AppDirect

WHITE PAPER

Why Billing Transformation Is a Must-Do:

Competing in Today's Digital Economy

jBilling

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Introduction

"Our billing system is a mess, but it isn't broken."

If your organization has considered a billing modernization project, and decided against it, you've probably heard some variation on this excuse. Maybe you've even made it yourself—and who could blame you? Upgrading an existing billing system, or integrating a new one, can be one of the most technically complex, expensive, and risky projects a business can tackle.

It isn't hard to see why. Over the years, many organizations—particularly large organizations, like telecommunications companies—have cobbled together a patchwork of legacy systems to handle billing across different divisions, regions, products, services, and devices. Some of these systems have grown so complex that few, if any, employees understand the effects that changing one part of the system will have on the rest.

New, rapidly changing business demands, however, are placing unprecedented pressure on legacy billing systems. Increased competition means that companies need to bring products and services to market faster than ever before. At the same time, a greater diversity of offerings means billing must be able to accommodate new devices and consumption models.

Beyond supporting innovation and faster time to market, billing is also a key aspect of the customer experience. An updated billing system must operate seamlessly across every aspect of the business, including every customer touchpoint. Anything less risks losing customers to competitors that do have streamlined, customer-centric billing.

Today, organizations with legacy billing systems are facing a choice: Maintain the status quo, try to cope, and get left behind; or make digital transformation and billing modernization a top priority.

DISCUSSION AREAS

This white paper explores the key trends driving the need for digital transformation and some of the challenges that legacy billing systems create, as well as key questions to ask and areas to consider as you begin your billing modernization project.

Why Billing Transformation—and Why Now?

In mature markets around the globe, digital payments now make up more than half, 53.2 percent, of all transactions, a measure of volume that will see 10.9 percent CAGR through 2020.[1] Looking more broadly, Accenture estimates that the digital economy makes up 23 percent, or just over $17 billion, of the globe's gross domestic product.[2] In other words, digital is the future—and in many cases, the present—of business.

As such, an increasing number of organizations are putting digital at the core of their companies. In fact, 67 percent of Global 2000 CEOs will have digital transformation at the center of their corporate strategy by 2018[3]. In some industries, such as telecommunications, 82 percent of service provider executives identified digital transformation as a critical and immediate objective.[4]

WHAT IS DIGITAL TRANSFORMATION?

Digital transformation is using new processes to create, manage, and deliver digital products and services to enable new business models, reach new customers, and drive more revenue.

Why the urgency? Every company has a unique path to digital transformation, but the end result is the same: faster innovation. In fact, 58 percent of companies with formal digital transformation strategies are considered to be "fast to innovate." On the other hand, only 24 percent of companies with no or early-stage digital transformation plans innovate quickly.[5]

Digital transformation is a mission-critical business initiative, but there are numerous obstacles that can stand in the way. Of these, IT is often cited as a main blocker; thirty-six percent of companies state that inflexible IT systems are a main barrier to digital transformation, and many point to billing as a specific blocker. As Andrew M. Dailey of MGI Research Group stated in a recent Forbes article, "over 65 percent of new product initiatives have been delayed or forced to narrow the scope of their programs due to inflexible, outdated billing systems."

1 https://www.worldpaymentsreport.com/#non-cash-payments-content
2 https://www.accenture.com/us-en/insight-digital-disruption-growth-multiplier
3 Forbes Tech, "6 Predictions About the Future Of Digital Transformation," Gil Press, December 6, 2015.
4 "Two Perspectives on Customer Experience," Vincent Rousselet, Global Head, Market Insight & Strategy, AMDOCS, June 2016
5 "Digital Transformation – How Europe will turn disruption into differentiation," 451 Group, May 16, 2017

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The Vexing Problem of Billing Inflexibility

It would be unfair to put all of the blame for slow or failed digital transformation projects on legacy IT. Incomplete planning and execution of business strategies—such as the launch of new products and services, or company acquisitions—also play a large part. Here's an example: A telecom company introduces a new digital file storage service that requires metered billing. Instead of re-architecting its billing system to accommodate billing by gigabytes consumed, the company hastily implements manual processes to input billing data. Multiply this scenario by the number of products and services a company has and it's easy to see how legacy billing systems can get out of hand.

Compare this to a born-in-the-cloud company that has coded its products and services with flexible billing from day one. This company can easily add new SKUs to its existing billing solution, helping the business innovate faster and accelerate time to market. In fact, flexible billing can help organizations get to market 50 percent faster, and first-to-market advantage can increase product line revenues by 176 percent over three years.[6]

If you're not sure where your company falls on this spectrum, here are the key questions to ask:

- Does your billing rely on older technology and contain hard coding? Is the programming language difficult to support?
- Is it difficult to add new electronic billing and payment methods to your billing system? Is it difficult to add new SKUs?
- Does your billing system require manual workarounds to overcome system limitations?
- Does every change you need to make have to go through IT?

If the answer to any of these is yes, it is time to seriously consider modernizing your legacy billing systems.

> Flexible billing can help organizations get to market 50% faster.[7]

Plugging Leaky Legacy Billing Systems

One of the primary functions of a billing system is to bill accurately for the products that customers buy. However, many legacy billing systems perform even this most basic function poorly. This is called revenue leakage and it's a huge

[6] Internal AppDirect research
[7] Ibid.

problem, particularly for industries like telecommunications. In fact, it is estimated that the global telecommunications industry loses up to three percent of its total revenues every year, a number that adds up to more than $40 billion.[8]

Even more troublesome, these figures are not expected to improve anytime soon. A global survey of communication service providers found that 94 percent believe revenue leakage will only get worse over the coming years, and 49 percent say it will get significantly worse. These providers cited technology as a main driver of revenue leakage. According to the report, "new independent revenue streams, and the associated network and billing systems for these services, will be a chief source of leakage."[9]

When sales data can't flow freely across a billing system, it is much more difficult to identify revenue leaks and rectify them. Moreover, if a billing system doesn't allow access to real-time sales information, or forces companies to rely on manual reporting and analysis, the task becomes even harder.

To prevent revenue leaks, make sure that your billing system can:

- Bill customers correctly
- Reflect recent pricing changes accurately
- Calculate usage charges (by minute, by GB, by seat, etc.) accurately
- Track third-party billing and payouts (such as reseller payouts) correctly
- Serve as the single source of truth for invoicing
- Easily integrate with multiple other systems to lower risk

If your billing system can't perform these functions, then revenue leakage is most likely a problem for your company. If you undertake a billing modernization project, finding and plugging these leaks should be at the top of your priority list.

Billing as Customer Service Experience Differentiator

In the United States and Canada, almost 45 percent of complaints made to the countries' national communications regulations agencies—the FCC and the CCTS, respectively—are related to billing.[10] In the private sector, J.D. Power estimates that 30 percent of calls made to call centers are related to billing.[11] Clearly, billing is far from being the highpoint of the customer experience.

Paying bills is a chore, so does having a customer-centric billing experience really matter? According to a recent report from 451 Research, the answer is a resounding yes. Thirty-six percent of customers in North America would consider switching to a different service provider due to a billing issue.[12] Once a customer

8 "Communications Industry Losing Billions Each Year Through Revenue Leakage According to KPMG Survey"
9 Ibid.
10 https://consumercomplaints.fcc.gov/hc/en-us/articles/204537720-Consumer-Complaints-by-Category-in-Depth-, Dec 29th 2014 to March 2016; "Making the Tough Calls: Annual Report Commissioner for Complaints for Telecommunications Services (Canada)" 2014-2015
11 "U.S. Insurance Shopping Study," J.D. Power Studies, J.D. Power, www.jdpower.com, April 2016
12 451 Research: "Customer Experience Spotlight 2016"

leaves, it can be very difficult to get them back. One survey found that it takes 12 positive interactions to make up for one negative experience—assuming you can get customers to stick around for that long in the first place.[13]

> 36% of customers in North America would switch service providers due to a billing issue.[14]

Instead of being viewed as a necessary evil, billing should be treated as a real opportunity for companies to strengthen customer relationships. "Billing presents an opportunity to fulfill a brand promise of convenience and trust," noted a recent report on billing transformation. "It is the primary opportunity that [organizations] have to interact with their… customers, and errors can be costly."[15]

So what makes for a superior, customer-centric billing experience? It should come as no surprise that flexibility tops the list. Today's customers want multiple billing and payment options available across multiple delivery channels. As the customer base changes, the demand for flexibility will grow. Overall, 76 percent of consumers already use more than one method to pay monthly bills—including phone and web—but younger generations, millennials and post-millennials, use even more channels to pay their bills.[16]

Simplicity and accuracy are also critical. A telecom company, for example, should be able to provide one bill that accurately reflects charges for devices, like smartphones and tablets, Internet service, and applications, such as backup services or photo storage. Invoices can serve as valuable customer interaction points, but only if they can provide accurate, detailed charges.

Billing and the Power of Analytics

Revenue may seem like the most important billing "product," but it is actually the data that streams across a billing system that is the most valuable. At the most fundamental level, this data can reveal revenue leaks by showing discrepancies in sales figures and product consumption.

Beyond revenue, billing data and analytics can provide a range of other benefits, such as rapid insights into the health of a digital transformation project. Seeing the impact of system changes on key performance indicators (KPIs) can help teams make immediate adjustments. In the longer term, billing data can also highlight problems and opportunities in the customer experience, including customer drop-off and churn points, as well as areas for product cross-sells and up-sells.

[13] Infographic: The Financial Impact of Customer Service," Parature, 2013

[14] 451 Research: "Customer Experience Spotlight 2016"

[15] "The New Normal for P/C Insurers: 100 Data, Digital, and Core Capabilities," Research Council Report, Novarica, June 2016

[16] Ibid.

However, these types of benefits are only possible with billing data and analytics that are both accurate and available in real time. To see how your billing system stacks up, consider these questions:

- Does your billing system allow you to pull data from any area of your business?
- Can you easily change the KPIs that your billing system tracks?
- Does your billing system provide accurate data?
- Does your billing system automate reports, or does it require manual reporting and / or manipulation of data?
- Does your billing system give you direct access to the source data to create customized reporting that your business needs?

Billing analytics can be a powerful, strategic business driver, but your system has to be flexible enough to provide the data that is most valuable to your company.

Key Questions to Get Started

Despite all of the discussion surrounding digital transformation, the phrase can be ambiguous at best and confusing at worst. As such, it should come as no surprise that different functions within a company often don't see eye to eye on digital transformation strategy. To illustrate this point, a recent survey found that 61 percent of IT respondents said their organization "had no digital transformation strategy," while 64 percent of business respondents said their companies had "clear digital transformation strategies."[17]

Here are some questions to ask to help ensure internal alignment on your digital transformation / billing modernization project:

- What are the goals of digital transformation / billing modernization for your organization?
- What are the risks of maintaining the billing status quo for your company?
- What billing systems and processes are currently in place within your company? Are there manual processes that create risk?
- What are the internal and external pain points associated with these systems and processes?
- What are the business and systems requirements for billing, now and in the future?
- How many employees do you have today that manage billing? What should that number be?
- Which departments / stakeholders need to be involved in a digital transformation / billing modernization project?

[17] "Two Perspectives on Customer Experience," Vincent Rousselet, Global Head, Market Insight & Strategy, AMDOCS, June 2016

Conclusion

Today, companies are putting digital at the center of their business strategies. However, with a patchwork of legacy billing systems in place, success is far from guaranteed. Billing that can't accommodate a wide range of different payment scenarios and methods, or billing that can't support new, innovative commercial models or digital products, can hold a company back and put them at a severe competitive disadvantage.

Moreover, legacy billing can be the root cause of a frustrating customer experience, leading to dissatisfaction and customer churn. Last but not least, an outdated billing system is often leaky, potentially causing millions of dollars in revenue losses.

jBilling: Flexible Billing to Drive Digital Transformation

To overcome these challenges, companies need a billing solution that allows them to not only bring new products to market quickly, but also focus on improving the customer experience with accurate, streamlined invoicing across multiple offerings—all while being easy to deploy in a legacy environment.

Founded in 2002, jBilling offers a unique open architecture and highly configurable solution to help service providers worldwide tackle billing complexity and digitally transform their companies. With jBilling, companies can improve time to market with disruptive services, automate and Integrate systems to support data analytics and a better customer experience, and increase visibility and control over your billing infrastructure.

For more information, visit **www.jbilling.com**.

ABOUT APPDIRECT

AppDirect is the only end-to-end commerce platform for succeeding in the digital economy. Our platform connects channels, developers, and customers through a global ecosystem that simplifies the digital supply chain by enabling the onboarding and sale of digital products, with third-party services, for any channel, on any device, with support.

AppDirect-powered marketplaces, billing, distribution, reselling, and premium technical support services help providers—including Comcast, ADP, Deutsche Telekom, and others—connect more than 30 million businesses to solutions from Microsoft, Google, GoDaddy, and more. AppDirect is headquartered in San Francisco with 13 global offices.

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