

TELECOM BILLING - TARIFF PLANNING

Marketing department in a telecom operator company works hard to define rental & usage charges for different products and services. These charges are defined keeping other competitors and regulatory in mind. Broadly speaking, there are two type of tariffs, also called rate or price plans, depending terminology used in different billing system.

There could be different types of charges to be applied for a product and associated services. For a given product, an operator can define one or more of the following charges, but they are not limited to only these charges, there could be some other type of charges depending on country, location and business situation:

- **Product Initiation Charges:** These are one-time charges, which can be taken from the customer as a part of installation, activation, service or initiating a connection.
- **Product Periodic Charges:** These are the charges, which can be applied on monthly or bi-monthly or yearly basis as a rental of the product and service provided.
- **Product Termination Charges:** These are the charges, which can be applied on termination of the product and service.
- **Product Suspension Charges:** These are the charges, which can be applied if a product is suspended because of some reason; for example, non-payment.
- **Product Suspension Periodic Charges:** There could be a requirement to charge a customer periodically even if a customer is suspended because of some reason.
- **Product Re-activation Charges:** Assuming a product was suspended due to some reason and now it needs its activation, an operator can apply re-activation charges for this service.
- **Product Usage Charges:** This is most important type of charge, which would be applied based on the usage of the service. For example, call per minute or per second, data download per MB, etc.

All the above charges are defined *i. e. , configured* in different tariff catalogues inclusive or exclusive of applicable tax depending on regulatory. These catalogues vary from a billing system to billing system. Some billing systems keep all the prices in a single catalogue and some billing systems keep usage charges separate from other charges.

These catalogues are maintained in the billing system, but they are also made available to front end system so that different tariffs can be applied to the customer while creating customer account.

All the prices are defined based on products and their packages as well. There could be different combinations of products giving different prices in different packages.

Following section would give you an idea on different concepts, which are closely related to tariff definition:

In-Advance & In-Arrear Charges:

There may be situation, when an operator would like to charge their customers in advance for some services and in the end of every month for some services.

Charges taken in advance before providing the services are called in-advance charging and charges taken after providing the services are called in-arrear charges.

For in-arrears charging, the product charges are applied for a period up to at least the day before the current nominal bill date or bill request date for non-periodic bills.

So while configuring different charges, billing system should give a provision to configure charges in advance and it is always optional for the operators if they want to configure a particular price in-advance or in-arrears.

NOTE: Usage charges can not be taken in advance until they are lump-sum because you never know how much usage a customer is going to generate in coming month. If they are lump-sum amount, then you can take that amount in advance and let the customer use unlimited based on their requirement.

Proratable & Non-Proratable Charges:

Consider a situation, when a customer takes phone connection in the middle of the month and his invoice needs to be generated on 1st of every month. If prices are non-proratable, billing system would charge the customer for the whole month which would not be fair with the customer. Same apply at the termination, if customer terminates a service in the middle of the month, then operator may not be willing to charge the customer for rest of the month.

Pro-ratable pricing means that they would apply only for the number of days customer is going to use the service. For example, if monthly product rental is \$30 and customer used this product for 10 days only, then billing system should charge the customer only \$10 for those 10 days.

So billing system should provide an option to configure particular prices to be pro-ratable as well as non-proratable and let the operator choose what suites them best.

Refundable & Non-Refundable Charges:

Now, let us consider a situation where an operator is charging a customer in advance for the whole month, but customer leaves in the middle of the month after using a service for 10 days.

If prices were configured as non-refundable, then they would not be refunded to the customer, but if they were configured as refundable, then they would be refunded to the customer. Second rule, if prices were configured as pro-ratable, then they would be refunded based on pro-ration otherwise they would be refunded as a whole.

Charge Overriding Option:

A good billing system provides an option to override base prices at the time they are given to the customer.

For example, for a particular product base prices in the catalogue are defined as \$30 per month but customer is not ready to pay \$30 per month, and based on some bargaining, he is ready to pay \$25 per month. In such situation, customer service representative (CSR) should be able to override defined base price \$30 and add them as \$25 at the time of customer creation in the system.

Billing system should give an optional provision to the operators if a particular price can be overridden or not and let the operators decide if they want to override some charges at the time of sale or they are fixed in all the situation.

Revenue Segregation by Revenue Codes:

All the operators would like to know how much they have earned using a particular product, its rental, suspension or usage, etc.

While defining different prices in the catalogue, billing system should give a provision to associate some kind of revenue codes or keywords with different types of charges. This helps in generating different reports based on the codes associated with the revenue.

Tariffs Classification:

An operator may define different tariffs, which can be offered to different people having different credit classes. For example, a 5mbps data line at a cost of \$100 per month can be offered to a customer having monthly income more than \$1000/month and a 1mbps data line can be offered to a customer having minimum monthly income \$500/month.

All the billing systems give options to define different credit classes, which can be assigned to customers based on their credit history and income and may be based on some other parameters defined by the operator.

All the products and services can have different tariff plans, which can be offered to different classes of people ranging from general class to VIP class.

Parameters for Usage Charges:

There are number of parameters, which can be used while defining usage charges. For example:

- Calls in daytime, usually called peak time, will be charged on higher rate and in night time, i.e., off peak time rate will be relatively low.
- If calls are terminating within the same network, usually called on-net calls, would be charged at relatively low prices.
- Calls during weekend, i.e., Sat and Sun would be charged at low prices.
- Calls to a particular destination would be charged at high prices.
- Calls during some festival would be charged at special prices.
- Data download from a particular site would be free of cost.
- Sending SMS to a particular code would be charged at high rate.
- Calls with-in a particular group of numbers, usually called closed user group *CUG*, would be charged at zero prices.
- Sending international or national MMS would be charged at the same prices.

Billing systems provide lots of flexibility to define various such rules to charge voice, data, SMS or MMS usage generated by the customer.

What is next?

Now, we have all the products, services and associated tariffs available in the billing system. Next chapter will explain how to sell these products to the end customers and create them in the system.

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