

retske REPORT



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TO SWITCH, OR NOT TO SWITCH

*To be, or not to be: that is the question.
Whether 'tis nobler in the mind to suffer
the slings and arrows of outrageous fortune,
or to take arms against a sea of troubles,
and by opposing end them. To die; to sleep;
no more; and by a sleep to say we end
the heart-ache and the thousand natural
shocks. That flesh is heir to.*

- King Lear, Act III, Scene I
(William Shakespeare)

The Bard of Avon could not possibly have offered an opinion whether prepaid telecommunications companies should operate their own switches or not, since he died more than 250 years before the invention of the telephone. But, the agonized ponderings of the fictional Prince Hamlet of Denmark that he penned bear a striking resemblance to the dilemma faced by prepaid companies today.

As you may recall, Hamlet was trying to decide whether to rise up against his uncle, who allegedly murdered his brother, Hamlet's father, and married Hamlet's mother. (Although this exact situation may be unique to 16th century drama, this type of intrigue and incestuous relationships bear a striking resemblance to many prepaid relationships today.) Let's take a look at the first part of Hamlet's soliloquy as we update it to represent how Hamlet might have approached the "build or buy" prepaid calling card decision about acquiring a switch.

*To Switch, or Not to Switch; that is the question.
Whether 'tis nobler in the mind to suffer
the slings and arrows of outrageous platform
fees, or to equip thyself with a sea of troubles,
and by opposing end them.*

Can you eliminate the fees and problems you are charged by platform operators by acquiring your own switch, or are you taking on a whole series of new costs and new problems? The answer to both questions is "yes." It is true that you can eliminate the switching fees charged by platform operators, and equally true

that you can eliminate the problems associated with having someone else manage your switching operation. But, there will clearly be other costs and expenses in running your own switch, and a whole range of new "challenges" (a euphemism for gut wrenching problems.)

I have said many times that there are three phases to the life cycle of a typical prepaid calling card company. First, they build a market successfully selling someone else's products. Second, they buy a switch. Third, they go out of business.

This is, sadly, too often what really happens. Effectively marketing and selling a prepaid product, and providing a prepaid service are two distinctly different activities. The same enormous ego that is required to become a great marketer, often causes these sales giants to delude themselves into believing that they can operate a platform better than the geeks they pay to do it for them. Conversely, most great geeks have very little marketing acumen, and eschew what they see as the shallow, vapid world of marketing and sales, and instead use their "superior" intellect to create great systems, offering products that no one knows about, so they have no traffic.

I have often felt that if one could combine the two types, a perfect company would result. But the over-inflated egos of the white shod marketing types and the tennis shod nerds don't often allow them to coexist. The final result, as predicted by Mr. Shakespeare could be paraphrased,

*To die; to sleep; No more; and by a
sleep to say we end the heartache
and the thousands of unpaid bills
that is the debts that are owed to.*

- (with apologies to William Shakespeare)

My recommendation? Do what you do well, and leave that which you don't do well to those that do. In other words, if you are a selling machine, and can build distribution channels that are truly awesome, stay with that, and don't begrudge the techno-geeks their meager switching fees. If you are a person that can design and build systems that rock, don't fall victim to the "build it and they will come" illusion. They won't.

If either of you can carve a notch in your possibly well-deserved egos, spend a bit of time and seek out your prepaid soul mate of the other persuasion. The truly great prepaid companies are alliances representing both side of the technological divide. ■

TELECOM FRAUD ASSOCIATION LINKS TELECOM FRAUD TO TERRORISM

Phoenix-based Communications Fraud Control Association (CFCA) has announced the results of a comprehensive survey that estimates annual telecom fraud losses worldwide. In contrast to the organization's previous (1999) estimate of \$12 billion, CFCA now considers annual worldwide telecom fraud losses to be in the range of \$35 - \$40 billion U.S. dollars.

"The results of this survey confirm that telecom fraud is a more lucrative criminal business than we initially thought and that the problem is getting worse," explained Clemmie A. Scott, Jr., CCSP, CFCA President. "CFCA is committed to raising awareness of this worldwide problem and providing a forum for educating and sharing information among telecom providers."

Telecom fraud is the use of telecommunications products or services with no intention of payment. Telecommunications fraud negatively impacts everyone, including good paying customers. The losses increase the companies operating costs. While telecom companies take every measure to stop the fraud and reduce their losses, the criminals continue their attacks on companies with perceived weaknesses. Because of this, companies keep confidential their actual losses and their plans for corrective measures. Full disclosure may be viewed as a challenge to the criminals. Due to the sensitive nature of the problem, CFCA conducted a confidential opinion survey of telecom companies in 26 countries.

Although CFCA is not permitted to release the detailed results of the survey to the public, the association is pleased to provide a summary of the findings:

- 80% of the telecom companies surveyed said that global fraud losses have increased
- 45% of the respondents confirmed that telecom fraud has trended up within their own company
- Subscription fraud and Identity (ID) Theft continue to be the most common types of telecom fraud
- PBX/PABX/Voicemail fraud and Calling Card fraud are prevailing

With respect to the causes of the growth of telecom fraud, some telecom providers did report that global fraud losses had partly risen due to an increase in worldwide terrorism. Terrorist organizations embrace telecom fraud to generate funds by illegally gaining access to a network and then reselling the service.

Visit CFCA at www.cfca.org.

FEELING SEXY?

With their latest line of prepaid calling cards now hitting the shelves, API Phone Cards is feeling very sexy these days!

Recently launched API Phone Cards is the offspring of industry veteran Alex Papas, formerly the exclusive distributor for Verizon Prepaid Phone Cards in Florida, and vice president of sales for the long distance and prepaid phone card division of TSI Communications (formerly the exclusive distributor for PT1) prior to that. His ten years of prepaid experience are now being focused on a new wholesale carrier company, VoIP Minutes Exchange, and its distribution arm, API Phone Cards.

VoIP Minutes Exchange is a wholesale provider of voice termination, with POPs in Eastern and Western Europe and the U.S., and is currently connected with over 40 major PTTs worldwide. In addition to its growing wholesale traffic, VoIP Minutes Exchange is the technology behind API, and its newly launched line of prepaid cards.

Now, for the sexy part! (Not that wholesale traffic isn't sexy...) API's new Sexy Card features a variety of models on each card (most of whom are former Playboy Playmates), customized voice greeting and all. The cards currently feature Nina Dolci, Ammy, Kelly Anne Legg, Chrissy, and Sandy Lace, and new models will make an appearance on future cards.

The card offers 1¢ domestic minutes, with a 49¢ connection fee, and

distributor discounts up to 50%. These "non-nude" cards will soon be available in CA, CT, FL, IL, MA, NJ, NY, and RI and the company is actively seeking new distributors. API will be supporting the Sexy Card with a plethora of marketing hype, including model appearances on radio's Howard Stern Show.

If you're not the sexy type, Papas says, "Don't worry. We have several prepaid programs in the works that will appeal to the masses." He wouldn't elaborate, but confided that deals are in the works with Fox TV for a variety of branded cards.

Visit API on the web at www.apiphonecards.com, or contact Alex Papas at alextelcom@aol.com or 954.729.8888.

