INTUG

INTUG Position Paper

# The Dysfunctional Market of International Mobile Services for MNCs

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## ABOUT INTUG

INTUG is an international association of business users of telecommunications. With members and contacts in all five continents, we are truly present on the global stage. We use this reach to actively promote customer interests at the international level and to ensure that the voice of the business user is clearly heard.

Our long-term focus is to bring down all barriers companies face when developing their ICT strategies. For more info see our web site: intug.org

## EXECUTIVE SUMMARY

It is clear that the mobile revolution is happening. Yet mobility projects are being put on hold. The uncertainty of mobile data roaming prices and the difficulties of handling mobile communication smoothly on an international level are putting the brakes on innovation.

> *"We don't roll out mobile applications for our service engineers on the road. In the US we do, here we use paper."* – An industry customer

But within the next five years, we will see a big shift, moving towards much more added value in mobile communications within companies. The cloud app world will be an integral part of this, so mobile service providers will need a lot of expertise. INTUG believes it will no longer be possible to work on innovation country by country. A truly international approach and market for mobile services is crucial.

Managing and supporting international mobile communications is increasingly complex. Some of the challenges business users face include: managing complex relationships with mobile service providers; supporting an ever-expanding range and number of mobile devices; ensuring security of access to data applications; controlling rising expenditure from mobile data applications, especially when roaming; checking hundreds of bills and allocating costs back to departments or end users; and ensuring continuity of connectivity and service quality in the face of unpredictable and unknown service operator practices.

**MNCs are very unhappy with current international mobile service offerings. The international market remains a fragmented patchwork of national mobile services**
International service providers today piece together national offerings, using various forms of partnerships ranging from full subsidiaries and investment holdings to looser alliances. The level of control in such partnerships differs, resulting in country-to-country variations in

service, products and pricing. Offerings become virtual arrangements to help customers deal with national operating companies and their service/support structures. Whilst such arrangements do align some contractual terms and conditions, and can help customers gain a better view of their international mobile spend, they do not represent the true, competitive, one-stop shopping that international companies seek today.

International services are still merely offered as a layer on top of national services. But there is no reason why international service providers must continue to define their MNC offerings based simply on the ‘lowest common denominator’ of what they can get a co-marketing partner in a country where they have no presence to agree to. This is not what MNCs expect, and puts too much ‘national flavour’ in the offers.

Some operators with international reach recognise the needs of the business user, but their actions – such as establishing account management teams – do not go far enough. MNCs work internationally, and expect mobile suppliers to be organised to offer:

- international contracts;
- single ordering and delivery points;
- a single support contact centre;
- a single billing centre;
- a homogenous tariff structure

for a maximum of countries worldwide. A seamless, borderless proposition is needed.

**Lack of awareness is blocking a truly international market**
We see a lack of competition, which must be addressed by regulations. We see inconsistent tariff structures, with prices that are too hard to compare. We see fragmented pricing and service models. We see that the national units of an international operator are most concerned about their own P&L. Most MNCs faced with this environment admit defeat and rely on national arrangements. Several have told INTUG that they stopped trying to use an international approach and went back to national contracts, negotiating country by country.

> *“After trying to have an international strategy for our mobile communications, we had such bad experiences that we went back to a country-by-country approach.”* – An international customer

**Benefits for operators, MNCs and regulators**
Yet a truly international approach to services for business users would offer a host of benefits for all the players – and even for the mass market consumer. The MNC is more than just a collection of SIM cards, and can offer a much greater profit opportunity than operators currently perceive. They are willing to pay for ‘added value’; while reducing outrageous costs for services like roaming and mobile termination would encourage greater usage, thereby generating greater revenues for the operators.

While the market for the MNC segment is definitely ‘dysfunctional,’ this need not remain the case. Operators, MNCs and regulators can all take part in turning this market into a win-win proposition that benefits every stakeholder. INTUG's goal is not just to allow quick-hit savings, but rather to facilitate long-term control and optimised mobile use.

It is not too late, but action must be taken.

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## 1 PURPOSE OF THIS POSITION PAPER – A CALL TO ACTION

This position paper analyses the International Mobile Services market from the perspective of multinational companies (MNCs), and recommends specific actions for service providers, regulators and customers.

## 2 THE NEEDS OF MNCs

**More than just 'big'**
Operators fail to understand the needs of MNCs. They segment the business market only on the number of subscriptions a company holds. Service providers do not see MNCs as a high margin opportunity. But an MNC is much more than a set of SIM cards, and addressed correctly can be a very profitable opportunity.

Medium to fairly large companies tend to use centralised processes and/or have international inputs and sales. They may have 1000 users in one country, and 20-60 spread out over 15 more. Small and distributed companies, such as consultancies, may operate in 5 countries, and have no more than 50 or 60 mobiles per country. Neither model's requirements are being acknowledged by the service providers.

Even the largest MNCs are defined merely as 'big', with no distinction being made between a major national account or even a collection of individual users. Access to MNC programmes is limited to international customers with a minimum number of SIM cards. Service providers therefore compete for the business of the largest companies country by country, from a defensive standpoint, seeking to maintain high volume revenues.

**The market paradox: MNC versus operator market perspective**
This produces a market paradox. MNCs complain about exorbitant individual roaming or international charges, while believing themselves to be a huge profit maker for the operator. Service providers, on the other hand, see them as a customer with a professional procurement set-up, which receives volume discounts that almost wipe out any profits. So while operators may agree that roaming and international pricing is not rational, overall they don't feel they are earning enough from MNC customers to justify changing their approach.

This situation arises because the operator doesn't see each customer as having special needs. Instead, they view the business market as large, bundled subscriptions at a high discount.

> *"We don't roll out iPhones for certain business units."* – Customer in paint industry

What would happen if they instead saw this segment as having unique cross-border needs – administratively and in terms of services? If they recognised that it ranges from quite small customers to the largest? Then they could construct unique, differentiated offers. MNC programmes should align contract terms & conditions, as well as core service delivery (networks, help desks, support centres, billing and pricing), and not leave decisions to the local level. International service programmes could then serve as intermediaries.

## 3 ROAMING

The use of mobile data has exploded. One of our MNC members made the following comparison based on monthly data usage of its own employees:

- Blackberry: 72MB
- PC with 3G card: 300MB
- iPad: 2.5GB

But the use of mobile data is less developed than companies prefer, in particular due to the excessive charges MNCs must pay for travelling business users.

> *"A couple of our IT people used video Skype internationally, resulting in charges of thousands of euros. Like a lot of people, they think: 'Skype is free.' But the bandwidth is not!"* – An international customer

**Out of bundle charges should not be punitive**
Why are the differences between national and international data prices so huge? Why are the prices in and out of international bundles so different? When out of bundle tariffs are so much higher, it is not possible for an MNC to make estimates. Companies tell us they would prefer to see slightly higher prices within the bundle, with the price difference out of bundle being much smaller.

In addition, these cost models seem to go against the standard economic principle of "use more, pay less per unit." Instead, when a company uses more, it pays much more per unit. Try explaining this to a Business Unit Director.

Finally, the use of mobile data changes very quickly – bundles are outdated almost immediately. What's more, data pricing must adapt to a world where most customers travel with smart mobile devices. Operators should offer simple device settings across multiple territories. Customers don't want to spend time changing APN settings and complex technical configurations when travelling.

**Roaming charges should be on a glide path to zero**
This is clearly a task for the regulatory bodies. The European results for voice and SMS are obvious, with prices staying close to the regulated caps.

> *"Users don't know whether the iPad is downloading IOS5, or uses GPS. And they should not have to care!"* – An international customer

**Distorted roaming costs**
INTUG is convinced that the real costs of roaming are very, very low and that the whole concept of 'roaming' charges is now inappropriate for the market.

Despite reductions in roaming charges in some parts of the world, notably within Europe where a third phase of retail price capping is due for the period 2012-15, service providers continue to charge excessively for international roaming, especially for mobile data. This deters investment in new on-line applications which would bring economic growth, greater efficiency and job creation from cross-border trade. Roaming charges remain a deterrent for business usage. The irrational distortion of pricing forces MNCs to implement controls on mobile usage to minimise the volume of roaming charges.

> *"Keep it simple: employees need to do their job, not lose time figuring out how to avoid roaming costs."* – An international customer

**Regional trade groups should begin to eliminate roaming charges <u>now</u>**
Economic co-operation areas, such as the Single Market in the EU, with its strategy for a Digital Economy, aim to eliminate trade barriers and reduce cross border taxation. Roaming charges are clearly a direct barrier to these goals.

The ITU and OECD are now actively encouraging multilateral action against the data charges, which amount to a 'tax' on cross-border trade. In Asia-Pacific, regulators need to act together to find solutions, working through APECTel and similar organisations. Regulators elsewhere in the world, like Regulatel in Latin America, should take action appropriate to their circumstances.

## 4 INTERNATIONAL MOBILE CALLS SHOULD BE PRICED NEARER TO FIXED CALLS

**Why such high mark-ups?**
Recent MNC contracts offer international calls rates from a fixed line that are virtually the same as the domestic rates. This implies that the cost base does not justify large mark-ups.

The same philosophy should therefore apply to mobile calls. After accounting for any demonstrably higher price of the originating leg of a local mobile call, the tariffs for international outbound calling should exactly match those for fixed line origination. For many mobile operators and MNC customers, the same 'converged' operator provides the fixed contract, so no inter-operator charge applies.

> *"Companies need to implement tools, and put a lot of effort into building awareness of costs amongst the employees. This is negative energy; we want to invest our time and money in innovations."* – An international customer

**INTUG recommendations and their benefits**

The fixed market has too complex a range of monthly-based tariffs and packaged bundles. Mobile charges for MNCs are beginning to mirror these offerings, but need less complexity in packs, bundles and minimums. Converging pricing would prepare for the time when the distinction between the two disappears. Ease of use should be the catchword. Users should not have to guess which offering would be best in advance, with the risk of making a very expensive incorrect choice. They should be able to use out of bundle services without punitive charges. Data pricing must adapt to a world where most customers travel with smart mobile devices. Customers shouldn't have to spend time changing APN settings and complex technical configurations when travelling: operators should offer simple device settings across multiple territories

## 5 TRANSNATIONAL CONTRACTS SHOULD BE AVAILABLE

MNCs want operators to provide them with a single contract for their international operations, across all the countries where they operate, rather than a collection of individual, national offerings. There should be one common service concept deployed across the full scope to be covered. The contract should include service level agreements (SLAs) in each country, managed by one international team, with a single point of contact. Service providers should therefore align their own organisational structure to the structure of their customers. This has already proved to be the most effective method for international ICT contracts.

> *"We have 22 different contracts with our mobile operators."* – An international customer

**How to set-up a single contract structure**

This could be achieved, for example, via a business unit with its own profit & loss, covering in-scope countries, with authority over all the resources required to deliver the local requirements. Lack of cooperation can arise if each country does not 'buy in' to the deal. One-stop shopping will work only partially in such circumstances, and each element of a contract needs to be confirmed by national contracts. This is similar to the current situation, in which MNCs have a framework contract plus a long addendum per country.

## 6 INTERNATIONAL ACCOUNT MANAGEMENT MUST BE EFFECTIVE

Top-level service provider representatives must have authority at the international level and be able to act directly on behalf of all countries. They should, of course, be supported by local 'in-country' resources, but should not be dependent on them for authority. The account management team should report for each relevant structural level of its MNC customers, providing details of operational service quality and delivery and costs, including recommendations on how efficiencies could be improved overall, and in specific locations.

## 7 PRICING

**Pricing should be realistic and have a consistent structure**
The pricing structure must be consistent and predictable in all countries covered by the contract. Definitions of billable items and their specific elements must be the same everywhere. This doesn't mean that there must be a single uniform price for each category in all countries. MNCs require the most competitive pricing in each country market. Each country will have a slightly different competitive price level, due to differing costs of operations, original license costs and regulatory history. So, for example, domestic 'mobile to mobile' should be defined the same way in all countries, including terms such as minimum billable time, billing increment, etc., but prices may differ. Comparable data bundles are important.

**Equipment pricing should be separate from network services**
Handsets should be supplied independently, under separate terms and with separate pricing, from network usage. This will force greater transparency and more effective competition, for both service and equipment. One of the biggest headaches procurement professionals face is handling multiple devices bought by various individual users and trying to make them all work in a common ICT management structure that is based on standard builds. It is in the network operator's best interests to consider this situation when supplying devices to multinational customers.

**International messaging prices must be reduced significantly**
Simple GSM SMS texting, or the use of a standard Mobile IM gateway, is a small and incidental part of an operator's service package. In this era of 4G/LTE high bandwidth capabilities, where a €10k server/router can process every text message generated in a major city, basing prices on 1985 cost assumptions and the complex packet data transmission of the early days of ISDN is simply unjustifiable.

**International mobile pricing should be transparently aligned with costs**
In the short- to medium-term, the environment of cross-border and fixed to mobile penalties will still apply, so pan-European mobile operators will still face less predictable costs, and a limited opportunity to influence some of their input costs. They nonetheless should align their pricing transparently with real costs, rather than linking it to consumer-based pricing models.

For text messaging to an unaffiliated receiving entity, the only real costs are the wholesale rates negotiated for message termination with the various end networks. Operators should use a 'cost plus' pricing with a reasonable, transparent margin. If, on the other hand, the operator provides a unique, added service, such as hosting a presence service, or providing Instant Messaging federation, allowing interoperability between customers using different systems, added value-based pricing could be applicable.

**International mobile call and text costs are too high**
International call and text prices remain high, and are sometimes inconsistent with roaming tariffs, due to a waterbed effect from tariff balancing. In some cases, it is far more expensive to make an international call than to make a roaming call to the same destination. Sometimes, national tariffs can be higher than roaming tariffs. There is some logic or justification for these discrepancies: the EU cap on roaming tariffs only applies to calls or SMS made from abroad, not to abroad (these latter are considered simply 'international' calls or SMS).

## 8 TETHERING SHOULD BE PERMITTED, NOT BLOCKED BY MOBILE ISPs

Tethering allows an Internet-enabled mobile device to act as a modem for another device, usually a notebook or PDA, using a cable (USB or serial) or wireless Bluetooth. Users can thus go online in situations where there is no other means of internet access, e.g. no Wi-Fi hotspot.

An increasing number of mobile ISPs in Europe are blocking tethering, or making it a very expensive option. This is a major problem for businesses such as automobile manufacturers that wish to offer a connected navigation service in vehicles.

An innovative approach to connection, tethering is also of value in other applications and situations, as well as to the mass-market consumer in places such as trains, for example.

## 9 NO TAILOR-MADE APPROACHES

Interestingly, MNCs are not interested in a tailor-made approach. INTUG meetings with mobile operators show the latter are interested in collecting the business cards of the participants afterwards, because they are convinced they can offer a good tailor-made solution. But the MNCs want them to offer good services without a tailor-made approach – good services should be 'standard'. Tailoring solutions is too time-consuming and too complex, and needs change too fast.

## 10 MOBILE PAYMENTS

The use of mobile wallets looks very promising. But, it also brings out some new concerns: abusive fees, anti-competitive cartels between banks and certain operators (such as the Citigroup-Telcel venture already operating in Mexico), etc. Now imagine making mobile payments while travelling: Is there a risk of added roaming charges, SMS charges and bank fees?

## 11 INTERNATIONAL BILLING SHOULD BE HARMONISED: 'ONE-STOP' BILLING

No operator is yet offering 'one-stop billing' with standardised invoices across countries. INTUG recommends that operators harmonise billing and reporting at the international level, within a mobile group, ensuring that tariffs and related information are clearly understandable, with no hidden costs.

The billing format should be the same across all countries covered in the contract, with a standardised, electronic interchange format. The billing cycle should be identical in each country/unit. Importantly, the invoicing process must be consistent even in countries where the MNC operates through subsidiaries.

**Service providers matching MNC processes**
Service providers should generate flexible hierarchical billing and payment, with invoices at the level that best suits the MNC's payment processes. They should work to eliminate the need for internal 're-billing' within the MNC, where the MNC must recover costs at different levels from units paying for the services.

## 12 INTERNATIONAL REPORTING SHOULD BE SUPPORTED BY ANALYSIS TOOLS

Operators should provide on-line tools to review and analyse bills, and create reports on both the previous period and the trends. Reporting should be consistent across borders, facilitate consolidation at regional and international level, and include, for example:

- International inventory of devices and billable services;
- International view of demand (individual billable line items, summary of divisions/ countries) ;
- Demand analysis tools to help determine cost control actions;
- Individual and cost centre manager monthly reports and trend analysis:
  - using standard reference currency, per calendar month;
  - with standardised cost categories (e.g. national, international, roaming, data, text).

> *"We want to report all videoconferences usage costs to the users who request the videoconference, to make our employees more sensitive to the issue."* – An international customer

MNCs need to be able to check hundreds of invoices and allocate costs back to departments or end users. Among other useful tools, Call Detail Records (CDRs) can help them manage usage and invoice reconciliation. They would also like to have the possibility of real-time alerts for abnormal usage patterns, to enable them to take quick correction action.

Web-based applications should be provided to manage MNC mobile services, e.g. for SIM card orders. This should include a calendar application for specifying the date and time of installation and repairs, and a tracker for complaints, orders and fault status.

## 13 SERVICE MANAGEMENT AND ADMINISTRATION SHOULD BE CENTRALISED

A single end user help desk for devices and applications remains essential. Currently, even when offered, this is rarely fully operational and has very limited capabilities. MNCs experience language problems and a lack of understanding of overall circumstances. There is often insufficient international visibility: local operators are unable to answer queries and provide reliable information. Local help desk availability hours must conform to customers' operational needs, and include various contact methods.

MNCs need to measure and manage the total mobile cost of ownership. They therefore require solutions to cope with issues such as private usage of mobile, charging mobile costs back to a subsidiary or entity, and information on the cost of calls to mobiles. Management and administration should include automated mobile asset configuration and deployment.

## 14 SECURITY MANAGEMENT SHOULD BE CENTRALISED

Security is critical to MNCs, and the effective management of mobile security is a vital part of international mobile service offerings tailored to individual customer needs. It should include:

- Enforcement of password policies;
- Enforcement of data encryption policies;
- Deployment of firewall/antivirus protection;
- Locking and erasing of lost devices;
- Effective interaction between network providers and key ICT personnel;
- Smooth cooperation when managing security protocols.

## 15 FIXED MOBILE CONVERGENCE

**Helping MNCs control costs**
VPN (Closed User Group) services can help MNCs with multiple subsidiaries in different countries to minimise costs between mobiles and fixed lines. However, operators are often unable to provide information on what is available, where and how. They should be able to confirm that a national VPN could be connected to an international VPN.

The goal should be to reduce mobile costs between different countries, e.g. by rerouting the most expensive international and roaming calls via a data network. The greatest benefit will be felt with a service that works automatically (no calling card or pin codes).

**More comprehensive information**
MNCs also expect operators to inform them if the Mobile Extension facility enables mobile numbers to be included within a site dial plan. This is an example of the benefits of an operator developing a deeper understanding of business processes, system integration and converged international network services.

Fixed-mobile convergence will continue to be important for MNCs. There are a variety of national, fixed-mobile converged services, but consistent services covering multiple countries hardly exist. It would be useful for service providers to leverage the experience of the existing MNC internal user base as far as possible, and to integrate this into the collaboration tools currently being rolled out in Unified Communication (UC) systems which link ‘presence’ systems to various other tools.

**Situation far from ideal**
The current situation is very different from this ideal. The message from operators to MNCs today is:

- buy your fixed voice (IP Centrex) from the operator – in addition to mobile;
- eliminate your own PBX/IPT systems;
- implement a different FMC solution in each country;
- integrate each of these different country specific solutions separately;
- absorb these within the messaging/presence/directory environments.

This absurd state of affairs reflects the fact that mobile network operators take no account of an MNC market segment in their product planning. Some operators have not even taken the obvious steps well within their power, e.g. linking together international fixed voice VPNs with mobile VPNs.

**The MNC requirements**
The minimum fixed-mobile convergence features required by MNCs are as follows:

- **One phone number**
  A single phone number, reachable whether logged on at a fixed-IP location, or 'unconnected' via a mobile network.
- **One message repository**
  A voice mail destination integrated into a central messaging system, regardless of whether the call was intended to terminate at a mobile or to a fixed voice number/device.
- **Integrated collaboration**
  All mobile devices should be integrated into a company's central presence system (status, chat, directory, calendar) as far as is possible with current devices. The operator should avoid forcing upgrades of devices if there is no business need for additional applications.

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## 16 MACHINE-TO-MACHINE (M2M) COMMUNICATIONS

> *"We would like to implement machine-to-machine internationally, but how can we make the business case?"* – Pharmaceuticals industry customer

**A profound impact**
Rapidly increasing transmission speeds have become achievable thanks to wireless communications – first 3G and now 4G/LTE. Coupled with dramatically reduced costs and increased mobile device functionality, they are enabling the development of applications that bring machines into direct communication with each other: machine-to-machine (M2M) communications. This has three profound implications for international mobile communications services.

Firstly, machines are not aware of national borders, in the same way that IP networks ignore the significance of such boundaries. So while an individual might take certain actions to avoid associated cost penalties, a machine can not readily do so. This is yet another major reason why roaming charges, which will heavily penalise international online transaction-based applications, must be eliminated.

Secondly, M2M communications generally require very low latency and generate very high volumes of small messages, beyond the capability of a human user. Tariff packages for handling micro-transaction traffic patterns must be different from those designed for human users, who behave differently and can adjust usage.

Thirdly, machines involved in business critical, life threatening and/or process control situations must be able to communicate wherever technically possible. This means that if a signal is available from any network, they must be able to use it, and not be limited to a single operator. Whilst this is currently allowed for a person when <u>outside</u> his/her own country, it is not generally the case when he or she is <u>inside</u> the country. This paradox is unacceptable for a machine.

**Four sectors for M2M**
The M2M market is currently focused on four vertical sectors – health, automotive, consumer electronics and utilities. Examples of applications include heart and blood sugar monitoring; transport tracking and logistics; automatic emergency calling; automatic camera uploading to websites; smart meters, security, vending, and parking. The inclusion of radio-frequency identification devices (RFID) in fast moving consumer goods (FMCG) will enable M2M applications for transport, distribution, stock management and replacement purchasing.

**New challenges for operators**
International mobile service providers face other associated challenges: roaming partners will become competitors; capacity planning will be difficult; steering behaviour, technical behaviour and usage profiles are all unknown; Quality of Service is undefined, and there are many other uncertainties. Pricing models in this ecosystem will need a new approach. Operators already acknowledge that they must be able to detect M2M devices and exclude them from the roaming regime. But if it is possible to do this, a different approach

could also be applied to all devices. Whatever the outcome, seamless roaming is critical for M2M functionally and operators must give good service to inbound roamers.

## 17 FLEXIBLE INTERNATIONAL INTEGRATION

International mobile service providers must acknowledge that MNCs have large embedded communications systems that operate cross-border. These collections of PBXs, messaging and presence servers, directories and associated security components are a fact of life in the MNC world. Even if the operator has a complete suite of consistent cross-border collaboration solutions, most MNCs will still choose to manage their own systems, due to concerns about security, control and technology evolution.

**Where operators can add value**
The MNC community wants operators to add value in domains where they have control, and to do something positive. This includes direct interaction between the 'intelligent network' layer of the operators' infrastructures, and the equivalent call control and application layer of the customers' managed systems. The 'mobility management' solutions offered by companies like Avaya, Cisco, etc. would be more efficient if they could interact more with the MNC platforms.

The MNC solution must sit above the local country layer, and be consistent cross-border. The model should therefore be the service architectures of international fixed voice providers who focus on MNCs, e.g. BT and Orange. These manage fixed voice platforms literally without country, accommodate numbering plans of all countries, and sit on top of international MPLS IP networks for which national boundaries don't exist. Specifically, MNCs need Closed User Group Mobile VPNs with ‘short codes’ working across borders, where users with SIMs from multiple countries are part of the International Enterprise VPN, but can retain their local profiles.

## 18 PUBLICISE SERVICE LEVEL DETAILS AND QUALITY

Operators must provide detailed service information not only nationwide, but also internationally. International operators should be able to provide a cross-country view of the full list of services available within any country or geographic area.

SMS is used in the business-to-business (B2B) environment, and for machine-to-machine (M2M) instructions and information. Operators need to provide information regarding the percentage of SMS successfully delivered and the average time for delivery. Processes should be standardised nationally and internationally for SLAs.

## 19 SLAs FOR MOBILE SERVICES

MNCs want to increase their mobile applications to support their business, so they need SLAs for mobile services. Right now, this mostly consists of publishing detailed service information. But with the advent of LTE, prioritisation is becoming a possibility. SLAs on hardware delivery are important, as well.

Structured reporting on the SLAs and the service levels is needed. MNCs also want the details provided in the reports to match their real needs: e.g. they don't want to know the percentage of dropped calls for the entire company, but specifically for their sales people.

INTUG will seek to have discussions with the mobile operators regarding SLAs, to further the interests of business users in this regard.

## 20 IMPLEMENT DEVICE MANAGEMENT

The roll-out of tablets has made mobile device management even more crucial. But all of the apps and the security concerns make this a difficult process. Plus, every country has its own bundles for data usage.

Device management needs to be possible at an international level, and offer much more than a simple indication of which devices are in place. Operators should provide a centralised technology roadmap, detailing recommended devices for the next 12 months, service capacity and pricing, and information on any location where devices will not function. Warranties should be applicable and homogenous across in-scope countries. Any international insurance contract for devices should be homogenous for all in-scope countries.

## 22 PERFORMANCE OF THE MOBILE NETWORKS

More and more companies are contacting us with concerns about the performance of the mobile networks. Wi-Fi could be used to reduce the pressure on the mobile networks, and the mobile operators clearly need to look for solutions to do this.

What's more, MNCs want to compare the quality of the different mobile players. But at this stage the lack of information makes this impossible.

## 23 INTERNATIONAL 00800 ('FREEPHONE') NUMBERS SHOULD BE FREE!

A car maintenance MNC wanted to offer international freephone numbers, so customers could contact it free of charge. The company was unpleasantly surprised to discover that, even in Europe, different countries apply different rules, and freephone numbers are not in fact always free for callers. In some countries, the call may be billed, especially when if calling from a mobile phone, e.g. in the UK. In other countries, e.g. Belgium, it is not even possible to call these numbers from mobile phones.

Although international freephone numbers promised to be an interesting international marketing tool, at this point they fail to meet expectations. It is extraordinary that a concept as simple as this could be so corrupted by non-implementation and/or charges.

## 24 REGULATORY CHALLENGES

**Wholesale and retail price regulation still needed – gliding outrageous costs down to zero**
Roaming costs for voice and data services are still too high and can only be reduced by regulatory action. For mobile data, when customers do not have bundles or caps, costs are outrageous, impeding competitiveness.

A strategy of implementing a glide path to zero for all roaming charges should be adopted. The ITU and OECD are now actively encouraging multilateral action against the data charges, which amount to a 'tax' on cross-border trade. In Europe, NRAs must extend regulation to obtain radical reductions in charges for international voice, text and data. The recent EU decision to further lower retail price caps is a move in the right direction. In Asia-Pacific, regulators need to act together to find solutions, working through APECTel and similar organisations. Regulators elsewhere in the world should take action appropriate to their circumstances.

**4G/LTE licensing: an ideal opportunity for NRAs**
The 4G/LTE spectrum licensing process can provide an ideal opportunity for NRAs to insist on the elimination of roaming charges as a license condition. At one stroke, this will shift the industry to a seamless international environment in which businesses can treat the mobile environment as a wireless internet.

Structural solutions may further help the process by allowing customers to acquire roaming services separately, and by making operators provide MVNO access to facilitate international service agreements.

**Mobile Termination Rates (MTRs) need to be eliminated**

> *"The obvious problem is mobile termination rates, which are in most Member States 4 to 5 times above the cost of providing the service"* – Neelie Kroes, ex European Commissioner for Competition, and now Commissioner for the Digital Agenda

**No more distinction between fixed and mobile!**
MTRs in the USA have been virtually zero for many years. But elsewhere, prices for fixed-to-mobile calls are still far too expensive. Unlike roaming rates, this practice is not transparent to customers, as it is often hidden within overall charges, and affects domestic well as cross-border calls. The lack of competition in the market means a regulatory solution is required.

We see an inevitable trend towards fixed-mobile convergence. The distinction between the two is blurring in terms of access mechanisms used, such as hotspots and Wi-Fi. It is thus rapidly becoming inappropriate to make a distinction between fixed and mobile access in terms of charging. Penalising a customer for a mixed transport by levying a termination rate charge must itself be terminated. Again, a glide path to zero is required.

Just as important as the changes to wholesale rates (including termination rates), is that the savings flow through to the end users. Up till now, reductions in termination rates have rarely been passed on to customers, instead increasing the margins of the fixed-line providers. Regulators should monitor pass-through, with a view to introducing retail price controls if fixed-line operators do not pass on savings to customers.

**Not enough competition for cross-border mobile services**
INTUG sees limited evidence that regulators recognise the existence of the MNC market segment, for which a single operator offer that transcends national borders would be of immense value. Markets tend to be assessed for competition and dominance based solely on the mass-market consumer experience. There is a perception that the more mobile licensees there are in each local market, the better (e.g. adding 4$^{th}$ GSM licensees or specialised 3G licensees).

Whilst the ability to enter mobile markets is a welcome sign of competition, MNCs would also benefit from more cross-border consolidation. In the USA, for example, there used to be a mix of different mobile operators in different parts of the country, with the associated roaming charges and inconsistent service problems. But now this market has been consolidated largely into four nationwide operators in a business market the same size as the EU.

**A situation that is good for business**
Each USA operator has nationwide coverage and single offers, with no roaming charges. This evolution has been good for USA businesses, which can negotiate using their entire national ‘weight’, and utilise ‘one stop shopping’ as well. The rejection of the proposal to merge AT&T and T-Mobile in the USA was a wise decision for ensuring appropriate competition.

Similar economies of scale should be available to MNCs in other regions and continents, for example in Latin America, Asia, Africa and Europe (where the EU single market should make the possibility easier). Competitive, seamless, consistent service offerings across multiple countries will not come from regulations focused on national consumer markets. MNC needs must be addressed as a specific requirement, enhancing business efficiency.

## CONCLUSIONS

This position paper has detailed the requirements of MNCs in order to assess the current international mobile service operator position, and to outline an end-state that would make this market a success for both parties.

In general, we have seen that international mobile service operators are not providing appropriate services for the MNC customer segment. Currently, international buyers of mobile services have to deal with a patchwork of national operators that offer different pricing schemes, service offerings and SLAs.

However, what MNCs want are international contracts including national and international contracts and tariff plans; volume discounts; data and voice services with competitive service agreements; seamless international service, a central administration tool; central billing and help desk; an international VPN; and above all, one-stop-shopping with a full international scope.

They also want to be able to order SIM cards for other countries, manage mobile costs in branch offices abroad and standardise services across borders.

To improve the internationalisation of the international mobile services market, there is an urgent need to call on mobile operators, regulators and customers to adopt a new approach.

This position paper therefore concludes with some specific recommendations for each group.

**Recommendations for operators**

*Launch an independent MNC-focused initiative*

- Form a multi-country business unit with its own P&L and customer support.
- Move away from acting as a coordinator of country-based co-selling.
- Offer travelling business users an **International Mobile Subscriber Identity** (IMSI) for the countries being visited, with the local regional tariffs.
- Resell local IMSIs in small countries to operators from outside the region.
- Try to “think with your customer”. Mobile communications today are so much more than minutes and data volumes. Real and interesting possibilities to create added value abound.

*Create specialised service and billing platforms*

- Implement low cost, efficient processes by rationalising ICT systems and staff for cross-border MNC needs – not by adding a layer on top of national MNC processes/systems!
- Create a dedicated platform for global services that doesn’t require modifying/ consolidating outputs from numerous country-based platforms.
- Implement simpler cross-border fixed-mobile convergence.
- Increase transparency in pricing structures: this is absolutely necessary.

*Implement cost-based access to trans-border group assets like an internal MVNO*

- Create a corporate-wide service platform with access to local country entities for collection, switching and termination of calls at the lowest cost and predictable solution.

### Recommendations for regulators

*Conduct separate regulatory impact analysis for the MNC segment*

- Foster the development of multi-country consolidation and the elimination of roaming.
- Define the scope as cross-border, expanding the regulatory vision beyond national borders. This is vital as more and more end users travel internationally with their mobile devices.

*Encourage international innovation*

- Facilitate co-operation between operators in different countries for traffic redirection.
- Encourage operator creativity in packaging services in multiple countries for MNCs.
- Prohibit trade constraints such as Skype-blocking on mobile networks.

*Continue to drive down/eliminate termination rates and roaming charges*

- Aim for a glide path to zero via wholesale and retail price caps.
- Monitor that wholesale reductions pass through to end customers.
- Address historical inter-operator tariffs, which hinder cross-border trade.
- Add roaming to the agenda of international forums.

### Recommendations for MNCs

*Don’t wait for suppliers or regulators to act on your behalf!*

- International mobile service providers have failed to do so, so far.
- Regulation is focused on national consumer markets, and moves at a snail’s pace.

*Take control of mobile as vital for business, and engage suppliers*

- Create a business unit that is responsible for overseeing <u>all your mobile services spend</u>. This BU should be integrated with the team that oversees your fixed-line and data network services spend. This doesn’t mean changing budgets, buying authority or mobile management processes. Instead, aim at ensuring that information is shared with a central point of contact.
- Analyse the international requirements, costs and contracts, to provide a clear baseline understanding of the current position, in order to guide the next steps.
- Create a virtual ‘needs definition’ team of direct stakeholders in mobility:
  - Those with direct responsibility for paying, buying and managing suppliers;
  - ICT and other staff responsible for mobile service management and applications;
  - ICT staff responsible for fixed voice, messaging and presence.
- Create a prioritised list of needs based on a review of your organisation and its current method of managing mobility. Include anticipated projects associated with mobile devices, from new mobile applications to fixed-mobile convergence/substitution, to implementation of UC and/or collaboration systems.
- Prepare thoroughly when starting an RFP procedure. Don’t underestimate the work to be done.

- Ensure that IT and procurement can work together to get good conditions and added value from the new technology.
- Don't use only commercial (price) criteria when evaluating an RFP.

*Act regardless of the most recent mobile services contracts/negotiations*

- The current state of market offerings for MNCs is severely deficient.
- MNCs are poorly served, and the international mobile service industry needs to be made aware of your requirements.
- The aim is not just quick-hit savings, but long-term control and optimised mobile use.