

Seizing the opportunities for the carrier trading market

Interconnect has turned into a fast moving commodity market, characterized by diversity in pricing, quality levels, long and short-term contracts. Particularly the voice trading market is under pressure. But by having an end customer view and knowing how to capitalize on the opportunities, mobile service providers can still find ways to be competitive and profitable on this market.

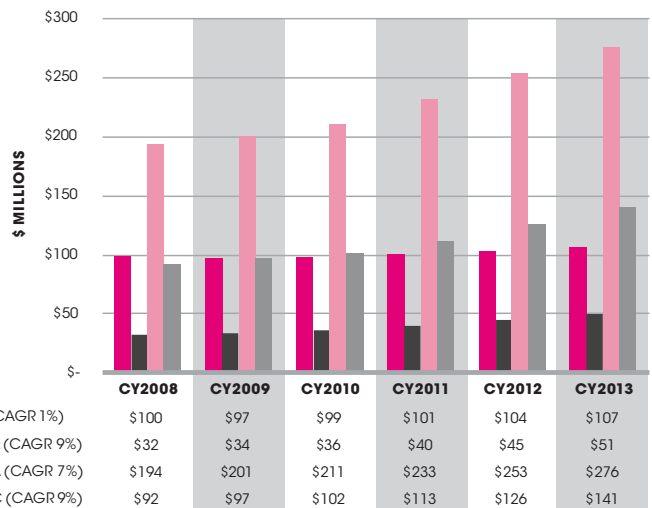
For years analysts and industry experts have argued that the carrier trading market is slowly but surely dying^{ref1}. Looking at the market situation today, however, the segment Carrier Trading appears to play a significant role, especially in markets that have excess fiber capacity on the market^{ref2}. The perception of carrier trading is sprawling. Although there is a clear trend towards a higher degree of differentiation, many parts of the market is still profitable and showcases a variety of offerings^{ref3}.

END-USER FOCUS WILL BE KEY

But in order to be effective and profitable in voice trading, mobile service providers need to have tools optimized for each market conditions. Many experts^{ref4} also recommends operators to apply a interconnect strategy with a focus on the end customer. In practice, this means that Interconnect Agreements need to be adapted to different customer segments and markets with the goal of setting up affordable high-quality subscriber options. Call quality, price and security are key differentiating factors closely linked with the end-user experience. According to telecom experts, most carrier traders have reached that level of maturity, whilst the majority of the mobile service providers have not fully taken advantage of the end customer perspective in the voice trading market^{ref5}. By offering end-users differentiated services depending on the required level of quality and making sure that these choices can easily be selected, operators are able to set up the most cost-efficient routes and send long distance call traffic accordingly. By using this Interconnect strategy operators are able to significantly reduce the competition from Skype and prepaid cards.

GOING FOR CAPACITY OPPORTUNITIES

Carrier trading activities are in high demand even on unregulated markets where interconnect costs are high, as in Africa and many countries in South America. Activities are also high in Europe, even if it is a mature and regulated multi-partner market, particularly in IP-traffic - due to a large surplus of fiber capacity. Today's carrier market is dominated by the larger carrier companies^{ref6}. They are also in control of the market conditions, which makes mobile service providers reluctant to venture into the game. Mainly because the risks are too high to get caught up in long loss making contracts in a market with falling prices. To make a profit under these conditions is difficult. With better control of all agreements and the ability to identify and pinpoint the routes with higher margins, a mobile service provider can still close profitable trades.



INTERCONNECT MARKET: PARTNER SETTLEMENT FORECAST BY REGION

Interconnect and Partner Billing, by Peter Mottishaw, Teresa Coitman and Larry Goldman. Source: Analysys Mason.

The market characteristics of carrier trading create many pitfalls. But according to a number of experts^{ref7} it also means plenty of opportunities for those mobile service providers who know who are seizing the opportunities. New land cables and increased satellite capacity on the African continent is one example of how the market foundations are evolving, creating more IP-capacity and consequently more VoIP-trading possibilities for mobile service providers and transforming this capacity to end-user offerings.

In practice, working with interconnect from an end-user focus, means:

- ▶ Understanding what customers want, and providing attractive services
- ▶ Capitalize on opportunities such as described above

ENHANCING THE BUSINESS CASE WITH PROCESS AUTOMATION

Regardless if a market is immature or regulated and stable, delays and other traffic problems are one of the most margins affecting factors^{ref8}. Still, it is possible to bypass these conditions, and keep the margins on a high level, even when supplying subscribers with high quality and safe voice traffic. The solution is automation.

Setting up automated processes of functions like traffic streamlining, price management, makes it possible to route the traffic more efficiently and offer the mobile subscribers a higher level of customer service. Having control of all the parameters creates a clear overview that leads to a better understanding of each deal. But the process automation setting must have a built in flexibility in order to be able to reroute traffic automatically with a large volume provider. Or when it is more cost effective it must also be able to reroute the traffic through a different partner. However, just having an automated traffic process in place is not enough. It is equally important that operators have an organizational Interconnect structure that is focused on providing the most cost efficient solutions for the end-user.

THREE RECOMMENDATIONS TO GAIN SUCCESS WITH CARRIER TRADING

1. *Customer segmentation and focus on end-user*
Provide great offer within quality, price and coverage. Packaging of wholesale products has a proven positive effect on the end-user.
2. *Take advantage of automation*
Offer a solution that enables carriers to realize and differentiate product offerings from one another. Embrace automation and simplify the process.
3. *Build a suitable organization*
For the operator it is also key to have an organizational Interconnect structure that is focused on providing the most cost efficient solutions for the end-user.

UNDERSTAND ALL ASPECTS OF TUNING YOUR INTERCONNECTS

	TOTAL WHOLESALE COST	TOTAL RETAIL REVENUE	MARGIN
BASELINE SCENARIO	450	2250	1800
DECREASING COST TO 0,045 (COST/MIN)	405	2250	+2,4%
INCREASING QUALITY TO 35 ASR	525	2625	+16,7%

BASELINE SCENARIO

Call attempts	900
Answer Seizure Ratio (ASR)	30
Average length of call (min)	3
Billable minutes	9000
Wholesale cost (cost/min)	0,050
Retail price (price/min)	0,25

In conclusion:

- ▶ The more efficient use a mobile service provider can make of a network, the better it is for both the mobile service provider operator and the end customer
- ▶ Above all, the efficiency in how well a mobile service provider is able to visualize traffic, capacity and price levels enables the possibilities to optimize margins, quality and competitive pricing packages regardless from where the voice capacity is bought. In the long run it would even be possible to compete with low cost voice services such as Skype, but with a higher quality

REFERENCES

- Ref 1** *Interconnect and Partner Billing* by Peter Mottishaw, Teresa Cottam and Larry Goldman.
In-depth interviews with experts and clients in Basset Telecom Report.
- Ref 2** *Interconnect and Partner Billing* by Peter Mottishaw, Teresa Cottam and Larry Goldman.
In-depth interviews with experts and clients in Basset Telecom Report .
- Ref 3** *Interconnect and Partner Billing* by Peter Mottishaw, Teresa Cottam and Larry Goldman.
- Ref 4** In-depth interviews with experts and clients in Basset Telecom Report.
- Ref 5** In-depth interviews with experts and clients in Basset Telecom Report.
- Ref 6** *Interconnect and Partner Billing* by Peter Mottishaw, Teresa Cottam and Larry Goldman.
- Ref 7** In-depth interviews with experts and clients in Basset Telecom Report.
- Ref 8** In-depth interviews with experts and clients in Basset Telecom Report.

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