

# Customer Relationship Pricing: Life After Triple Play



It is no longer business as usual for cable operators. With high speed data and VoIP services, cable operators have become full service communications providers incurring the envy of traditional point players like Satellite Service Providers and also attracting the hostile attention of traditional telecom operators. As these competitors train their guns on cable operators and start firing with their own Triple Play bundles, the enlightened cable operators are preparing for the war for the customer by liberating themselves from the clutches of the pervasive product-centric pricing regime to a more inclusive and powerful customer relationship pricing framework.

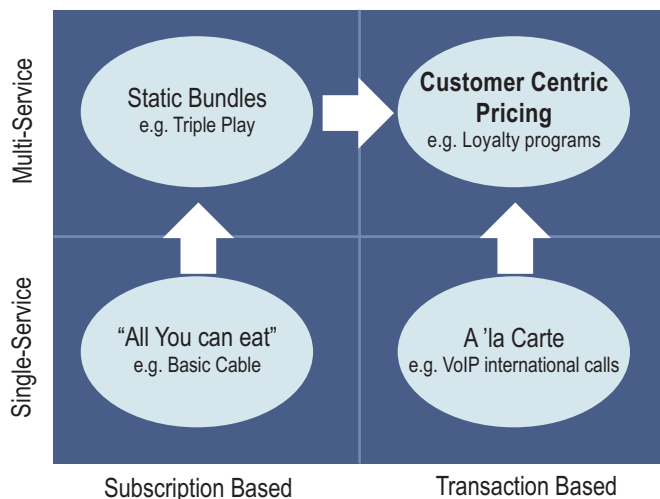
SunTec™

## Customer Relationship Pricing

Customer relationship pricing (CRP) extends the bundling concept that has proven its success with Triple Play, to all other subscription-based services an MSO currently offers and all new transaction-based services to create offerings based on the overall business and history that the customer has with the cable operator. This unleashes a dimension of pricing that, until now, has been unavailable to cable operators.

Using customer relationship pricing, cable operators can now provide loyalty programs, volume-based discounting, region-based pricing, multi-partner settlement in real-time and so much more to give cable operators the marketing advantage required to delight, win and retain customers in the face of ever-present competitors.

## MSO Pricing Evolution



## Triple Play: The First Volley

The Triple Play bundle is essentially the grouping of VoIP, Broadcast Video and High Speed Data at a pre-determined fixed-price. MSOs have been very fortunate in being the first in the market to have the ability to deliver Triple Play. With the highly effective marketing of Triple Play, MSOs have accomplished high rates of penetration and increased revenues per customers. With Triple Play, MSOs have demonstrated and signaled to the world that competition is no longer about winning for individual services but about winning the entire customer relationship for communication and entertainment services.

## Competition Unleashed

MSOs cannot bank on Triple Play by itself for too long because competition from both point players such as Satellite Service Providers and the newly consolidated telco giants is heating up very quickly. These competitors, by themselves and in alliances with each other, are successfully chipping away at the MSOs' installed base of customers with their own new and improved versions of Triple Play.

Satellite Service Providers are teaming up with WiMax operators and Wireless operators to deliver Triple and even Quadruple Plays. Similarly, telco giants are busy acquiring and consolidating wireless and wireline networks and accelerating the modernization of their networks with fiber deployments, higher speeds of DSL, and IPTV, to give the same services offered by MSOs, to their customers.

# CRP's Competitive Advantage

## Flexible pricing of transactions-oriented services

Currently, transaction-based services are priced and charged as one-time 'non-recurring' event, even though the customer may have many such transactions within a given month or a given day. So regardless of the number of transactions within a given period, the price for the service remains the same. This kind of pricing is not effective in a competitive environment, where competitors are offering pricing schemes that provide discounts based on the number of transactions within a given period of time. Some examples of flexible transaction-based pricing are:

- \$20 a month for 1 movie a day, or
- \$22 a month for 2 movies a day, or
- Rent 2 at a la carte prices in one day, get credit for a third one in that particular month

CRP enables flexible pricing for any transaction-based service, whether it is VOD, or any IP-based service such as Gaming and VoIP.

## Flexibility of including other services in the bundle

Currently, the bundling capability is limited to services that are monthly subscription-based (i.e. 'all you can eat').

Transaction-based services such as VOD need to be part of the bundle to compete. Specifically, VOD, which is the strength of MSOs, needs to be leveraged within a bundle to attack the weak spot of the Satellite Service Providers.

CRP provides the flexibility to include any service in the bundle. In fact, with CRP, MSOs can create virtual bundles that are simply based on the overall business the customer does over any customer-defined service.

## Loyalty-based pricing incentives

As competitors start seducing MSO customers with their own 'new and improved' Triple Play-type packages, the MSOs need a rewards mechanism that prevents defections. Ideally, the reward mechanism will recognize the total value of the customer, taking into consideration customer-specific parameters such as revenue contribution, margin contribution and the span of time the customer has been a customer, to offer specific discounting.

Armed with this information, the MSO can make sound business decisions on how much discounting should be provided to loyal customers; however the competition is disadvantaged since they cannot offer similar services on a mass market basis without severely impacting their profitability. CRP enables loyalty-based pricing incentives.

## Summary

Cable operators have had a tremendous advantage with Triple Play. In order to keep abreast of competition that is effectively commoditizing Triple Play, MSOs need an effective way of leveraging their customer loyalty and relationships to deliver superior value to the customer.

Increasingly, as new content-based services such as VOD and Gaming become the norm, MSOs will require intelligent transactional pricing to stay competitive and keep their revenue streams growing.

Customer relationship pricing is urgently required to enable the MSOs to maintain their competitive lead in the market in the face of intense competition for the customer.



*Disparate IT systems coming together, as firms consolidate and continue to compete for customers, a dynamic pricing and billing system, such as SunTec's TBMS, is vital to customer loyalty enhancement and revenue optimization.*

Neil Katkov,



## Why SunTec

SunTec was the first company to recognize the business transformational capabilities of customer relationship pricing in service industries, where products were becoming commoditized and competition was intense. We did this first for the banking industry in 2002 and now we are doing it for the MSO market. Comcast and Cable One were recently added to our client list.

Our innovations and market leadership have been recognized by leading industry analysts such as Gartner and Celent.

SunTec's TBMS-T is a centralized transaction management solution that interoperates with the MSOs' existing BSS infrastructure to deliver customer relationship pricing. TBMS-T's centralized architecture and rule-based pricing engine enables MSOs to consolidate and streamline their pricing and billing operations for any service and also plugs revenue leakage in the process.

# SunTec<sup>TM</sup>

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