



AOL Chooses Valista OffersPlus to Provide Back-Office Support for Premium Services

AOL can now offer innovative pricing models and bundles of services that were not possible before

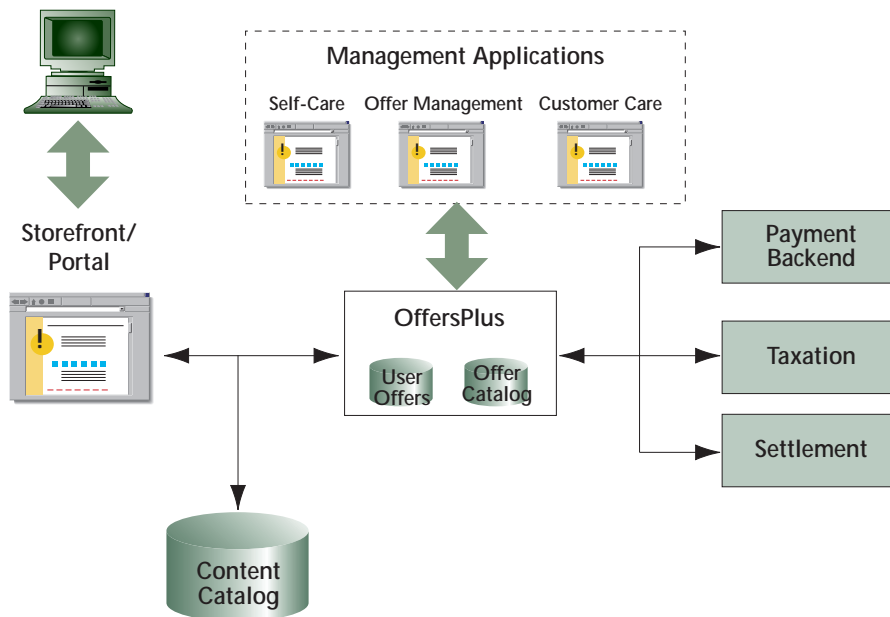
America Online is facing a decline in subscribers as more and more Americans replace their dialup accounts with broadband connections from other internet service providers. With AOL's subscription fees and advertising (the company's two main sources of revenue) tied to its number of subscribers, AOL is looking for other ways to monetize its subscriber relationships: Enter premium services.

AOL has been selling premium services with some success. Offerings such as antivirus software sold as a monthly subscription with no upfront cost to the user have proven to be an effective way to increase ARPU. Unfortunately, AOL's existing billing system was designed before the need for premium services (often provided by partners) was apparent. Provisioning new services was costly and time consuming. Settling with partners providing premium content and services was a challenge. Pricing flexibility and support for bundling of multiple premium services, including those from multiple partners, was limited. AOL needed a new system to pick up where its existing infrastructure left off.

The Solution and Best Practice

AOL looked to the market for a system that could help the company effectively manage and bill for its premium services. It chose OffersPlus from Valista (see Exhibit 1), a new product designed specifically for handling the catalog, pricing, campaign and partner relationship management issues that come with selling premium content and services on behalf of third parties. Valista has had success selling its products to a number of wireless carriers to manage their premium content offerings.

Exhibit 1. Generic OffersPlus Deployment Architecture



Source: Valista and the Yankee Group, 2004

The system works alongside AOL's existing billing system to help the company manage premium content. AOL's immediate business benefit was the reduction in the amount of time and effort involved with provisioning new services and the improvement in support for flexible and innovative pricing through the use of bundled content and subscription pricing for content.

Critical Success Factors

- **AOL recognized the shortcomings of its existing billing system and chose to examine solutions available from third-party vendors.**
- **AOL was looking for a packaged software offering around content.** It was not interested in a highly customized platform due to the cost, time and uncertainty involved in a custom-built platform.
- **Valista has substantial experience installing its software alongside legacy billing systems.** By offering a system designed to complement rather than replace legacy systems, Valista created a solution that enables service providers to expand their capabilities around premium content as quickly as possible.
- **Valista offers a platform that supports the many requirements of the premium content business.** Its software helps AOL quickly enter new partners into its systems, provision new products from those partners, have flexibility in pricing and bundling, and settle with its content partners.

The Value

AOL has realized an 80% reduction in the expense to provision a new premium service offering. This gives the company both cost savings and increased flexibility in the marketplace. New services can reach the market in a timely fashion and more services can be launched, enabling AOL to pursue a wide variety of opportunities.

AOL can now offer innovative pricing models and bundles of services that were not possible before it implemented OffersPlus. For example, AOL can offer a security bundle combining antivirus software from a third party with AOL's own enhanced security offerings. OffersPlus manages numerous customer transactions around content including initial subscriptions, service provisioning, and upgrading, downgrading and canceling the service. The system also handles revenue settlement with partners, accounting correctly for promotions, bundling and canceled purchases.

Vendor Recommendations

- **Implement digital content management systems now.** Systems to support the sale of premium content—over both the internet and wireless networks—represent a growth opportunity for billing vendors. Many vendors have talked about servicing this market, but relatively few have implemented these systems—and none have emerged as truly dominant players in the space.
- **Offer products that enable operators to support innovative new products and services.** The market for billing systems has cooled off in recent years as few new operators are being created and most existing operators have billing systems in place to support their core business. Growth will come from adding to or supplementing those existing systems to meet the evolving needs of the operators that rely on them.
- **Understand that large-scale content deals involve much more than billing systems.** If billing companies are to fully capitalize on content opportunities, they will need to expand their offerings significantly, including components of CRM partner management, analytics and reporting, and self-service functionality. In many cases, the service providers are looking for best practices around support for content as well as the ability to make these best practices a reality.

Carrier Recommendations

- **Plan all aspects of support systems for content.** As AOL shows us, the support for content involves numerous disciplines to manage its lifecycle. For instance, contract support for partners, monthly royalty settlement, product bundling and campaign/offers are some of the issues that carriers must address to maximize the return on investment for premium services.
- **Invest in systems when scaling the business becomes an issue.** Many service providers often support smaller scale offerings for content with manual processes and spreadsheets. Therefore, investment in a packaged content business system is only necessary when growing pains become apparent—which normally is when the business decides to aggressively grow and monetize the content business. This leads to an increasing number of content partners and an increasing amount of revenue from premium services.