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Executive Summary

WHY LEGACY BILLING RESTRICTS TELCO GROWTH

Legacy billing systems were built for legacy telco services and are too inflexible to deliver next-generation services. We explore how operators can modernise to unlock key benefits such as cost reduction, accelerated time to market and enhanced customer experience.

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Foreword

Methodology

This document is an executive summary of a report which outlines insights from a recent research programme, where we conducted in-depth interviews with eleven senior decision-makers in CSPs and ran a focused survey with eleven individuals from CSPs worldwide. The aim was to understand the current state of their revenue management operations and their approach to transformation.

We have also evaluated the financial value through cost savings of transforming billing and charging across telcos' operations. This analysis was modelled for a 'typical Tier-1 operator' which we have defined as having annual revenues of US$25bn, of which US$5bn comes from mobile services.

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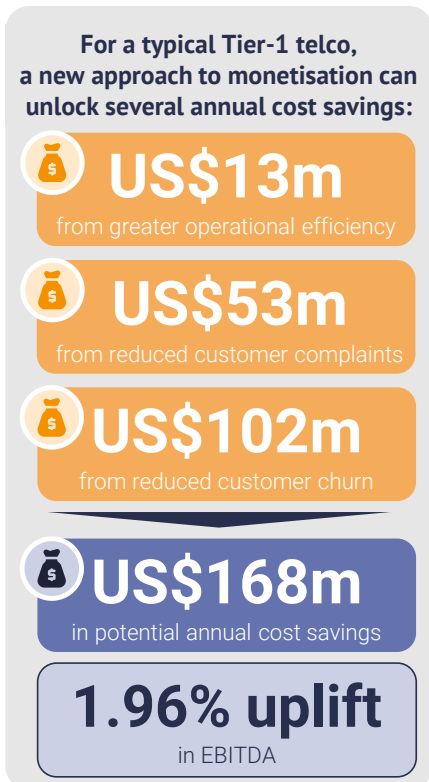
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Operators face an opportunity to take on a new role with their customers and move beyond providing legacy core communications to drive sustained revenue growth. They continue to invest billions in new technologies such as 5G, edge and cloud, and seek to use this as a launchpad to diversify their portfolio and deliver new value-added services with partners.

However, to capitalise on this opportunity, operators must consider transformation beyond the network and technology. Overcoming obstacles that make it difficult for customers to buy and pay for these new services is crucial to achieve an acceptable return on investment. Traditional telco billing and charging systems were built for basic connectivity products served by a one-size-fits-all network. The business models for 5G services are fundamentally different by design and have different requirements that legacy billing and charging systems cannot fulfil.

Whilst many operators focus on consolidating legacy billing systems, operators should consider a new approach to monetisation, that seeks to transform rather than consolidate. Even if operators are able to significantly reduce the number of legacy systems, the inherent complexity of these systems will continue to pose operational challenges for operators and hinder their ability to innovate and provide a good customer experience. Instead, operators can seek to fundamentally change these processes to realise the value promised by their technological investments.

Based on our insights from a recent interview and survey programme with CSPs globally, we have assessed three key benefits and the potential value of a new approach to monetisation:

1. **Reduce billing operational costs.** Simpler monetisation systems can streamline operations by reducing the need for manual intervention and optimising core processes such as enacting price changes. Through greater configurability, operators can reduce overall maintenance and management costs. For a typical Tier-1 operator, STL estimates that shedding legacy can unlock 20% greater efficiency in billing operations and deliver up to $13 million in annual cost savings.

2. **Speed up time to market for new products and services.** Monetisation solutions that offer automated service provisioning accelerate product development processes and provide operators greater agility to innovate in the market. This will eliminate the need for a new BSS implementation for every service launch, such as for a new subscription based service – which can delay service introduction.

3. **Improve customer experience.** Greater digitalisation of back-end billing processes supports timely and accurate

For a typical Tier-1 telco, a new approach to monetisation can unlock several annual cost savings:

US$13m
from greater operational efficiency

US$53m
from reduced customer complaints

US$102m
from reduced customer churn

US$168m
in potential annual cost savings

1.96% uplift
in EBITDA

billing. Furthermore, monetisation systems that offer a 360-degree view of customer behaviour and usage enable greater personalisation in marketing outreach. Legacy systems that depend on manual interactions increase the risk of delayed and innacurate charges, resulting in bill shocks and customer complaints. STL estimates that a typical Tier-1 operator can unlock $53 million annually in customer care cost savings by reducing inbound enquiries relating to bills by 90%. New monetisation systems could enable operators to reduce customer churn by up to 20%, thereby generating up to $102 million in annual cost savings for a typical Tier-1 operator, in addition to the $53 million cost savings above.

Recommendations for operators

- **Focus on transformation not consolidation.** True transformation of legacy billing and charging systems should fundamentally change the core ways of working; consolidation will merely result in fewer of the same complicated processes. Therefore to achieve greater agility, operators must transform these processes beyond consolidation.

- **Adopt converged architectures.** Replacing hardwired legacy systems with converged charging systems that flex across different product types, offers telcos a unified view of customer interactions and reusable processes that are adaptable to evolving product portfolios; thus reducing duplicated maintenance costs. Having all plans and payment methods handled from one platform (usage, recurring, one-off, contract and subscriptions) simplifies operations and exemplifies this benefit.

- **Prioritise low-/no-code solutions**. To reduce operational complexity and cost, low-/no-code solutions empower non-IT teams to make changes to products and services in BSS systems, reducing dependence on specialised BSS engineers. This both increases operator autonomy and self-determination alongside reducing overall time-to-market.

- **Build the business case on cost savings.** The potential for reducing system management and maintenance operating expenses, as well lowering infrastructure capital expenditure, is significant and easier to quantify than calculating potential revenue uplift. For many of the operators interviewed, this was critical to emphasise in building the business case.

- **Adopt open and scalable architectures**. Telco BSS systems need to scale quickly, easily, and efficiently to handle the explosion in devices associated with 5G services. They must also be flexible enough to support operators' evolving service portfolio and business model.

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