

MANAGED SERVICES: TAKING OUTSOURCING A STEP FURTHER

TELECOMS FRAUD AND REVENUE ASSURANCE

For many years now, Telecommunications have been following the trend established by other industries such as Insurance and Financial Services who have recognised the benefit of outsourcing many of the back office and technical functions to an Outsourced Provider.

Customer Operations, IT Support, Technology, procurement and other such functions have been identified by Telecom Operators as ideal candidates to move to an Outsourced provider.

A natural migration from this outsourced model is to Managed Services.

The Accountability Factor

There is a common misconception that Managed Services is just another name for Outsourced Services, but the two models are quite distinct.

Outsourcing on the one hand typically involves transferring a whole business function to the Outsourced Service provider and is typically more project based.

Managed Services on the other hand involves transferring day to day management and operational accountability for specific business functions or processes Managed Services Provider, however where the business owner retains responsibility for those functions or processes. The Managed Services Provider is paid a fee for delivering these services to an agreed standard set out in the Service Level Agreement (SLA).

A Managed Service Provider will generally have a reputation of industry specific knowledge or expertise relating to the business functions he will be taking accountability for, and the Telecom Operator should expect a range of benefits, including reduced costs and increased results/performance.

Fraud and Revenue Assurance are now prime candidates

Within the Telecommunications industry, Fraud and Revenue Assurance (RA) are not disciplines that readily embraced the Outsourcing model. However, many of those responsible for Fraud and RA are now becoming more aware of the benefits of the Managed Service model.

To some extent, these Fraud and RA Managers have little option but to look for such alternatives when they are faced with resource and budget cuts while trying to manage an expectation from the business that financial losses will not increase.

There is no argument for instance that fraud management in the telecom industry is a 24-hour, 7-day-a-week business, and it is not practical for 80% of the world's Telecom Operators to even attempt to try and provide this level of service using in-house resources.



Benefits of Managed Services

Some benefits of moving Fraud and RA to the Managed Service Model include;

- Access to a 24x7 function at a fraction of the cost of implementing this as an in-house service (particularly for fraud monitoring)
- The ability to manage and budget for year on year costs of Fraud and RA management
- The ability to commit to a specific scope and term
- Reducing the management time required to recruit, supervise, train and manage staff normally involved in this activity
- Meeting business expectations by maintaining or improving cost savings in the face of reduced resources and budgets
- Obtaining access to specialist Fraud and RA expertise and industry best practice
- Access to the latest Fraud and RA monitoring tools, systems and intelligence
- Ability to avoid capital expenditure through implementing own or in-house systems but source Fraud and RA controls as an ongoing operational expense



There is a noticeable increase in the realisation by Fraud and RA Managers that cost-economies are to be had in using service providers to manage and deliver a number of different services. While cost savings are the top influencer in deciding to utilise managed services, a secondary and valuable benefit is to free up internal fraud resources to concentrate on other fraud prevention and investigations activities and work on projects that will reduce the overall fraud risk to the business.

Making Strategy the Priority

There will be those who will take some convincing that the old arguments around data privacy and security have not been addressed sufficiently to make the Managed Services offering a secure alternative to what they are currently doing. While there have been significant advances in technology over the last few years to counter these arguments, it is also a known fact that Managed Security Services are one of the most rapidly growing managed service offerings as organisations overcome resistance to the idea of having third parties provide these types of services.

A key benefit of the Managed Services model is that, once this is established and KPI's agreed, the Fraud and RA organizations can reduce in size and focus on the strategic management of these disciplines. Within many Fraud and RA organisations the lack of strategic management, including a failure to implement any planned strategy through a lack of resources, is a major contributor to a failure to achieve their annual objectives. Using the Managed Services model to realign some of the more process driven fraud accountabilities frees up resource to look at these more strategic issues.

Controls underpinned by SLAs

For some Fraud and RA managers who do not have a clear understanding of the Managed Services model, there is likely to be some resistance to this concept. While long-term partnering with Managed Service Providers has been more readily adopted in other areas of the business such

as IT and Technology, Fraud and RA have been reasonably slow to embrace this.

For some, the perception that transferring day-to-day operational responsibility for Fraud and RA monitoring is giving up control when, in fact, control is always retained through relationship management and contractual commitments. The managed services model is focused on achieving agreed outcomes clearly identified in the Service Level Agreement for a price that is agreed typically on an annual basis. For the Fraud and RA managers responsible for maintaining, or improving their organisation's financial exposure as a percentage of revenue, this should not be a difficult decision to make.

Conclusion

Fraud and RA Managers are consistently asked to "do more with less". As budgets get tighter and spending within the organisation is targeted towards new network infrastructure and Next Generation Networks, they find themselves in a position of needing to make tough decisions in their effort to cut costs without compromising the contribution their existing Fraud and RA success makes to the organisation's bottom line.

The cost of shifting the accountability for Fraud and RA monitoring over to a reputable vendor offering Managed Services is likely to be less than the cost of employing two resources. For this you will be receiving full service monitoring with a variety of agreed actions taken when cases of fraud or revenue leakage are detected.

For instance, one fraud detected over a weekend when no-one would normally be analysing this usage is likely to recover a years' Managed Service fees. As for RA, the arguments for utilising this service are so compelling it is not difficult to see why other business areas within Telecom Operators are making this a key part of their cost reduction and service delivery programs.



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About The Author

Colin's years of experience qualifies him to review all areas of the business for fraud, crime and risk, to ensure all existing controls and operational procedures are consistent with industry best practice, and where necessary recommend and design new or improved controls and processes to raise these to the required standard.