

# How to Start a Calling Cards Business?



## Table of Contents

Introduction.....	3
Infrastructure.....	3
Software.....	3
Hardware.....	3
Internet Services.....	6
Phone Services.....	6
Power Services.....	6
Finding Long Distance Providers.....	6
Price.....	6
Quality.....	7
Reliability.....	7
Capacity of Service.....	7
Finding DID Providers .....	7
Printing the Cards.....	8
Price.....	8
Quality.....	8
How does your system work? .....	8
Start Making Money!.....	12
Setting Selling Rates.....	12
Competition Pricing .....	12
Setting Different Rates for Different Customers.....	12
Charge More for Uncommon Destinations.....	13
Consider Your Expenses.....	13
Marketing Your Calling Cards.....	13
Selling through Retail Stores.....	13
Selling through a Distributor.....	13
Selling Prepaid Services at an Internet Café.....	13
Selling through the Internet.....	14
Selling to Existing Customers.....	14
Conclusion.....	14

## Introduction

Calling cards business is one of the most common business models in VoIP industry. The essence of the calling cards business model is to creatively segment customers by various demographic or behavioral characteristics and to design calling cards offerings to meet their specific calling needs. The calling cards business typically attracts entrepreneurs who want to enter the VoIP market, businesses with established retail distribution channels, and service providers who want to diversify their revenue streams.

In this whitepaper we will try to explain to you the differences between a successful calling card business and a failing one so that you may learn from their mistakes.

Kolmisoft has lot of Customers who have successfully established their Calling Card business using our system so if you are willing to enter a Prepaid Calling Card industry and have any questions, please do not hesitate to contact us.

## Infrastructure

First and foremost, you must develop a solid infrastructure for your prepaid calling card system to run on. Without a solid infrastructure, you will be spending more time worrying about your system's integrity than marketing your product. The following is a list of equipment and services that you will require to start the business. We have also included recommendations that we feel will ensure a solid infrastructure.

### Software

Billing software is the essence of the calling cards business. Choosing a reliable billing software will ensure that every call made through your system is tracked and no call is left unbilled. [MOR Billing](#) is powerful and effective, yet simple and easy to use - that's why it is so popular among startups. [MOR Billing](#) is all-in-one solution with integrated pre-paid, post-paid and flat fee accounting that also gives you complete control over your calling cards, including PIN generation, usage fees, expiration dates, and much more. MOR Billing is a vital component for developing an infrastructure for your successful VoIP business.

### Hardware

Using MOR Billing it is enough to have one server that is capable to support the calls produced by your customers. But having only one server is not always an option, so in the scenario that you are using only one server, we recommend the following specifications:

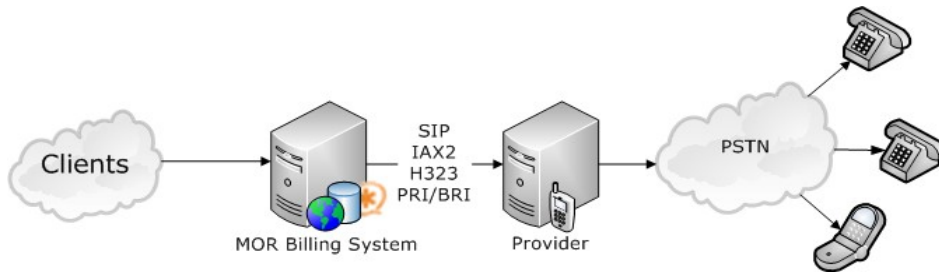
- CPU Quad Xeon
- 4 Gb RAM
- As fast HDD as possible, RAID recommended, SSD (Solid State Drives recommended).
- Centos 5.2 as OS (x86\_64 recommended)

Such server should handle up to 500 calls without problems. Calls without reencoding.

We don't give you specific links to the hardware sellers because you can easily find a hardware provider in your own country give him our specifications and representatives will provide you with best solution that fits to your budget.

In order to see how real implementations look like here we give you some examples from real implementations:

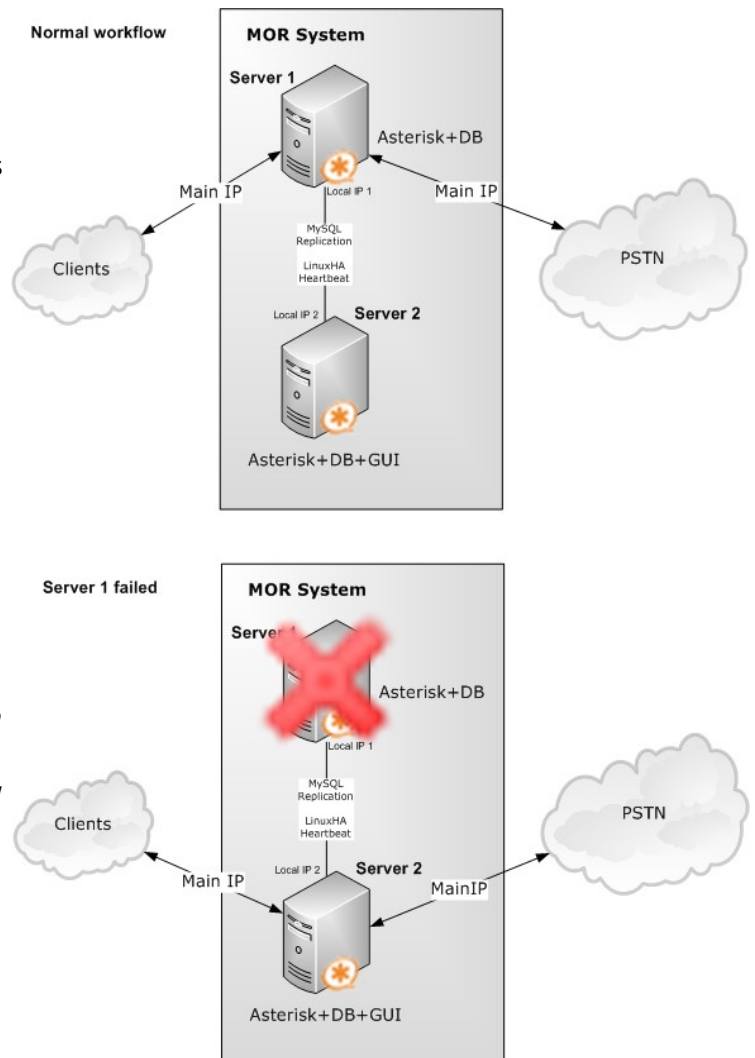
### 1 server solution

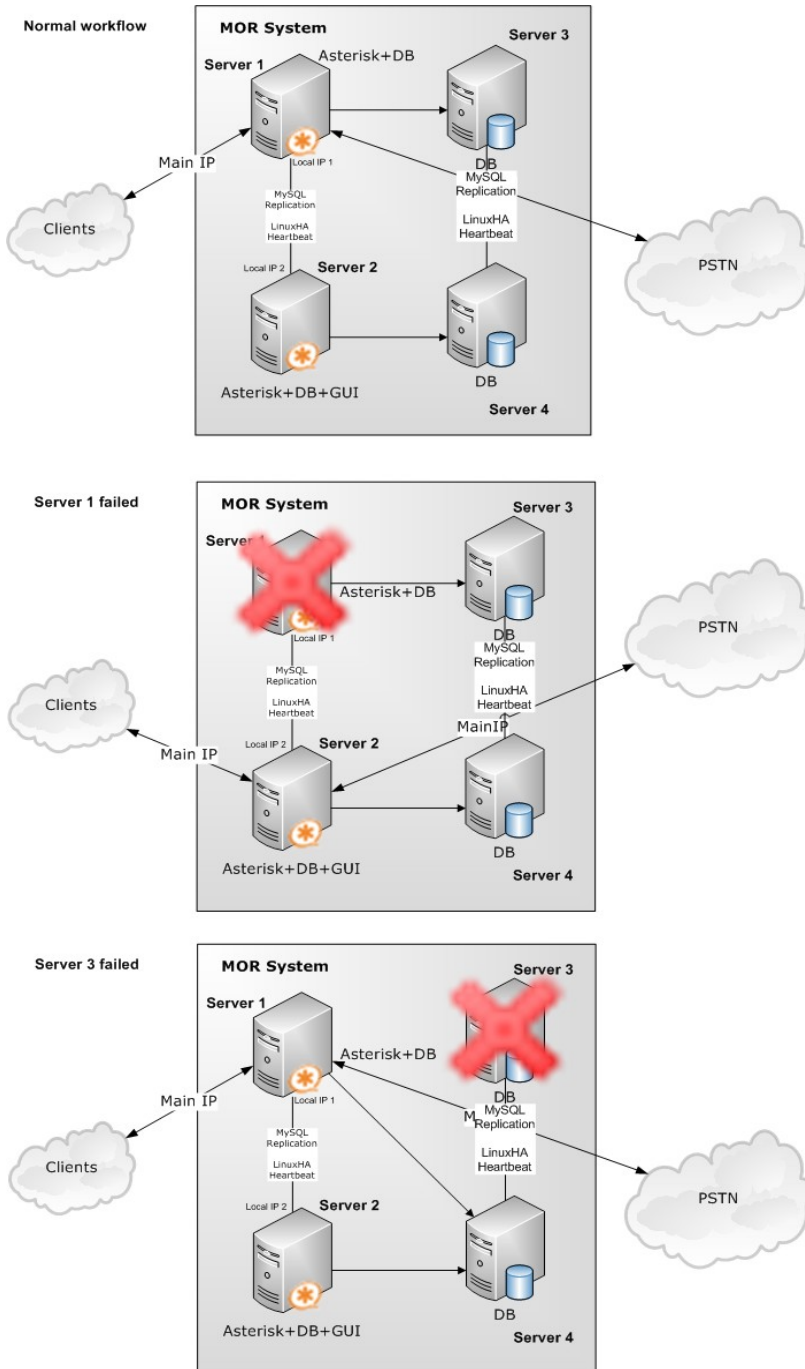


### 2 server redundant solution

Both servers (S1 and S2) are identical.

- Both of them have two network interfaces - one for Main IP which is visible from outside, and one for local IP for interconnection (heartbeat monitoring, MySQL Replication)
- DB are synchronized over MySQL Replication
- LinuxHA heartbeat monitors servers, e.g.
  - When S1 fails - S2 sees that and after 10s (default) will take main IP, e.g. will start to serve calls, it is done automatically. When S1 is back up - S2 returns main IP to S1 and system starts to function in normal work flow (done automatically).





#### 4 server redundant solution

**Servers 1 and 2 (S1 and S2) are identical. They server as gateways with Asterisk + MOR installed.**

- Both of them have two network interfaces - one for Main IP which is visible from outside, and one for local IP for interconnection [heartbeat monitoring](#)
- LinuxHA heartbeat monitors servers, e.g.
  - When S1 fails - S2 sees that and after 10s (default) will take main IP, e.g. will start to serve calls, it is done automatically
  - When S1 is back up - S2 returns main IP to S1 and system starts to function in normal work flow (done automatically).
- Servers 3 and 4 (S3 and S4) are identical. They server as MySQL DB.
- Both of them have two network interfaces - one for Main DB IP which is visible for Asterisk servers S1 and S2, and one for local IP for interconnection [heartbeat monitoring](#)
- LinuxHA heartbeat monitors

servers, e.g.

- When S3 fails - S4 sees that and after 10s (default) will take main IP, it is done automatically
- When S3 is back up - S4 returns main IP to S3 and system starts to function in normal work flow (done automatically).
- S1 connects to S3 over Main DB IP
- S2 always interacts with S4 to take away load from main DB server (S3)
- DBs on S3 and S4 are synchronized over MySQL Replication

### **Internet Services**

Internet services is the backbone of your calling card network. Choosing a reliable Internet service will ensure that your billing and VoIP servers will stay online. Ideally, you should place your servers in a co-location facility (eg. 30 Green Street in Washington). Internet service in a co-location facility is much less likely to go down than in your office or home. If you decide to place your system in a co-location facility, be sure to ask your Internet provider what kind of redundancy is available in case their service goes down. The provider will often use the backbone of another Internet provider in this case. If your Internet provider does not have a failover plan, you may want to consider selecting a second Internet service as a backup.

### **Phone Services**

The phone services you choose is as important as the Internet services. If your phone lines are down, your customers cannot call into your system. Generally, phone services are more reliable than Internet services, so it is not necessary to be as concerned about redundancy. However, be sure to choose the correct phone service for your application. If you have a system that supports T1 lines, make sure that the T1 is a PRI. If you require that the Caller ID is logged for every call, be sure to add Caller ID (ANI) service. If you have any questions about which lines to order, the best idea is to contact your equipment vendor.

### **Power Services**

In most places throughout the world, power outages are a daily event. If your systems are located in a place where power outages are common, it is essential to have a power generator. Even if electrical outages are not an everyday in your location, it is still extremely important to consider the integrity of your power service. It is essential, regardless of your location, to have a UPS battery backup. It is recommended that your battery backup should last at least two hours in case of a power outage. Even if you are placing your equipment in a co-location facility, which will most likely be connected to a generator, it is still necessary to have a UPS battery backup.

## **Finding Long Distance Providers**

When selecting long distance providers for your [calling card system](#), it is usually best to select multiple carriers. Most calling card companies provide service to almost anywhere in the world, but focus on a particular region of the world. For this reason, it is best to have an A-Z long distance provider that can send your calls to anywhere in the world and also a regional long distance provider that focuses only on the region of the world that you are targeting. Although A-Z providers are convenient, their rates are usually higher than regional providers'. The link below is excellent site to visit when searching for a long distance providers:

### **[Long distance providers](#)**

When searching for a long distance company, there are four major factors to consider: price, quality, reliability, and capacity.

#### **Price**

There is more to finding a long distance provider than simply choosing the provider that offers the lowest long distance rate. One factor that is important is the fact that some services have a monthly fee. You may still be better off with a long distance provider that charges a monthly fee if the rate is quite a bit lower, or if it is a little bit lower and you use enough minutes to offset the difference. Another critical factor is where your customers call the most. Some long distance services have special lower rates for in-state calls. Some long distance providers have lower rates for state-to-state long distance. One more factor is the billing increment. If a service is billed in six second increments and you make a lot of short calls, it

may be a better deal than another long distance provider who offers 60 second increments at a slightly lower long distance rate. Generally, wholesale billing increments should not be greater than 30 seconds.

### **Quality**

Long distance companies in the VoIP business differ tremendously when it comes to quality. Before signing any deal, make sure to ask the provider if you can test their service. Legitimate long distance providers will usually have a test environment in place for the purpose of quality assurance. Listen for excessive echoing and delayed response. You should feel that you would be able to carry on a long conversation with this voice quality without getting frustrated or having to repeat yourself many times.

### **Reliability**

The reliability of your long distance providers' systems is just as important as the reliability of your own systems. If your long distance provider goes down, your customers' calls will not be completed. Before signing with a long distance provider, ask them what kind of equipment they use and what kind of fail-over plans they use. Unfortunately, no long distance provider is perfect, so it is always best to have a backup long distance provider in case the first one goes down. Also, be sure to ask your provider what their Post-Dial-Delay (PDD) is to different destinations. PDD refers to the time, in seconds, that it takes for the destination party's phone to ring after a customer has dialed that destination.

### **Capacity of Service**

You may be under the impression that your long distance provider can handle an unlimited capacity of voice traffic. However, this is often not the case. Make sure to ask the long distance provider about the amount of traffic they can handle to a particular destination before signing with them. If you estimate that you will be sending 20,000 minutes of traffic per day to India, for example, be sure that your long distance provider will not reject some calls because of lack of capacity.

## **Finding DID Providers**

You will need to be looking around for companies that could provide you with 1-800 numbers or local DIDs in all the states or countries where you would like your customers to have phone numbers, where people could call using any PSTN phone line. The best source for this is on [Voxbone](#) - it is a exchange platform for different VoIP providers to sell DIDs without a high cost per month. Most of DID Providers can be found below:

### [VOIP Service Providers](#)

[Airone Communications](#) Wholesale, IAX/SIP, VoIP Termination, Asterisk Support, Virtual PRI, DID Numbers in USA / CANADA.

[DID World Wide](#) - Largest worldwide coverage, multi protocol and multi channel supported online DID provider.

[DIDx](#) - It is a exchange platform for different VoIP providers to sell their DIDs. You show all their DID numbers on your web site and route it to your network when customer orders it. Routing is instant to your network. You get 2 FREE DIDs when you sign up to try the DIDx

services. DIDX does not provide any DIDs by its own – all DIDs are provided by other providers , but are tested well. Prices start at \$1.1 a month per DID.

### Printing the Cards

With MOR Billing you will be able to generate an unlimited quantity of calling cards. [Calling Card addon](#) will export these cards to a comma delimited flat file, which can be given to a card printer. When searching for a company to print your calling cards, there are a few factors to consider: price and quality.

### Interesting! One million Calling Cards!

One of Kolmisoft Customers was interested in possibility to have 1 million Calling Cards, so we made it.

<input type="checkbox"/>	campaigns							InnoDB	utf8_general_ci			
<input type="checkbox"/>	cardgroups						~2	InnoDB	utf8_general_ci	16.0 KiB		-
<input type="checkbox"/>	cards						~1,000,221	InnoDB	utf8_general_ci	77.6 MiB		-
<input type="checkbox"/>	cclineitems						~0	InnoDB	utf8_general_ci	16.0 KiB		-
<input type="checkbox"/>	ccorders						~0	InnoDB	utf8_general_ci	16.0 KiB		-

Cards were generated on VMWare virtual machine, host was Intel Duo Core2 2.4ghz/3Gb RAM Laptop.

It took about 2h.

### Price

Generally, it will cost you between 5 to 10 cents per calling card for printing, depending on volume. Of course, the larger the quantity of cards you print, the better the rate per card. Keep in mind that most card printers require that you order at least 10,000 cards, in which case the cards should be about 10 cents each. Ext to pay a setup fee for the printing, as well and a design fee if you are not creating the design yourself.

### Quality

Although price is an important factor, quality is often more important. If possible, view a sample of the card printer's work before placing the order to make sure that it is acceptable. Pay attention to details such as material thickness, ink quality, and the quality of the silver scratch off area located on the back of the card. The card should be presentable.

### How does your system work?

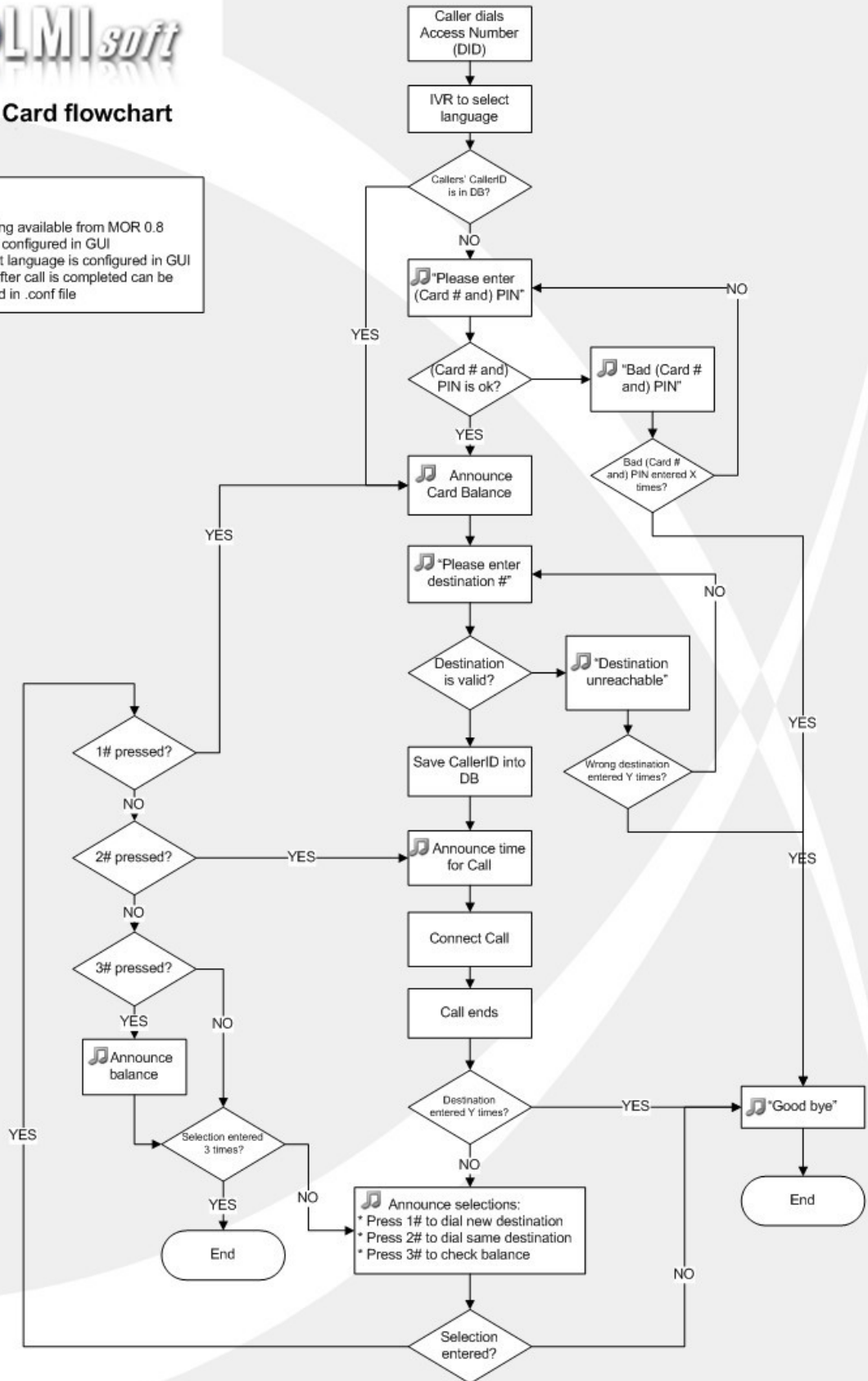
In the next page you will see a flowchart which explains the whole process of calling using [Kolmisoft Calling Card System](#).



## Calling Card flowchart

**NOTES:**

- \* Pinless dialing available from MOR 0.8
- \* X and Y are configured in GUI
- \* IVR to select language is configured in GUI
- \* Selections after call is completed can be freely modified in .conf file



## Start Making Money!

After setting up a calling card infrastructure, finding minutes and DIDs providers and printing your calling cards, it is time to start making money. First, you need to set your selling rates, and at last - to market your product.

### Setting Selling Rates

There are many factors to consider when setting your selling rates. You need to consider your competition's prices, your expenses, and the buying rates per destination.

### Competition Pricing

Analyzing your competitor's pricing is not as straightforward as it may seem. Sure, they advertise 8 cents a minute to China, and 1 cent per minute within the USA, but how much are they really charging? The truth is that the profit for most companies is not made with the per-minute charge, but rather, with the various fees that they charge to their customers. Yes, there are many cards on the market that do not have fees, but these cards always charge a significantly higher rate per minute. Below are the different fees that MOR Billing supports:

- **Activation Fee** – The first time a cardholder uses his card, he will be charged an activation fee.
- **Connection Fee** – Each time a cardholder makes a call, he will be charged a connection fee.
- **Maintenance Fee** – After a period of time, whether it is 6 hours or 30 days, a cardholder will be charged a maintenance fee.
- **Billing Increments** – If the billing increment is set to 3 minutes, a call lasting 9 minutes and 3 seconds would be billed for 12 minutes.

So let's take a scenario where your competition is charging 8 cents a minute to China. Let us assume they have an activation fee of 39 cents, a connection fee of 39 cents, and a billing increment of 3 minutes. There is no maintenance fee. Let us also assume that the customer's call lasted for 25 minutes (which rounds to 27 minutes if you are using 3 minute increments). The total cost of the call is as follows:

$$(27 \text{ minutes} * \$0.08) + (\$0.39 \text{ activation fee}) + (\$0.39 \text{ connection fee}) = \$2.94$$

The total charge per minute is actually 11.8 cents, NOT 8 cents. That's almost 50% difference! Even if your cost is 9 cents per minute, which is more than the advertised price, this call would be profitable. So, as you can see, the profit is in the fees, not the charge per minute.

### Setting Different Rates for Different Customers

In economics, the practice of setting different rates for different customers is called price discrimination. Almost every company takes advantage of this economic practice whether you realize it or not. The idea is to charge more to customers that are willing to pay more, and charge less to customers that are not. Put yourself in the following situation:

You are a resident of the United States, and you are on a business trip in France. You have just landed at an airport in Paris. Now, you need to find a way to call home and let your family know that you have arrived safely. You also need to call the office in the U.S. and confirm the time of your meeting tomorrow. Would you mind spending 30 cents per minute for this call? Probably not, especially if your company is paying the bill!

MOR Billing allows you to brand different cards and set different rates for each card, thus allowing you to take advantage of price discrimination.

### **Charge More for Uncommon Destinations**

Generally, when calling card companies create a new brand of card, it is targeted toward a specific region of the world. For example, one of Kolmisoft customers created a card called "Hello Africa" which targeted consumers wanting to call Africa. The rates for Africa were set so that it would yield a 10% profit. The rates for calling to USA and UK were set to 5 cents per minute, which is still a reasonable rate, yielding a profit margin of 400%. It turned out that this customer made more profit from the few customers that called USA and UK than from customers calling Africa. Although most people will call the destinations you are targeting, do not forget that people will need to call other destinations as well, and they are usually willing to pay a premium.

### **Consider Your Expenses**

By simply setting your selling rates higher than your buying rates, it does not guarantee that you will make a profit. You need to factor all of your recurring expenses into the equation, such as your line costs, Internet cost, printing costs, co-location fees, and any miscellaneous business expenses that you may have. The largest expense is usually the distribution expense. It is always best to exaggerate expenses to consider the worst-case scenario.

## **Marketing Your Calling Cards**

There are lots of different methods of marketing calling cards. Here we describe just a few but most effective among our customers.

### **Selling through Retail Stores**

In areas that are highly dominated by minorities, there tends to be a great deal of competition in the phone card business. However, competition does not mean that there is no money to be made. Be sure to read the section in this document entitled "Competition Pricing". Most customers in these minority-dominated areas tend to buy phone cards from local ethnic retail shops. These stores are usually willing to carry new phone cards if they feel they can make money on them. Retail stores generally buy cards at about 75% of the face value of the card. For example, if you have a card that has a face value of \$5.00, the retailer will pay you \$3.75.

Areas that have a large number of international and business travelers tend to be more profitable for phone card companies than minority-dominated areas. Retail stores in these areas tend to take higher commissions, and the profit margins are also much higher (see the section of this document entitled "Set Different Rates for Different Customers"). Retail stores in these areas will usually pay less than 75% of face value for phone cards.

### **Selling through a Distributor**

Many phone card companies prefer not to sell directly to retail stores, but rather prefer to sell cards through a distributor. Phone card distributors usually distribute more than one brand of card and usually have an established relationship with the local retail stores. Selling through a distributor is the best way to sell a high volume of cards, however, there is a price to pay for this convenience. After paying the distributor and the retail store, you receive less than 70% of the face value of your card. Also, distributors usually do not pay you up front for your cards - they only pay you after they get paid themselves.

### **Selling Prepaid Services at an Internet Café**

Internet cafés are ideal locations to sell prepaid calling services. There is no need to purchase PSTN lines from the phone company, and the Internet infrastructure is already in place. Also,

customers do not require a physical calling card, so there is no need to print any cards. Customers who are already using the Internet services will be aware that they can also make international calls from the same location.

### **Selling through the Internet**

Over the past few years, Internet phone card sales have increased tremendously. The Internet makes it convenient for customers to purchase and recharge cards. There are, of course, advantages and disadvantages to choosing this method of distribution:

#### **Advantages**

- Customers can view their balances and statements online
- Avoid distribution fees by allowing customers to recharge online
- No card printing charge - system automatically emails PIN
- If a customer is satisfied, it is easy for him to refer a friend
- Easy to market the product internationally

#### **Disadvantages**

- Credit card merchant fees
- Higher probability of fraud online
- Many people who buy phone cards do not have a credit card
- Many people who buy phone cards do not have Internet at home

Anyway as Internet is becoming the main place of marketing products we would advice to try e-commerce and create an online selling platform on your website. There are thousands of articles with e-commerce tips. So read some basics and begin making profit by selling online now!

### **Selling to Existing Customers**

If a customer is satisfied with the quality of your service, chances are that you can convince him to buy from your company again. On the back of every card and in every email that you send to a customer, it is essential that you offer recharge capabilities. Recharge capabilities increase your profit margin by removing the distributor from the picture.

Kolmisoft offers customers two solutions to allow recharging capabilities. The first is via the web, and the second is via the telephone. Customers can use their credit cards to recharge their accounts instantly.

### **Conclusion**

I hope this whitepaper was beneficial for you and you got the main idea how to begin a calling card business. As our company specialize in developing Calling Card systems we are here to help you anytime. So if you decide to set up a calling card business please do not hesitate to contact us.

**[Kolmisoft - VoIP Billing&Routing](http://www.kolmisoft.com)**

<http://www.kolmisoft.com>