



Collection Service for Communications Giant

“Telefónica serves a large demand of ISPs and carriers to offer access services to their users. Together with acoreus we handle all end users billing issues in this sector.”

Chief Executive Officer
Andreas Bodczek - Telefónica Deutschland GmbH

Summary

- German Telecom liberalisation opens market to Telefónica in Germany
- Telefónica Deutschland GmbH quickly becomes Germany's number two ISP player with about 3 billion online minutes per month
- acoreus collects payment for a large proportion of those minutes
- Telefónica and acoreus establish a partnership that enables Telefónica to concentrate on IP network services and business customers whilst acoreus manages the cash collection in the customer business



The Internet revolution and deregulation of the telecoms sector changed the way that residential and commercial users access and exchange information.

In Germany, one company that has both stimulated growth and benefited from it is Telefónica Deutschland GmbH. It is now one of the country's largest IP carrier after Deutsche Telekom (DTAG).

With such a volume of customers, Telefónica Deutschland GmbH needed an efficient and cost-effective way of managing massive payment collection.

Their problem was solved when they talked to acoreus.



Until the very end of the last millennium, if you wanted to move data long distances in Germany, you used the network built up by the incumbent Deutsche Telekom, monopoly provider of terrestrial telecom services. But from the 1st of January, 1998, legislation freed the German consumer market from its total reliance on DTAG. As Omar Khorshed, Chairman and CEO at acoreus describes, deregulation changed the communications world for ever. "When a monopoly provider is replaced by a competitive market, innovation flourishes. Large organisations compete for high volume traffic, smaller companies attack previously unsatisfied niches, new services are enabled by advances in technology. One new entrant was Telefónica, a major telecoms provider in Spain which already operated in other territories. It saw liberalisation of the German market as a serious opportunity to build its presence in Europe."

Andreas Bodczek, CEO of Telefónica Deutschland GmbH explains. "Deregulation came at the time when interest in the Internet was exploding. There was demand for Internet connections, separate from voice lines, and that was a market we were determined to satisfy. Now we have 37,000 kilometres of backbone capacity in Germany, with 320 local points of presence. In total we provide about 3 billion online minutes a month, much of it on a non-contracted, call-by-call basis. Our ambition was not just to provide the highway, but to offer value-added services as well, and we've succeeded. We host sites and we host applications, we provide Voice over IP and virtual private networks. Our success, though, created a problem. With much of our traffic being non-contracted, we have little idea who our customers are, apart from their telephone numbers, which makes getting bills paid a problem. Initially, DTAG was obliged to provide those billing and collection services to its competitors, which solved our problem temporarily. But when it withdrew from collection we needed an independent solution."

Omar Khorshed continues. "DTAG had built systems and processes to handle its own billing and collection services over decades. Recreating such systems would have handicapped market entrants, and so legislation obliged DTAG to offer these services to its new competitors, at a price, for a period. At acoreus we realised that new telecom players would need alternative, competitive outsourced suppliers to handle telco back-office tasks. We set out to dominate part of that area, concentrating on the post-usage consumer interface. We built a modular solution which offers an efficient and cost-effective way for telecom companies to handle customer and service management, pricing, billing, payment, debt collection and financial clearing in a low value, high volume transaction market."

Solving the Collection Problem with acoreus

For Telefónica in Germany, the acoreus solution was the answer to its collection problem. Bodczek explains. "Handling and clearing incoming payments, chasing late payments and resolving bad debts in such volume was not something we wanted to handle in-house, so we looked for an outsourced



provider. We found several, but the one of our choice was acoreus, which could provide the answer to collection more quickly, more comprehensively and more economically than the other organisations."

A Quick Answer to Telefónica Deutschland's Needs

acoreus' core application uses modules to cover different aspects of post-usage customer management. The clients of acoreus mix and match these service modules to provide whatever level of functionality they require, then customise the solution to meet their exact needs with a limited amount of bespoke development. It's an approach which makes for rapid application development. The contract to develop a collection system for Telefónica in Germany was signed in May 2001. It required acoreus to consult with Telefónica Deutschland GmbH on the nature and scope of the solution, to recruit collection and clearing staff, and to undertake custom development. Nonetheless, the system went live three months later. Now acoreus handles the full collection process, with no action required at all from Telefónica.

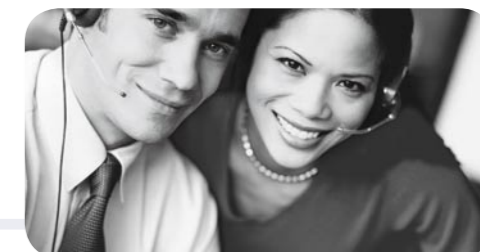
Money matters

Khorshed explains the importance of collection. "Telcos run on money. Selling services is only part of the battle to succeed. Just as important is being paid. And, preferably, being paid correctly and promptly. Customers being customers, it's natural that they query bills, delay payment, or pay bills incorrectly. So, beyond the technical collection system we built for Telefónica Deutschland, we needed an operation to resolve payment problems without impacting Telefónica's cashflow. Together with Germany's biggest licensed collection agency, Creditreform, we launched aCS, a joint-venture credit control centre which acts in Telefónica Deutschland's name to speed collection of the money it is owed. And we had to be able to offer that at a price which, in itself, didn't impact Telefónica Deutschland's profitability. We've driven down the average cost of collection – the entire process of chasing payment, receiving money and allocating it to the correct profit centres within Telefónica Deutschland – to less than €1 per bill."

Bodczek adds more. "Not only does the acoreus process take care of payment, including bad debt recovery, it does two other things of importance. Firstly, much of our capacity is resold by other ISPs. Where this is the case, the solution acoreus built for us allocates monies and open receivables directly to the accounts of those ISPs, relieving us of the costly administrative task of reallocating those funds. Secondly the system provides us with customer knowledge. We can examine payment behaviour at any level of granularity from the individual customer upwards. In the case of our large commercial clients, many with household names, we can look at payment behaviour on a per product basis, information we can share with our customers when contracts are being examined. Not only does acoreus' solution get money in more quickly and less expensively, but the information it feeds back to us

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Omar Khorshed makes another point. “When we’re handling the flows of funds involved with Telefónica’s business in Germany, it’s important that it has absolute trust in us, both in terms of our processes and our technology. With the consequences of any failure in the collection process being so dramatic, we’ve built Telefónica’s system with secure redundancy at all key points. A business-critical system deserves no less.”

“It provides us with total peace of mind,” Bodczek concludes. “Our skills are designing, building and operating communications networks and selling capacity on them. Beyond this point, we prefer to engage specialist suppliers which compliment our core activity in handling the post-use part of our business. We rely on acoreus in the critical area of payment collection and it has met – more than met – our expectations.”

Company Profile

- Business process outsourcer for mass transactions billing and collection
- Competence centre for Customer Relationship Management
- International solutions for telecoms, internet services, telematic services, content provisions and utilities sectors
- Established May 2000, with over 80 staff, and based in Düsseldorf, acoreus currently bills over 16 million German addresses each month
- aCS (acoreus Collection Services) – a joint-venture company with Creditreform – manages overdue collection

Mission statement: “We enable our clients to concentrate on their core business while we do the rest. We can do billing and collection more efficiently, effectively, quickly and in a customer-friendly manner.”

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