Content Settlements: Are Operators In Control?
Market Potential

Apart from voice calls, mobile phones have become a preferred source for Internet surfing, email, music, news bulletins, video on demand (VoD), social networking, banking, paying bills and other such related activities. The potential of facilitating the mobile users via value added services (VAS) in their daily life is enormous and untapped to its full potential.

Content services / VAS are fast growing areas among operator offerings and are a climbing source of revenues. The profits made from content services ranges around 60-70% of the cost of sale. This market, while profitable, is often the victim of regulatory charges leading to reduction in revenue shares.

Operators worldwide are furiously competing to differentiate themselves by providing “innovative value added facilities” to customers. Subscribers get to choose their operators on the basis of the value addition the services provide them. The introduction of the value added services has come as a mutual benefit for the industry and subscribers alike, it has been the cause of generating revenues in multiple industries; it has brought about a pivotal change in the marketing strategies and played a vital role in consumer retention as well. Development of content and VAS is the only road to salvation of the telecommunications industry to generate new revenue streams.

Further operators foresee a huge potential in several new growth genres like Education, location based services and Health. According to Juniper Research Ltd, mobile phones globally will handle $587 billion in financial services by 2011. By 2012, CGAP foresees that 1.7 billion people will have a mobile phone but no bank account and 20% of them will be utilizing mobile money. M-Health is another emerging service; the concept behind this idea is to improve public health systems via mobile technology in the developing countries. Moreover, M-Learning service is used to educate people of developing countries to learn languages through mobile technology; it has already been implemented successfully and M-Information service is especially helpful in agricultural sectors; it informs the farmers and retailers about the weather and prices as per fluctuation.
The Eco-system

The main players in the content market are the Content Owners or Content Generators; Content Aggregators; Advertisers; Platform Managers; Subscription Managers and of course the operator offering this content.

All the aforementioned parties may not be always involved in content settlement value chain. In some cases the roles of the platform provider and content aggregators are performed by the same entity.

Content ranges from various subscriber centric services like Ring Tones; Wallpapers; Animations; News; Weather Forecasts; Sports updates to On-demand Services like Songs; Mobile TV and IVR based services like the Celebrity chats and Contest SMS based models.

Among the top grossing content in Indian market are the caller ring back tones and SMS based contest services. Once any of the content grows popular among consumers, it attracts advertisers and thereby brings in more revenues as well.
From the Operators Eyes

While operators acknowledge the potential in the VAS market, many are struggling to manage the operations when it comes to content billing and settlements. The sheer growth on Content and VAS offerings and increase in number of players in the market, content billing can no longer survive on Microsoft excel and access based manual computations.

Since content and VAS services is the consumer facing mobile marketing and commerce platform, many operations teams on the operator side inevitably become a part of the content settlement process. Key teams which play a vital role in successful content delivery to the end consumer may include IT Operations; Marketing; Commercial; Revenue assurance; Settlements & Finance and Service delivery.

Some of the tier 1 operators in India are willing to partner with even small content owners to provide a widespread range of services to the end customer. But when it comes to settlements the operators hold the upper hand in dictating terms of compensation as they are armed with subscriber base and demographics.

On the contrary, there are cases where there is a dependency on bigger content aggregators where they carry out their own billing and invoice the operators at the end of each month. In such a scenario it becomes a necessity for operators to deploy their solution and monitor the margins closely.

Operators are now seeking to deploy sophisticated “User Engagement” based models in order to ensure partners/content owners are paid based on the actual consumption of the service and not just based on subscription, thereby determining the actual value addition that the services in question provide.

With a lot of focus on Margin Assurance, analytics will play a vital role in providing the insights which enable operators to drive business and make revenue impacting decisions. To cater to these complex revenue centric operations and the ever growing demands of the market it is necessary for operators to deploy a flexible and robust content settlement solution which accurately carries out the settlement process and caters to strengthening of partner relations.

In this continuously growing and evolving market, the typical questions we see operators asking are:

- How to ensure timely and accurate payouts to top grossing Content Providers, keeping them engaged on long term basis and assurance that projected margins are intact?
- How much of the content is being actually used by subscribers? Are the revenue shares payouts happening on that basis? [Illustration: If a user has subscribed to a monthly subscription for a service, but uses it only for two days in a month, the payout to the partner should be on the usage for two days and not complete subscription amount]
- How quickly can I deploy new services and content? What is the hit on margins with inclusion or exclusion of a particular content?
While operators acknowledge the potential in the VAS market, many are struggling to manage the operations when it comes to content billing and settlements. The sheer growth on Content and VAS offerings and increase in number of players in the market, content billing can no longer survive on Microsoft excel and access based manual computations. Since content and VAS services is the consumer facing mobile marketing and commerce platform, many operations teams on the operator side inevitably become a part of the content settlement process. Key teams which play a vital role in successful content delivery to the end consumer may include IT Operations; Marketing; Commercial; Revenue assurance; Settlements & Finance and Service delivery.

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- How do we manage payouts for content under property rights governance? Is the royalty agency involved in all settlement chains?
- Is the cost of settlement process with small Content Owners higher than the revenue generated by them?

In many cases it seems that Operators are fighting a war on two sides – one aligning internal teams and operations and other on the billing and settlement with Content Partners.

While future of content seems to be bright, Operators need to be mindful that:

“OTT players are growing” and here to stay

“All you can eat” usage models is coming to an end and “Capped usage” models will prevail

“Targeted” content era begins

The Content Settlements Situation

Although the retail billing of content services may be based on their offering structure, like Subscription based billing or event based, on-demand billing, the inter-party content settlements have consistently proven to be a significant challenge. Due to a multi-party environment, it is essential to be mindful of the revenue share per party, while also ensuring a strong assurance framework to ensure realization of projected margins.

It is obvious that the traditional flat rate charging rules do not apply to the complex agreements in which the settlement on these services is decided between the operators and their content partners. The content billing engine should provide the flexibility to model a host of these agreements. With the constant nature of change in these agreements, a rule based approach which can be easily templatized and edited becomes a mandate in the solution.
Some of the common models which govern the agreements between operators and their content owners are the tier based agreement; slab based rating; flat revenue sharing; subscriber based revenue sharing.

The starting point for a content settlement system is to validate if the interconnect content raw records are in sync with the retail billing system(s), this will ensure that operator does not pay the revenue share for any service which was not billed to the end customer.

Content settlement system’s rating models are always characterized by an ability to apply different rates depending on the situation in which the content was used. E.g. During promotional periods the revenue share to the partner may be low when compared to the seasonal share of a cricket screening service offering cricket coverage during the world cup.

There is a fixed component in content settlements which are the payouts made to the regulatory bodies (may include license fee; Royalty based charges) are often multiple pay outs which happen to content owners; platform managers for hosting the content and other channels involved in content delivery to subscriber.

Content providers are beginning to play a bigger role than just being traditionally a telecom operator dependent business. Models such as “Reverse Investment” (also called “Ploughback”) are making its way into agreements where the...
Content Partner needs to invest a part of their earnings back into the business for providing richer customer experience. Providing a richer experience makes Operators want to access the consumer through these Content providers.

Choosing the right Content Settlement Solution

Upon examining the VAS domain and the challenges which operators face on a daily basis in content settlements, the need of the hour is an extremely flexible and robust settlement platform which empowers operators to tackle existing challenges in the content settlement business and also future proof them from challenges envisioned for the future.

The key aspects that operators must look for while implementing a content settlement solution are:

- **Future proofing your business**
  Content market is not a static business environment. New services are launched regularly. The on-boarding (or off-boarding) of a new offering should not be a cumbersome. The ever changing contracts between the operator and their partners need the settlement solution to be extremely flexible. One of the vital criteria of the system should be the ease with which it can be configured in order to positively impact the go to market time.

- **Light Touch, Operational Intelligence**
  Solution needs to be automated and self correcting in order to minimize the manual interventions for carrying out day-to-day activities. In light of contract changes; revenue share changes or discounts the system should automatically take the corrective actions and ensure all affected areas are up to date.

- **End to End Business process coverage**
  Content Settlement is not just about rating and billing but managing end to end business process starting from collecting and transforming data from a multitude of sources for different services to ensuring that right amounts are settled with content partners and payments/ receipts are managed efficiently. Operators may be dealing with different forms of data such as subscription records, event records and having different feeds based on service offerings like VoD, Ringtones, IPTV etc. It is important that the solution being implemented should cater to these different forms of data and maintain distinct processes for each of these services as the settlement needs and the margin visibility required for each of these business lines are different. A key part of the business process is to ensure timely contract signing and creation and day to day contract monitoring of contracts from profitable partner relationships. Financial aspects such as accruals, pre-pay and age-debt being integrated into the settlements business process is crucial for streamlined financial operations.

- **Margin Assurance and Marketing Intelligence**
  The explosion of content partners and increase in the number of services that Operators have to launch to remain competitive, although presents a great revenue opportunity, could also prove to be a major source of revenue leakage if margins are not monitored on a regular basis and contracts are not devised / negotiated based on accurate historic and projected data being profiled. It is time to stop looking at settlement solutions as a back office operations solution and view them as solutions which should provide intelligence to empower you to take profitable business decisions.
About Subex

Subex Ltd. is a leading telecom analytics solutions provider, enabling a digital future for global telcos. Founded in 1992, Subex has spent over 25 years in enabling 3/4th of the largest 50 CSPs globally achieve competitive advantage. By leveraging data which is gathered across networks, customers, and systems coupled with its domain knowledge and the capabilities of its core solutions, Subex helps CSPs to drive new business models, enhance customer experience and optimise enterprises.

Subex leverages its award-winning analytics solutions in areas such as Revenue Assurance, Fraud Management, Asset Assurance and Partner Management, and complements them through its newer solutions such as IoT Security. Subex also offers scalable Managed Services and Business Consulting services.

Subex has more than 300 installations across 90+ countries.