Pricing Strategies and Package Plans

High speed data services, such as LTE are driving increased data usage through a wide range of data led services. This is leading to an increase in the number of products and applications which provide more customer choice. This also leads to increased customer segmentation, and as customer expectations and competitive challenges advance, operators often have a very short time to market a growing range of offers to an increasingly segmented market.

Increases in sophistication in customer behavior are radically changing how operators develop and market their services. The immediacy of customers’ data experience is resulting in the continuous marketing loop of analyzing behavior, developing offers, launching and promoting services, and back to campaign measurement at a faster rate than ever before. Add new services from partners into the mix and the process becomes more complex as well as faster. New offer and services development, will become increasingly dynamic, as operators continue to develop their pricing and product strategies based on value, rather than be involved in a race to the bottom by selling a generic commodity. As operators look at how to best monetize these new and enhanced services, they will need to look at pricing and packaging flexibility that exists in legacy systems and ask that it provides the flexibility and fast time to market that dynamic data driven services will require.

Value Based Real-time Pricing

Dynamic Services Pricing enables value based pricing options to be presented to appropriate segments in real-time based on their context and network usage patterns. This requires real-time visibility so that customers can see when they are approaching thresholds and select from the available options e.g. to purchase additional data entitlements or accept a slower network speed.

Dynamic Services Pricing is enabled by advanced PCC (policy and charging controls) systems. In addition to network access control and data monetization, PCC systems have access to real-
time customer usage data which can be harnessed into customer intelligence to drive service innovation.

**Innovative offers**

Innovative operators who are using data to drive revenue and increase profitability, understand their customer’s behavior using real-time intelligence. They also provide flexible offer development and marketing that enables faster time to market, as well as context sensitive up-sell opportunities that are relevant to individual customers.

In the past year operators have been launching an increasing number of services, bundles and add-on optional extras as they look to offer value to an increasingly segmented base. Examples of current innovative plans include *(Table 5.1)*:

<table>
<thead>
<tr>
<th>Usage And Speed Tiers</th>
<th>Cloud Storage Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multi-device Data Bundles</td>
<td>Wi-fi Access Bundles</td>
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<tr>
<td>Data Service Passes – By Traffic Type</td>
<td>Traffic Prioritization</td>
</tr>
<tr>
<td>Application Bundles</td>
<td>Content Led Bundles</td>
</tr>
<tr>
<td>Zero Rating Specific Content</td>
<td>Usage And Content Controls,</td>
</tr>
<tr>
<td>Selling Access To Specific Applications</td>
<td>Dual Persona Applications</td>
</tr>
</tbody>
</table>

**Table 5.1 Current Mobile Data Plans** *(Source: Openet)*

Many operators are also providing multi-play (fixed, mobile and TV) bundles which adds an additional layer of opportunity to capture a greater share of customers’ communication and entertainment spend. Also add the increasing demand for Wi-Fi and the new interoperability standards between Wi-Fi and cellular, then it is clear that mobile operators are operating in an environment that is moving faster than at any other time in the mobile industry’s 30 year history. It is those who are best equipped to lead in this rapidly evolving market that will be benefit most from the opportunities presented by high speed data.

**Customer-oriented offers**
The premise on which value based offers and pricing are built is relevance and choice. Customers apply different values to services, and the value attached is often context and time dependent. By giving a wider choice to customers operators can increase data adoption rates, grow revenues and compensate for falling voice and text income. By understanding customer and segment behavior operators can define value based offers.

These offers can have many components. They can include data volume tiers, speed tiers, Wi-Fi hotspot access, speed reductions linked data thresholds, content access controls and spend controls. All of these components and entitlements need to be measured, rated and controlled in real-time for all customers. Increasingly many offers have numerous options and value added services that customers can pick and choose from. A glance at the websites of many operators illustrates the increasing number of value based offers and short term promotions in the market today. One of the key points with value based offers is flexibility; the value of specific services to a customer can changedependent on time and context – this is why many operators are now rolling out time based options as serviceadd-ons – e.g. 5 day service pass, etc. The following are some examples of value based offers operators are providing.

**Data Adoption Incentives**

Canadian operator Rogers promotes the use of a data service pass for infrequent data users. The goal is to get these customers using mobile data and remove any uncertainty and apprehension about costs. Figures published in Billing World in July 2012 would indicate that data service passes are working well. In the 60 days post launch Rogers converted 15% of data pass users to a recurring post-paid data plan and cut billing credits by 98%. In addition Rogers was able to reduce the number of calls into customer care by 120,000 per year. This significant cost saving and revenue increase is mainly down to providing a more transparent and easier way for customers to understand how much data they are using, which removes uncertainty.

Several operators are offering free access to popular and recognizable data services in order to get customers using data. South African operator 8ta offers free access to Google services.
Other operators are offering OTT services with low usage price tag. For example, Malaysian operator, Digi, offers 5 day unlimited access to messaging service WhatsApp for RM5 (US$1.64) for their prepaid customers.

Data Roaming Incentives

According to Juniper Research up to 75% of roamers disable data roaming, and this is resulting in a potential revenue loss. In their report, Mobile Roaming – Opportunities and Forecasts 2012-2017, Juniper calculate that the global revenue opportunity from silent data roamers was $3.8Bn in 2012, rising to $8Bn in 2017. In many cases customers do not switch on data roaming due to the uncertainty of data roaming costs.

Kuwait based operator Wataniya is capitalizing on the data roaming opportunity by selling data roaming service passes. These have a clear cost structure, shown in Table 5.2, and the customer knows that once the data has run out, they can decide to buy a new service pass or not. This direct offer and communication to the customer has removed the potential for confusion and apprehension and opened up a valuable revenue stream.

<table>
<thead>
<tr>
<th></th>
<th>Daily Roaming Packages</th>
<th>Weekly Roaming Packages</th>
<th>Monthly Roaming Package</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet volume</td>
<td>3 MB</td>
<td>20 MB</td>
<td>50 MB</td>
</tr>
<tr>
<td></td>
<td>70 MB</td>
<td>210 MB</td>
<td>1024 MB</td>
</tr>
<tr>
<td>Cost of package</td>
<td>KD 1/day</td>
<td>KD 5/day</td>
<td>KD 10/day</td>
</tr>
<tr>
<td></td>
<td>KD 25/week</td>
<td>KD 50/week</td>
<td>KD 240/month</td>
</tr>
</tbody>
</table>

Table 5.2 Data Roaming Plans(Source: Openet)

Attractive Content

Operators know that data in itself is only an enabler. People buy data in various ways – they listen to music, watch videos, communicate with friends and so on. Content led offers are a good
example of value based offers. Music streaming offers will have more attraction for some people than others. Likewise, different video packages, which can include mobile TV with different channel (sports, movies) packages are a good example of value based offers. Some people will be willing to pay a premium to watch football on their smartphone or tablet, while others may decide that a music streaming service represents better value.

Orange Slovakia has recognized the importance of having a large portfolio of varied content and has followed through by offering this portfolio of varied content to encourage customers to get the best out of data. With over 40 different offers, including mobile TV, music and eBook services, Orange Slovakia is delivering a wide range of content services to cater for different customer tastes and values.

When promoting content, especially video based offers, quality of service is important. In their 2013 predictions report, Yankee Group reported that 31% of users of advanced data services would be willing to pay a premium for higher speeds on demand, and predicted the increased use of ‘turbo boost’ services, where customers would pay for a limited increase in data speed.

**Enhanced Data Services**

Israeli operator Pelephone offers a basic data package, and then offers a wide range of add-ons to enable customers to get more value from their service. These include stepped package plans and data volume and double speed add-ons. This approach enables Pelephone to increase revenues from direct data consumption. In addition, Pelephone also provides cloud and content based services. These include music and TV services where the subscribers pay a flat monthly fee. In addition to this Pelephone also focuses on providing services to a range of devices which is resulting in 27% of all data revenues coming from devices other than smartphones.

Pelephone’s approach of delivering upsell data options is working. They are seeing 25% data ARPU increase (Y0Y 2010-2011), churn rate in subscribers to their cloud services at 25% less than average, and 10% of customers subscribing to additional data options. As well as driving
5%-10% of additional EBITDA, these advances are enabling Pelephone to enjoy a higher percentage of data revenues than their competitors.

**Data Bundles Sharing**

In 2012 shared data bundles made a significant impact on the mobile scene. The increasing popularity of tablets is helping drive this. Many mobile subscribers (individuals and families) own multiple devices and many people were not willing to take out a second mobile subscription for a second device. Data share packages offer an equitable way to do this, and many operators are offering multiple device data share plans to families as well as individuals. With an increased number of people and devices accessing a shared data pool it is essential that the collection and rating of the associated usage is done in real-time to avoid bill shock and ensure strict quota management, and that fulfillment and provisioning is direct and in real-time to ensure customers can access data at once.

In order to develop and market such innovative, value-based offers like those discussed above, operators need to have real-time dynamic pricing capabilities in place that enable:

- Market intelligence through collecting and analyzing customer behavior and usage data
- Development of flexible pricing plans and offers (as illustrated in the above examples)
- Fast time to market
- Real-time communication and interaction – direct to customer device

**Real-Time Information**

The first step in the Dynamic Services Pricing process is collecting usage data through on-line mediation. Traditionally customer usage information is collected by mediation, passed to charging or billing and then sent to a batch based data warehouse for analysis for use in planning and forecasting. This approach works well for strategic intelligence and reporting. However customer intelligence on mobile data usage and behavior needs to be real-time in order to make context sensitive marketing and up-sell offers. In this case mediation can collect the data usage
records, perform a real-time look up of the customer data in the existing data warehouse, and enrich the usage record with relevant customer information (e.g. life time value score, churn propensity score, etc). As illustrated in Figure 5.1, this enriched data record can then be passed to a real-time outbound marketing system that can trigger, if applicable, a context sensitive marketing offer to be sent to the customer’s device.

A simple example could be an outbound roaming customer who has switched off data roaming. The PCC system recognizes this, and in real-time, looks up the existing data warehouse and sees that this customer has a monthly subscription to a music streaming service. This enriched information is sent to an outbound system which triggers an SMS to be sent promoting a customer specific offer – e.g. buy a 1 day 50mb data roaming pass, with free access to music streaming service for €3. As well as providing the real-time data to trigger the context sensitive marketing up-sell, usage records from mediation provides the data needed to report on network performance as well as feed usage intelligence to the data warehouse.

Time to Market
With more base service offers and an increasing number of add-on data options and value added services, the last thing an operator needs is to have a service launch held up because they need the billing vendor to set up and configure new pricing plans. A recent survey carried out by Openet and Telecoms.com Intelligence highlighted that 80% of operators (from a survey of over 200) felt that existing billing systems restricted operators getting new products and services launched.

With voice services many operators typically updated their core tariffs every 12-18 months at a cost of several hundred thousand dollars. New promotional tariffs were added approximately every 3 months, still at a significant cost. Clearly a new approach is needed – tariff tables should be rules based, and be easily configurable and maintained by operators in order to enable real-time charging and billing systems support faster (as well as cost effective) time to market, and also be quickly changed in response to customer and market advances.

**OffersDirect to the Device**

A potential concern for operators is that by promoting a wide range of offers, add-on options and value added services they could potentially confuse customers. By offering too many tariff options there could be a danger of confusion, as has happened in other industries. In the UK there were several well publicized cases of gas and electricity suppliers being told by the regulator to provide clarity of pricing. By selling mobile data services using value based pricing and effective offer based segmentation operators can avoid potential confusion.

However, not everyone knows what a MB or a GB is, and this can lead to apprehension, and potential confusion. As seen from the operator examples in this paper, setting up offers such as service passes to stimulate usage can significantly help in delivering revenue and reducing costs. The optimal way to communicate these offers is direct to the device, with direct, real-time provisioning to enable customers to purchase and use services immediately.

This satisfies customer expectation of immediacy which is set by other services that they can access on their smartphones for shopping, banking etc.
Making relevant, context sensitive offers direct to the device provides a level of personalization that many marketers can only hope for. It is also the optimal channel for purchasing new services and providing communications to any issues. This makes buying new services easier for the customer and can also reduce back end customer care costs for the operators.

Advanced PCC provides direct interaction with B/OSS and PCC systems to the customers’ device, thus enabling real-time 2-way communications and controls. This direct to the device communication can also enable ‘buy now’ options. These can include app specific services (e.g. 30 day Twitter pass); addons (e.g. cloud storage, 30 days streaming music service, extra 1GB of usage) etc.

This direct interaction to the device extends beyond sending emails or SMS text messages with an embedded URL to a web self-care site. This is direct and personalized communications and marketing, using intelligence direct from back office PCC and B/OSS solutions to enables real-time, relevant and context sensitive interaction.

Providing this real-time and context sensitive marketing delivers the final piece in the continuous marketing loop, whereby operators measure the uptake and impact of new offers and options delivered direct. This enables the continuum of analysis, development, marketing and usage. However, as seen, with high speed data this continuum is much more dynamic than with traditional telecoms services (Openet, 2012).

**Go-To-Market Strategy**

Approaches to marketing strategy vary widely depending on an operator’s commercial goals, the market context, and the operator's individual competitive position (Figure 5.2). Some players use LTE launches to introduce price premiums for better QoS, to gain market share, and to expand into new markets such as fixed-mobile substitution.
Three brief overviews of 4G rollout progress in key markets around the globe are now covered. Sweden is an example that illustrates how 4G was used to introduce price premiums via QoS differentiation and how attackers try to gain market share in the mobile data arena. A Swedish incumbent introduced LTE quite early, in order to establish itself as a technology leader, and 4G carried a price premium due to its superior speeds. The company offers a variety of mobile broadband pricing plans, and all but the entry level deal include LTE. Meanwhile, the two attackers are leveraging the favorable cost position made possible by their shared LTE network to offer 4G service at no premium. Their objective is to use price competition to gain market share. While sharing the infrastructure assets, the companies are attempting to differentiate their 4G offerings by using pricing and, recently, service packaging.

In the United States, attackers set out to gain market share through first-mover advantage and the use of very aggressive offers. With 3G capacity scarce and facing strong competition, mobile players offered consumers incentives to switch to 4G. These incentives included subsidizing user
equipment and charging virtually no price premium for data plans compared to 3G. The market was jolted when a major telco began to aggressively promote its LTE offer in order to gain market share in the high-end segments (the company offers its 3G and 4G mobile broadband services at the same price point). As a result, other players such as AT&T have begun to speed up their own LTE deployments to defend their market positioning.

In Japan, the incumbent operator uses LTE to secure market shares in the high-end market segment and to explore further differentiation with proprietary services. The company is aggressively deploying LTE under its newly created Xi brand, with a focus on new advanced services such as video streaming via Hulu. Meanwhile, attackers continue to market less advanced technologies – DC-HSDPA and EV-DO Advanced – as the next service beyond 3G, and make speed promises similar to those promoted by the incumbent.

Due to regulatory requirements, LTE offers in Germany have so far been focused on enabling broadband access in areas that do not have a fixed-line alternative. One Telco’s recent announcement regarding migrating its millions of DSL customers to its LTE mobile network suggests that in the future mobile attackers will continue to seek revenue growth in fixed-line substitution. This commercial strategy has to be seen in the light of high fixed costs in fixed-broadband for the last mile (ULL), where both the integrated attackers could also render the same services over the newly acquired LTE spectrum.

To sum up, use LTE to revise your mobile data offer: The introduction of LTE should be used to enhance the value offered to consumers. Operators should introduce new pricing schemes (e.g., leverage quality of service differentiation), enter new markets (e.g., fixed broadband, services such as video streaming and calling), and gain market share (e.g., in mobile broadband and in sub-segments such as the high-end customer segment). Based on improved technical features and economics, operators can selectively utilize customers’ greater willingness to pay to counter the price reduction trend. New mobile Internet customers need to be educated on the superior service quality on offer and drawn to the brand with introductory offers to counteract low willingness to pay (McKinsey, 2012).