


IM



marketing

Welcome to the first edition of IM marketing, your quarterly insight into the latest issues and trends affecting today's leading global mobile operators.



Specifically designed for marketers, each issue will be a collection of thought-provoking articles, advice and tips. This will help you build and improve your organisation's lifecycle management capabilities.

Inside this issue:

- **Phil Klaus**, a regular contributor, guides you through an holistic approach to market segmentation. He explains why it is vital to understand why customers are driven to behave in a certain way and the crucial role segmentation plays in all marketing activities.
- **Rob Wolsey**, founder of Business Logic Systems, gives you an interesting perspective on the prepaid market, whose customers are changing the dynamics of this sector.
- **Mobile advertising** is the next big thing set to take the market by storm. Find out about our plans in this exciting new area.

This newsletter will only be of value if it contains issues pertinent to you. I would be delighted to hear your views on any of the articles covered or on any subjects you would like us to deal with in future issues. Just get in touch.

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Cause and Effect –

How to Successfully Segment a Prepay Base Using Behavioural Data

Market segmentation is a core concept of marketing theory and practice founded in the economic theory of imperfect competition. Increasingly these days, it seems to play a crucial role in all marketing activities. However, as research indicates, not all segmentation techniques are created equal. The old 'product-driven' segmentation techniques need to be enhanced by 'behavioural' data, which explores the true cause of purchasing decisions. Here, Phil Klaus proposes that in order to successfully segment your customer database, you must first understand why they purchase.

Research indicates that not all segmentation techniques are created equal. Set aside the old product-driven approach in favour of a more market-oriented method based on customer needs for increased campaign effectiveness.

Market segmentation – concept and history

The concept of market segmentation was introduced in the late 1950s based on the economic theory of imperfection. This theory creates awareness of the fact that mass production and mass marketing are not sufficient to address the heterogenic needs of customers. Hence, in order to introduce products (and services) successfully the manufacturer-oriented marketing approach had to be substituted by a new market-oriented approach - market segmentation.

Market segmentation is a key concept of today's marketing theory and practice. It recognises that the needs of a more complex customer can only be satisfied by segmenting the market into a number of sub-markets. These represent different customer needs, preferences and attitudes.

While recent changes in consumer behaviour and market environment may be seen as challenges, they also present new opportunities for market segmentation.

The power of addressing the 'what?'

In order to segment the market successfully, managers have to put aside product-driven segmentation approaches. Instead, their focus should be on a market-oriented approach based on the empirically proven needs of their customers. Advances in information technology enable companies to gain a more detailed real-time insight into the behaviour of their customer base. This provides precise micro-segments, which build a foundation for more efficient marketing campaigns, such as direct marketing and CRM activities.

Rather than discussing the different methods and bases of market segmentation in detail, this article aims to give a more holistic approach. It will give you a solid foundation to build your 'tailor-made' market segmentation solution, driven by the needs of your customer base. This customer-centric approach is established by investigating purchases i.e. behaviour, rather than by looking at the different demographic features of your customers

Empirical evidence clearly states that intentions are not a reliable measure or even predictor of behaviour. Hence the importance of behaviour as a result of meeting the needs of

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your customers cannot be underestimated. Subsequently, following the logic of the implementation of products and services through the market-oriented approach, behaviour has to be the driver of successful market segmentation. As a result, software packages capable of enabling your company to establish these aims have to be scrutinised. You need to be confident they will deliver the desired data for the entire campaign cycle efficiently and quickly

Our centre recently carried out research in the context of telecommunication service providers. Findings showed that behavioural segmentation, supported by software meeting these specifications, opens multiple opportunities for successful cross and up-selling activities. However, behavioural data on what your customers are doing, while an essential part in order to establish



If a company is in a position to explore the underlying motivations triggering their customers' purchases, their positioning in the market will be superior to their competitors. Thus a true customer-driven approach is created.

successful market segmentation, is only one part of the equation. The question of what your customers are doing is answered, allowing you to establish the effect of matching their needs. But what is the cause of their behaviour?

The power of addressing the 'why?'

The question is not a new one. Why do customers behave in the way they do? While behavioural segmentation data does give us valuable clues to answer this question, you need to 'dig deeper'. My recent research in financial services specifies the need to explore the underlying motivations and needs of customer purchasing behaviour. Only then will the efficiency of marketing strategy be increased

Combining the 'why?' with the 'what?'

For that reason, by combining the insight gained from 'cause and effect', companies will be in a position to establish a successful market-oriented segmentation.

If you are interested in exploring the opportunities of this research for your company, please do not hesitate to contact Phil via email

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Phil is leading the research on customer experience at the Centre of Strategic Marketing and Sales at Cranfield University School of Management. His research foci are marketing strategy, consumer behaviour and customer experience. This includes the influence of customer experience on branding and measurements of service and customer experience quality.

Phil is an established, multilingual analyst with an eye for creative and innovative marketing. With extensive international experience, he has a proven track record in leadership and achieving sustainable results. He is experienced in the development, creation and implementation of new strategies targeted at revenue and margin improvement.

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Prepaid Marketing – The Global Challenge

Since its début in 1995 the prepaid market has been a challenge to marketing departments around the globe, creating a highly competitive environment with almost no customer visibility. The situation has also been made increasingly difficult by the lack of usable demographic customer data i.e. no contract details. Network operators are continuing to look for innovative and effective marketing solutions to reduce prepaid churn, increase the return on investment (ROI) and extend lifetime value (LTV). Unlike postpaid customers, very little is known about the 'elusive' prepaid customer. What is known is that the prepaid global market continues to grow as new operators and markets emerge. To stay ahead, a more intelligent and automated approach is needed. Telecoms & Media's latest forecasts predict that prepaid mobile customers will exceed the 3 billion mark by 2012.



“If you can connect with your data, you can connect with your prepaid customers!”

Connecting with your data is easier said than done. The task of managing each available data source in a mobile network is a serious endeavor. Before data capture can commence, there is a requirement to identify all possible types of usable prepaid customer data

“For every customer action there needs to be an intelligent marketing reaction!”

The unfortunate reality is that even after installation of campaign software there is often a long delay before systems integration is complete and data becomes available. Campaign databases and software tools are only as good as the data

1. Examples of data types:

Source of Data	Data
Network systems	Call data records and event data records
POS, web, IVR	Prepaid recharges, top-ups
Voucher systems	Voucher serial no, campaign codes, retailer details
Network, POS	EMEI no i.e. manufacturer, model, capabilities, price band
Merchant, POS	Merchant, phone, promo code, location, payment card info
Registration	Name, address, warranty no
Self-care, web	Click activity, IP address, country
WAP site	Page clicks, IP addresses
Third-party services	Premium rate, information services
Network	Location (mobile ID) to GEO ref

fed into them. Integrating your campaign system into network platforms like IN, SMSC, CRM, Self-Care etc should not be underestimated. Any solution that doesn't include all the necessary data interfaces or proven network operator experience should be considered carefully.

“Real-time marketing requires real-time data!”

If data powers your campaign system, then the next important consideration is the speed at which you can convert that data into usable information. You may, for example, decide to run a prepaid loyalty bonus campaign. This could offer customers a 10% extra credit bonus for topping up their prepaid within the following seven days. Naturally, those customers will expect to realise their reward immediately after the recharge. If you make them wait because the bonus process takes time to take effect, then the 'customer experience' diminishes. An essential part of delivering your side of the loyalty deal is to achieve a 'real-time' response.

To many business people, campaign marketing is about running several campaigns a year to a broad customer base. To the prepaid marketer it should be about running several hundred campaigns. How is that possible?

“Choosing the right tools for the right jobs!”

A good start point for running large numbers of campaigns is to select a prepaid mobile solution specifically designed for this market. Select a supplier with mobile networks experience and a good track record and actual customer reference sites. Case studies provide a wealth of decision support information about what solutions are delivering real value.

Value can be assumed to be in terms of customer retention and life-time value, the bottom line being a good ROI. The ideal situation is that the entire campaign solution has been designed for prepaid from the

'ground up'. More importantly it should include all the data feeds and interfaces necessary to deliver a rich set of customer information that drive future campaigns.



A typical prepaid campaign system should include some of the following features:

- Interfaces to network systems including: IN (Intelligent Nodes); SMSC; MMSC; Prepaid Voucher Systems; Self-Care; CRM; IVRs; POS.
- A powerful, scalable database with high availability and real-time performance. Typically these database systems accommodate large amounts of data. Some networks produce in excess of 100 million data records per day.
- The ability to deliver loyalty rewards in the form of prepaid credits directly into the customers' accounts.
- Automated SMS dialogue management. For example, the campaign system automatically initiates an SMS dialogue asking the prepaid customer if they want to participate in a new marketing promotion.
- Event-based 'triggers'. These allow the campaign system to react automatically in 'real-time' to any new customer events. For example, after a top-up the customer is sent an SMS informing them they have received a credit bonus of 150 euro cents

This list highlights just some of the prepaid-specific features that a network marketing department requires in order to deliver effective campaigns

“Not all prepaid customers were created equal!”

Your prepaid database of customers could be potentially huge. However, up to this point no customer segmentation has been applied, so it's just one big group. Dividing your customer population into more manageable segments allows for the targeting of more relevant messages, services and loyalty rewards.

Once you start examining your customer's call data records you realise that you actually have more information than was first thought. A good example of this is when you want to look at high value customers. The first reaction may be to select those customers who have spent the most money i.e. recharges. In part you would be right. However, if you add to this selection criteria 'all calls received' and all the associated 'indirect' revenue that was generated, then you may find you have a more accurate picture

Segmentation can be both simple or complex using many forms of data to predict or define the customer's profile. The general rule that applies is that the more data types you have and the longer you have them, the better chance you have of profiling your prepaid customers. (See table 2 on page 6).

“Are you sending out the right messages to the right customers at the right time?”

Are you sending the right messages to the right customers at the right time? That is the concept behind trigger-based marketing. By employing trigger points a campaign can run totally automated, waiting for the customers to trigger an intelligent marketing response or action.

The 'trigger to action' response times will vary and largely depend on how well the chosen campaign system fits your prepaid business model. The trigger point examples shown in table 3 assume that the campaign system has an SMS dialogue capability or gateway. It also supposes that all the necessary data feeds are delivering data at 'just in time' or 'better' levels of service. Each of the customer trigger points will fire at a precise moment in time with a resulting marketing action that aims to yield a positive customer response. An important point is that the campaign intelligence does not stop at a single action. It is possible to define many trigger points, actions and scenarios, which link together. This chained decision campaign logic can support more complex 'if, then, else' type decision points all performed without any manual intervention.

“Prepaid by choice, not by necessity.”

After a detailed analysis of their prepaid customer base, many networks have identified that most share the same profile as 'high valued' postpaid customers. Yet the prepaid market does not enjoy the benefits and quality of service that contract customers do. This realisation is now prompting networks to offer higher levels of service.

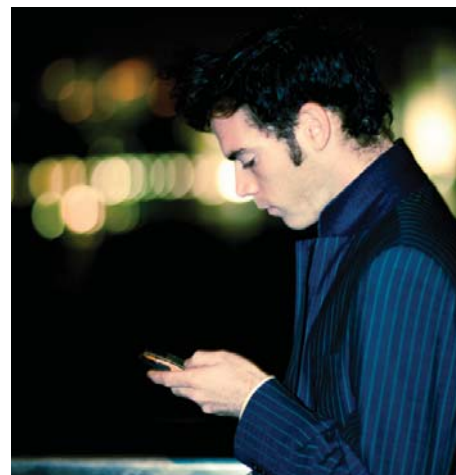
The challenge to prepaid marketing looks set to continue as mobile markets get increasingly more competitive and new handsets are always in demand. Some of the new operators entering the marketplace are building their businesses on proven business intelligence. They are also using prepaid marketing technology that gives total transparency to their growing base of customers. These are the new players of 'smart prepaid marketing' and as a result are causing Tier 1 networks to rethink their campaign strategies.

2. Examples of prepaid segmentation:

Segment	Examples for Selection Criteria
Students	Campus mobile location, profile is high SMS, low call rate, promotional codes, website top-up registration
Business	High call rate in business hours, revenue high
High usage	High incoming and outgoing calls
Average usage	Average all customers
Low usage	Call usage within lower predefined band
High credit balance	Prepaid balance above set limit
Low credit balance	Prepaid balance below set limit
International roaming	Data from mediation platform showing country
New customers	First call activation event found in IN platform
Average life reached	From first call date to now has reached average life
Extended life period	From first call date to now is greater than average life

3. Examples of prepaid trigger points:

Trigger Point	Action
Customer runs low on credit	Send an automated SMS asking the customer to top-up and offer a discount based on the top-up period or amount of credit, or both
Customer makes first call	Welcome message, offer promotions, general info
Customer reaches average lifetime limit	If high value customer, calculate re-investment value and if possible offer handset discounts, top-up lifetime bonus.
Customer stops making calls but has credit	Offer a bonus on the next recharge if they use their existing credit within next 30 days
Customer is high usage	Offer free handset upgrade to migrate to contract



The New Age of Advertising

a Mobile Solution by Calin Indre

Global mobile network operators (MNOs) are now shifting their attention away from increasing their customer base as the key to significant revenue growth. With market penetration rates as high as 80% in many developed markets, the increase in customer numbers no longer applies. Managing churn, promoting non-voice services and carrying out successful communications are only three of many primary requirements for any MNO.

In the face of the price war and market saturation, the role of non-voice services in increasing revenues has come to the fore. Research into this area published in 2007 looked at the Average Revenue Per User (ARPU) on non-voice services as a percentage of total ARPU in Western Europe. Findings showed conclusively that the rise in ARPU is now the main source of revenue increase for MNOs. With an increase from around €4 in 2002 to €7 in 2007, non-voice ARPU is forecasted to reach €11 by 2012

The way forward

As we can clearly see the potential of non-voice services is very strong and devising new revenue streams is a constant preoccupation for the mobile industry. Fortunately there is still space for growth, a significant amount of which can be achieved from mobile advertising.

The market for mobile advertising is virtually the largest in the world and as yet has barely been touched. It is estimated that over 4 billion handsets will be sold globally in 2008, compared with only 800 million PCs and notebooks. According to eMarketer, the world's mobile advertising is estimated to grow to \$11.3 billion by 2011.

Mobile adverts come in all shapes and sizes with SMS advertising accounting for 90% of the total mobile marketing revenue worldwide

An intelligent solution

SMS is currently the preferred marketing medium of choice due to its ability to reach almost all mobile handsets. Taking this fact and the research findings into account, Business Logic Systems has developed

a dedicated solution: InTeleStage™ Mobile Advertising.

This latest solution takes advantage of the already proven proprietary communication module successfully integrated into its more comprehensive InTeleStage™ Campaign Suite.

InTeleStage™ offers a wide range of possibilities in terms of campaign definition and execution for sending promotional messages to mobile customers.

What it brings afresh is the possibility of creating and editing rules relating to the dispatch and receipt of messages. This, allows additional promotional content to be added. Decisions can be made on a range of 'rules', utilising whatever information is available about the customer and the message itself. The additional content can then be inserted before the SMS/MMS/email is finally sent. Whenever there is a lack of 'demographic' or 'behavioural' customer-related data, the 'rules' work on the available data, rather than the desired data.

Enhancing your message

InTeleStage™ Mobile Advertising allows all SMS/MMS messages sent

to be checked to see if they can be enhanced with additional messages. The messages can be defined in InTeleStage or imported from third-party systems. The advertising message can be defined for each campaign or task (step) of the campaign. Only the tasks of the campaigns having messages to deliver are taken into consideration.

These additional messages for insertion are split into SMS, MMS or email. Whilst provision could be made to use phone communication channels, text messages have a greater impact on subscribers.

In its most basic form, the additional message is 'unintelligent'. For example, it could be a simple addition to the original message in the relevant format, such as 'sent from my BlackBerry'. On a more complex level, it can be supplemented by a 'voucher'. This could then be used for registration or rewards for a particular website. InTeleStage™ is capable of generating such 'vouchers' and can also export them (with the recipient's data) for use by the website(s) in question

Reporting is paramount for all parties involved in a mobile advertising campaign, be it MNO, advertising agency or client. Advanced reporting is readily available within the application, providing information on the number and type of messages that were added, and their delivery.

The number of added messages is also available via the InTeleStage™ 'dashboard', a high-level overview of campaign metrics

So how does it work?

When the InTeleStage™ Campaign Suite generates an SMS/MMS or email message, the 'rules' are automatically checked to see if an additional message should be inserted at the bottom. When applicable, a 'voucher' is generated as part of the message, be it on a one-to-one basis or in bulk.

Basic 'conflict management' features, which prioritise the qualifying parameters, prevent a message from attracting more than one additional message. This avoids the dispatch of a large number of independent offers that could confuse the recipient. For example, a customer's MSISDN may be in a range pointing to a specific message, but a combination of date/time/campaign factors point to another. In this case the date/time/campaign message prevails as it has the most qualifying parameters. Should there be two messages with an equal number of qualifying parameters, the parameters with the highest 'priority' win.

An opt-in feature provides a response element, which allows it to deal appropriately with the responses

generated by subscribers. This takes into account decisions by subscribers as to whether they want to take an active part in a survey, campaign or special offer. It also enables the operator to prioritise campaigns in order to roll them out over time. This allows the execution of concurrent advertising campaigns

Needless to say, all pricing models (CPP - Cost per Presentation; CPM - Cost per Thousand; CPA - Cost per Action; PPC - Pay per Click; CPI - Cost per Impression) are supported by InTeleStage™ Mobile Advertising.

For more information on this solution from Business Logic Systems, email how@businesslogic.co.uk

And Finally...

InTeleStage™ is a versatile and invaluable tool for the marketing departments of any switched-on global mobile operator.

Here are just five applications InTeleStage™ can be used for:

- Use InTeleStage™ to deliver and manage a bonus programme as well as campaigns.
- If, for example, you want to offer a bundle of products that are served by different billing platforms, InTeleStage™ can bring together data that spans different platforms (e.g. prepaid, landline, postpaid).

- Customise InTeleStage™ to run promotions for other value-added services.
- InTeleStage™ can solve the problem of delivering data to different parts of the organisation, such as delivering management reports to the telecoms management department.
- Use the calling circles feature to focus on key influencers and their social groups – maybe to run a targeted campaign to these specific groups.

If you would like more information, contact how@businesslogic.co.uk