A structured approach to revenue assurance

Revenue leakage is a growing problem. To get the most out of a revenue assurance engagement, it has to be carried out as part of an overall business performance strategy – and not be just **a leak detection exercise**. There are **plenty of synergies** in this approach.

▶ **REVENUE ASSURANCE** is a discipline that has existed for over 20 years. And yet between 2 and 4 percent of service provider revenues are still lost annually, according to industry estimates. This figure equates to billions of dollars lost every year across the industry. Worse still, this is revenue that has been hard earned. The difficult bits of delivering service have been achieved, but, through an array of flaws in operational structures, processes and technology platforms, revenue generated from services provided is leaking out at an alarming rate.

Addressing this continued loss of revenue is now even more in the spotlight – a consequence of more advanced services and business models emerging, more complex technology solutions being implemented and increased pressure on efficiency in operational processes. In fact, there's a whole spectrum of service offerings – including bundled propositions – with various business models enabled by a range of new technologies that require different support to its predecessors.

Accelerated complexity

This acceleration of complexity, and the pace of change in their business, has caused many service providers to neglect revenue assurance. Systems that were effective in the era of basic telecoms services are now inadequate. A complex information flow creates potential for thousands of small or big errors, all adding up to a substantial amount of revenue leakage. For operators that have merged with others and use a variety of operational systems and architectures, this problem has an even bigger impact.

Addressing this revenue flow complexity requires a structured and focused approach, one that addresses change management challenges while taking full advantage of system, business process, skill and organizational synergies.

Sharing measurements

According to communications TeleManagement Forum, revenue assurance is a discipline grouped under enterprise risk management along with processes for business continuity, security, fraud, audit and insurance.

It is important to realize how a structured revenue assurance approach benefits all critical business processes. There are cost and efficiency synergies in sharing measurements, competence, personnel, tools and methods. Also, processes subject to assurance activities, such as customer management (churn, pricing, packaging), benefit from tighter control and a preventative mindset – making risk management an integrated part of everyday business. From this perspective, revenue assurance is a part of the evolution towards a comprehensive business assurance – which means proactive enhancement of efficiency across all business processes.

Revenue assurance work should have three core elements:

- All revenue assurance activities – large and small – should always be evaluated, prioritized and carried out with financial benefit as the prime target.
- In order to deliver tangible results, there is a need for a comprehensive toolbox of methods and solutions – built on hands-on experience and replication of best practices to control activity costs.
- In many cases, operators benefit from engaging an external partner to boost the outcome of revenue assurance. An external partner can not only deliver leakage detection and monitoring solutions but also share insights and industry-wide expertise on how to solve problems. Furthermore, a true partner supports the operator and understands its business environment.

Financial benefit first

Leakages are distributed across the whole business and operation chain. If you do not know where to start, a "map and compass" should be created to give direction.

In this context, the map is a framework of control points defining what, where and how to measure in order to describe and quantify a potential leak. As an example, one control point describing a potential revenue loss is to measure the total number of event records (data generated by the network describing service usage) that for some reason cannot be charged because the record contains insufficient or erroneous data. The number of these corrupt records is recorded daily and valued.

The compass consists of the tools and expertise used to calculate the financial value of mismatching, missing or corrupt data used in revenue generation. Direction is given by the rule that high value leaks have priority.

According to a recent benchmark study by TeleManagement Forum, the historical measure for revenue assurance success, for the whole operation and individual revenue streams, is the value of revenue recovered. A high value in recovered revenue is good if the operator is at an early stage of revenue assurance when systems and processes have not been tuned. However, when you start to recover losses the remaining amount of recoverable revenue naturally decreases. High levels of recovered revenue can signal inefficient mitigation rather than revenue assurance success. A better measure of performance is "revenues which cannot be billed," with a low figure as a target.

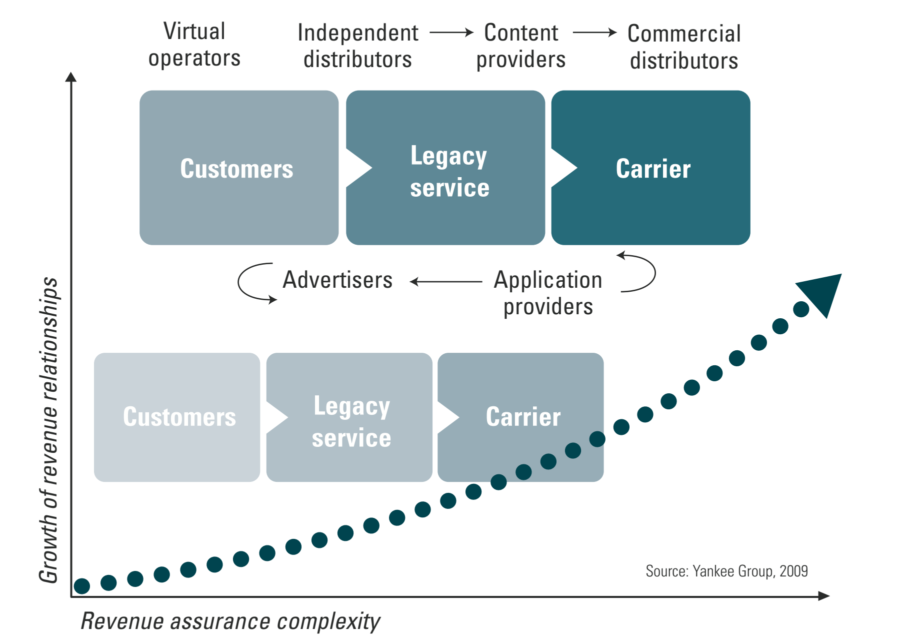
If we accept that "revenues not billed" is a sound measurement, what levels of leakage can we accept? The benchmark study states that a leading operator has zero percent and one lagging behind in revenue assurance shows a figure of 6.42 percent. As an operator becomes better at the discipline, moving from reactive recovery to proactive prevention, the non-billed revenue decreases and the question arises: "Why are we spending money on an activity that does not contribute to the top line anymore?"

In addition, revenue assurance affects the people operating the existing service portfolio, putting pressure on them to manage corrections and prevent future mishaps. These people, and the systems and processes they manage, seldom have spare capacity to take specific revenue assurance actions.

So how do you argue for the profitability of revenue assurance and fight for resources to implement the necessary change?

Low financial significance or high cost of correction means it is not feasible to address some leakages. Revenue assurance efforts only make sense as long as you can present a positive business case – considering both the opportunity to recover and prevent loss, as well as the actual cost of implementing the required changes. When putting the financial benefit first, the control point model, the key performance indicators and leakage values are fundamental for deciding if, where, when and how to take action.

Traditional versus new billing chains



Source: Yankee Group, 2009

A toolbox of best practices

Although there are standards for measures and methods, promoted foremost by the TeleManagement Forum and the Global Revenue Assurance Professional Association (GRAPA), experience from practical implementation is rarely something operators are willing to share with partners or competitors. The weak points of your business and the resulting monetary loss are delicate subjects even within a company; why would you want to share them with the rest of the world?

One can also argue that each operator's business is unique to a specific market, to customers, culture and technical infrastructure, so revenue assurance activities must be tailor-made to fit the environment. Protection of sensitive information and lack of trust in applying someone else's solution in your operations can mean that revenue assurance efforts only deliver results very slowly.

Reusing proven methods is a safe way to attack revenue and cost leakage, if you want quick results with minimum effort. Our experience is that up to one third of leakages in terms of value can be identified and mitigated simply by replicating tests and corrective actions already used by another operator. At Ericsson, we are constantly increasing the number of verified techniques, collected in a toolbox of best practices. The toolbox also includes experience and expertise in network and business support systems, tightly connecting assurance to the technology underpinning the communication business.

Sharing of best practices is valuable both to confirm which leakages an operator already has under control, and to bring in new thinking on how to find, quantify, and, most importantly, isolate the root cause of the problem and implement a sustainable solution.

Coming back to the sensitivity of revenue assurance, there is always the dilemma of whether the operator should do it alone using its own staff, or use outside help. As mentioned before, operational staff usually have a heavy workload and should be supplemented by external experts, who, as well as providing extra staffing capacity, can share industry know-how gained from other engagements – be they in revenue assurance or other service projects.

This is the best way to provide operators with an accelerated time-to-recovery and increased revenue protection. Our approach includes financial risk evaluation; revenue assurance maturity development; competence requirement analysis; revenue assurance life-cycle management and systems integration services. We can also design and implement a customized revenue assurance management solution; one that is often based on a mix of software from different providers.

The bigger picture: assurance of all processes

Looking at today's market, we see a growing number of operators that recognize a need to use predictive business methods and turn them into operational reality. In telecoms, there are significant opportunities in assuring processes such as product management, marketing, commissioning, credit risk, collections, cost and margin analysis, partner management, churn and customer management, and security management. All of these are important to ensure profitability and they use the same, or closely correlated, data sets. Similar business demands are also growing within other industries, such as utilities, transport and finance.

Our experience tells us that the best way to address such an enhanced business scope is by providing a single solution framework with the ability to control and prevent risks, measure performance and enable effective business analysis across all operator domains. This is done not only from a revenue protection or fraud prevention perspective, but also by taking into account other relevant processes, and their underlying systems and data, in order to ensure full visibility and control over all business operations.

This creates a very compelling case for an enterprise-wide driven approach, taking traditional revenue assurance to a whole new level – toward a multi-faceted business assurance and optimization discipline. Such a holistic concept, coupled with the best practices of an external partner to improve operations, can make a huge difference and enable operators to really "sweat their assets."

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