

IMM



marketing

Welcome to the third issue of the Business Logic Systems newsletter. Businesses of all sizes, in every industry, start the New Year with a degree of trepidation as the global economic crisis deepens. Telcos are no different. As consumers and businesses tighten their belts, increasing customer loyalty is set to become more important than ever.

This issue looks closely at how mobile operators can work towards building a customer-centric approach.

The articles in this edition focus on some of the key issues facing the industry:

■ **What are the new rules of customer-centric mobile marketing?**

Josie Sephton, Principal Analyst at London based Freeform Dynamics, highlights the barriers to widespread adoption of effective customer retention strategies and offers solutions to overcome this.

■ **Why customer lifecycle management matters**

In previous editions Phil Klaus of Cranfield University has established the importance of the customer experience. In this article he looks at how customer relationships evolve over time and suggests why you should care.

■ **How can you adopt a proactive approach to churn management for pre-paid customers?**

Business Logic Systems' Customer Services Manager Calin Indre provides the solution.

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 New Rules of Customer-Centric Mobile Marketing

Analyst Josie Sephton reveals key findings of new mobile community research

Generic customer relationship management (CRM) systems, fragmented data and poor campaign monitoring and reporting systems are the key barriers to customer-centric marketing for mobile network operators. Josie Sephton, Principal Analyst at London analyst firm Freeform Dynamics, discusses the findings of a new mobile community research report commissioned by Business Logic Systems and offers some key principles to aid the transition to a customer-centric approach.

Mobile service provision is entering a new era. As markets reach saturation point, fierce competition is driving a constant change in service packages, coupled with rapid enhancement of content services. In this constantly-evolving environment, traditional marketing methods are fast becoming irrelevant.

Network operators are placing ever more emphasis on driving up revenues from existing customers, with a new focus on developing customer loyalty programmes, improving customer segmentation and aligning systems and processes to place customers at the centre of marketing activity.

This shift to customer-centric marketing for mobile operators is long overdue. Consumer experience in other areas involves an increasingly rich dialogue with the supplier and customer expectations are changing as a result.

Consider online retailer Amazon, which strives to create personal interaction with customers. This includes extensive use of carefully targeted emails offering relevant recommendations and automated



responses to placed orders. During browsing, customers receive recommendations as to alternative products they might consider, based on previous purchases, including reviews and information on items other customers have purchased. The overall experience gives customers the impression that Amazon understands their needs, even though there is never any human interaction with Amazon.

So how can mobile operators reach Amazon's level of customer-centric service? Very few find it easy to put such customer-centric marketing into practice. Traditional CRM systems, fragmented data and poor campaign monitoring & reporting systems are undermining the ability of mobile marketers to put

subscribers at the heart of their marketing relationships.

Recently, Freeform Dynamics ran a research panel to explore these challenges. The same themes came up again and again from our panel members, who are chief marketing officers (CMO) and campaign managers at 13 tier one and tier two mobile operators in Europe and Asia.

Nearly all of them said their IT systems and working processes were unsatisfactory. This created frustration and staff dissatisfaction and caused political problems between departments.

At the outset, providers have to deal with highly fragmented data sources. Customer information is

scattered across multiple, discrete systems making advanced segmentation complex and time-consuming. This leads to an undue, undesirable, reliance on the IT department for manual processing, which is invariably needed to help pull the data into a manageable form.

These shortfalls result in a slow and costly campaign process. This means operators can run fewer campaigns, which take longer to reach the market. An inability to monitor and analyse performance across campaigns result in wasted opportunity for cross-selling programmes.

Finally, the lack of automation limits what can be fed back into customer data management in terms of customer responses. In turn this restricts the ability to refine segmentation information.

About the Author:

Josie Sephton is Principal Analyst at Freeform Dynamics covering telecoms solutions and services in the enterprise and SMB sectors, and is responsible for Freeform's research agenda in this area.

As a seasoned analyst and consultant with over 19 years in the telecoms and IT services industry, Josie has extensive experience of researching and analysing requirements and offerings across the communications landscape. She also has a strong project management background and a consistent track record of successful delivery, working with a broad list of clients, from global service providers and equipment vendors, through to multinational corporations across various verticals.

Prior to joining Freeform Dynamics, Josie held positions at Ovum, Eurodata Foundation and Logica CMG.

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To download the article visit:
www.businesslogicsystems.com/research

To make the transition from the traditional service-based approach to the new world of customer-centricity, providers must overcome all these barriers. To do this, providers should consider the key principles and imperatives, which I have derived from my interviews with our panel members.

■ Adopt a genuinely customer-centric culture

The promotion of specific services based on relatively crude segmentation of customers is the historical focus for campaign management. There is a need to shift to a more customer-centric approach. In practical terms, this translates into targeting based on micro-segmentation of customers and getting smarter about considering customer needs holistically beyond individual service offerings.

■ Make collaboration part of the organisation's DNA

Campaign success is dependent on good co-ordination between marketing, sales and customer services. Because many operators have a high reliance either on bespoke IT systems or complex bought in software, the IT department has to be involved. Paying attention to collaboration can have a very positive impact, but this effort needs to be targeted at both systems and processes. To ensure that collaboration practices have maximum impact, it is essential that the concept is understood and accepted throughout the organisation.

■ Redefine the role of the CMO as that of "orchestrator"

The Chief Marketing Officer role may best be considered as that of 'orchestrator', taking a high level business-oriented view across all campaign activity. The CMO should look beyond the immediate fulfilment of individual quotas to getting campaigns working together to drive incremental value and customer loyalty, overall. As part of the orchestration role, the CMO is the natural point of ownership for such a collaboration policy and process and, as such, can become an important agent of change.

■ Automate campaign execution wherever possible

Lack of automation is endemic in the campaign management environment, in spite of the investment in CRM systems. There is a need to identify the current gaps in processes and systems, consider the degree to which these can be automated, and determine the best way to do this - either through re-design of processes or modification and extension of IT systems capability.

■ Use a blend of IT systems rather than compromise

Rather than expecting a single system to do everything, it is better to be honest about gaps and shortfalls and take steps to put in place whatever is necessary. Sometimes this can be achieved through custom extensions or integration work. But often the most cost-effective answer is to adopt specialist solutions designed for specific requirements such as closed loop web, email or SMS campaigns.

■ Monitor and manage continuously at all levels

There is a clear need for an overall reporting, monitoring and management capability to assess the impact of campaigns collectively against higher level business objectives such as the driving of loyalty and customer lifetime profitability. This loops back to where we started, that is, taking a customer-centric view of the business.

Why Customer Lifecycle Management Matters

Phil Klaus of Cranfield University looks at how customer relationships evolve over time and why you should care

In the last two articles we established the importance of the customer experience for the organisation. Organisations survive by producing profits. Profits are generated by customer actions, not customer intentions. Therefore, the organisation needs to explore and understand what actually triggers their customers' behaviour. The triggers of purchasing behaviour are manifested in the customer experience. Your organisation can only be successful if it explores and understands the customers' experience - the 'true source' for your customers' behaviour.

In former articles we discussed different approaches to using this insight to create a sustainable competitive advantage, such as using the measure of Customer Experience Quality 'EXQ', customer segmentation through customer-experience-based behavioural data (IM Marketing Issue 1); or customer-experience driven mobile advertising (IM Marketing Issue 2).

In this article we look at how the attributes of a great customer experience can change throughout the lifecycle of the customers' relationship with an organisation.



Not all customers are created equal

My recent research explored the customer experience through the entire lifecycle of the relationship between a customer and an organisation in the financial services industry. Customers reported their experiences from the initial pre-purchase stage with an organisation, through the post-purchase phase all the way to, if applicable, their next purchase(s) with the same organisation.

The research revealed that the individual attributes of the customer experience i.e. the reasons why customers do or do not purchase certain services and offerings are present through all stages of their relationship with the organisation. However, different factors were given a different weighting at different stages in the relationship. Some behaviour triggers were more important in the initial stage of the relationship, while others were

more important in latter stages, such as during re-purchases.

Let me illustrate this point using the example of mortgage buyers. First time buyers of mortgages are often quoted as saying that they were looking for guidance during the process of applying for and receiving a mortgage. Those buyers who were guided through the entire process by a company, a phenomenon I refer to as 'holding hands', in most cases, returned to the same company for their subsequent mortgages.

On the other hand, in the latter stages buyers were no longer interested in this type of guidance, but were looking for rewards on what I call a 'relationship' level. Customers in this stage of their lifecycle were looking for treatment that reflected their loyalty, as well as a speedy and 'painless' application and decision process. This led me to the conclusion that customers do change during the relationship with the organisation.

Customers do change

But why, and more importantly, how, do customers' expectations change over a relationship with an organisation? Research clearly indicates that we can connect each stage of the relationship with certain attributes, or triggers, of the customer experience. The three kinds of attributes are search, experience and credence attributes:

- Search attributes refer to qualities the customer evaluates before the actual purchase or consumption experience. For example, before your customer decides to interact with your company directly he/she forms their opinion about your organisation through advertising, word-of-mouth and other third party information, such as customer reviews and blogs.
- Experience attributes are evaluated by the customer during and after direct contact with the organisation, such as purchase, after-purchase care and contact through different channels such as online, telephone and face-to-face.
- Credence attributes are by definition built after the customer actually used the service or consumed the product offerings of the organisation.

Why you should care

The key question is how your customers will react to communication and services that do not recognise their needs at each stage of the customer lifecycle. The answer to this question has wide-ranging implications for your organisation.

Let us look at how this applies to first-time customers and repeat customers, who will have already collected a series of experiences with your company. The first-time buyer will base their evaluation of the customer experience and therefore their purchasing behaviour on easy-to-evaluate factors such as the quality of service, timeliness and atmosphere.

Longer-term customers, on the other hand, will look at other credence-based attributes such as interactions

with the organisation and loyalty incentives. If your organisation delivers an experience that does not cater to the needs of this customer, there is a risk that the customer will find the experience neither relevant nor valuable.

Think about the example of the mortgage customer. How would a customer in the later stages of the lifecycle react to a process that guides them through a mortgage application process step-by-step, explaining every single one? This scenario could lead to your customer looking for alternatives and eventually leaving you for other providers that better cater to their needs.

Lifecycle Management – the next step

We can see that a great customer experience will differ throughout the lifecycle of the customer's relationship with an organisation. In a rather volatile and highly competitive sector, such as mobile services, Customer Lifecycle Management could prove to be the foundation for a sustainable competitive advantage. By meeting customer expectations at each stage of their cycle, mobile operators have a great opportunity to increase customer loyalty and reduce churn, as well as attract customers from their competitors.

Try to think about the expectations your customers have in the different stages of their lifecycle with your service offerings. For example, during the early stages of the relationship, make sure the user knows how to use the service properly and where to get help if needed. In the case of a contract customer, you have an opportunity to cross-sell and up-sell new services to the customer with targeted offers that are likely to meet a well-defined need. Towards the end of the 12-month contract, the focus should be on customer retention by demonstrating that you value customer loyalty.



About the Author:

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Phil is leading the research on Customer Experience at the Cranfield University School of Management Centre for Strategic Marketing and Sales. 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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If you would like to read Phil's articles in previous issues of IM Marketing, please visit the Thought Leadership section at

www.businesslogicsystems.com

Proactive Churn Management for Pre-paid Customers

Calin Indre, Customer Services Manager, Business Logic Systems, explores some options

Growth in today's global mobile market is no longer about new customer acquisition but depends upon increasing the unit value of existing subscribers and extending network usage over time.

This is not an easy transition to manage. In Europe, pre-paid customers typically make up 60% of the customer base but generate just 20% of revenue. They demonstrate high churn rates (anything from 30-50%), low retention levels (3-14 months is typical), a high level of price sensitivity and low ARPU.

Defining churn for pre-paid subscribers is a challenge. There may be a time lapse between expiry of credit and reconnection. The customer may migrate to become a postpaid customer. Or even buy a new SIM from the same service providers because there was a 'deal' on offer. Or simply move to a competitor. Once the customer has taken the decision to migrate to another network, it is usually too late to tempt them back via a personalised approach.

Some of the large mobile operators have made valiant attempts to overcome these barriers by implementing complete CRM systems that enable them to identify customers "at churn risk"; however the results of such programmes have not been as spectacular as might be expected. The reason for this lies not in the technology, but rather in the approach taken to the whole process. Let me explain.

Most approaches to identify potential churners in the pre-paid sector are based upon an analysis of the behavioural characteristics of those customers that leave the network. This analysis is then applied to current customers. The problem is that by the time the customer is identified using this approach they

have often taken the decision to leave the network. At that point it may be too late to take action to change their decision. In effect, this approach helps to identify churners quite accurately, but does not actually help the operator to take preventative action.

What can be done? A more recent approach to churn management for pre-paid customers shifts the emphasis from customer retention programmes to proactive customer interaction campaigns aimed at increasing service usage levels by making relevant, timely offers to customers.

It makes obvious sense to 'catch' potential churners before their credit runs out. By offering an incentive to stay with your network, it is possible to encourage the customer to 'recharge' before expiry. What's more, if the right incentive is offered, profitable network usage could be increased by offering free SMS, international SMS, or even MMS as rewards for higher denomination recharge.

Business Logic Systems is helping a number of global operators to successfully reduce churn by creating a personalised, targeted and fully-automated, two-way customer dialogue via SMS.

At the heart of our approach is 'Real-time Recharge' which allows rewards to be offered to encourage subscriber recharge and then award the bonus automatically once the threshold is reached. The bonus could be based upon the amount of the recharge, the channel by which the recharge is being performed or the tariff plan value.

Regular reminders or notification messages can be sent to subscribers encouraging them to take advantage of the offer in a timely fashion. And comprehensive reporting facilities provide a full picture of campaign success.

Our solutions integrate easily with existing CRM, billing and other third party systems enabling marketers to build a complete view of customer activity, understand detailed usage patterns and identify customer micro segments.

By adopting a proactive approach to churn management in this way our customers are achieving unprecedented results. And because campaigns are communicated direct to the customer, via the handset, they are invisible to competitors. In today's fiercely competitive marketplace that can be a huge advantage, allowing canny operators to change the market rules.

To find out more please contact: marketing@businesslogic.co.uk

Telstra, one of Australia's leading mobile operators, doubled response rates for a campaign encouraging new customers to stay with the network, using the InTelegage™ Campaign and Loyalty Management Solution from Business Logic Systems.

Before adopting the fully-automated loyalty solution, Telstra offered new customers an incentive to remain with the network in the form of a recurring bonus of 10% of the total recharge value every three months. The offer was promoted via traditional media and customers were required to opt-in manually, with typical response rates of 3%.

Business Logic Systems helped Telstra automate the entire campaign process by communicating directly with customers via SMS. Customers could opt-in by replying to the SMS message and the reward was automatically applied to customer accounts upon recharge. The result was a dramatic increase in campaign take-up with 7% of customers responding to the recharge offer.

Campaign and Loyalty Management Solution

The Challenge

Building customer loyalty is a huge challenge for mobile operators. Mobile customers have high expectations, but are increasingly unwilling to demonstrate any allegiance to their network provider.

Growing competition between mobile operators means customers simply “up and leave” if they are not happy with the service they are given. Operators are more than aware of this and understand the importance of encouraging and rewarding loyalty. But the major challenge is how to encourage and reward profitable behaviour when faced with a customer base of hundreds and thousands, most of whom you know very little about.

Recent mobile community research commissioned by Business Logic Systems has uncovered problems faced by mobile operators such as data limitations, inefficient campaign set-up processes and limited real-time resource capability.

The Requirement

To reduce churn and build customer lifetime value, mobile network operators must move beyond manual marketing processes towards fully-automated loyalty and customer retention programmes.

Marketing departments must be empowered with the ability to segment and interrogate data, tailor campaigns to meet individual customer requirements and trigger loyalty schemes in real time. In addition, any solution must integrate easily with existing and established billing platforms, CRM applications and call centre tools to complement existing IT investments.

The Solution

The InTelestage™ Campaign and Loyalty Management solution can help mobile operators build

profitable, long-term relationships with subscribers and increase lifetime value by creating fully-automated marketing processes and unlocking the value of real-time data.

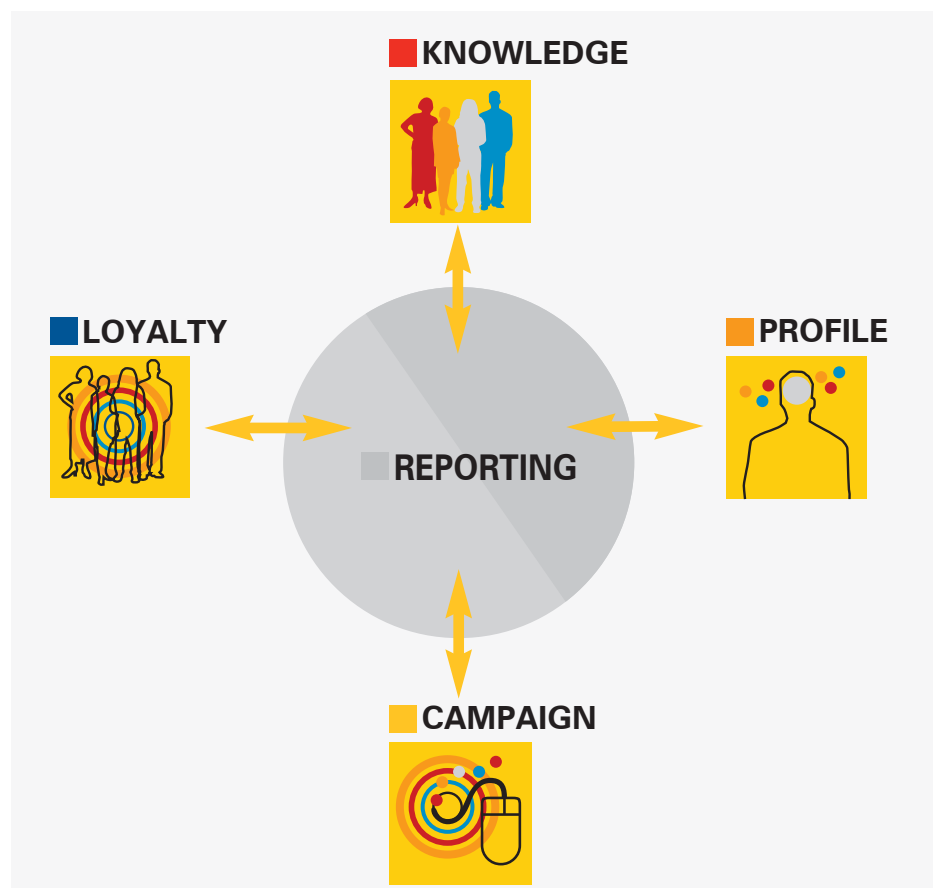
It does so by delivering customer intelligence that builds a complete, integrated view of customer activity, coupled with the ability to create real-time, relevant, two-way dialogues and loyalty schemes with multiple customer segments.

Using the InTelestage™ Campaign and Loyalty Management solution, operators can:

- Link call and campaign data from multiple sources and interpret millions of call records to build a complete view of customer activity.
- Analyse behavioural data, identify customer micro segments and forecast customer trends.
- Create a real-time, relevant two-way customer dialogue and

provide customers with an automated opt-in/opt-out facility for campaigns.

- Engage customers with targeted offers, manage multiple communication gateways and execute multiple campaigns simultaneously from a single desktop.
- Run multiple campaigns concurrently to different micro customer segments.
- Prompt profitable customer behaviours via event-triggered campaigns, reward customer response in real-time and build targeted loyalty programmes.
- Run automated rewards programmes that apply rewards instantly when pre-set criteria are met.
- Define and manage an unlimited number of automated reward schemes and points-based loyalty programmes from the desktop.



Business Logic Systems Joins the Newly Formed Acision Innovation Network

Business Logic Systems has joined the Acision Innovation Network focussing on mobile marketing. Business Logic will build upon its existing relationship with Acision and become a 'partner' member of the Network. This will enable Business Logic Systems to target Acision's existing customer base, consisting of over 300 of the world's mobile and broadband operators.

The Acision Innovation Network, the world's leading messaging company, brings together best of breed technology vendors from the mobile network industry to collaborate on the creation of new applications and services to advance the way the world communicates. Business Logic Systems was invited to join the Network due to its expertise and excellence in mobile marketing.

"As the challenge to retain customers and grow the average revenue per user increases there is enormous pressure on operators to encourage and reward loyalty," commented Geoff McGrath, VP Market Development, Acision. "Business Logic's solutions are vital in the battle to reduce churn and increase customer retention, and they are a great addition to the Acision Innovation Network. Through highly-targeted, real-time interaction, Business Logic enables marketers to roll-out and manage programmes that have a direct impact on the bottom line."

GSMA Mobile World Congress 2009 Barcelona 16 - 19 February

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**Business Logic Systems - Stand no.
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Business Logic Systems Helps AXIS Drive Incremental Revenues and Increase Loyalty

Business Logic Systems is playing a key role in helping Indonesia's newest mobile operator, AXIS to drive customer loyalty and increase revenues from its recently created AXIS Salam community. AXIS Salam is a pre-pay offering aimed at the Islamic community. To persuade new customers to join the community and encourage existing users to top up, AXIS Salam is giving subscribers the chance to enter a Lucky Draw competition to win a trip to 'Hajj' and 'Umrah'.

The InTelestage™ Lucky Draw module communicates with customers in real time. When a new customer joins AXIS Salam they receive an automatically generated text message welcoming them to the network and letting them know they have been entered into the Lucky Draw competition.

When users top up, points are allocated to their account in accordance to how much they spend. Lucky Draw manages this process and sends further text messages to let subscribers know how many points they have.

"Over 90 per cent of mobile phone users in Indonesia are pre-pay, which makes ongoing customer contact and customer loyalty extremely difficult," explained Johan Buse, Chief Marketing Officer, AXIS. "When we launched AXIS Salam, we wanted to buck the trend and have regular, discreet contact with our users; Business Logic Systems has been key to allowing us to do this."

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