

IMM



marketing

Welcome to the Business Logic Systems newsletter. If you are in the business of mobile marketing, loyalty or CRM, this issue is for you. Our aim is to provide you with useful insights to help you meet the challenges faced by mobile operators in a fast-changing global market. We want to stimulate, challenge and inspire you.

In this edition we deal with some controversial issues:

■ **What is the role of the Chief Marketing Officer in today's fast-moving world?**

Henrik Ponnudurai, Senior Vice President at Celcom explains why traditional marketing methods no longer apply in the digital age.

■ **Do we really need mobile advertising?**

That is the question posed by Phil Klaus, resident expert on customer experience at Cranfield University School of Management.

■ **How can you build loyalty – and profits – in your pre-paid customer base?**

Business Logic Systems' Executive Chairman Stewart Goldberg has the answers.

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.

Shaun Orpen

Chief Marketing Officer

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The need for *high-speed* marketing in a world of microtrends

“Chief marketing officers are going out of fashion. A lot of today’s marketing on the internet is viral and it happens fast. Making the most of a new telecoms product opportunity demands software that can analyse complex data at ultra high speed”, says Karan Henrik Ponnudurai, Senior Vice President, Celcom.

The world of sales and marketing has come a long way from the monolithic structure of just two decades ago when you could make a huge impact by introducing a new washing powder with a 30-second TV commercial targeted at housewives.

Now there are all sorts of households, including single parents and adults of both sexes with joint mortgages. Using a single message to sell washing powder, or any other product, will resonate with only a percentage of your potential market, slashing the return on your investment.

The new market dynamics are described in such books as *Microtrends*, by Mark Penn, and *The Long Tail: Why the Future of Business is Selling Less of More* by Chris Anderson. What has been less explored is the impact of the trends on marketing departments, particularly in the rapidly evolving telecoms world.

Product success used to be measured according to four variables: popularity, adoption rate, influence and how engaged customers are with the product. In other words, how often they use it. In years past that was relatively easy to detect because popular products tended to have mass appeal. Nowadays, people



have much more varied preferences, so new methods of measuring product success are needed. Research shows that some products popular in East London are less popular in West London, so it should not be a surprise if what works for Greek immigrants in Sydney, Australia is less enthusiastically greeted by that city’s Indian inhabitants.

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In the United Kingdom it no longer makes sound financial sense to develop products targeted at just one section of the population. The UK is a multi-cultural community

with people of many different national, ethnic, religious and cultural backgrounds. All are potential customers. Multiple marketing strategies may be needed to appeal to different audiences and perhaps multiple versions of the products too. Getting the same market share and traction as in years past means working harder.

The other important dynamic is the need for speed. Two decades ago, companies took six months or a year to develop products that might survive in the market for five to seven years before being withdrawn. Now, new products can be developed in a month and might last for just two months. Multiple streams of products are born and die in a very short time.

One company that has risen to this challenge is the Spanish fashion retailer Zara. The range of products on sale in high street outlets of Zara worldwide can change almost weekly according to what is selling where. This gives the company much higher traction than retailers such as Marks & Spencer and other high street department stores which develop items for a season.

Successful marketing depends on being able to analyse the population's engagement in each segment as close to real time as possible. It needs powerful software such as that available from Business Logic Systems to spot new segments as they emerge, to aggregate the microtrends and discover the market opportunities, however small and transient.

Another new paradigm of marketing is the demise of the chief marketing officer - Google isn't the only company without one. Previously, a new product's adoption rate was almost directly proportional to how much marketing support it received. Now the process is decentralised. Google doesn't market its products at all. Nearly all its innovations appear on the web, where people spread the news about them virally.

Whereas product success used to be a result of centralised push, now it depends on what is happening at the edge of the network. So how do you measure the growth or decline in the popularity of products when there is no nexus of control? This is a challenge the telecoms industry has never previously faced.

There is also the even more difficult task of working out the context of a product's popularity. For example, Malaysia has the highest level of online chat usage in Asia. Being primarily a Muslim country, SMS chat and instant messaging provide a way for young people to meet socially unsupervised. Not surprisingly, perhaps, their huge take-up has been spread virally.

Telecoms companies need to be able to understand these trends as they occur. To do so, they must correlate usage patterns with regard to age, sex, race and spatial location. But as the number of variables needed to understand the marketing picture increases, so does complexity. This makes huge demands on a telecoms company's data processing systems.

For example, you might want to send an SMS to 25-year-old girls in a department store when a fashion show is about to begin. In this situation, you need to extract multiple variables from your network in real time to know which customers are relevant to target. The requirement to make such high speed decisions has only occurred during the past two or three years. Spotting declining popularity is equally important. Effectively, you need to be able to handle many more products, each of which might have a significantly shorter shelf life than products in the past.

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Juggling all these products, like keeping balls in the air, boosts complexity exponentially. It also imposes a huge overhead on the network and creates a huge jump in latency. Telecoms companies expect to process calls in 500 milliseconds, not to accommodate significant delays.

Twenty years ago the telecoms industry was a national utility that hadn't changed for decades. Now everything in the industry is changing almost beyond recognition and manufacturers designing products linked to it have to make the same paradigm shift. There will be tiny windows of opportunity and then the moment will be gone. The way we traditionally designed products is no longer relevant. A new dynamic is needed.

About the Author:

Karan Ponnudurai is Senior Vice President of Product and Services Innovation at Celcom, the leading Malaysian cellular operator, where he is responsible for the development of all new multimedia, messaging and voice products.

Since starting his career as an R&D engineer and Product Manager at Hewlett-Packard Company, Karan has gained extensive operational and business experience in the communications industry in South Asia, having worked in Sri Lanka, Malaysia and Myanmar, as well as Germany and the USA. He is a Charter Member of TiE, the non-profit global network of entrepreneurs and professionals and is a frequent speaker and writer in telecommunication industry conferences in the Asia-Pacific region.

Karan holds degrees in electrical engineering from the University of Malaya, where he was a Hewlett Packard scholarship holder and Stanford University, USA where he was a Krupp Foundation Fellow. He also completed the Asian International Executive Program for Senior Management at INSEAD business school. Karan is an alumnus of the Haggai Institute of Leadership.

Mobile Advertising - Do We Really Need It?

Mobile advertising has been identified by some industry insiders as the next big thing, announcing a new 'era of advertising' with revenues 'skyrocketing by the end of the decade' (Silicon.com). The nature of their claim is the expected click-through rates of two percent, outperforming by far comparable campaigns such as internet ads. There is a caveat, however, which suggests the effect will only last 'until the novelty wears off for consumers'. So, as a marketing manager, should you jump on the band-wagon before it is too late? What exactly is mobile advertising?

Mobile Advertising

Mobile Advertising is split into Mobile Internet Advertising, which includes all advertisements on mobile devices requiring a connection to the Internet e.g. ringtone downloads, banner advertising & search engine advertising, and Mobile Advertising. Mobile Advertising goes one step further by including other forms of communication, which can be utilised independent of the users' connectivity to the internet, such as text and multimedia messaging. However, in everyday life there is often a symbiosis of both options. For example, consumers buying tickets online and receiving notification on their mobile for identification purposes; consumers signing up for a frequent flyer programme and receiving flight updates on their mobile phone; or online banking services sending text confirmations to consumers' mobile devices for security reasons.

However, according to Forester Research, advertising, in whatever form it reaches the consumer, is currently the source of information consumers trust the least. This fact, combined with the warning that the

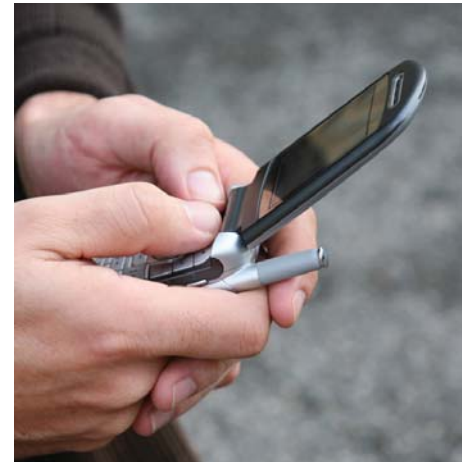
novelty of Mobile Advertising might wear off, may induce caution in marketing managers considering the potential of mobile advertising.

Customer Experience Driven Success

In all forms of marketing, the efficiency of the tactics depends on the overall strategy. What differentiates a successful from a non-successful marketing strategy? My research, exploring the triggers of consumer purchasing and loyalty behaviour - investigating why consumers choose a particular service and/or product over others - clearly reveals that successful marketing strategies have some common features. These are:

- There is a focus on the customer's needs
- The marketing activities are customer-driven, not provider-driven
- The customer experience is at the heart of the marketing strategy.

As the customer experience is the core of every successful marketing strategy, all marketing tactics and campaigns must be scrutinised to



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determine the extent to which they deliver a desirable customer experience. If organisations follow this simple policy they will create campaigns based on the needs, solutions and experiences their customers are looking for.

Consequently, mobile advertising has to be examined by the same criteria and judged by how well it contributes to enhancing the customer experience of the target group. The foundation of this examination is that the organisation should be aware of the kind of customer experience the target audience is looking for. Only then can the organisation focus on how it can contribute to the desired end result, namely a satisfactory customer experience leading to an increase in sales and loyalty.

I cannot overstate the fact that the customer experience will be defined

The customer-experience is at the heart of the marketing strategy.

by the customer, not by what the organisation thinks the customer wants. As a reminder that these perceptions often differ I would like to refer to the results of the Bain & Company study, which surveyed 362 firms and found that 80% believed they delivered a “superior experience” to their customers. However, when the customers were asked about their own perceptions, they rated only 8% of the companies as truly delivering a superior experience.

Choose the Context Wisely

Bearing in mind the importance of the customer experience, it is vital to choose the appropriate context for mobile advertising. One obvious context is experiential marketing activities, such as the sponsoring of events, when the consumer voluntarily engages with the brand. The emphasis here is on the voluntary engagement with the brand. The consumer clearly chooses to come to an event sponsored or endorsed by an organisation, symbolising a ‘pull’ towards a brand, rather than a ‘push’ motion of advertising towards the consumer.

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Putting the Pieces Together

Let’s take a moment and recap. Mobile Advertising can be an effective marketing tactic as long as it enhances the customer experience and is placed in the right context. What would be a practical example?

Imagine your company endorsing a sports event, a football match, perhaps. Now think what you as a visitor to this event would consider a ‘great customer experience’. Armed with this knowledge you can use mobile advertising as a tool to enhance the customer experience in a number of ways. For example, before the game you could announce that your company will run a competition for all those who registered their attendance by texting their details; with a prize for guessing the half-time and final score correctly. This will be done by sending their name and the score with their mobile number to a designated number. During halftime and at the end of the game, the winners will be announced and the prizes handed out after the game in the stadium. You could also offer prizes for photographs of goals taken on mobiles during the games and phoned in; or shots of the rows or blocks where they are seated. Such ideas are almost endless, limited only by your imagination.

The Next Step

Clearly there are many opportunities for loyalty managers to take advantage of mobile advertising as a tool to enhance the customer experience, to build customer loyalty and to advertise products and services. Such opportunities are best taken advantage of in co-operation with brand and marketing managers, to ensure synergistic effects, particularly in connection with location-based events.



About the Author:

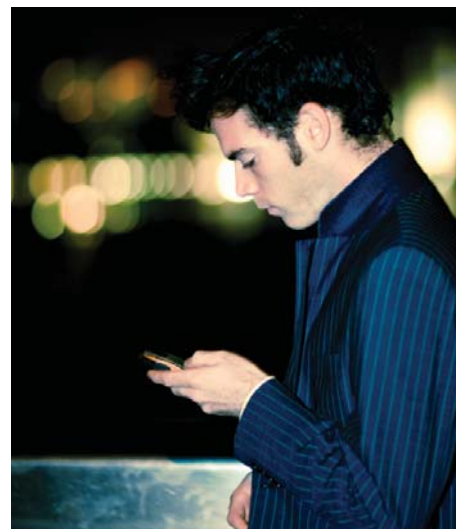
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Phil is leading the research on Customer Experience at the Cranfield University School of Management Centre of Advanced Research in Marketing. His research foci are consumer behaviour, the customer experience, the influence of customer experience on purchasing behaviour and loyalty, and measurements of service and customer experience quality. He teaches and researches in the UK, North America and Europe.

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

He is regarded as a highly engaging and distinguished speaker and has an active portfolio of clients over 20 years, ranging from wealth management, financial services, business development, and marketing, branding and change management assignments

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How can you build loyalty – and profits – in your pre-paid customer base?

Business Logic Systems' Executive Chairman Stewart Goldberg has the answers.

New research from Informa Telecoms & Media reveals that the market for prepaid mobile services has continued to grow more than twice as fast as the contract market in 2007 and 2008. Even in very mature markets, such as Western Europe, considerably more than 50% of mobile phone subscribers are pre-paid. And yet mobile operators continue to focus much of their customer retention activities on monthly contract customers.

Although pre-paid customers are often less profitable than contract subscribers, their numbers are vast and, in some countries, margins are excellent. With many markets reaching saturation, mobile operators must focus on reducing churn while increasing the lifetime value of pre-paid users in order to sustain revenue growth.

This is easier said than done.

Pre-paid customers are notoriously fickle, show little brand loyalty, spend less than contract customers and are difficult to monitor. Typically, they buy from third parties and regularly switch brands to take

advantage of lower rates and discounts. Mobile number portability means there is little downside in switching.

So how do marketers combat this?

In the post-paid market, operators have lots of useful customer information that can be mined to produce targeted promotions. This sort of information is not easily available in the pre-paid market. Lack of data makes it extremely difficult to execute targeted marketing campaigns to pre-paid users. As a result, revenues are lost through scatter-gun offers and blanket discounts that do not necessarily change customer behaviour.

But help is at hand. The mobile operators' own IN systems conceal a wealth of information about pre-paid users. By mining usage patterns, it is possible to segment pre-paid customers and target specific customer groups with relevant promotions likely to increase usage and retention.

How?

Do you build, buy in or rent the software that enables you to do this? Build or buy-in are tough calls in the current economic climate, where there is increasing pressure to reduce capital expenditure.

In recognition of this, Business Logic Systems has developed a revolutionary managed service called Revenue Optimiser that is available for a monthly fee. This means it can be funded from operating, rather than capital expenditure, for a fast ROI with little risk.

Revenue Optimiser is an automated recharge management and measurement tool that enables mobile operators to reward and retain profitable pre-paid customers via personalised interactive SMS marketing campaigns.

The service requires no up front investment, no technical know-how and empowers marketers to quickly and easily roll out targeted loyalty campaigns. Subscribers are rewarded for profitable behaviour with bonuses paid, for example, on the value, timing or method of their recharge.

Because the entire process is automated, multiple campaigns can run simultaneously to different micro segments of the subscriber base. Offers can be applied directly to subscriber accounts, without any need for manual intervention.

This new interactive sales channel will enable mobile telcos to significantly increase the lifetime value of customers across the entire subscriber base.

Focus on Customer Lifecycle Management

The Challenge

The need to build lasting and profitable relationships with subscribers presents an enormous challenge for mobile service providers in a saturated market that is rife with competition. In some markets a growth in pre-paid business is compounding the problem, preventing customer lock-in.

Maturing markets limit new sales opportunities. Mobile operators must increase revenues by focusing on their current subscribers including pre-paid customers. Averting defection to a rival provider means being able to monitor and pre-empt customer behaviour with well-timed campaigns at discrete stages of the customer lifecycle.

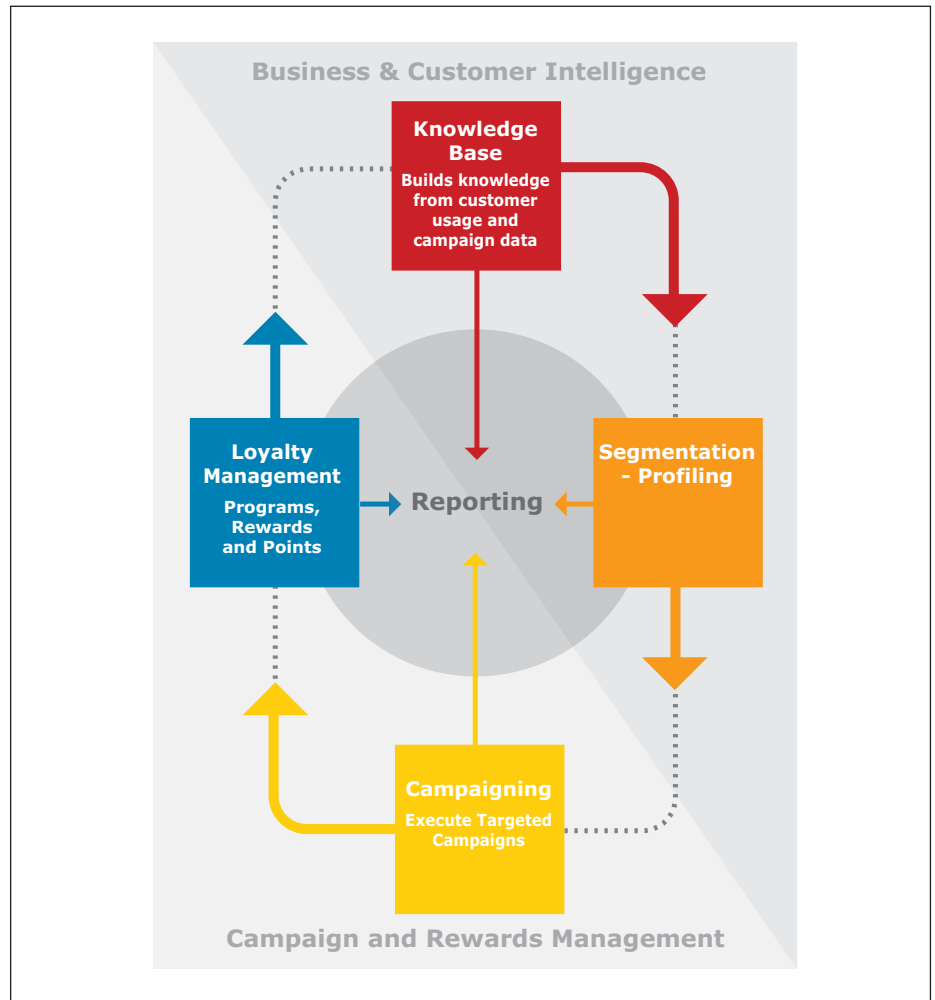
Cost and complexity are the main barriers to effective customer lifecycle management. Outbound calls typically cost between \$4 and \$8, making this approach viable for high-value customers only. And the need to track customer behaviour and trigger relevant communication at the appropriate lifecycle stage places huge demands on systems and marketing resources.

The market urgently needs a solution that removes these barriers to long-term profitability.

The Solution

Business Logic Systems provides the only truly effective end-to-end solution for Customer Lifecycle Management in the mobile market. Quite simply, it opens up new possibilities by offering two major advantages over alternative solutions in the market-place:

- Our solution is designed to work alongside existing CRM, data warehouse, billing and prepaid



IN platforms. Our extensive integration capability allows the delivery of fully-automated campaigns that do not compromise existing business processes.

- It allows marketers to use SMS communications to create an effective two-way dialogue with customers for personalised marketing campaigns.
- Our solution will scale to include high, medium and low value subscribers.
- Marketers can easily manage the entire customer lifecycle from the desktop, using our easy-to-use graphical interface, without involving multiple departmental groups. Our software allows mobile network providers to:

- Build customer intelligence and create micro segments based on usage patterns, demographic, preferred touch points and take-up of campaigns.
- Automatically identify the right time to target customers with appropriate promotions.
- Hone the offers and services presented to customers.
- Trigger these actions automatically.
- Run hundreds of campaigns concurrently to multiple micro segments of the customer base.

Business Logic Systems builds bridge to Siebel CRM

Business Logic Systems has built an interface that seamlessly integrates the InTelestage™ Campaign Suite with Oracle's Siebel customer relationship management (CRM) software.

The InTelestage-Siebel interface enables mobile phone operators to link customer profiling and marketing software with core CRM systems and customer loyalty information. Importantly, this gives operators a complete picture of the subscriber across all points of contact. The ability to see, at a glance, all of the actions affecting a customer's account, and the recent promotions they have responded to, means they can service consumers much more efficiently to enhance the customer experience and boost loyalty.

"Customers' frustration at being kept waiting by call centres is legendary," Stewart Goldberg, Executive Chairman,

says. "It is vital that network operators can respond in a joined up way, regardless of how the consumer has initiated contact. This demands integration between back-end systems so that the contact centre agent has a single, complete view of each customer across all points of contact. Without this, an operator can't hope to offer an efficient, responsive service.

At a time when the depressed economy is causing consumers to re-evaluate their monthly spending, interest in embracing more attractive calling plans or switching service providers has never been greater. In joining up the marketing and customer management process, we are offering mobile operators a unique chance to head off potential new threats to their business by exceeding customers' expectations and allowing them to take full advantage of new promotions."

Business Logic Systems' InTelestage™ Campaign Suite enables marketing departments to access, analyse and act upon customer event data, in real-time, to create a continuous closed loop campaign process. It delivers the ability to run multiple concurrent campaigns to highly-targeted micro segments, creating an interactive, two-way dialogue with customers, via their preferred communication channel.

All modules in the InTelestage™ Campaign Suite offer easy integration with third-party systems, enabling platform providers and developers to create fully-automated, innovative marketing solutions that increase the value of existing IT investments.

Business Logic Systems expands global footprint

Business Logic Systems is extending its global reach with new regional offices in Dubai and Vienna.

Heading the Dubai office is newly appointed Regional Sales Director Nasser Ballout, His main focus is to build the list of clients through his relationships with local mobile operators – there are more than 40 in the region. Also joining the team is Mostafa Elbagoury, Head of Consultancy Services for MEA.

Having such a strong team in place will enable Business Logic Systems to deliver first class customer service to its customers in the region, including Saudi Telecom Company (STC), according to Stewart Goldberg, the company's Executive Chairman. "We believe it is very important to service local markets with local people."

The Middle East is an important growth market for Business Logic Systems, says Nasser. "Our presence will help us support key customers in the region in addition to a number of partners that we are actively working with."

Nasser has worked in the MEA region for 20 years, Immediately prior to joining Business Logic Systems Nasser spent two years as co-founder and principal associate of 3-Tier Solutions, an IT consultancy. He has also worked at Sun Microsystems, Hewlett-Packard, NCR, and Gulf Computers. He has a degree in computer programming and a BSc in data processing management from Strayer University, Washington DC.

Mostafa has 25 years experience in consulting and information management with Hewlett-Packard and IBM, focused mainly on the telecoms industry. He has a degree in electrical engineering from Cairo University and an MSc and PhD in computer control systems from Queen's University, Kingston, Canada.

Heading the Vienna office will be Ivan Skerlanitz, newly appointed Regional Sales Director, who will lead Business Logic's charge into Central and Eastern Europe.

And finally...

Today's mobile operators need fully automated marketing processes so they can respond to changing customer behaviour trends in near real-time. Designed to interface with leading third party systems, InTelestage™ meets this need by helping marketers solve capability gaps in their existing marketing processes.

InTelestage™ is available as a fully integrated end-to-end solution. Alternatively, individual modules can be purchased separately. Here are just a few applications InTelestage™ can offer:

- InTelestage™ Profiler is designed to profile customer micro segments in near real-time, based on detailed usage and behaviour patterns
- InTelestage™ Reporter enables fast, effective decision-making and accurate campaign monitoring by providing comprehensive data at every stage of a campaign
- InTelestage™ Reward Manager enables you to define and manage a reward programme

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