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Telcos suffer \$900-m revenue loss per year: Study

Telecom Frauds, Download Leaks & Outdated Billing Systems Ring In Losses, Says Connectiva

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FIGURE this out. Millions of pre-paid mobile subscribers in India are able to download a paid song or game even when their account balance is zero! Ever wondered how is it possible? Well, blame it on revenue leakage due to telecom frauds, download leaks and outdated billing systems, something that is making Indian telecom operators forgo almost \$900-million in revenue every year, according to a recent survey by US-based Connectiva Systems, a telecom software major.

Majority revenue leakages happen due to outdated billing systems which are not capable of handling large number of subscriber billings, downloads and SMS requests for value added services (VAS) like news, wallpapers, songs or other information. Says Connectiva Systems CEO Avi Basu, "Taking an average revenue per user (ARPU) of \$10 (Rs 400) per user for over 250 million users, the revenue generated per month comes to

almost \$2.5 billion or \$30-billion per annum. Taking a very conservative 3% revenue leakages, the loss comes to almost \$900-million per annum."

According to Hungama Mobile COO Saleem Mobhani, "Whether its voice or data transfer, postpaid billing or downloads, the problem is happening because the systems were not built to handle the large amount of subscriber growth that is happening in India."

While postpaid GSM subscribers in India have an ARPU of about Rs 655, pre-paid ARPU is Rs 230. Says Mobile2win CEO Rajiv Hirmandani, "Leakages happen when a subscriber cancels SMS request mid-way or downloads a content while his balance is zero. If a subscriber is on roaming and uses VAS content, the operators' billing systems often misses the action."

According to another study amongst top 100 mobile operators worldwide by the global leading telecom software company, Subex Azure, losses due to telecom revenue leakage have increased from 2.9% to almost 4.5% in the last two years. The leakages are due to internal as well as external fraud. Countries with higher ARPUs of almost \$20-\$45 per month like the Middle East and Europe have even higher leakages and losses due to higher revenue per subscriber.

Says Subex Systems COO Sudeesh Yezhuvath, "With

the increasing complexity of mobile applications, we will see more of this revenue leakage problems and consequently demand for revenue assurance solutions" Subex Azure claims to have a dominant share (of about 13%) in the \$ 300-million global telecom revenue assurance market. Other players which operate in the telecom solutions vertical are Convergys and Tech Mahindra. Subex works with global players like America Movil, AT&T, Bell, Qwest, Orascom, Optus, Telenor and BSNL. While Connectiva has global players like Telecom Italia, Cingular, Vodafone Kuwait, Swisscom, Bell South, Iraq Atheer Telecom and Kuwait's Wataniya Telecom.

With the arrival of 3G, new applications like video downloads, high end game downloads and live cricket and Bollywood viewing on the mobile is expected to pick up in a big way. This will require robust billing systems which most operators don't possess at the moment. Currently, even for basic downloads like ringtones, the industry is plagued with persistent revenue reconciliation problem, between operators and VAS providers. With mobile telephony moving on to VoIP and integrating with IP telephony, the problem is all set to become more, lest operators install newer solutions.

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