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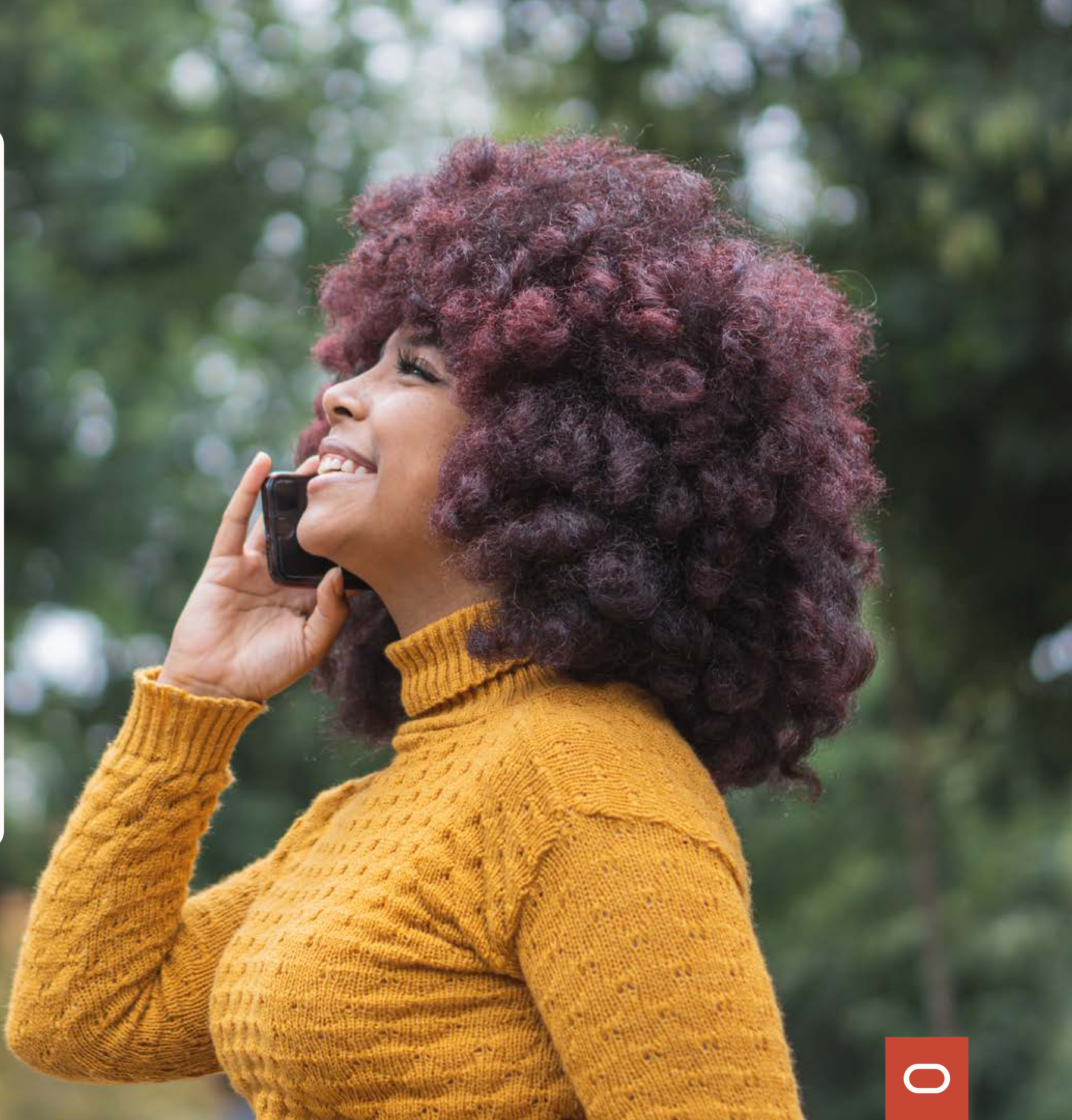
Power up new strategies for device finance

Communications services providers embrace innovation



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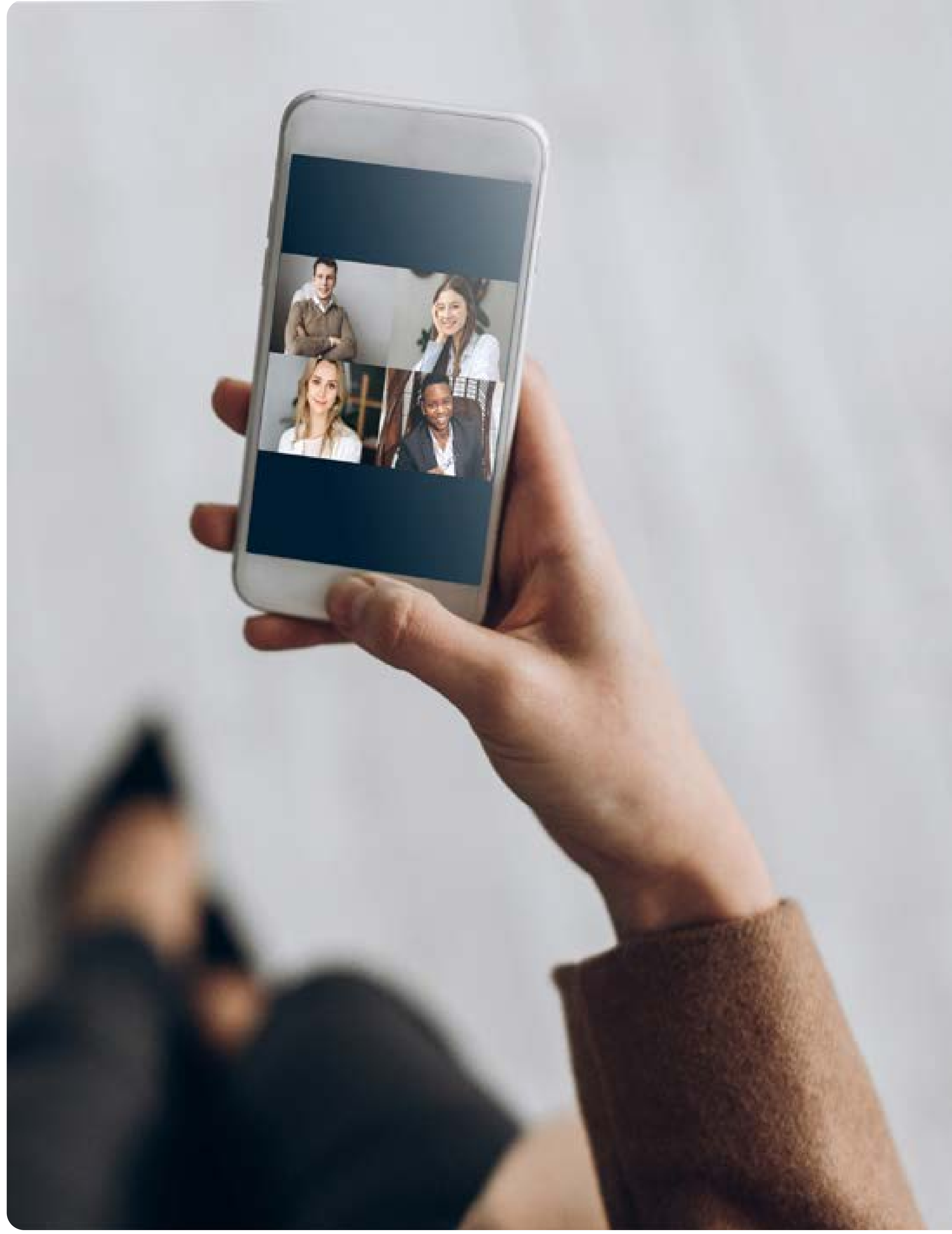
Introduction

The communications industry is transforming before our eyes. Diversification is accelerating, with players moving beyond traditional telecommunications offerings into internet, cable, satellite, and home security services, and much more. On the technology front, we're on the cusp of broadscale 5G adoption and the device proliferation that comes with it. And, we're just beginning to imagine the possibilities of a metaverse era.

Business models and priorities are also evolving to encompass subscription innovation, expanded and evolved product offerings, as well as new sustainability initiatives. And, communications enterprises are eager to pursue new finance instruments, including securitization of device loans.

These developments present new opportunities for agile and eager communications enterprises. To succeed, however, they have to be ready to embrace innovation, including new finance models and systems. The bottom line: The industry cannot thrive in the new economy with yesterday's systems.

Come with us as we explore four trends that are reshaping the communications industry; the device finance challenges associated with each; and the requirements for a next-generation financing platform to help you make the most of new opportunities.



Trend 1:

5G gets real

5G: It's here. There were 209 commercial 5G networks worldwide as of March 1, 2022, according to the Global Mobile Suppliers Association[1]. And, CCS Insight [2] estimated that worldwide connections to 5G networks would double in 2022 to 1.3 billion and exceed 3.6 billion 5G connections by 2025.

5G's extreme speeds, expanded network capacity, and lower latency open the door to device proliferation, particularly IoT devices, which are expected to grow exponentially in coming years.

5G impact

Networks
100x faster
and
1000x
more capacity

IoT in 2025

30 billion
devices
4+ devices
for every person on earth

5G is also expected to play a pivotal role in advancing the metaverse reality—where the physical and digital worlds merge. It will deliver the high-bandwidth, low-latency mobile networks that will enable consumers to use robust virtual reality headsets on the move.

Communications providers must be ready for new devices, higher volumes, and new pricing and payment models to support device proliferation. Legacy lending platforms, which were built to manage traditional device finance models, will be challenged to evolve and scale to meet the rigorous demands of the 5G era.

1 Global Mobile Suppliers Association - https://gsacom.com/technology/5g/
2 CCS Insight - https://www.ccsinsight.com/press/company-news/5g-progress-continues-but-mobile-phone-supply-concerns-remain-a-risk/

Trend 2:

Support for subscription economy

The subscription economy is gaining momentum exponentially and revealing new opportunities for communications enterprises to grow and thrive. Consumers are moving away from traditional “ownership” and procuring products and services (including communications services and devices) as a one-time transaction. Instead, they seek to access them anytime, anywhere, and to whatever level they prefer. The ability to deliver extreme flexibility for users, therefore, will be the key to success in this new economy.

Communications providers are getting on board with agile subscription models that allow customers to access the services (and devices) that they want—whether mobile, cable, internet, content/apps—when they want them and deliver easy on/off capabilities. Customers pay for only what they want and use.

The ability to offer these fluid offerings requires an asset and financing management platform that enables a complete view of the customer relationship across an increasingly diverse set of services. It also demands extreme agility to rapidly configure new offerings, understand customer use patterns, and enable a unified experience regardless of a customer’s preferred interaction channel.

Many communications enterprises are stuck with legacy billing systems that they’ve stove-piped in an attempt to support subscription billing and asset management. These systems simply were not built for this new era, which requires a strong technology foundation for success.

Subscription economy – by the numbers

6x
growth in last 9 years

Source: 2021 Zuora Subscription Economy Index

Value:
$1.5 trillion by 2025
(more than double size in 2021)

Source: USB

Trend 3:

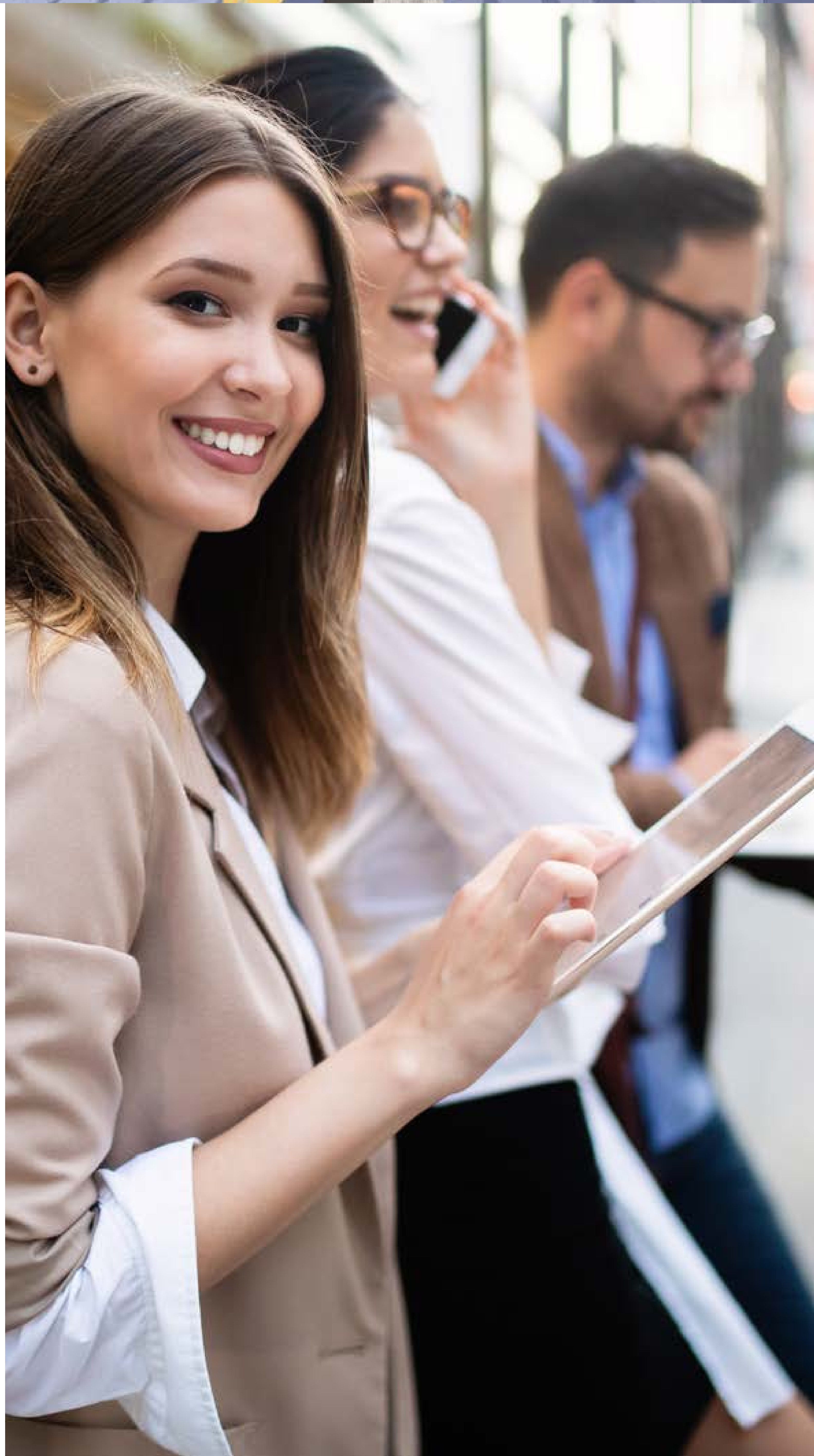
Diversification, convergence, and new players

Communications companies continue to diversify services and seek a greater share of customers' communications wallets—which today might include mobile, internet, cable, satellite, and home security services, to name just a few.

We see a blending of business domains—a convergence of communications services and finance. A growing number of companies around the world are expanding beyond mobile payment systems[3] with consumer financial services, such as loans and leases, savings plans, and insurance offerings.

Other new players seek to chisel away at communications providers' device revenue. One new player, Raylo[4], promotes a rent-not-own option that touts a value and sustainability play. These types of emerging players could place new pressure on communications enterprises as they continue to dispatch subsidies and expand installment finance models that customers perceive as more expensive.

Changing market dynamics demand new financing capabilities, including interest-based products, and the ability to integrate them into billing systems without interrupting business and the customer experience. Legacy systems, designed to manage airtime, data, and devices, cannot deliver this level of agility.



[3] expanding beyond mobile payment systems - https://stlpartners.com/insights/mobile-payments-telco-financial-services/
[4] Raylo - https://www.thisismoney.co.uk/money/bills/article-9768621/Could-RENTING-mobile-phone-save-hundreds-pounds-year.html

Trend 4:

Device securitization gains steam

Consumer goods financing enterprises—and cell/mobile device financing, in particular—are actively leveraging securitization models, and markets are responding positively.

Verizon was first to market in the industry with a public securitization offering. It launched the $1.2 billion securitization (underpinned by more than 3 million receivables, representing average monthly payments of $28) to much acclaim in 2016.

Securitization is gaining momentum for several reasons. First, the drive towards larger screens, superior camera quality, streaming services, and more has increased both the average sale price of the cell/mobile device and its shelf life/retention period. This amplifies the impact of self-financing on carriers' balance sheets.

In an effort to offset the rising cost of devices and extend client retention with multi-year contracts, phone carriers have understandably moved away from subsidizing the cost of cell/mobile phones, instead charging consumers the full market price for devices. We now typically see cashflow-neutral installment plans in their place, amortizing the cost of the cell/mobile phones over the period of a longer contract (24-36 months).

Securitization also frees capital for capital investment, which is critical as the industry builds out and scales for 5G. Smart phones have evolved from traditional "user equipment" into essential consumer products. Securitization, in turn, allows companies to finance these installment plans now and going forward by using the monthly receivables due from customers.

Trend 4:

Device securitization gains steam

For any telco or device financing company, securitization is key to continued success—and companies need systems that can accommodate both customer financing agreements and the ability to create securitization vehicles for funding. These systems must fully support consumer and asset lending (both loans and leases), as well as enable enterprises to create, manage, and track securitization pools alongside management of the customer finance agreement. Ideally, they can do both on the same platform to optimize value and investment.

MARKET PERSPECTIVE

Moody's[5] commented that cell/mobile phone contracts have a particular strength as an asset, "owing to the fact that they represent an essential component of Americans' daily lives and routines." It also wrote that the new contracts had not yet "been tested in a difficult economic environment."

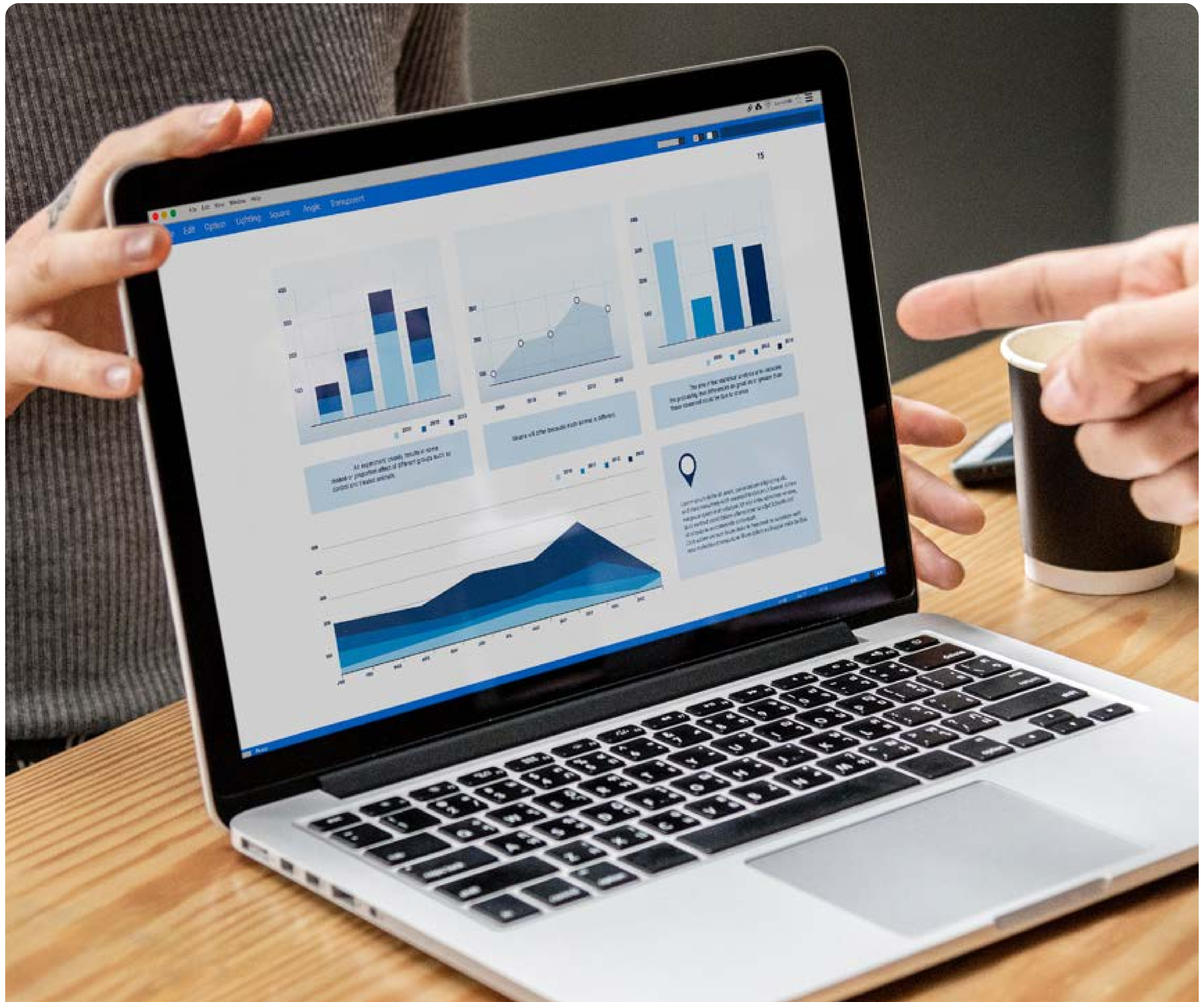
[5] Moody - https://www.marketwatch.com/story/wall-streets-new-raw-material-for-bonds-is-your-phone-bill-2016-09-19

Powering device finance

New models are driving new needs when it comes to financing and servicing devices. Systems must be able to scale massively as the types of devices expands and their numbers grow exponentially with the rollout of 5G and all that it enables.

Most legacy platforms—regardless of industry—were designed to support only the basic financing programs, such as loans, leases, or lines of credit. But, the game has changed. Today's world requires metered use to support subscription models; flexible terms, financing, and billing; extensive notification and communication capabilities; real-time information and analysis; and the ability to manage IoT data and devices.

To ensure a superior customer experience and advance the convergence of communications and finance offerings, financing systems must also enable embedded finance. In other words, financing must be so intrinsically woven into the consumer experience that it doesn't feel like a distinct and separate process.



Innovation in action

A major mobile communications company made its mark by revolutionizing the relationship agreement between the provider and its customers. The company knew that it would have to continue to evolve and wanted to be prepared to introduce interest-based financing. Its legacy system could not accommodate this model, so the enterprise looked to Oracle for a solution, selecting Oracle Financial Services Lending and Leasing.

REQUIREMENTS

- Extreme scale and speed
- Seamless deployment that would not disrupt other processes or proprietary systems
- Support for existing and future products, including interest-based financing, branded debit cards, and more
- Effortless integration with billing systems and other enterprise applications

IMPACT

- Deployed the solution seamlessly and invisibly in the current ecosystem to streamline adoption and avoid business disruption
- Leveraged the solution’s 30+ APIs for rapid integration
- Enabled deployment of interest-based products and set the stage for future innovation
- Achieved extreme scale and speed—can create a loan in 5 seconds and execute a database query (consisting of 100 million loans) in .5 seconds
- Gained the ability to scale for 5G and IoT device proliferation
- Integrated to billing system in a kinetic fashion to accelerate cycles and support converged statements
- Maintained perfect SLA compliance since deployment

What it takes

Several key characteristics define the financing platform needed to support today's rapidly changing communications market. These include:

- Single digital platform for end-to-end lifecycle—contracting, payments, collections, asset management, and beyond
- Support for IoT functionality, as well as diverse service lines—internet, satellite, cable, mobile, etc.
- Extreme scale to meet device proliferation and communications industry volume realities and requirements
- Ability to rapidly configure and change workflows, user responsibilities, and administrative override parameters
- Comprehensive relationship view and ability to leverage enterprise-wide data to deliver personalized device and financing options to customers
- Configurable business rules engine to enable users to define rules for unique business processes —optimizing automation
- Multi-channel support and extensive self-service capabilities, whether to enable simple updates, such as address changes, or more complex functions, such as changing payment plans
- Compatibility with credit bureaus, credit card payment interfaces, and fintechs
- Ability to support the creation, management, and tracking of securitization pools alongside management of the customer finance agreement—on a single platform
- Flexible deployment options, in the cloud

Oracle leads the way

Oracle Financial Services Lending and Leasing is a comprehensive, purpose-built solution that provides a modern, enterprise-wide platform to support the entire communications device finance process. The solution, which offers flexible deployment options in the cloud, delivers seamless, end-to-end digital capabilities, from origination to servicing through collections and device management.

Oracle Financial Services Lending and Leasing—already used and trusted by established communications enterprises—fully supports consumer lending and asset lending (both loans and leases). Additionally, it offers support for creating, managing, and tracking securitization pools alongside management of the customer finance agreement.

The solution's open architecture can integrate with any compatible system, application, or device. And, it delivers added value when coupled with Oracle's Internet of Things Intelligent Applications Cloud and advanced analytics to give a whole range of new real-time insights into customers and device use.

Simply stated, this solution improves the customer experience with a modern, digital platform that supports rapidly changing business models and priorities in the communications industry; enables flexibility that drives business growth; and increases productivity and efficiency with automated processes and transactions.

Learn more

Take a product tour

Power up new strategies for device finance:
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August 2022

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