Wireless World: Broadband credit scores

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Telecom companies are scrounging for ways to mitigate their risk when modeling cutting-edge wireless and broadband technology deployments -- and many are considering using credit scores to vet prospects in order to establish who would be the "best" customer, experts tell United Press International's Wireless World.

The era of easy access to the latest information technologies for consumers may soon be gone, as the number of delinquent accounts, those 90 or more days late, over a 12-month period, increases.

The credit agency, TransUnion, based in Chicago, has developed a "customized" scoring model for the broadband industry. This model is intended to help companies reduce their risk, and increase market-share, by finding optimal telecom customers. The scoring model goes beyond generic credit risk scores, and beta tests have already been conducted using the new model.

"Due to the dynamic and competitive environment of the cable and broadband industry, a 'one size fits all' approach to modeling can become quickly antiquated," said John Card, vice president of sales development at TransUnion, one of the nation's three leading credit reporting agencies.

Telecom companies are looking to monitor billing throughout a customer's lifecycle, so they can adjust the terms of their service offering, repackage what services they offer, or even deny credit to customers, based on their telecom credit risk profile.

The data used in developing the telecom credit risk profile was developed using 25 specific characteristics of a consumer's behavior -- and was examined over a lengthy period of time to reduce seasonal or geographical biases.

"Getting and keeping the right customer is critical to our success," said Butch Brown, vice president of credit and collections at Charter Communications, one of the nation's leading cable providers.

Brown said the model -- which his company is now using - helps the provider develop pricing points for specific customers, as well as determine which service plans to offer individual accounts.

The new credit-scoring model is emerging as the market for global pre-paid mobile revenues will total $266 billion by 2009, according to research by ARC Group, an information technology research consultancy, based in Geneva, Switzerland. The prepaid platform is used to attract youths and customers with bad credit scores, which are untapped market sectors according to a new ARC.

Pre-paid wireless surfaced in the U.S. about nine years ago, when the firm TracFone Wireless debuted a Uniden 4600 prepaid mobile phone. TracFone today is available in 60,000 retail outlets. The Yankee Group calls the prepaid wireless industry the "fastest growing" segment of the wireless industry today, as customers can buy phones at Wal-Mart or Lowe's or other discount stores, and call their family and friends in minutes. About 40 percent of all new wireless accounts over the coming four years are going to be prepaid accounts, Yankee Group, based in Boston, said.

There are a number of reasons why prepaid is popular for conventional mobile phone services. A report last year on the wireless industry by TNS Telecoms, a telecom market information researcher, disclosed that

78 percent of the wireless minutes paid for by consumers go unused on a monthly basis. The survey also revealed that the average wireless household pays $17.75 more each month than the cost of their monthly rate plan. Factoring in taxes, fees and additional charges, consumers may be paying five times the advertised rate per minute of their contracted rate plan.

"It's not surprising that overall consumer spending on telecom services continues to grow, with wireless service representing a strong portion of that growth," said Charles White of TNS Telecoms. "What may be a surprise to consumers is that on average they only use 22 percent of the wireless minutes they have available."

But pre-paid wireless is one thing -- provided by companies using leased networks from other carriers, as Virgin Mobile, and others do.

Building out entire new broadband networks is expensive. That's why the concern over credit worthiness of new customers for the new technologies is an emerging issue.

"Our economic power in the world arena has thrived on our willingness to make investments in core information technologies," said Stephanie D. Miller, a spokeswoman for Vercuity Solutions, Inc., a business process outsourcing provider, based in Denver.

Not just voice is being offered with the new broadband networks -- but the so-called "quadruple play" of telecom services, voice, Internet, data and video. "In order to stay competitive, telcos must find a way to deliver triple and quadruple play bundles quickly," Tim Mueller, president of Phylogy, a new broadband technology developer, based in Mountain View, Calif., told Wireless World.

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