Revenue Assurance

Telecommunications Management Forum

October 13, 2004
Overview

- Introduction to Revenue Assurance

- Discussion Topics
  1. Scope
  2. Solutions
  3. Maturity
  4. Sarbanes-Oxley
  5. Platform Control Processes
  6. Data Warehouse
  7. Data Collection Process
1. Introduction
What is Revenue Assurance?

“…analysis and a set of tools to provide surveillance, control and monitoring over the end-to-end revenue stream processes… permit early detection of revenue leakage or excessive costs and their recovery, and mitigate the need for periodic third-party reviews”

“…Revenue Assurance is not just about finding leakage. It is a discipline that reveals weaknesses in operating support systems, processes, structure, and business strategy that cause revenue leakage or excessive costs”
Leakage root cause analysis

Distribution of leakage by functional areas

PWC in Telestrategies

Phillips Group

Root causes of non billed usage

- Uncollected debt: 16%
- Fraud: 13.8%
- Incomplete customer data: 14.6%
- Rating errors: 10.4%
- Accrued errors of usage: 45.2%

Guiding errors
Rating errors
Error write offs

Financing expenses
Missed opportunities
Late/bad activations
Net elements failures
Inaccurate measurements
Credit management

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Scope

The Scope should include Technical, Method/Process and Organization

[Diagram showing technical, methodological, and organizational aspects]
A Revenue Assurance Strategy Drives Success

A Review of the WHAT, WHO and WHERE will identify “High Value” areas that should be addressed first, prioritizing those that provide the biggest “bang for the buck”.

**What?**
Review of processes and operations, Recommendation of improvements considering current systems.

**How?**
Revenue Assurance System Components

**Who?**
Organization of Revenue Assurance and its relationships with the other areas

**Implementation of the revenue assurance functionality = Guaranteed quality**
Revenue Assurance Functional Coverage

Revenue Assurance includes the entire “Order – to – Cash” Value Chain

- **Product/ Offer Mgmt**: Product portfolio management
- **Sales / Order Entry**: Order management
- **Provisioning and Usage**: Presale credit screen
- **Network Ops**: Sales activities
- **Billing**: Transfer customer record to billing
- **Customer Care**: Network security and integrity
- **Collection**: Contract compliance
- **AR, Finance, and Treasury**: Collection calls

**Performance Management and Reporting**

- **Product portfolio management**: Tracking provisioning interval
- **Contract management**: Record orders from sales/customer care
- **Offer/plan development and testing**: Initiate service
- **Establish thresholds and credit limits**: Transfer customer record to billing
- **Presale credit screen**: Network monitoring
- **Sales activities**: Usage processing
- **Order management**: Contract compliance
- **Presale credit screen**: Collection calls

**Typical leakages:**
- Churn
- Reprice
- Credit
- Contract compliance

**Typical leakages:**
- Not calls are billed (Incorrect CDRs, CDRs lack sufficient details, CDRs being dropped, etc.
- Bill rate leakages

**Typical leakages:**
- High A/R & DSO due to high disputes, inefficient collections, unapplied cash, etc.
- High adjustments, write-offs, etc.
- High operating costs
A Successful Program is driven by Incremental Progress

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Platform Requirements Include:

**Functional**
- Open KPI Model
- Open Dashboard
- Ad-hock reporting
- “Near real time” Alerts
- Case/workflow management
- Process and control documentation

**Technological**
- CDR Intimacy
- Connectivity to ERP & CRM systems
- Flexibility in storage management
- Flexible interface creation
- Scalability
- Compliance with the e-TOM integration architecture
The RA Framework must include Sarbanes Oxley

The RA control framework is aligned with the Sarbanes Oxley Audit Methodology

**Scope**
- Define organization
- Assign owners
- Use existing corporate structure

**Document**
- Document Processes and sub-processes for each business unit
- For each process there is an objective, and risks that jeopardize that objective
- Document the appropriate business controls to mitigate the risks

**Evaluate**
- Test the defined controls
- Determine effectiveness
- Mitigate ineffective controls

**Parent Company**
- Flexible enough to map to any organization
- Uses existing corporate directory
- Assign both “Owners” and “Delegates”

**Division 1**
- Process
- Sub-Process
- Objective
- Risk
- Control
- Procedure

**Division 2**
- Process
- Sub-Process
- Objective
- Risk
- Control
- Procedure

**Business Unit A**
- Manage your business from the Process level, not the Control level
- Tie sub-processes to Financial Statements to gauge impact of potential failure
- Users only see information that is appropriate to their level and function

**Business Unit B**
- Users get in, get out, and get on with their jobs
- Changes are documented over time

**Flexible enough to map to any organization**
- Uses existing corporate directory
- Assign both “Owners” and “Delegates”
2. Discussion Topics
The scope of revenue assurance

**Issues:**
- More than 1 business unit is in charge of leakage prevention in the process
- Each RA authority determines its own methods and tools to fight revenue leakage
- No focal point for the end to end process

**Discussion Points:**
1. How many business units cover the issue of revenue leakage in your organization?
2. Do you have a coordinating body?
3. Does the coordinating authority have the mandate to create an end to end control and monitoring process?
4. How does the coordinating body overcome opposition from the business units?
Revenue Assurance is based on “best of breed” selection of point solutions

**Issues:**
- Multiple vendors struggling to lead the pack
- Multiple Architectures
- Overlapping functionalities
  - Interfaces to the same data sources
  - Reconciliation rule engine
  - Workflow management
  - Reporting
  - Data Mart

**Discussion Points:**
1. Which systems have we implemented?
2. Which systems do we plan to implement in the next 2 years?
3. What common functionalities have been identified?
4. Do we see additional components to this view?
5. Do we see redundant components in this view?
6. Can the DWH serve as the hub for all RA control information and reporting?
The next maturity level: End-to-end integrated RA process

**Discussion Points:**

1. Where is your company in the Maturity Model?
2. What are the chances that your company will move into stage 4 in the next 2 years?
3. What do you see are the main issues in moving to Stage 4?
4. Do you see more issues than those listed here?
5. How do you suggest to confront the main issues?

**Issues:**
- Agree on a common revenue assurance control framework
- Setup of a single revenue assurance authority
- Select a “best of breed” integration approach
- Impose integration readiness capabilities over vendors
- Consider the Sarbanes Oxley Act implications
Sarbanes Oxley implications on Revenue Assurance

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<th>SOX Section</th>
<th>Potential Compliance Implications</th>
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| Section 302  | - Establishing and enforcing disclosure controls and procedures at all levels of the company  
|             | - Quarterly evaluation of the efficacy of controls by the company  
|             | - Disclosure to audit committee of all significant deficiencies, material weaknesses, and acts of fraud |
| Section 404  | - Focus on process mapping and documentation of existing controls that have a bearing on financial reporting, test for efficacy, and report on gaps and deficiencies  
|             | - Ability to monitor control compliance |
| Section 409  | - Accelerated reporting requirements place a premium on disclosure controls and quick quarterly close |

**Discussion Points:**

1. **Has your organization linked between the SOX effort and revenue assurance? How it is done?**

2. **Have you assessed your revenue assurance controls based according to the COSO framework? Do you have plans to do it?**

3. **Have you linked the revenue assurance process to the quarterly close process? How do you do it?**

**Issues:**

- CFO and CEO must certify the efficacy of the revenue assurance process
- The revenue assurance process must be mapped and documented
- Revenue assurance should adhere to the COSO framework
- Near real time disclosure of material events is required

**Information should be provided quickly for quarterly close**
The integration platform should provide a generic control process for telecom

**Discussion Points:**

1. **Are you implementing the SOX requirements?**
2. **Is your SOX initiative coordinated with your revenue assurance initiative and in what way?**
3. **Do you consider future SOX requirements when you select your revenue assurance tools?**

**Issues:**

- SOX projects are not harmonized with revenue assurance
- SOX control framework (COSO) has to be applied to revenue assurance
The revenue assurance platform is the enterprise DWH

**Issues:**
- Detailed data may mount to multiplies of the data warehouse volume. We may want to distribute the collection of the detailed data volumes.
- Reconciliation rules should be associated with the control framework that needs to be modeled according to the COSO framework.

**Discussion Points:**
1. Should the event store be the data warehouse?
2. To what extent do we need the detailed data?
3. What type of rule maintenance tool do we envision?
4. Which parts of the architecture should be maintained by the RA analyst?
5. Does your company maintain a single KPI model for revenue assurance?
6. Do we need a separate RA Data Mart that will be fed from the DWH?
A distributed data collection process is scalable and cost effective

Issues:
- Revenue assurance performs reconciliation on KPIs generated from summarization of detailed records.
- The retail customer dimension is not required in RA. Market segments are sufficient.
- Detailed data is required, for a limited time, only in the case of suspected leakage keeping detailed data in the enterprise DWH is the best approach.
- Repeated processing of all detailed data to a separate system may result in prohibitive architecture which will double the cost for CDR collection and storage.

Discussion Points:
1. Does your revenue assurance operation make use of the enterprise data warehouse?
2. How do you handle detailed records processed by your revenue assurance components?
3. Did you design a KPI model that fully covers the end to end process?
4. How many KPIs (%) are already supported by revenue assurance components?
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### Summary: