



Sonera Zed: Leading Content Provider Builds Its Own Billing Strategy

Sonera Zed proves that next-generation services need the latest generation of billing and rating technology to support upcoming business models

In today's communications marketplace, the industry has stressed that "content is king" ever since the initial discussions about 3G services. However, many carriers and content providers have struggled to drive revenue for content services, primarily due to current limitations of certain types of desirable content offerings, simplistic billing models, and the inability to support flexible pricing, charging and settlement. Many content providers have built out their own billing, payment and settlement strategies, and Finland's Sonera Zed is a prime example of this in the wireless market.

Sonera Zed Ltd., established in 2000, is a subsidiary of the Finnish telecommunications group Sonera Corporation. Today, Sonera Zed is a carrier-independent third-party mobile services data aggregator responsible for providing quality entertainment, communications and information services to mobile handset users in Europe, Malaysia and the Philippines. Unlike many carriers with their own content offerings, Sonera Zed markets its services directly to the end user and currently reaches more than 200 million mobile phone users connected to 32 different operators. To date, more than 35 million mobile phone users have accessed Sonera Zed's content services.

Current Service Offerings

Sonera Zed offers three types of content services to its mobile user base:

- **Mass-market services:** Priced and packaged on the carriers' behalf; carriers do the marketing and handset-based marketing support.
- **Downloadable content:** Services like Java-based games, movie and restaurant guides, sports information and horoscopes, multilanguage dictionaries and currency converters, and traffic reports. In the future, end users can expect video clips and music files as handsets become more robust in their capabilities.
- **Next-generation "infotainment services":** Dating, chat communities, peer-to-peer SMS, and directory information. Infotainment is currently the fastest growing content segment.

Sonera Zed offers these services on a "pull" basis whereby a mobile user subscribes to a service offering and accesses them via a specific key word or command via text messaging on-demand to a Zed access number. Services like real-time traffic, sports and stock market information is offered on a "push" basis where the customer can set a specific time for a download to occur.

Current Billing Models and Billing/Rating Requirements

Sonera Zed offers its services with different billing models, supporting usage-based charging, subscription-based charging, and club membership fees, which offer a flat-fee upfront (either per month or per year) and subsequent charges if a certain usage threshold is reached.

Sonera Zed chose to maintain its own rating engine internally to support pricing flexibility, and reviewed the solutions from AM-BEO, Portal Software, Highdeal, Amdocs and Convergys. Sonera Zed chose AM-BEO's nCharge based on rating engine flexibility, engine performance, account and balance management capabilities, and the company's willingness to listen and address customer issues. The nCharge platform was also chosen for its dynamic transaction management capabilities and its ability to support future services, particularly usage-based WAP and MMS services.

AM-BEO's nCharge feeds rated information to the wireless carriers' billing systems or to SMS centers further up the value chain. The rating engine allows organizations to: (1) offer a broad range of flat-rate, usage-based and hybrid pricing plans, (2) move beyond basic billing and rating support for SMS services that most carriers are unable to support, and (3) expand into both content and other WAP-enabled services. Sonera Zed expects to expand its service offerings to include MMS services next year.

Sonera Zed also uses nCharge for its own customer management and self-care needs, and the system feeds a data warehouse used for customer and usage analysis. The company uses a limited set of settlement features for revenue sharing with network operators, as most content providers further down the value chain simply sign a distribution license to allow the content to be distributed freely. Also, nCharge allows Sonera Zed to support the provisioning of flexible balance management requirements and enables a variety of payment options once the content is delivered. Flexibility was highlighted as a key strength of nCharge, particularly at a time when Sonera Zed is further enhancing its content offerings and will need greater levels of back-end support to ensure profitable service delivery.

Bottom Line

Sonera Zed is a leader in mobile content services, but it points out that having a robust back office—that can support next-generation billing, rating and balance management—is critical to revenue generation and business success. As future content services become more prevalent, end users must be accustomed to a variety of billing models to avoid the classic trap of margin elimination, which many North American carriers continue to face today. Content providers and aggregators should be able to create their own pricing plans for content and capture revenue based on those plans, and not rely on a wireless carrier's billing and customer care system for billing.

Sonera Zed is a big win for AM-BEO, demonstrating that the company's products are leading edge in terms of next-generation services support. It is also a positive sign for the software industry, since it shows that next-generation services do, in fact, need the latest generation of billing and rating technology to support the upcoming business models. Sonera Zed's highlighting of AM-BEO's customer service support as a competitive differentiator should be a message to everyone in the billing and customer care industry.

Carrier/Content Provider Recommendations

- **To ensure content business models are profitable, pricing flexibility is critical.** Any service provider that offers content services should ensure it can support a broad range of subscription, usage-based and hybrid pricing models. The more effective service providers are in capturing more revenue for higher levels of usage, the more profitable the service will be.
- **Close partnerships between carriers and content providers will help ensure service success.** This partnership is not just a paper-based marketing partnership, but also revolves around tightly integrated back-office connections and seamless data transfer between the carrier and content provider/aggregator.

Vendor Recommendations

- **When competitive products offer similar functionality, vendors must look outside the functionality box to win deals.** Billing and customer care related software and services providers should differentiate through high-end customer service, pricing model flexibility, integration strategy, or unique partnership strategy. Lowest price will not necessarily win the deal, as has been evidenced in the recent past.
- **Europe and Asia-Pacific should remain the primary target for any content-based billing/rating software deal, with North America following suit.** Companies like Sonera Zed with operations in Europe and Asia-Pacific continue to demonstrate the further level of advancement of content services in the region. North America will continue to lag behind by at least 12 to 18 months.