

Increasing Revenues through Quotation Systems at the Point of Sale

by Andy Berquist, Magenta netLogic

“This article explores how a Quotation Systems at the point of sale can increase revenue and internal productivity of carriers and service providers competing for corporate business through producing accurate and timely quotations.”

Carriers and service providers can significantly increase turnover by reducing the time to produce quotations to customers. Employing a quotation system to support pricing and quotations at the point of sale can reduce the quotation turnaround time from weeks to minutes. Carriers and service providers reduce the "threat time" during the sales cycle as the customer has less time to go to other competitors and "what-ifs" can be dealt with directly. This year's revenues are also increased as the time to complete the sale is drastically reduced - a key for the carriers and service providers in the current economic climate.

Leased lines continue to dominate the business market for access to the Internet, bandwidth, and data services such as Frame Relay, IP/VPN, and ATM (Figure 1). Leased lines provide the high-quality, dedicated facilities that carriers and service providers must have to meet SLAs demanded by business customers.

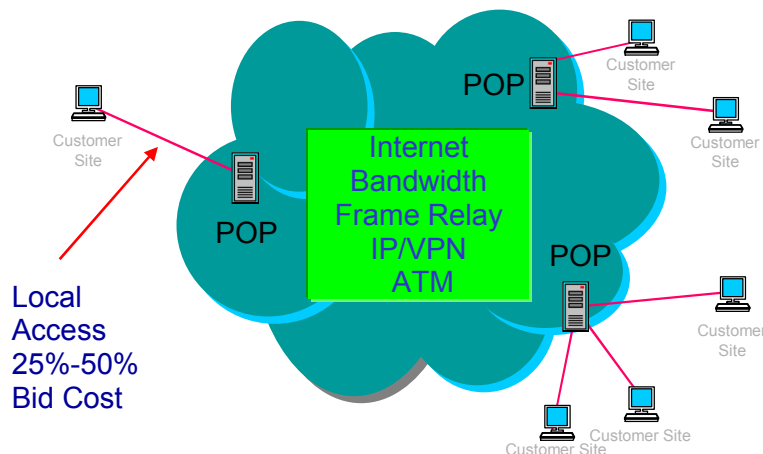


Figure 1: Corporate access to a Carrier Network

On the down side, the cost for the leased line access remains relatively high, accounting for 25 to 50% of the total bid cost. This trend of high access prices is set to continue as last mile circuits cannot gain economies of scale due to the high infrastructure cost to connect to all corporate buildings. A number of competitive carriers are now available in the major European cities offering significant price reductions, but availability is limited to specific fiber and cable runs. If you are not in a major city or your building is not connected to one of these new networks, the incumbent carrier remains your only choice. DSL's promise to improve the access situation is fading rapidly as only the incumbent carriers with their copper wire infrastructure are prepared to persevere with deployment.

The Need for Timely Response

How do carriers, network service providers and ISP's compete and win business in this environment? Clearly, they must find the cheapest access price in a timely manner or be caught out by the early bird. If a "guess" is made using average pricing, the bid could be uncompetitively high. Worse yet, the bid could be too low, producing an ongoing loss-making situation.

To remain competitive and profitable, service providers cannot risk giving a "guestimate" for local loop pricing. For each bid, they must go out to all prospective access providers in each of their customer's cities and find the best price. Going direct to the carriers is a time-consuming process, where the typical turnaround time is two weeks for even simple bids, when competitors can come in to claim the business. This "threat period" can be reduced by deploying full service pricing tools that confirm the availability of carriers at the customer sites and produce accurate price quotations. Looking at the sales process in Figure

2, reducing the “Threat Time” from two weeks to minutes not only improves the chances of winning the bid, it reduces the time to place an order and ultimately to when the circuit is provisioned and invoiced. As carriers and service providers get revenue from circuit rentals, a two week reduction in the sales process can equate to a 4% increase in annual turnover – a god send in the current economic climate!

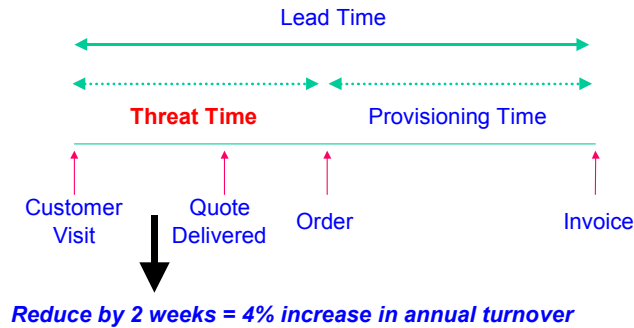


Figure 2: Service Provider Sales Lifecycle

The Need for Accurate Pricing

How acute is the need for accuracy in leased line pricing? Take the following example of local access circuits in Frankfurt. If the carrier’s PoP is in Frankfurt’s business centre, there is a €4,632 difference in price between a local access circuit to customer sites in the financial centre vs. the High-Tech business area. As there is high demand for tariffs between these locations, the inaccuracy can quickly add up: if a carrier sells just 100 circuits, the price differential can exceed €400,000 per year quite easily. Multiply this by all the access circuits offered, the difference quickly goes into the millions. You can see why it is a must to wait for a quotation!

2 Mbps from Deutsche Telekom

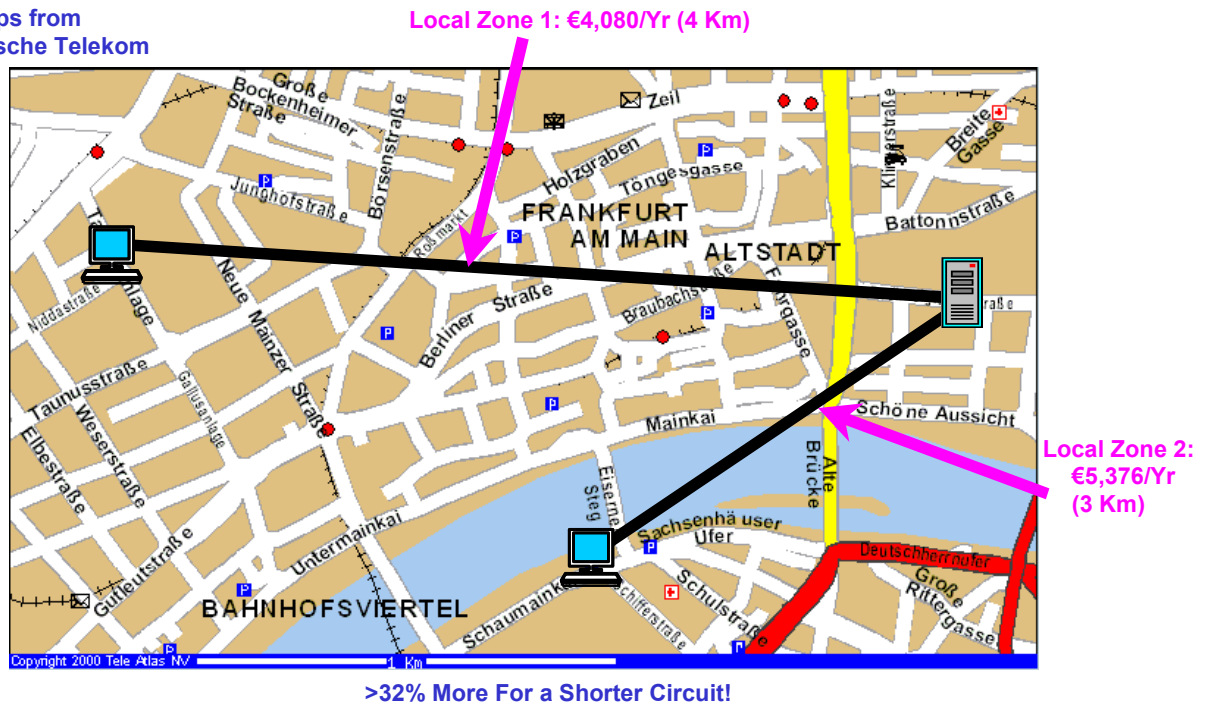


Figure 3: 2 Mbps Local Access from Deutsche Telekom

The pricing difference relates to DTAG’s local zone pricing which is defined by DTAG’s TEZ database that provides local zone details to the street level across Germany. If this location database is not used,

there is no way of knowing if the circuit is local zone 1 or 2 for certain. This shows that obtaining an accurate tariff is not down to just the tariff's prices, the location science must be taken into account.

Once you have the accurate price from the incumbent carrier, confirming the availability of alternative carriers is also crucial. Take an example in Cologne as shown in Figure 4. If the customer's site has access to competitive carrier NetCologne, a 7 Km access circuit costs €6,258/year, while if NetCologne has no fiber or copper connection to the building, the DTAG tariff is required for €8,832 per year.

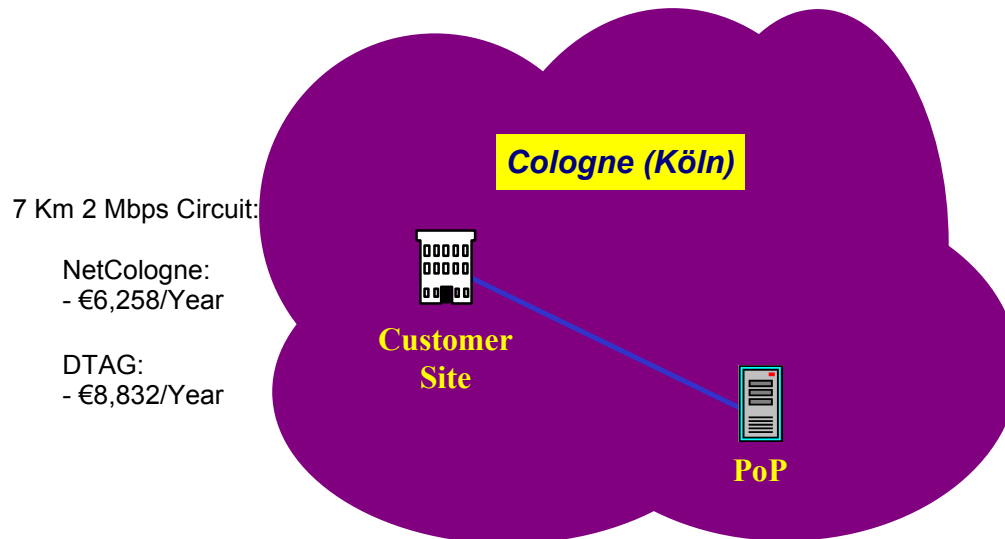


Figure 4: Competitive Carrier vs Incumbent

Again, the pricing is not just a simple case of getting the tariff, the carrier's availability to the customer site needs to be confirmed before the tariff can be quoted.

Requirements for Quotation Systems at the Point of Sale

The opportunities for quotation systems to support carriers and service providers at the point of sale for access pricing are clear:

- Speed of response: The quicker the response, the less "Threat Time" there is between the customer visit and the quote getting into the customer's hand. The greater reach the tool offers, such as over intranets/the Internet, the quicker sales staff can turn around the quote.
- Accuracy: As tariff prices often vary widely depending on tariff rules and location, it is essential to take into account full pricing rules for quotes to be competitive and to ensure margin is maintained. Availability of competitive carriers needs to be handled to take advantage of their reduced prices only when feasible. As shown above, the differences can rapidly mount into the millions for the access portion of bids that accounts for 25-50% of the bid price.
- Simplicity and effectiveness of use: The simpler the tool is to use and the less training time is required thereby increasing the number of sales staff who can use the tool. Simplicity must be balanced against the effectiveness, where the sales person needs to be able to select among the available options.
- Integration with related systems, e.g. Ordering, Provisioning, Billing: Direct use of quotations created at the point of sale by systems in subsequent phases of the service implementation process can greatly reduce the resources applied to the process and the potential for errors. For example, passing the quote through the ordering to provisioning with the actual price agreed with the supplier and the customer minimises discrepancies occurring at a later stage.

Ultimately, deployment of a comprehensive Quotation Systems at the point of sale that produces fast and accurate quotes can not only increase carriers and service providers chance of winning sales in a competitive market, it can actually help to increase this year's turnover.

About Magenta netLogic and the Author:

Magenta netLogic, the “Masters of Pricing”, offer the telecom market’s premier leased line pricing tool, netVESPA, which provides accurate leased line pricing world-wide, including facilities for handling competitive carriers and tailored, full-service pricing. netVESPA is a web-based product capable of running on organisation’s intranets and through the Internet. netVESPA also provides interfaces that integrate their netVESPA’s quotation system with other CRM/OSS systems for ordering, provisioning and billing.

Andy Berquist is the Chairman of Magenta netLogic, a company focused on providing value added tools to the telco space. Having been involved in the industry nearly 20 years, he has been through the changes from monopoly carriers to today's fully competitive environment and the advancement of data services from corporate data centres to today's ubiquitous Internet. Providing competitive tools to these changing markets has kept him very close to the key market drivers throughout.