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Case Study: How Multinational Telecom Carrier Zain Optimized Costs While Expanding Rapidly

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Zain, a large mobile telecom carrier in the Middle East and Africa, started with a local revenue recovery program and extended it to 22 countries as the company grew. Carriers that intend to optimize revenue flow and streamline the back office can use this case study as an example of successful technology selection and project management.

Key Findings

- Support from senior management was key to the program's success. It helped to rally support from all stakeholders and form a coherent strategy for implementation.
- A stepped approach to implementation allowed Zain to learn and evolve its program strategy as it rolled out the revenue assurance (RA) solution across its operations. This was in contrast to many large RA programs, which are usually ambitious in their coverage but fail to deliver.
- Zain adjusted its RA philosophy as it expanded. Initially, the project focused on discovery and containment of revenue leakage. It evolved into a revenue management practice that took a process-driven approach and improved operational efficiencies.

Recommendations

- Telecom carriers should conduct detailed due diligence of their capabilities and build a strategic vision before engaging an RA vendor. This will help to address known limitations and mitigate any risks that arise from lack of vendor support or coordination between internal teams.
- Telecom carriers should conduct periodic reviews of RA technology vendors' products and overall financial viability. They should put in place a rapid-action plan to handle any contingencies, in case a vendor proves incapable of evolving a product or is acquired.
- RA technology vendors should provide first-class project management and documentation. Carriers choose a vendor because its technology is a good match for their requirements. In the interest of continued good relationships with clients, vendors must be more diligent in managing their projects and documenting processes.

WHAT YOU NEED TO KNOW

Zain is a large multicountry mobile telecom carrier with operations spread across the Middle East and Africa (for corporate details, see Note 1). It has implemented an integrated RA program in partnership with Connectiva Systems (see Note 2). The program, which started as a "point" implementation, has resulted in significant savings for Zain and expanded to include the company's entire operations across 22 countries. The success of this program has largely resulted from the dedicated focus of Zain's internal RA team and effective support from Connectiva.

This document can serve as a reference for other telecom carriers in the process of implementing or enhancing RA programs.

CASE STUDY

Introduction

The emergence of RA as a distinct discipline has raised awareness among telecom carriers that they are losing money because of misaligned business support system and operations support system solutions and processes. During the past five years, many carriers have launched initiatives to contain revenue leakage, but new content services and bundles are likely to open the door to new leaks. Losses in upper-single to lower-double-digit percentages could become the norm unless carriers take further action.

Zain is a multinational mobile carrier headquartered in Kuwait. It provides an example of how a small local initiative can expand into a multinational endeavor. In 2003, Zain, then operating as MTC Vodafone, launched an RA initiative and almost instantly recovered $15 million on an investment of $2 million. The carrier chose Connectiva as its strategic partner. For details, see "Best Practices in Revenue Assurance: MTC-Vodafone Kuwait Recovers $15 Million."

Since then, Zain has grown exponentially. The company now operates in 22 Middle Eastern and African countries, serves around 65 million subscribers and has annual revenue of nearly $7.5 billion. It plans to increase its number of subscribers to 110 million by 2011. Zain has introduced new content services and hopes to derive a large percentage of its revenue from e-commerce in the next five years. This move would make Zain resemble a bank, with all the associated regulatory and licensing entanglements.

In 2006, Zain launched its One Network, which allows members to communicate across borders without roaming surcharges or fees for receiving incoming calls. Zain aims to link all its operations through One Network.

Rapid growth, geographic dispersion and a changing revenue stream have resulted in new challenges. Zain had to rethink its RA philosophy. As the company grew, so did its RA organization. Having started with a single employee in 2003, it now has 170 full-time staff and a cross-departmental Revenue Advisory Committee with participation from IT, network/technical and commercial (sales and marketing) teams. This case study serves as an example for carriers on how to adapt localized initiatives to changing realities.

Challenges

Initially, Zain's revenue leakage was related to a decade-old billing system. In 2003, the company hired an RA manager, made him report directly to the CFO, and instructed him to fix the leak. Rather than solving the problem in-house, Zain partnered with Connectiva, a New York-based

vendor specializing in revenue management solutions. The project went so well that Zain decided to expand the use of Connectiva's Onereview RA platform to other group properties.

As the company expanded geographically and introduced new services, the complexities of revenue leakage multiplied. Each of its new properties had its own billing platforms, mediation systems and CRM systems sourced from different vendors. In some operations, data was outdated, corrupted or generally unavailable for analysis. Moreover, the company had to grapple with various regulatory requirements and standards, and needed to align disparate business processes.

Key challenges included:

- Efficiently managing large volumes of data while avoiding redundant data processing.
- Achieving proactive risk mitigation through institutionalized best practices.
- Ensuring consistency and completeness in reporting across the entire operation.
- Managing data integrity issues.

Zain realized that it would have to change its RA philosophy from one that focused on the discovery and containment of revenue leakage to a revenue management practice that adopted a process-driven approach and improved operational efficiencies. The RA platform of choice would have to be able to adapt to undefined future requirements and be flexible enough to scale up with anticipated future growth.

Approach

Zain pursued a dual approach to revenue management. Standardization and centralization ensured cost savings, streamlined operations and provided better insights into operations at group level. Working with external suppliers helped overcome internal skills shortages and ensured process automation. Support from senior management helped to "onboard" personnel from acquired companies and form a coherent strategy.

Standardization and Centralization

As it expanded, Zain made it a priority to consolidate and standardize its business processes, and to develop and implement standard tools, policies and procedures based on the eTOM model. Zain sought to centralize operations through fewer data centers and to use manpower efficiently in local, regional and head offices. The focus was on learning from one operation in order to proactively fix problems in others.

One focus of the centralization and standardization approach was revenue management. Zain set up a centralized operation to oversee key functions such as billing and network operations, service-level agreement (SLA) monitoring and reporting, and standardization of systems and processes. The initial success in Kuwait diffused some reluctance in regional organizations to come on board. It is company policy to leverage RA resources across countries to manage emerging issues. After resolution, these resources return to their home base.

External Vendor Selection

Zain could have developed its own RA platform, but did not do so as software development was not its core competency. Its geographic dispersion necessitated automation in the processing of complex data streams and advanced and complex investigative analysis.

The carrier had been working with Connectiva's Onereview RA platform since 2004. Initially, the solution covered traffic, rating and billing analysis, and subscriber profile assurance across all product and service offerings, such as voice, Short Message Service and data services. Zain gradually expanded the platform to identify core network issues, to perform financial analysis and fraud management, and to review revenue performance. The carrier used the solution to provide data for third-party business intelligence (BI) and data warehousing systems by capitalizing on its extensive data-processing capabilities. It used the solution's extraction, transformation and loading (ETL) features to help other departments produce specific reports from raw data, which partly compensated for the lack of comprehensive BI capabilities and saved on license costs.

Zain evaluated Connectiva against other ETL suppliers and decided to stick with Connectiva because of its flexibility with enterprise data management capabilities, its ease of deployment, its scalability and its proven track record for handling large record volumes in near real time. The solution also offers predictive qualities based on historical data, which could help to identify potential shortfalls in the future. Finally, it is a standards-based platform that works on many different technology platforms — a primary requirement for a multinational carrier like Zain.

Support From Senior Management

Zain's RA program garnered support from senior executives, including the CFO. This helped to bring on board personnel from acquired companies and to form a coherent strategy. This in turn facilitated the implementation of improvement initiatives and raised awareness across the organization.

The formation of a cross-departmental Revenue Advisory Committee headed by a dedicated RA manager further encouraged participation and increased the chance of the project succeeding.

Results

Operational Benefits

The carrier got control over the loopholes in network components deployed and developed a better understanding of revenue-generating processes. It requested that the network vendors make the recommended changes, which reduced leakage and eventually increased earnings before interest, tax, depreciation and amortization (EBITDA) margins.

Zain can now use the same data sets for multiple analyses. This has largely removed redundant information and has given it a better view of its customers and processes. Zain is in the process of extending Connectiva's capabilities. This includes processing large volumes of data efficiently and ensuring that any leakage in its operations is quickly stopped. This is important in the context of linking all Zain's operations through the concept of One Network.

Financial Benefits

The RA initiative has resulted in reductions in total cost of ownership (TCO) and operational expenditure for Zain, for several reasons:

- With the standardization of techniques, the revenue recovery cycle has become faster.
- There has been a considerable reduction in hardware and third-party license costs due to the volume discounts that Zain receives from its suppliers.
- By optimizing the use of expensive hardware and personnel, the company reduced the cost of integration and maintenance of data interfaces within a short time.
- More efficient use of resources has reduced operational expenditure and lowered TCO.

- There is across-the-board visibility into the financial performance of each regional operation.

Challenges

As with any large project, not everything went smoothly. Some of the sticking points had to do with Zain's internal operations, while others can be attributed to Connectiva having to keep up with changing requirements and deploy 14 sites simultaneously in a relatively short time. The sticking points had more to do with organization and governance than with technology.

Internally, some of Zain's regional units lacked the expertise and staff to manage the RA tool. High turnover in some teams aggravated the situation. Also, simultaneous installations across various operations stretched Zain's in-house team.

In some cases, Connectiva faced the task of providing equivalent levels of post-implementation services for all Zain operations. Due to rapidly changing deliverables and aggressive time lines, Zain's smaller operations may not have received the same level of attention as the larger ones.

Critical Success Factors

Early success: The success of the initial revenue recovery project in Kuwait set an example of the right approach for the entire company. As a best practice, it helped bring the regional units on board. Zain soon managed to duplicate the success in Iraq, where it achieved a positive return on its investment in less than six months.

Centralization and standardization: Zain pursued a policy of standardizing and centralizing its operations. This resulted in improved efficiencies, cost savings, better governance and higher visibility into the group's operations.

Evolution philosophy: The initiative started with the discovery and containment of revenue leakage in a single location and evolved into a revenue management practice that adopted a process-driven approach and focused on operational efficiencies. In future, the focus will shift to risk management and nontraditional transactional analysis. This evolution will enable Zain to address future challenges proactively.

Partnership with external suppliers: Zain realized its skills limitations early on. Instead of trying to build a revenue management solution internally, it selected a best-of-breed solution and expanded its scope incrementally. This saved it from costly and potentially futile internal development work and gave it a head start to manage its revenue stream.

Periodic evaluation of the solution deployed: Zain periodically evaluates whether its suppliers still meet its technical requirements and remain viable. This ensures the commitment of its suppliers and reserves the option of replacing them if they no longer meet its requirements. For example, Zain reworked its SLAs with Connectiva after deciding to expand the use of the solution.

Lessons Learned

Advice for carriers planning to launch or expand an RA initiative:

Start small and score early successes: Early success will galvanize the entire organization and bring reluctant units on board. As an overlay to existing departments, an RA organization needs such success to underscore its credibility.

Explore how you can use the solution for related purposes: Many RA tools can be used in adjacent disciplines such as fraud management, BI and risk management. Expanding the scope of existing solutions could help in reducing the number of suppliers.

Be realistic about your capabilities: There are many viable solutions on the market. If in-house expertise is insufficient, it's usually best to look for external suppliers.

Manage the vendor: Technology alone doesn't guarantee success. It's equally important to manage the project, ensure sufficient staffing and document every step of the project. Vendors sometimes focus on their technology and neglect to manage the project.

Choose a supplier that can grow with you: Selecting a revenue leader might not always be the best option. Small and midsize vendors with good solutions tend to be more responsive and more willing to integrate carriers' requirements into their product road maps.

Advice for vendors supporting RA initiatives:

Adapt your solution to changing client requirements: RA remains an ill-defined concept. Despite its official branding, vendors should be flexible enough to use their solution's data-processing capabilities for adjacent disciplines such as fraud management, risk management and BI.

Don't underestimate the value of small projects: It's natural to focus on "marquee" projects, but often it's small projects that set a precedent and that make or break relationships with clients.

Provide first-class project management and documentation: Customers choose a vendor because its technology is a good match for their requirements. Project management is often an afterthought. Yet it is often project management that makes or breaks projects. In the interest of continued good relationships with their clients, vendors must be more diligent in managing projects and documenting processes.

RECOMMENDED READING

"Best Practices in Revenue Assurance: MTC-Vodafone Kuwait Recovers $15 Million"

"How to Select a Revenue Assurance Solution from Vendors with a Multi-Industry Background"

"How to Select a Revenue Assurance Solution from Vendors with an RA Specialist Background"

Note 1
Zain

Company Name: Zain Group (formerly MTC or Mobile Telecommunications Company)

Address: Shuwaikh, Airport Road, Kuwait, 3083 Kuwait

Main Phone Number: +965 4644444

Web Site: www.zain.com

Founded: 1983

Employees: 16,000 approximately

Financial Data: US$7.44 billion in revenue (2008)

Mission: "Zain aims to be a leading global mobile operator that provides professional, world-class mobile and data services to all our customers, wherever they are, worldwide. Zain intends to achieve this in three stages: regional, international and global, with each stage completed in three years, with an aim of reaching a subscriber base of 110 million. Zain aim to achieve in nine years what other companies have taken more than 27 years to achieve."

Profitability: US$1.2 billion net (2008)

Note 2
Connectiva Systems

Company Name: Connectiva Systems

Address: 19 West 44th Street, Suite 611-612, New York, NY 10036, United States of America

Main Phone Number: +1 646 722 8741

Web Location: www.connectivasystems.com

Founded: 2001

Employees: 400 approximately

Financial Data: approximately US$25 million to $30 million in revenue in 2008 (Gartner estimate)

Profitability Remarks: Profitable, backed by the International Finance Corporation (IFC), NEA-IndoUS Ventures, Ovation Capital and SAP Ventures

Strategic Partners: Oracle, IBM, HCL Technologies, Tata Consultancy Services (TCS), Ericsson, T-Systems and SAP

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