

## Is it time for Home and Away pricing for Telecom?

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My personal telecom account structure is a mess. I have a family mobile phone plan with 3 phones and shared minutes, a data plan on one of those phones, a USB wireless modem for my laptop, a wired internet connection in my home connected to a wireless modem so that two computers and a tablet can connect to the network simultaneously, a wireline voice plan in my home, and cable/pay television service. Put another way, I have 2 voice plans, 3 data plans and a TV plan across two carriers. On those 6 plans, I have 10 devices.

It may be helpful to review the history of these plans. Originally, everything was metered – telcos charged for time and previously for distance. This paradigm then shifted to “all you can eat” plans, enabling an explosion of consumer voice (and later data) usage. Recently, carriers are again shifting to a mish mash of rates for devices with separately tiered allowable volumes.

There are lots of problems with the current system. 1) Pricing is screwy – it’s very hard for consumers to understand how much they are paying, and why they are paying for multiple services that seem quite similar. 2) There are many bills, and even more sections on each bill for different products and

services. And some of these bills are post-pay, some might be pre-pay and some might be credit card billed. 3) Customers don’t really understand their data consumption, but they may need to because that is a useful method of pricing and metering usage. 4) Voice and messaging are cheap to transport because they don’t use much bandwidth, but video is expensive, yet consumers continue to demand more and faster video. 5) Offloading is vital to the mobile network’s health, but there are few obvious incentives for consumers to do so.

Is it time to clean the mess up?

Lots of prognostication in the industry currently revolves around simplifying bills – and this is a good first step. Verizon just announced a family share plan that will display a single billing rate rather than line-by-line charges. This past May, CFO Frank Shammo said Verizon may eventually enable plans based on the number of devices and a shared bucket of data. AT&T and Sprint have also indicated that they are considering similar pricing models. And a few carriers in Spain and Belgium have already launched shared kilobyte plans across multiple devices.

Here’s a possibly radical proposal.

Carriers can do much more than merely simplify and streamline the billing plans – they can create much simpler access. In my home, everything should transmit over the same coax or fiber cable – my wireline voice, my wireline data, and as carriers get more sophisticated, even my wireless voice and data (through a local femtocell). I’d like this to be provided by my “Home” carrier. And please give me only one piece of equipment that contains the modem, the wireless router, and the femtocell. If you want me to be the happiest about this, give me a single connection, and a single price point.

I’m also willing to have an “Away” carrier for my wireless needs, but I still want only one wireless connection, and one price point. This means that my mobile phone (with voice and data) should be able to generate a wireless network for my laptop (and my tablet, Kindle, etc.). With the new 4G networks, speed should be less of an issue here – at least in the short run.

If I put my management consulting hat on and ask how carriers can achieve this level of simplicity without decreasing profitability there appear to be three initial steps that they can take:

- Determine what customers

want: Co-create with your customers. In-the-field, open-ended research and conversations can provide a lot of information about what customers really want, what makes them happy or annoyed and why they believe they call customer support (costing carriers money). These learnings can inform further simplified plans, bills, marketing, and future customer interactions.

- Better match incremental usage to the true costs of OPEX and CAPEX to better translate this usage into specific customer plans. We all know at the margin an additional call, text message or data session doesn't really cost anything but the dizzying network CAPEX investment and the OPEX that comes along with it indicates that the cost to transport marginal traffic is in fact very high.
- Drive behavior through pricing - what will create optimal network usage? Monitor usage by and across devices, users, access points, etc. to ensure that the combined price point is high enough to offset the reduction in number of plans (i.e. if carriers can figure out how to simplify the plans and remove some of the network planning and customer service costs, and they rebate me some of the difference, we both benefit - and they can still charge me \$225 for a the combined plan instead of the \$250 I'm currently paying). Further

control usage by tiering the data throughput (as is currently being done with 2gb, 5gb, 10gb plans - although on a combined plan may need to be 10gb, 20gb, 50gb).

I'm not the only customer out there befuddled by the lack of transparency and confusion. I'm not complaining about the price (although \$250 / month for access "feels" like a lot). But there is a simpler way that will increase my satisfaction. Charge me for data on 1 or 2 plans and help me monitor my usage, but don't make me keep track of 6 different plans and 10 different devices.

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**Telephone:** 301.664.7790

**Fax:** 301.656.1528

[www.marconipacific.com](http://www.marconipacific.com)

## About this Article

**Primary Author:**  
**Michael Morgenstern**

**Phone:**  
301.664.7790

**Email:**  
[mmorgenstern@marconipacific.com](mailto:mmorgenstern@marconipacific.com)