Pricing, Bundling and Charging Strategies for Telcos

DURATION

2 Days

COURSE DESCRIPTION

This two-day course is designed to enable delegates to design and implement effective pricing, bundling and charging strategies that optimize revenues and profitability over the long term.

The inexorable decline in telecoms prices for both fixed and mobile services is creating havoc in competitive telecoms markets. New technologies such as voice-over-IP are placing the core revenues of many operators under serious threat. New entrants with lower cost structures are effectively pricing some telecoms network operators out of the market, creating doubts as to the sustainability of longer-established companies that are seeking a return on their capital investments. Consumers are increasingly working the system, seeking short-term lowest prices and willing to compromise on quality.

This course helps delegates to establish pricing, bundling and charging strategies that are based on true value to consumers of telecoms services in their broadest sense. Examples of current telecoms pricing strategies are used throughout the course, to demonstrate best and worst practice.

PRE-REQUISITES

A basic understanding of telecommunications would be an advantage, but is not essential.

COURSE OBJECTIVES:

The course is designed to give the delegate a clear understanding of the following topics:

- Pricing evolution and objectives: survival/growth, revenue/cash generation, profit generation, return on investment, network utilization, market skimming, penetration and stabilization, customer loyalty, differentiation, shareholder value

- Influences on pricing strategy options: customer willingness to pay, segment-based pricing, price elasticity of demand, competitive posture, cost levels, competitor pricing, distribution channel, impact on suppliers, regulatory environment, international environment, network or service-based pricing, shareholder expectations

- Pricing options: economy vs. premium pricing, cost-based pricing, value-based pricing, differentiated pricing, skimming and penetration pricing, promotional pricing, price reductions, price increases, price customization

- Bundling options: indivisible bundling, optional bundling, value-added bundling, bundling and regulation

- Billing options: called party pays, calling party pays, per-minute/per-second/per-hour billing, destination-sensitive billing, time-of-day billing, on-net and off-net billing
Session 1
Pricing Evolution and Objectives

- Telecoms Pricing Past: Politics
- Telecoms Pricing Present: Regulation
  - Pricing Regulation: why regulators are involved and what they do
  - A regulator’s approach: cost based pricing and price caps
- Telecoms Pricing Future: Customers & profit
  - Quantitative Objectives (i): Revenues, Cash Flow, Customer Acquisition, Market Share
  - Quantitative Objectives (ii) Profit, Return on Investment, Shareholder Value
  - Qualitative Objectives: customer loyalty and lifetime value

Session 2
Influences on Pricing Strategy

- Willingness to pay: stated preference and revealed preference
- Price Elasticity of Demand
- Ramsey Pricing: maximising profits through bundling
- Next Generation Networks: how they affect the economics of pricing

Session 3
Pricing Options and Strategies

- Price leading and price taking strategies
- Cost-based and value-based pricing mechanisms
- Differentiated pricing for market segments: premium, economy and customised pricing
- Pricing and the lifecycle: skimming, penetration, promotional pricing, price increases and decreases

Session 4
Bundling Strategies

- The economics of bundling
- Why bundle products?
- Indivisible bundles
- Optional bundling
- Value added bundling
- Bundling and regulation: potential for anti-competitive behaviour

Session 5
Billing Options

- Who values the communication most: calling party or receiving party?
- Using time period and flat rate billing to maximise profit
- Using time of day gradients to maximise profits
- Destination-sensitive pricing: is it relevant in an NGN environment?
- On-net and off-net billing