PRODUCT BUNDLING

Building Better Customer Propositions

As companies strive to be more competitive and increase the value of the products and services they offer to end-customers, they develop increasingly more complex offerings.

We are all familiar with mobile phone companies offering deals of voice and text packages. This is only the tip of the ice-berg. Marketing departments have found that they need to constantly innovate the product mix on offer to customers. The parameters for these offerings can change rapidly as price, segments, buying patterns, competitor pricing, time of day/week/year, exchange rate all need to be factored in. This white paper will offer you all the answers on how this mass of data can be managed and how this can be turned into a data stream that drives new revenue.

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1. Product Bundling

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We are all familiar with mobile phone companies offering deals of voice and text packages. This is only the tip of the ice-berg. Marketing departments have found that they need to constantly re-invigorate the product mix on offer to customers depending on numerous factors. These can include price, segments, buying patterns, competitor pricing, time of day/week/year, exchange rate, and many, many others.

Telecom providers are competing on who's going to roll out the best triple-play or quad-play proposition; the insurance industry is packaging the various personal and property assurance and insurance products together; FMCG distributors offer complex products, returns policies, and stocking services to retailers. Bundling has become the mainstream method of cross-selling and up-selling.

In addition, complex bundling of products is evolving further under the influence of personalization technologies and the need to create propositions that address ever smaller constituencies of customers.

As a result, the ability to roll-out new, bundled propositions quickly and with the minimum overhead of effort and time will become a critical competitive advantage.

Currently however, many companies are still in the early stages of product and service bundling. They are in need of an effective solution to support the creation and implementation of bundled propositions to enable them to catch up with the market leaders.

In this brief overview of bundling we focus on the problems and challenges related to the creation of bundled propositions, and the delivery of these propositions to the customer touch points in support of the sales and order configuration process.

We are aware that this is a complex topic. Creating and launching bundled propositions which include internal products, and products and services provided by external providers creates challenges across the entire chain of fulfillment, assurance, and billing – these are real world problems that we in HERMES SoftLab help our customers solve regularly.

2. Problems and Challenges

Typical problems faced by companies are related to the overall time-to-market performance and the prohibitively high cost of bringing new bundled propositions to market. The root causes of these problems can be traced back to the limitations and constraints of many IT architectures, systems, and applications.

An effective solution needs to address these and bring about changes to improve the IT support for the bundling of products and services.

The number one obstacle is usually the internal product silos - the IT systems and applications that support a single product line or a limited number of product lines - that have 'appeared' over time. Due to their narrow focus, the silos are not easily changed to support the creation of bundled propositions. One key reason for this is the relevant business rules are often very silo-specific, and therefore not easily generalized and applied to the bundled propositions.

An effective solution needs to address product silos and embedded business rules.

Another challenge to successful product bundling is the increased reliance by service companies on business partners. Companies are often faced with the need to mix the products and services of multiple providers with their own bundles to be able to keep up with the competition.

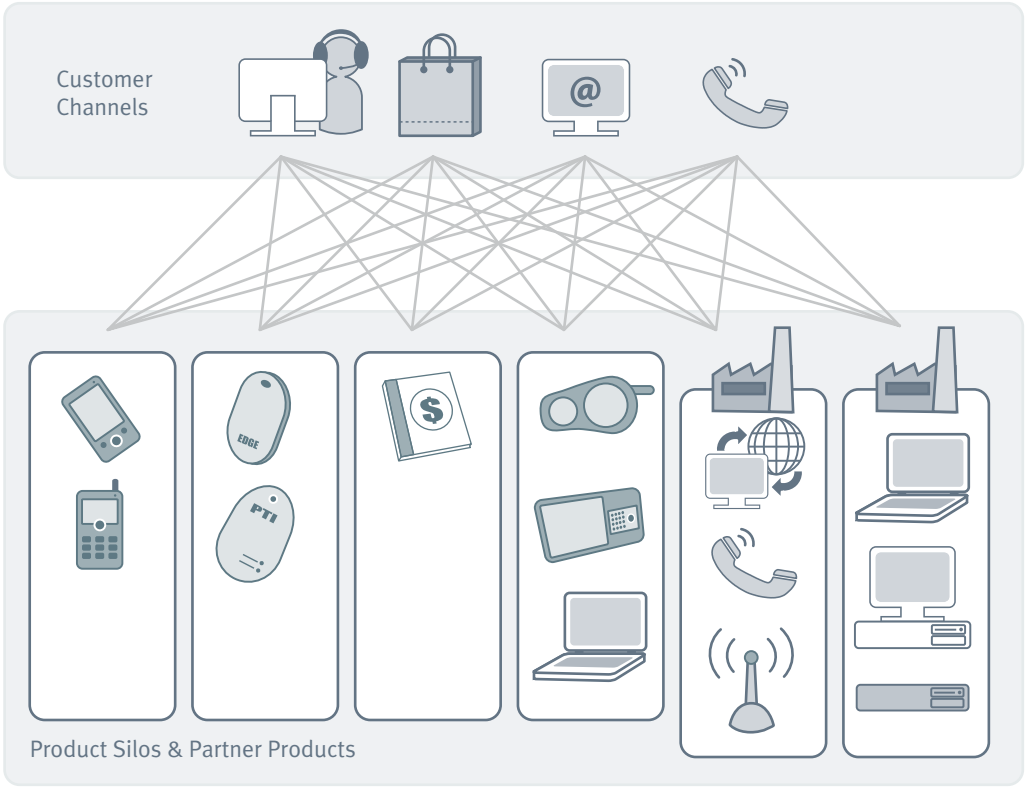

Figure 1:
A typical product offering mix, with made-to-order IT connecting internal and external product silo systems.

A classic example is the need for mobile telecom operators to launch propositions which include fixed-line services (i.e., voice calls and broadband). Most independent mobile telecom operators do not have the necessary infrastructure to provide fixed-line services on their own and rely on the products provided and supported by external service providers. Building out the necessary infrastructure by themselves doesn't make commercial sense, but companies need to be able to control and manage all offerings.

An effective solution needs to be able to control and bundle third party products as if they were the company's own products.

From the perspective of product bundling the integration with business partners involves the following challenges:

- Efficient integration of the products and services provided by business partner into the overall product catalogue, i.e. are the new products and services which the business partner makes available to the service provider company for bundling, easily discovered and imported into a product master catalogue or is there a significant effort involved in the exercise.
- A generic ability to create and transfer the orders for new products and services, i.e. complete and correct orders can be configured from the product information in the catalogue without additional development required on the service provider's side.
- Ability to inquire about the availability of a product (or service) at a specific address or to a specific customer, i.e. the availability of a high-speed broadband connection, which depends on a number of factors including distance from the exchange and availability of network resources.

3. How We Solve the Problems

Composite product specifications represent complex product and services composed from other products and services. Offers define the commercial terms and conditions under which the products are offered and sold to the customers.

The optimum solution for the challenges we describe above is to introduce a unified product master data catalogue. The role of the product catalogue is to overlay the internal product silos (and potentially those of the external partners) and provide the single source of information about the current offers to the sales processes at all the different customer touch points.

A core part of the solution is the product repository. It provides the facilities to import and represent all the products (and offers) that are defined in individual silos or provided by external business partners. These product specifications represent the baseline and can be used as building blocks for new (composite) product specifications and offers.

An essential step to improve the overall time-to-market performance for new propositions is to increase the amount of product design and configuration that can be performed by business users and decrease (and ideally eliminate) the amount of made-to-order IT development. The Product Catalogue solution therefore provides the tools for product managers to compose new products and manage offers. The Product Catalogue also provides the product configuration information required by the order management system (OMS) to be able to correctly handle the orders for new propositions. To maximize the added-value of the Product Catalogue, the OMS needs to support rule-driven decomposition of commercial orders into the execution plans for technical (and possibly manual) fulfillment.

The complexity of such execution plans requires more sophisticated process management and monitoring capabilities within the OMS – which also handles exception management and error management.

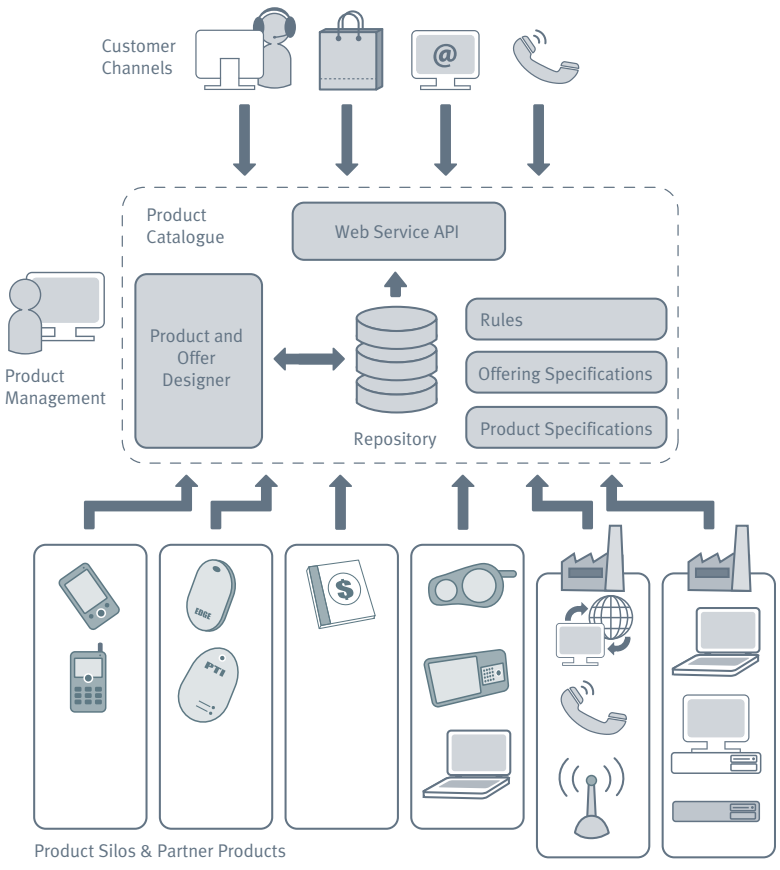

Figure 2:
The Product Catalogue acts as a middle tier between products, channels, and product management.

4. Offering Engine

HERMES SoftLab has developed a sophisticated Product Catalogue solution which is capable of addressing the urgent business need to rapidly assemble and roll-out new products, services, and offers to the market over a number of sales channels. The solution provides all the functionality described above, and was designed with an emphasis on being able to support flexible offer eligibility rules, which can be applied against customer profile information.

The solution is provided as a stand-alone application, with a strong focus on the common integration scenarios that allow the solution to be integrated with the customer's systems effectively.

The key benefits of the solution are:

- **Reduced time-to-market cycle.** An increased number of product and service offerings can be developed and deployed quickly. Typically, new product bundles can be built purely in the management GUI, resulting in low lead times to availability to end customers.
- **Reduced cost of development.** The Product Catalogue provides the generic, out-of-the box support for many structures and functions that are necessary to represent the product, offers, and the related business rules. It also provides functions that are typically required by the customer touch-point applications, which further reduces the amount of time and effort spent on development.
- **Ability to leverage the customer insight.** The eligibility rules functionality is delivered through an embedded business rules engine and the eligibility rules are typically set against specific attributes of the customer profile. Eligibility rules allow for very fine grained and targeted positioning of the offers, without any development overhead. It is also very easy to create and deploy additional eligibility rules as the customer profile grows richer with additional attributes.
- **The solution is built on industry standards.** The Shared Information and Data (SID) Model from the NGOSS specification was used to build the generic product and offering data model.

5. Conclusion

The importance of product master data catalogues has been greatly emphasized through recent product developments and marketing trends in the telecoms sector in particular, not the least due to the growing use of bundling. The typical problems – related to product silos and the dispersion of business rules – are best addressed through a unified product catalogue, which must be properly integrated with the customer touch-points on one side, and the down-stream BSS applications on the other. A systematically built solution provides the benefits of shorter time-to-market and reduced cost of development, and contributes to the improved competitive position of any service provider.
The Offering Engine provides a proven path for organizations providing complex products and service to drive costs out of their processes and increase their ability to respond to market changes quickly and profitably.
It improves the connection between the product management process and the order configuration process, which reduces the time-to-market performance and the costs of rolling out new offerings. Experience shows that it is much less expensive to deploy and maintain products and services from a marketing-controlled GUI console than from IT-driven, made-to-order development.

The Offering Engine acts as the master controller, the central product repository for all information on internal and external products and services. It becomes the single point of control for master product data and manages the product lifecycles.
The ability to create and deploy innovative product and service offerings quickly, and with little or no demand for IT resources is a great advantage to any service provider company facing stiff competition on the market. This is desirable, but it is no easy challenge for companies to actually realize the vision of a streamlined, factory-like product and service delivery model.
The small footprint and flexible, service-oriented design along with the standards-based data model make the Offering Engine a very good choice as a product management and order configuration solution, which will produce immediate business benefits and at the same time free-up IT resources.
The implementation of the Offering Engine also intermediates a layer of control into existing architectures. Through this ‘middle-out’ architectural innovation introduced by the Offering Engine, it separates the sales channels from other B/OSS systems.

As all organizations move towards tighter control of product and service offerings, the HERMES SoftLab Offering Engine provides clear, immediate, and long term benefits.

//ABOUT HERMES SOFTLAB/ HERMES SoftLab, a member of ComTrade Group, is an international provider of IT solutions and software engineering services serving storage and gaming industries, telecommunication service providers, financial institutions, and the public sector. The company was established in Ljubljana, Slovenia in 1990 and has grown into an internationally recognized center of technology with headquarters in Slovenia, and offices across Europe and the USA.

//ABOUT COMTRADE GROUP/ ComTrade Group is the parent company of HERMES SoftLab. Recognized as a leader in information and communication technologies in Southeastern Europe, the ComTrade Group has over 15 years experience within the region. The company is present in 14 countries spread over 2 continents. With over 1600 employees, HERMES SoftLab is able to offer a range of IT solutions, R&D services, production and distribution of ComTrade Computers, and other ICT and electronic equipment.

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