesis developed in this report suggests that CSPs have a powerful opportunity to compete with OTT (Over-The-Top) players and grow their businesses with new services, content and applications. The key to this success is forging the right relationship with application developers and content partners. To date, this relationship has not always been successful. However, the OTT model and particularly that of Apple shows how the right focus on developer needs can generate great success.

Furthermore, developers themselves have shown in surveys that they want to work with operators and would value having the right network access, in particular billing and charging APIs. (Turn to page 8 for our survey results.) This paper shows the way forward for operators who wish to adopt a smart pipe strategy that leverages core network assets.

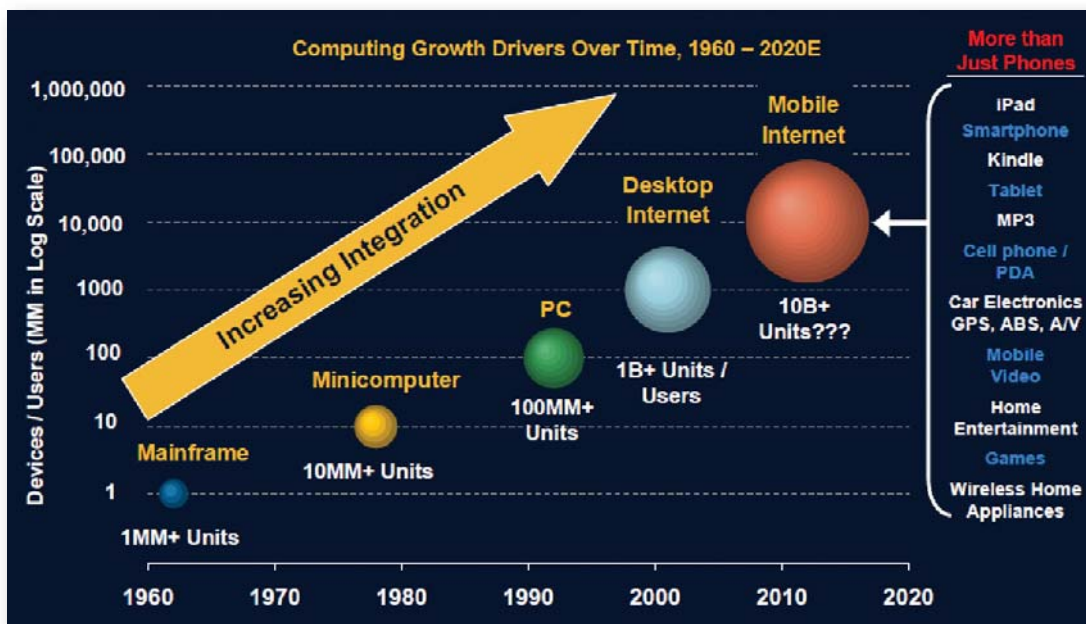
In the final section of this report Intec demonstrates a clear and workable, practical approach to leveraging those key assets and capabilities that, if properly engaged, could generate a new era of prosperity for both Communications Service Providers (CSPs) and their partners.

*Mac Taylor, Senior Analyst,  
The Moriana Group  
January 2011*

# An Analysis of Communication Service Provider Opportunities in Mobile Applications and Content

## Explosion of Devices

In the next decade the growth of computing will expand and diversify into multiple environments which will forge the proliferation of a myriad of new devices. Morgan Stanley (The Mobile Internet Report, 2010) estimated that by 2020 there will be 10 billion or more devices making up the 'mobile internet'. The devices will run applications and deliver focused and specific content. Most will be mobile and all will be linked together exchanging data and communicating in specific ways.



Source: The Mobile Internet Report 2010 - Morgan Stanley

## CSPs and developers become increasingly important

At the centre of this new world two key groups of players will become dominant. The first group are CSPs who provide communications, telecommunications infrastructure and data connectivity. The second are application developers and content providers: the creators of the applications and content that will run on the devices to serve consumers needs.

A mutually beneficial economic association between CSPs and application developers will accelerate the development of this space as well as driving new value and wealth creation. In the past few years, this relationship has been strained and is yet to fulfil its potential. There are many reasons for this state of affairs. However, recent developments point to the emergence of new opportunities, which will enhance the possibilities of both groups.

## The secret of the success of the OTT players

The shining example of success in content and application creation, delivery and monetisation is Apple. The question as to why the iPhone app store is so special lies in the fact that both consumers and developers can quickly and easily discover and pay or receive payment for content and apps. A quick overview of the factors that make the app store successful can be listed as follows:

### For Consumers

- First centralised mobile application store front
- Huge selection of free and low priced apps
- Good app discovery and search
- Easy to navigate marketplace
- Easy payment and account management – credit card registration
- One click purchase
- Simple iTunes and iPhone syncing

### For Developers

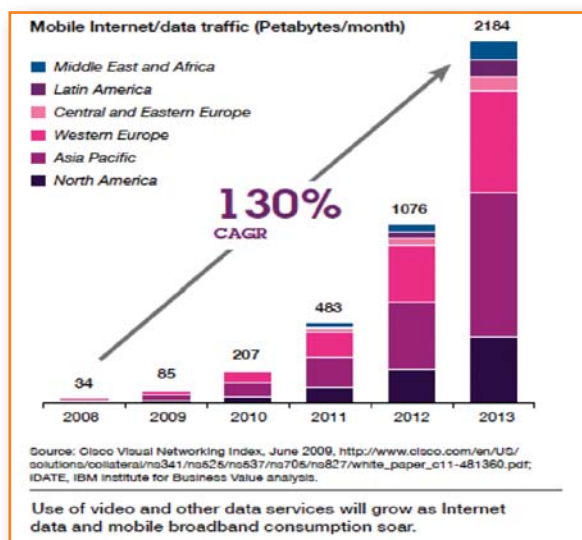
- Robust SDK
- Comprehensive and user-friendly development environment with 1000+ APIs
- Ability to embed maps, social networking and payment system



Source: The Mobile Internet Report 2010 - Morgan Stanley

## OTT and the explosion of data consumption

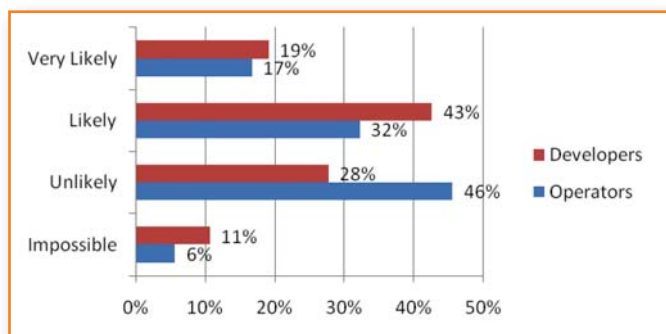
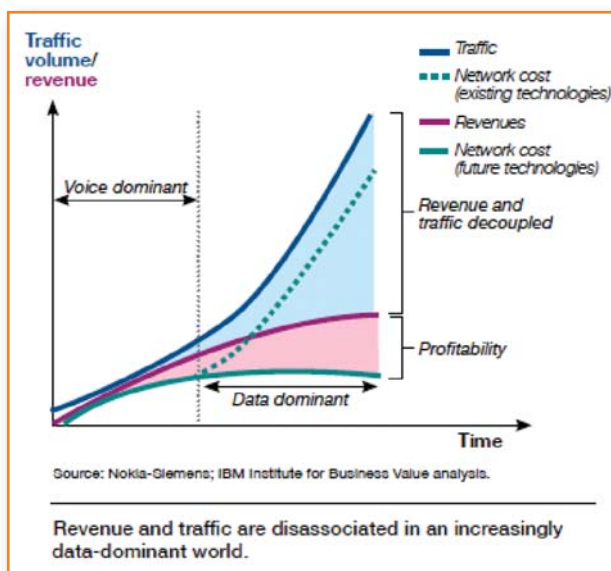
While data consumption has been exploding (due in part to the Apple effect), in many markets CSPs' profits and revenues have been falling. Overall mobile revenues are expected to decline for the first time during 2010-2011. In fact, average revenue per user (ARPU) has actually been declining for some time. For example, ARPU for Italian telecommunications companies declined from almost €30 per month in 2004 to just over €20 per month in 2009. In France, for example, the volume of call minutes across fixed and mobile will increase by only 9% from 2005 to 2010 – from nearly 190 billion minutes to 207 billion.



However, OTT communications over the same period, including VoIP, peer-to-peer and instant messaging, increased by 211%, from 303 billion to 942 billion minutes. A challenge for the industry is to devise a way to better monetise this massive growth in over-the-top services.

### Is the Bit Pipe an option?

In a recent Moriana survey (July 2010) on the relationships between service providers and operators, from a sample of over 100 developers worldwide, 62% felt that in five years it was likely or very likely that service providers would be relegated to the role of a Bit Pipe (see table below). Surprisingly, almost 50% of over 120 operators surveyed felt the same way. One of the reasons for this is the difficulty of working with developers.



Nevertheless, in the same survey, developers largely agreed with operators about the opportunity for a wholesale market in APIs to be used to enhance smartphones. 90% of operators believe it is likely or very likely that there will be a wholesale market of network APIs used to enhance smartphones. 68% of developers think it is likely or very likely.

## CONTENT DEVELOPER SURVEY RESULTS:

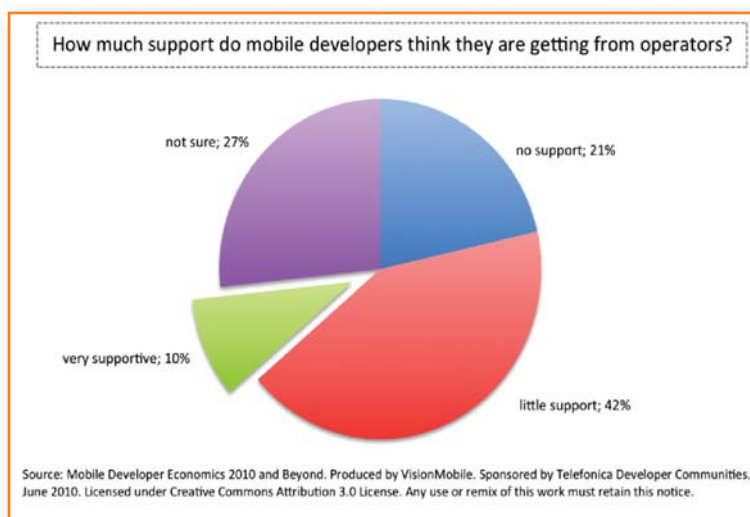
### Developers working with Service Providers

**Operators feel the top 3 reasons** they are not yet working with developers are in order:

- They need well-proven business cases before deploying apps
- It's too expensive in time and effort to form business relationships
- They believe that developers prefer working with device app stores

**Developers' top 3 reasons** for not engaging with operators were as follows:

- Too expensive in time and effort needed to form a business relationship
- Can't find the right sales channel
- Too hard to find the right operator



If Google became an operator our problems would be solved.

Mobile web developer

Almost 70% of developers report little or no support from operators

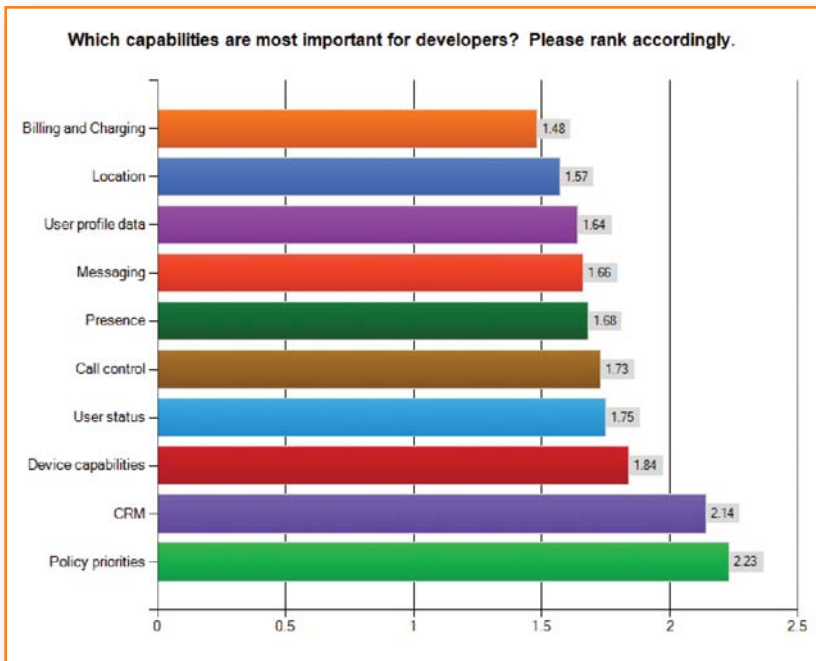


## The right way forward – leveraging network assets

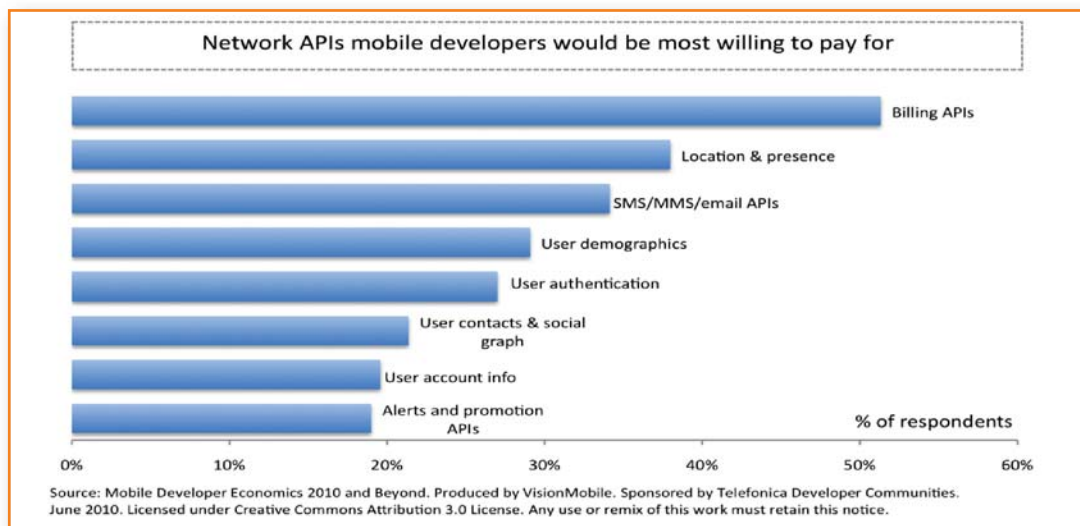
Clearly, although there is presently friction between operators and developers in some areas, given the right conditions and context both groups would be keen to work together.

This is particularly the case when it comes to valuable network assets. Both operators and developers believe there is value in using network assets to enhance OTT apps. 78% of respondents in the Moriana survey stated that access to network capabilities would be useful in creating new apps.

The most important capabilities for developers were: billing and charging, location and user profile data.



Furthermore, in a developer survey conducted by Vision Mobile in March 2010, 50% of developers said they would be willing to pay for billing APIs.



## Success stories - the Japanese example

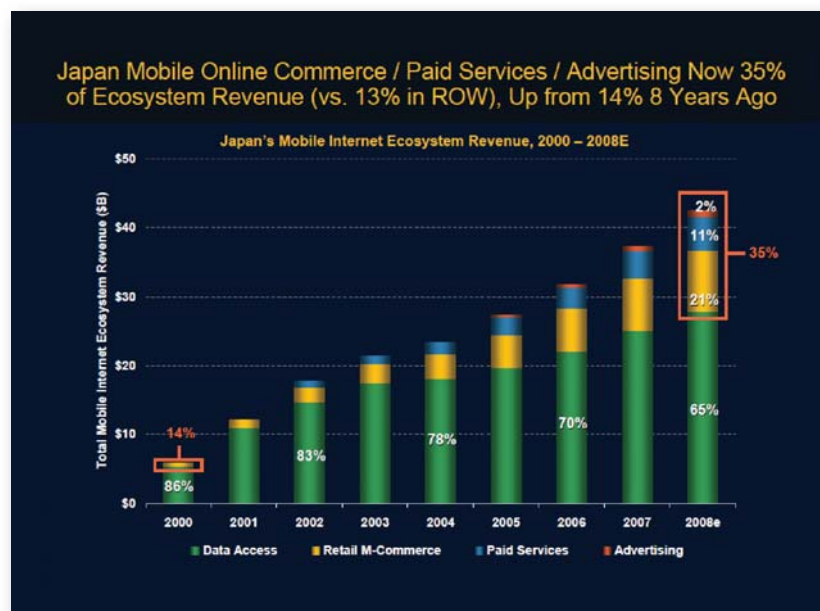
Mary Meeker of Morgan Stanley has pointed out how Japan provides an advance marker for the development of telecom services in other markets. For example, 3G penetration is four years ahead of Europe and eight years ahead of the rest of the world. In addition, Japanese operators have been successful in developer relationships and driving new revenues in services, content and applications.

### Key Decisions Got Japan on Mobile Fast Track – Developer / Network / Consumer-Friendly Environment

What Japan Did Right in 1999 / early 2000s	What ROW Did Wrong...
<ul style="list-style-type: none"> <li>• <b>Developer Friendly</b> – 90% revenue share to mobile developers + off-deck access cost the same as on-deck</li> <li>• <b>Technology Friendly</b> – No spectrum license cost (freeing up carrier capex to focus on network buildout) + passed on unsophisticated SMS / MMS, directly implemented free mobile email</li> <li>• <b>Scalability Friendly</b> – No fragmentation among handset capabilities (carriers control device roadmap) + nearly all handsets are Internet-enabled early on</li> <li>• <b>User / Usage Friendly</b> – Flat-rate data plans</li> <li>• <b>Forward-Thinking Industry Leader</b> – NTT docomo (one of Japan's largest conglomerates) actively adopted these developer / user friendly measures and ensured rapid mobile Internet adoption</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Developer Unfriendly</b> – &lt;50% revenue share to mobile developers + tightly controlled official deck by carriers</li> <li>• <b>Technology Unfriendly</b> – High spectrum license costs (carriers spend years recouping initial investment) + still milking SMS / MMS cash cows</li> <li>• <b>Scalability Unfriendly</b> – Thousands of different handset models / capabilities based on proprietary platforms</li> <li>• <b>User / Usage Unfriendly</b> – Charges mobile data bit by bit + bundling with 'overpriced' voice packages</li> </ul>

Source: The Mobile Internet Report 2010 - Morgan Stanley

The Japanese model has been successful in driving new revenues in paid services and retail m-commerce, by involving many application and content partners. While Japan is clearly a unique case and has distinct advantages and differences when compared to the rest of the world, it does show how a well-defined developer and partner strategy generates success.



Source: The Mobile Internet Report 2010 - Morgan Stanley.



### Summary - the Smart Pipe option

CSPs have a set of key assets, capabilities and unique advantages that if properly leveraged will enable them to compete well with OTT players, and add value and build relationships with developers and content partners.

In a recent IBM survey (June 2010), internet communication providers and OTT players, were identified by 76% of telecom executives as the greatest competitive threat to their businesses over the next five to ten years – well ahead of traditional cable and content providers.

The so-called 'Smart Pipe' strategy offers CSPs a way to compete and differentiate their businesses while attracting consumers with new applications. They can build strong partner relationships by attracting developers with access to business assets such as consumer information, billing and payments options, as well as trusted relationships they have with their customers and expertise in customer care.

**Below is a set of recommended actions that CSPs should execute to ensure success:**

1. Continue and enhance global industry collaboration on common capabilities, enablers and platforms to facilitate innovation and improve competitiveness with global OTT providers
2. Enable new business models in adjacent vertical markets such as e-health, smart grids, transportation, retail and banking
3. Create clear value propositions for third-party application developers
4. Offer open interfaces to network capabilities and services enablers, and infrastructure support for common business process services (e.g., billing, CRM),
5. Develop a viable commercial model
6. Identify key business assets that can be exposed to partners and monetised accordingly.
7. Build a strong set of partner support strategies as the foundation to lasting relationships.

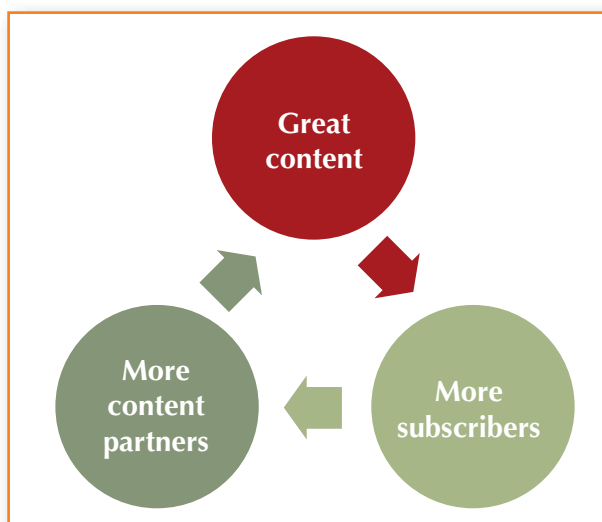
Adopting these recommendations allied with the right strategy and the right execution along with professional support, CSPs have a clear and rational opportunity to build a profitable business in the years ahead.

## How to Manage Content Revenues and Partnerships

by Monica Ricci, Director,  
Cross Portfolio Marketing, Intec

### A Virtuous Circle of Content

Why do app developers love Apple? It is easy to create and upload their products to the App Store; the final review and approval process is well-documented and timely; they receive a relatively high proportion of the revenue for paid apps; and finally, if they want to concentrate on a single platform, it's an obvious choice to target one with a large, global customer base. In the face of this competition, a Communications Service Provider (CSP) must offer all of these features, and more, to provide a compelling platform for and attract the best content from the best content developers. For the first attributes, the CSP can look to Apple and the like for examples to copy. For the 'more,' the CSP must look to the benefits its own unique assets can deliver to the content value chain.



For a CSP, the content value chain is a virtuous circle: the CSP assets attract content developers; the content developers deliver compelling content to the CSP's app store; and the abundance of great content attracts more subscribers and compels greater spend. The size of the customer base, and the money spent, attracts more content developers, and so the circle continues.

### Game On!

The average consumer no longer thinks about his mobile device as a phone, but as a vehicle for downloading, accessing and using increasingly large amounts of content in increasingly sophisticated ways. 3 UK, for example, reports that 94% of all traffic on its network is data<sup>1</sup>, and video will be the main driver of traffic growth for 32% of operators<sup>2</sup>. The continued rise of applications and apps stores is well documented, with games being the most popular category for both paid and free applications in most stores. Nine out of the top ten paid apps in the Apple app store for iPhone are games, for example<sup>3</sup>, but there is money being spent in the categories of news, tools, music and productivity among others.

Data growth is driven by today's reality of a consumer with multiple wirelessly-connected devices. In most developed markets, the typical consumer has multiple

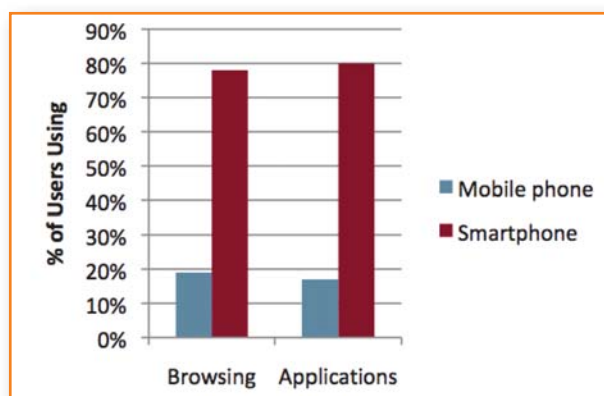
<sup>1</sup> Prof Ed Candy, Strategic Advisor, 3 Group, Cellular 25 Meeting, 21st January 2010

<sup>2</sup> Telecom Asia-Ovum Asia-Pacific mobile broadband survey, 2010

<sup>3</sup> Distimo Report, November 2010

# INTEC

mobile phones, smartphones, tablets and laptops connected via data dongles, all browsing and downloading content. In a typical CSP environment, each of these devices requires its own data plan. The more a device is tailored for browsing and content consumption, the more the consumer consumes<sup>4</sup>.



According to ABI Research, “smartphone users behave differently. They score higher for all these activities ‘because they can’ (their devices are capable), and also because they have the money, resources, and time to do all these things.”<sup>5</sup>

And it goes beyond the differences between a standard mobile phone and a smartphone. Even different smartphones encourage different behaviours; recent analysis by the network management firm Arieso revealed that iPhone 4 users consume 67% more data than iPhone 3G users<sup>6</sup>. These trends extend beyond the developed markets: by 2014, almost half of the mobile devices in the Asia Pacific region will be internet-ready<sup>7</sup>.

## Instant Gratification

Not only are consumers buying and using more apps, but they want everything now. Trendwatching.com<sup>8</sup> coined the term **Nowism** in 2009 and defined it as “consumers’ ingrained lust for instant gratification.” Wanting everything now, without having to wait, means frequent multi-tasking to achieve what they need to get done.

In the mobile context, the epitome of Nowism is social media; applications like Facebook, Twitter, and Foursquare are always on and always in use. 3 UK reported that Facebook is the top traffic-generating site on its network in October 2010<sup>9</sup>, and in fact, in the UK, social network accounts for half of all consumers’ time spent online while mobile<sup>10</sup>.

## The Content Developer Comes of Age

In the world of mobile apps, the image of a teen-aged technophile writing code in his parents’ garage, fuelled by pizza and energy drinks, is rapidly becoming a thing of the past. Today’s top app developers are no longer hobbyists, but savvy businessmen, with a focus on consumer trends, competition, costs, and revenue. The developers of the “Angry Birds” game, the runaway mobile apps success story of 2010<sup>11</sup>, had a proven track record before launching this app, and were quickly acquired by Electronic Arts<sup>12</sup> who clearly expect them to replicate this success again in the future.

4 comScore Report, April 2010

5 Janet Wise, Primary Research Director, ABI Research, <http://www.cellular-news.com/story/46863.php?s=h>

6 <http://www.cellular-news.com/story/46847.php?s=h>

7 Frost and Sullivan, 2009

8 “trendwatching.com is an independent and opinionated consumer trends firm, relying on a global network of hundreds of spotters, working hard to deliver inspiration and pangs of anxiety to business professionals in 120+ countries worldwide.”

9 <https://communicationsdirectnews.com/do.php/110/42097?8852>

10 <http://news.bbc.co.uk/2/hi/8500368.stm>

11 [http://news.yahoo.com/s/ap/20101209/ap\\_en\\_ot/us\\_angry\\_birds](http://news.yahoo.com/s/ap/20101209/ap_en_ot/us_angry_birds)

12 <http://www.ea.com/news/ea-acquires-chillingo>

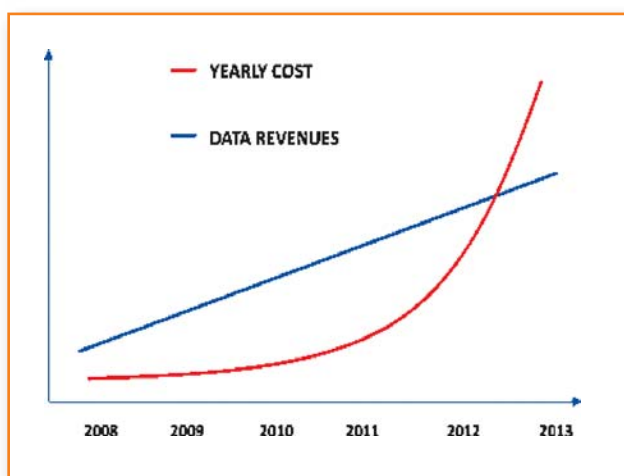
Through experience, app developers have learned what consumers want and thus what will sell. They continually sharpen their focus through market research, and are greatly interested in customer usage data that will stimulate the creative juices for their next idea, and that justifies investment in developing a new game or other application. The ability to segment the market is becoming more refined; developers seek greater granularity than the traditional divisions between corporate and consumer, and are now developing applications targeted at more refined segments.

As the speed of technology increases and consumer attention spans seemingly shorten, app developers must be able to bring their products to market quickly and easily. They seek to manage costs through the combination of streamlined publication processes and improved cash flow. One of the reasons why they like working with Apple so much is that they can upload their apps easily and interact with a simplified supply chain.

## The Content Opportunity for the CSP

The average mobile consumer can source his content and apps from multiple sources. At a minimum, he can access apps from his handset vendor's app store, and is likely to have access to a variety of

independent, OS-related app stores as well. With a large supply, coupled with access to self-generated content, and most of this Over the Top, the CSPs' role in the content value chain is diminishing. This is the "dumb pipe" phenomenon: the CSP increasingly is relegated to delivering commodity transport over which content is downloaded and shared. As the demand for content and data increases, the CSPs' networks must be expanded to deliver capacity and quality of service, and this means an increase in costs for no corresponding return in revenue.



To diminish or altogether eliminate this effect, CSPs are beginning to look to both sides of the value chain, attracting consumers with appealing applications and pricing models, and attracting the developers of those applications by making use of the unique assets at their disposal. These assets include not only consumer information but also customer intimacy, and the billing and payments options they can offer customers, as well as the trusted relationships they have with their customers and expertise in customer care.

## Deliver Value to the App Developers

CSPs have many assets that can be exposed to partners and monetised accordingly.



- **Consumer closeness** is a key asset that the independently branded app store providers do not have. CSPs have a longer history of interacting with their customers on a regular basis across multiple touch points, including with a bill or when executing a payment or top-up, than most app stores. Because of this history and regularity of interaction, customers trust them: a survey undertaken by Nielsen

Research and commissioned by Tellabs showed that users' trust in carriers is second only to banks.<sup>13</sup>



- **Diverse billing and payment options** are important to application developers, consumers and CSPs alike. By providing a consolidated view of the customer's balance across a whole portfolio of apps, content and services, the customer has the most complete view of his spend and can both review and plan for his budget. Having an accurate and timely view of spending and budget not only minimises the risk of "bill

shock," but stimulates spend by customers who feel more in control of their finances. Consequently, enabling carrier billing – the ability to bill for apps and content on a customer's mobile bill, generated by his carrier – is appealing to developers. Sales in Nokia's Ovi app store jumped by 70 percent when they enabled the carrier billing option for their users. China Unicom's Wo portal is more popular than the Chinese version of Apple's App Store for the iPhone, in part because consumers can use their China Unicom prepaid account.<sup>14, 15</sup>



- **Customer care, sales and marketing expertise** and the investment that has been made in these areas, is a further asset of the CSP. CSPs have set the standards for self-care and customer service from a call centre, and expect the same level of service in all transactions, including when they purchase content or apps. Unfortunately they are often disappointed; most independent technology-branded app stores

do not provide a phone number to call with issues and complaints, leaving the CSP to pick up the slack.



- **Customer analytics and preferences** are an asset that the CSP should exploit. One of Intec's CSP clients has recently determined that they hold 2,400 different fields for each customer within their BSS. With the sheer amount of data they hold about customers, CSPs are in a strong position to share that data, suitably modified or aggregated to protect the individual customer's privacy, or provide marketing services to third

party content developers to put that data to use for them. Understanding the behaviours and market trends is especially important to content developers seeking to expand their market reach, particularly to under-served or under-represented segments like women or older consumers.

<sup>13</sup> <http://www.cellular-news.com/story/41921.php?s=h>

<sup>14</sup> <http://moconews.net/article/419-econsm-nokia-says-sales-jump-by-70-percent-with-carrier-billing/>

<sup>15</sup> <http://asia.cnet.com/blogs/sinobytes/post.htm?id=63014668>



- **Fulfilment and service delivery** expertise are a must-have for any CSP, and can be exploited as assets. The CSP can enable these capabilities to developers or other third parties partners for a fee, given that they have the capabilities already. Services such as these are particularly relevant to smaller developers who welcome the opportunity to outsource non-essential skills and capabilities.



- **Local knowledge of the market served** is already being exploited by many CSPs who provide targeted applications to their consumers. Singapore's SingTel, for example, has developed some very specific Singaporean apps targeted at the demographics of its customer base, such as a shopping app that finds local deals. Local knowledge, coupled with the niche knowledge of third party developers, provide the foundation for specialist content and niche app stores, such as tools for health care providers in a particular market.



- **Quality of Service control** is an asset unique to the CSP. Third parties, only via the CSP, can bundle specific QoS as part of their offering, and this feature will be increasingly important in the growing sector for corporate and industry-specific apps and content. A video conferencing specialist, for example, will differentiate its offering by enabling enhanced call quality, for a price, for its service. And the CSP, as the enabler and guarantor of that quality of service, can charge both the third party and the consumer for the role that it played.



- **Advertisers** are playing an increasingly important role in the value chain. They are perhaps one of the most obvious sources for new CSP revenues streams, and are themselves casting about for new ways to get their messages in front of a captive audience. With the traditional vehicles for advertisers – television and print media – in decline due to lack of audience, mobile advertising has two distinct advantages. First, the mobile device is the customer's dominant channel for all information and entertainment, and thus the advertising should follow suit. Secondly and more importantly, the user's interaction with the mobile device is unique and has never before been possible: the network, and thus the CSP, can know with great accuracy when the user's eyes are actually on the device. Upon receipt of a text message, or in the middle of a round of "Angry Birds," you have a captive audience and the ideal situation in which to insert an ad to a willing recipient. The CSP has a significant role to play in the advertising value chain, bridging not the user, the device and the network but introducing elements such as location as well.

CSPs therefore have a number of advantages to exploit when planning their role in the apps or content value chain, for content developers as well as consumers. Service providers have the opportunity to provide a storefront that incorporates these core assets, that provides distinct benefits when compared to technology brand or aggregator app stores. In addition, service provider app stores can be cross-platform, cross-device and cross source, so content developers have a wider range of customers and devices to target.



## Deliver Flexibility

For a CSP, offering a wide variety of compelling content means managing multiple, complex partnerships. And this means having the systems in place that will attract profitable partners that deliver the most popular content, while simultaneously protecting the CSP from untried and untested partners of dubious background and intent. And more, beyond attracting content partners, CSPs must service and retain those partners once they have acquired them.

The most valuable services that a CSP can deliver to a partner include:



- **Marketing assistance**, whereby apps are emphasised or advertised on the CSP's app store to encourage purchase.



- **Customised pricing** is also possible, for a limited time, perhaps, or in a particular geography.



- **Bundling and packaging**, including across third party partners, in order to attract new consumers and increase consumption and spend, which benefits not only the CSP but all partners as well.



- **Automated and timely settlement**, ensuring all-important cash flow for the developer. Implementing 'transaction to bill' automation is a must for timely payment to multiple developer partners.



- **Refund management** to prevent unnecessary revenue loss. The effect of a refund issued to a consumer (i.e. subscriber) needs to be cascaded to partners through reversals of previously generated partner transactions.



- **Dispute management** to prevent unnecessary out-payments and avoid revenue leakage.



- **Web-based Partner self-care** for management ease and to facilitate contract set-up, management and inquiries. Partner self-care is a critical function when it comes to managing numerous partners efficiently and to prevent partner management costs spiralling out of control.

## Conclusion

The creativity of third party developers is the grease that keeps the content revenue machine rolling along. As a CSP, attracting and retaining content partners is a critical component within the virtuous circle of content development, provisioning and purchase. CSPs need to reinforce the value that they add to the process to attract the best and brightest among the broadest set of content developers, so that consumers in turn are attracted and incentivised to spend. The CSPs assets, derived from customer intimacy and a long history of providing exceptional service and the widest range of financial relationships, can and should be monetised. Further, third party content developers require the same level of care and feeding as the end subscribers, and CSPs will derive a real return on investment in Content Partner Management solutions to enable them to treat partners like customers.

## CASE STUDY:

# Content Partner Management

### ASSURING REVENUE, REDUCING COMPLEXITY

**This case study is based on a multi-billion dollar, Fortune 500 company that is a global player in the area of mobile content, offering a complete framework for the certification, distribution and monetisation of content. Having relationships with numerous carriers and developers across the globe, it enables distribution of various types of content offered by developers, such as games, applications and music, to the carriers' subscribers.**

**As a major industry player – managing thousands of agreements with developers and carriers alike – partner management and partner billing and settlement are critical functions for this Intec customer. Prior to deploying Content Partner Management (CPM), the customer was using a complex system, built in-house and enhanced over several years, for partner billing.**

As the number of partnerships grew, and consumers voraciously consumed content, the in-house system struggled to keep pace. At the same time, the customer was keen to reduce the cost of system ownership and the demand placed on its internal IT resources. In the rapidly growing mobile content industry, they needed to quickly introduce new products and services (and just as quickly withdraw old ones). However, the in-house system could not readily accommodate new settlement rules and products, so a commercial off the shelf (COTS) solution was preferred. A further driver, given the mission-critical nature of the system, was the need for minimal downtime. Finally, in an effort to maximise its investment, the company was keen to extend its use into areas outside of mobile content and so needed a highly flexible partner billing system that would quickly lend itself to use by other businesses within the company.

A successful player in the area of mobile content seeks to add maximum value by offering as complete a solution-set as possible, from content sourcing through to content delivery. The subject of this case study, being a major global player, offers a complete end-to-end solution for the distribution and monetisation of content. Negotiating and managing complex partnerships with other players in the content ecosystem, including revenue share between multiple parties, is critical. These players need to be compensated for their role in providing the content services to end consumers. For this major player, numerous partnerships in the content ecosystem, evolved over many years, have resulted in a mature business model underpinned by sophisticated partner billing requirements. These include:

- **Effective and efficient partner management:** for service providers with large numbers of partnerships that need to be efficiently managed, this is a critical requirement as it reduces partner management costs. Data needs to be exported through APIs and exposed to partners through a secure web-based interface in order to promote a high degree of partner self-care. Invoices and statements can also be published to the partners through this B2B interface to reduce partner management costs.

- **Settlement for game/application add-ons:** within some applications there may be additional chargeable features or embedded advertisements. For example, a corporate application or a game can be developed by one developer and its help features can be developed by another. These create the need to settle with multiple supplying partners (multi-party settlement).
- **Managing consumer refunds:** carriers issue full or partial refunds to subscribers for their purchases and pass on the relevant information to this company. This creates a domino effect throughout the supply chain, as payments originally made to the corresponding partners (e.g. developers) need to be fully or partially reversed. These reversals need to be effectively managed in order to prevent revenue leakage. A carrier may also issue single or multiple refunds to a subscriber for a given purchase. In this case, the company needs to ensure that the generated settlement transactions do not exceed the value of the original purchase (i.e. successive refunds do not exceed 100%).
- **Deploying 'pay only when paid' models:** being the 'man in the middle,' this company invoices the carriers on behalf of the developers and other partners on the supply side. These supplying partners are only paid once payment is received from the carriers. This is especially important when dealing with new and untested partners on the supply side and prevents revenue leakage. Accelerated payment models are supported for preferred and trusted partners. This differentiation in payment models provides the ability to deploy the appropriate model for a specific partner. The ability to allocate the payments to the supply-side partners in a variety of user-configurable ways gives control to this company in terms of full and partial allocation of payments.
- **Supporting content trials and fee waivers:** it is important to be able to identify (and appropriately rate) content offered to subscribers as a promotion or for trial purposes, in order to stimulate uptake of content. Settlement transactions need to be generated for reporting purposes, but suppressed from the partner's statement or invoice.
- **Supporting subscription and hybrid models:** agreements with partners include both event-based and one-off/recurring non-event-based charges (for example game or application activation on mobile devices). The ability to support combined event-based and periodic payments to wholesale partners is therefore an essential requirement.
- **Offering incentives to partners:** to retain the best partners, this company offers a variety of incentives to them. These are implemented through schemes such as discounting, tapered rating, upfront payments and minimum guarantees. For example, revenue-share schemes can be tapered in favour of the partner in such a way that the revenue-share percentage increases along with volume of content transacted.
- **Generating accurate invoices and statements in a timely fashion:** timely generation of statements and invoices, for thousands of partners, month after month or week after week, is an important and complex task. It demands a high degree of automation of tasks that culminates in the timely and regular feed of financial information to the ERP system.

# INTEC

- **Ability to introduce (and withdraw) new products and services and to adapt to rapidly increasing transaction volumes:** in the rapidly evolving content market, it is essential to be able to settle for new products and services without having to make frequent changes to the underlying systems. Flexible systems such as Intec's CPM have several rules and features built into them which are available on demand and can be deployed with very little notice. As this company deals with several thousands of products which are in a state of constant flux, having the ability to rapidly commission and decommission products is mandatory for success.

## Intec corporate profile

Recently acquired by CSG Systems, Intec supplies Business Support Systems (BSS) solutions to over 60 of the world's top 100 telecoms carriers, and is one of the world's fastest growing suppliers of BSS solutions. Intec's 400+ customers include AT&T, The Carphone Warehouse (UK), Bharti India, China Mobile, Deutsche Telekom; Eircom (Ireland), O2, Reliance India, T-Mobile, Telefonica, Vodafone, Virgin Mobile Australia, Vivo and Verizon.

Intec works closely with its customers - many of whom have been with Intec since its inception - to provide the highest standards of performance, flexibility and robustness to help carriers service their customers effectively and profitably. Intec's comprehensive and expanding range of products, solutions and services includes:

- Retail billing and customer management
- Multi-service mediation and activation
- Real-time pre/post-paid mediation and charging
- Inter-operator settlement for domestic and international agreements, including US CABS
- Optimised wholesale routing and trading
- Content Partner Management
- Inter-operator settlement for Roaming agreements
- Pre-integrated solutions for wholesale, wireless and core IMS charging functions

The total number of employees in the combined entity of CSG and Intec is just over 3500. We have 2500 in North America, 65+ in Caribbean and Latin America, 450+ in Europe, Middle East and Africa, 730+ in Asia Pacific. There are 38 offices in 24 countries.

For more information, please visit:

<http://www.csgsystems.com/csgandintec/>