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Backgrounder for the press

Charging and Next-Generation Messaging:

What the Future in Russia and Eastern Europe Will Look Like

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Content

The market in Russia and Eastern Europe

According to market analysts, Russia and Eastern Europe will be one of the growth regions for mobile services over the coming years. The number of subscribers in Eastern Europe is currently about 150 million and will increase to 204 million by 2009. In Russia alone about 63 million people use mobile phones today, in 2009 there will be 87 million. The tough price wars in recent years have clearly lowered the average revenue per user (ARPU) with voice services, and we will not expect any increases in the coming years. Thanks to the falling prices, mobile providers' success in winning more and more customers and routing a rising share of all voice telephony over their networks is taking away substantial market share from fixed network operators.

One only way to increase the ARPU is with new services. Between 2004 and 2009, the revenues with new services in both regions will more than triple. In 2009, the ARPU from applications will account for slightly more than one quarter of total revenues.

This explains why these new applications are so important as far as the network expansion and evolution of the technology are concerned. The attractiveness of services and their pricing will determine subscriber acceptance and ultimately their success. Application diversity and the simple,

intuitive use of communication services are the key criteria. The technology must not be the center of attention in this process. Subscribers want to communicate, not deal with technology. They want to be able to access a large variety of services with all kinds of devices and different access technologies. They also expect steadily increasing personalization and adaptation to their respective communication situation from these new offerings.

Supplier strategies

Successful supplier strategies require attractive services and applications as well as extensive and flexible billing options and a single invoice for all communication services while making sure that the various services and applications are integrated into a homogeneous offering with optimal backoffice system integration for highly efficient but low-cost operations.

New applications

Communication, information and entertainment are keywords for the new applications. The term person-to-person communication includes new services like Push-to-Talk over Cellular, Instant Messaging and Chat, Picture Chat and Multimedia Conferencing, which focus on new multimedia communication capabilities between individuals and groups. Entertainment

covers new applications like Photo Share, Push-to-Flirt, Person-to-Person Gaming, Audio and Video Streaming. Information includes services like Info Channels, Information Sharing, Interactive Guidance and, for the important business segment, Collaborative Working.

We believe that Push-to-Talk and Instant Messaging services, Streaming and Downloading will play the most important role as revenue generators for the operators. Under the heading of Next-Generation Messaging, we are promoting the convergence of voice and multimedia. Next-Generation Messaging is a new and versatile technology platform that combines voice and text messages, e-mail messages and fax and with whose help operators can offer highly efficient messaging services. The more these services are in tune with subscribers' current communication situations and personal preferences, the higher their value perception becomes. That's why services that enable the personalization of mobile services play such an important role. Location Services and Presence Information permit operators to optimally meet their subscribers' individual communication needs.

Presence provides information about a desired communication partner's current availability and communication preferences (for example: 'I'm in a meeting. No calls, messages only'). Location-based services provide information about the subscriber's current physical location and can be used for all services where geographical information is important.

Convergent Charging

The operators' pricing strategies are another not unimportant factor that will determine the success of these services. Convergent Charging gives operators the tool they need to ensure the secure and reliable billing of all these highly diverse services over different networks. In addition to the real-time billing of any service, Convergent Charging also features high flexibility in setting and changing prices. Introductory offers, regular prices and sales-enhancing discount promotions for all customers or selected segments can be implemented quickly. For the operators' cost situation, it is important that Convergent Charging solutions eliminate the separation between prepaid and postpaid customers and enable them to bill their complete customer base with a single charging solution. Our charge@once solution supports the entire customer base (prepaid and postpaid), all services (voice and data) and all networks (2G, 2.5G, 3G, WLAN, IP) in real time. This minimizes not only the costs for the operator, but the risk of non-payment as well since the solution can monitor spending limits in real time. Providing price information before services are used increases their acceptance. With highly flexible rating features, we give operators the opportunity to respond quickly to changing customer behavior and to increase service usage by adjusting their pricing.

System integration

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The combination of new, attractive services and Convergent Charging solutions provides additional ARPU and secure billing of new services. Comprehensive integration into operators' existing system environments and our support of standards and open interfaces ensure the trouble-free operation, openness and expandability of the solution. An increasing ARPU and cost efficiency gives operators the opportunity to grow profitably in this highly competitive market.

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