

Modelling Quality and Pricing in Next Generation Telecom Networks

14

Vesna Radonjic Djogatovic

Faculty of Transport and Traffic Engineering, University of Belgrade, Serbia

Marko Djogatovic

Faculty of Transport and Traffic Engineering, University of Belgrade, Serbia

INTRODUCTION

Business processes in telecommunication sector have evolved from rigid structures to a highly competitive environment due to the dynamics of the open market. Future telecommunications infrastructure are expected to be built upon the concept of next generation network (NGN) referring to an architecture of telecommunication core and access networks, which assumes transport of all information and services over a common network, typically built around the Internet Protocol (IP).

Many service providers (SPs) are looking to NGN services as a means to attract and/or retain the most gainful users. In NGN users are expected to choose the SP offering the best price and quality of service (QoS) combination. As a result, SPs operating in the same telecommunication market will end up competing for users by adjusting QoS they offer and the price they charge for their services.

Quality of NGN services can be estimated based on the three aspects: QoS, quality of experience (QoE) and quality of business (QoBiz). The main goal for SP is to maximize his revenue while providing users the required QoS at the acceptable price. QoS can be defined as a set of characteristics of a telecommunications service that bear on its ability to satisfy users' requirements (ITU-T E.800, 2008). While QoS is related to the service performances that can be measured and controlled, QoE relates to the experience realized by a user when using the service and it depends upon users' actions and subjective opinions. In addition to SPs' aspirations to ensure the required QoS to their users, profitability is of the most importance to them. QoBiz in particular covers service providers' profitability. It deals with the financial aspects of service provisioning and refers to all those parameters that are expressed in monetary units. QoS, QoE and QoBiz are integral parts of a service level agreement (SLA) which can be contracted between two SPs or a SP and a user.

This chapter aims to provide new possibilities for SPs to enhance their revenues using the appropriate pricing scheme. Features and applicability of responsive pricing scheme and hybrid pricing for charging end users in NGN are discussed. Game theory is used as an underlying concept for the implementation of pricing. In addition, transparent mapping of QoS parameters to QoBiz are considered, encompassing service price dependence on QoS violation, which is consequently reflected on SP's revenue.

BACKGROUND

Pricing with QoS guarantees has gained a strong momentum in telecommunication networks in past decade. It has led to a new interdisciplinary research area of "Telecommunication Economics", which

DOI: 10.4018/978-1-7998-3473-1.ch163

investigates telecommunication networks from an economical rather than from a technical perspective and allows innovative solutions in network management, control and pricing (Courcoubetis & Weber, 2003).

QoS describes the ability of a network to provide a service with an assured service level but it appears that in NGN QoS differentiation will not provide a suitable economic framework for the trade-off between quality delivered by SPs and willingness to pay from users' side. QoE is an alternative framework for pricing service quality according to the user perception (ITU-T G.1011, 2013). It is affected not only by technical (i.e. QoS) aspects, but on non-technical aspects of service too, such as service set-up, content, price and customer support, which are essential for both QoE and QoBiz evaluation.

The distinction between QoS, QoE and QoBiz metrics in case of Internet services are first emphasized by Moorsel (2001). In Wolter and Moorsel (2001) possible relationships between QoS and QoBiz metrics are pointed out, particularly the effects of QoS degradations on the profitability of e-services. This research considers dynamic relationship between QoS and QoBiz metrics with pricing as an important tool for balancing users' behaviour. Further, for the purpose of evaluating the impact of service composition and utility computing on QoBiz aspects of SPs, a distributed architecture of control systems that manages SLAs is proposed in Machiraju et al. (2002). Yu and Bouguettaya (2007) proposed the model for supporting optimized access of web services through service-oriented queries. Besides QoBiz parameters, this model captures functionality and users' behaviour, as the key features of web services. Bjekovic and Kubicki (2011) address the need for an integration of non-functional aspects of service from the business perspective with aim of improving cooperation among business enterprises. Rivera et al. (2016) presented a framework for evaluating QoE of a web-based over the top (OTT) service from QoS, QoE, and QoBiz perspective. In focus of QoBiz consideration was revenue maximization. In Radonjic Djogatovic, Djogatovic and Stanojevic (2018) the model performing transparent mapping from QoS to QoBiz parameters is proposed. This model is based on several QoS parameters that significantly affect both users' demand and a SP's requirements from the business perspective.

Telecom provider's QoBiz is tightly related to the selection of the appropriate network pricing method. Price based bandwidth allocation has been the focus of many research efforts that aimed to guarantee an appropriate QoS to users. Some methods allow congestion which results in blocking of the lower-priced traffic classes and the acceptance of the higher-priced traffic classes in case of congestion (Marbach, 2004). The concept of responsive pricing was proposed with the aim to incorporate a feedback generated by the network. When the network announces a price based on the cost of using network resources price-sensitive users adjust their traffic in accordance of their own network service valuation (MacKie-Mason, Murphy, L. & Murphy, J., 1997). Chod and Rudi (2005) considered responsive pricing with resource flexibility as well as effects of demands variability and correlation, assuming normally distributed demand curve. In Ninan and Devetsikiotis (2005) a model for incorporating pricing in NGNs with users sharing bandwidth under a fixed charge per bandwidth amount was presented. Optimal resource allocation of NGN services under a flat pricing scheme and QoS policies were considered by Kallitsis et al. (2007). Congestion pricing with various user demands over time was analyzed by Hande et al. (2010). With the goal of maximization SPs' revenue the same authors applied the optimal combination of flat-rate and usage-based access price components. The importance of selection of the appropriate pricing method for a business model framework in case of providing assured quality services is emphasized in Ghezzi et al. (2014). An overview of usage-based pricing schemes and accounting protocols that can be used in NGN are given in Radonjic Djogatovic and Kostic-Ljubisavljevic (2015). The significance of quality and pricing as major causes of customer churn is highlighted in Floris (2017). In the same publication QoE-aware collaboration approach between OTT and Internet SP has been proposed, which is driven by revenue maximization based on pricing, quality, user churn, and marketing actions. Jin et al. (2019)

11 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:
www.igi-global.com/chapter/modelling-quality-and-pricing-in-next-generation-telecom-networks/263697

Related Content

Educational Leadership and Integrated Support for Students with Autism Spectrum Disorders

Yefim Kats (2017). *Educational Leadership and Administration: Concepts, Methodologies, Tools, and Applications* (pp. 101-114).

www.irma-international.org/chapter/educational-leadership-and-integrated-support-for-students-with-autism-spectrum-disorders/169004

The Transformational Change Agent Equation: Reziliency of Native American Women in Leadership Roles in Higher Education

Tamara C. Cheshire, Crystal D. Martinez-Alire, Vanessa Esquividoand Molly Springer (2021). *Black and Brown Leadership and the Promotion of Change in an Era of Social Unrest* (pp. 208-229).

www.irma-international.org/chapter/the-transformational-change-agent-equation/284643

Technology Integration and Innovation during Reflective Teaching

Neeta Baporikar (2017). *Educational Leadership and Administration: Concepts, Methodologies, Tools, and Applications* (pp. 853-862).

www.irma-international.org/chapter/technology-integration-and-innovation-during-reflective-teaching/169040

Identity, Commitment, and Change Agency: Bedrock for Bridging Theory and Practice in Doctoral Education

Carol A. Kochhar-Bryant (2017). *Educational Leadership and Administration: Concepts, Methodologies, Tools, and Applications* (pp. 1815-1828).

www.irma-international.org/chapter/identity-commitment-and-change-agency/169085

Magnetocaloric Refrigeration for Space Exploration: Obstacles and Opportunities

Gerald William McNerney (2025). *New Horizons in Leadership: Inclusive Explorations in Health, Technology, and Education* (pp. 475-486).

www.irma-international.org/chapter/magnetocaloric-refrigeration-for-space-exploration/371047