



## Rising to New Challenges in Risk Management

**Abstract:** *The sea of change facing cable, satellite and other telecom service providers is forcing a reassessment of existing business models including a new look at risk management. At this point in time, the way organizations are structured and the overall management of customer relationships at every level has to be re-evaluated. Element Customer Care recognizes that the key internal challenges of enhancing the customer experience and reducing operating costs can often pull an organization in opposing directions. This report recommends that through outsourcing to an expert vendor your organization can dispense inefficient non-core business function including Risk Management.*



Presented by **Element Customer Care**  
July 2008

## **The Challenge**

Twenty years ago, telecom was a fairly predictable game. Investments in new networks and enhanced services platforms would generate enough profits to keep shareholders happy. Yet, those carefree days are over. These days the competitive stakes have been raised - telecom is now one of the riskiest businesses out there.

To start with, several industries are now crashing together: telecom, cable TV, satellites, consumer electronics, broadcast TV and the internet. Video service is the perfect battleground of this clash as the customer gets a stunning array of delivery choices: Google's YouTube, Apple iPod, Motorola RAZR, France Telecom IPTV, DIRECTV's satellite, NetFlix DVD-by-mail and even more. In other words, there's a growing need for telecom risk management solutions that monitor operational systems for problems and keep the business on an even keel.

Just what is telecom risk management business? It is a fusion of operational systems auditing and risk-reduction functions, particularly: fraud management, credit management, revenue assurance, and cost management.

Reports from 2005 estimate the size of the risk management market at \$531 million. This growing market illustrates the need that exists within the telecom industry for risk management solutions. Roughly 60% of the market is software (including customization, maintenance, and service bureau work) and the remainder is consulting, everything from helping a carrier establish a revenue assurance and fraud management organization to auditing operations and create effective business processes.

Risk management vendors will stress how they can help carriers successfully undertake major business transformation and system rationalization projects while successfully streamlining their BSS and OSS platforms. Carriers will quickly realize that the biggest hurdle to achieving nimble service delivery architecture is their siloed, disparate BSS and OSS systems. In other words, software is only as good as its end users.

Carriers will want to work towards creating a seamless order-to-cash-to-care process through technology integration will more easily achieve the holy grail of customer-centricity sought by every carrier around the globe. As service providers grow and expand, you will invest millions of dollars in new technology, core services and marketing your product offerings. These investments have provided many new opportunities to grow sales with exciting products and services to meet subscriber demand for news, entertainment, and information. Yet there are new hazards as well, for example as the price to deliver service skyrockets with Digital Video Recorders priced at \$450.00 each. This breeds a demand for operators to approach subscriber behavior in a more sophisticated way.

Element and risk management provider, SubscriberWise®, are positioned to help your system - with an unparalleled depth and understanding of risk exposure exclusive to the cable industry - achieve the profitability your product offerings are capable of delivering.

## What Are We Up Against? Cable Industry Trends

- Disproportionate number of new service requests made from severely credit challenged.
- Telecommunications Act of 1996 deregulated Cable, Telephone, & Satellite.
- Tremendous growth in bundled services.
- Competition for core service from Satellite providers
- Average write-off without a converter: \$85 - \$145
- Average write-off including a converter: \$450 - \$650
- Cost to roll truck to disconnect/reconnect service: \$45 - \$85
- Average number of days to disconnect past due accounts: 75 days

We provide services so that service providers don't have to wade in over their head. Our cable industry specific research has determined that loss from fraud, bad debt, and lost equipment is staggering and unabated. Today, the decision to separate reliable subscribers from those who are going to go delinquent can no longer be ignored. As a team, Element and SubscriberWise® have enhanced their partnership with leading consumer and information companies. We have the expertise and experience to identify the best and worst subscribers to deliver incredible results to your bottom line for a truly rapid and substantial ROI.

### The Solution

Service providers have to respond to the new market conditions by making significant enhancements to the range of services they offer and new ways to make their operations more effective. However, simply offering more products and services is unlikely to be enough; customers now expect more.

Carriers must become more customer-centric than ever. Marketing and strategic planning experts at leading operators all understand the degree to which the competitive landscape has fundamentally been changing, especially over the last decade. Ownership of networks and economies of scale are no longer assets; they are now a liability, inhibiting responsiveness and flexibility.

Customers are ever more demanding and sophisticated in terms of the types of services they require as well as the way they want these services delivered. Yet before a carrier becomes thoroughly overwhelmed, SubscriberWise® and Element can streamline the process for your system with a comprehensive, total approach to risk management. Together, we will work to eliminate fraud, recover equipment, collect deposits, develop loyalty, and approve service requests - even when credit risk is substantial.

SubscriberWise® decisioning combines Fair Isaac's multiple scorecard technology with more than 40 multi-dimensional predictive variables and cable-specific proprietary models to offer your system the most powerful cable risk management in the market today.

Our clients receive features that include:

- 17 unique scoring parameters and FICO's® score range between 300 to 850
- 8 risk levels to offer extraordinary scalability and segmentation
- Delinquency rates based on a 24 month performance period
- Identifies prospective subscribers with exceptional performance for up-sell and cross-sell opportunities
- Decisions TransUnion's extensive database and includes files on 200 + million credit consumers nationwide
- Expansion model for inactive and "thin" files to decision nearly 98% of submissions saving operator time and money
- Matches multiple inquiries based on address and personal information to prevent multiple "pulls" and better manage churn
- Predictive variables expanded to include age of credit file, collection(s), and whether past due trades are indicated
- System screens fraud and other contradictory information when identity elements fail to match records
- Rules-based, flexible, cost-effective, and completely controlled by cable operator

Because it's so hard to accurately predict service winners, telecoms are forced to become experts in rapid experimentation, and that implies having enormous operational dexterity. Telecoms must not only launch services quickly, they must also bill for them creatively and provision them efficiently to keep ahead.

This brings us to an interesting conclusion. At a time when operational systems and OSS/BSS platforms are being stretched to their limits, it's crucial that revenue leaks, fraud, customer bad debt, and interconnect billing problems don't sink the business in the midst of the system juggling.

Element Customer Care's unique partnership with SubscriberWise® offers cable and satellite operators a powerful risk management solution combined with Element's billing services, tech support and a customer service call center. Element and SubscriberWise® present an unprecedented understanding of risk exposure for cable and satellite industries with the goal of achieving heightened profitability for operators.

Most risk management solutions simply provide a credit score to a cable or satellite operator. Our system provides the operator with all the tools they need to use the score in an effective manner, protecting their assets and without giving up sales.

Together, Element and SubscriberWise® provide a comprehensive approach to risk and decision management across the subscriber life cycle from origination and retention to fraud and debt recovery. The partnership with Element promises an intelligent understanding of subscriber behavior to significantly reduce a providers' risk exposure as they increase growth and selling opportunities.

***About Element***

Element Customer Care is a Durham, NC-based company that offers billing services, tech support and a customer service call center. Element's partnership with CSG Systems gives its clients access to CSG's unique combination of solutions, services and expertise to improve operational efficiencies and deliver a quality customer experience in a competitive marketplace. The Element Web site is [www.elementcare.com](http://www.elementcare.com).

***About SubscriberWise®***

Based in Massillon, Ohio, SubscriberWise® is the leader in risk management solutions for the cable industry. Our solutions incorporate a comprehensive approach to risk and decision management across the subscriber life cycle from origination and retention to fraud and debt recovery. SubscriberWise® Risk Management Solutions incorporate TransUnion's® robust consumer credit data with the highly predictive power of FICO® scoring and analytics; combined with years of cable industry data, these solutions help operators make cost-effective decisions before approving a customer's service and installing costly equipment. Visit us online at [www.subscriberwise.com](http://www.subscriberwise.com).