

Enhancing Customer Loyalty by Leveraging Available Subscribers Data

In a continuously demanding and highly competitive market, Operators interest in developing business strategies focused on customer retention is growing. Penetration rates in mature markets reached or long over passed 100%, therefore aiming solely new customers' acquisition is no longer a viable option.

As customer behavior is increasingly unpredictable and poorly targeted, being able to understand individual customer behavior and customer segments is imperative, as one-size-fits-all customer retention activities can do more harm than good.

Operators should overpass the dogmatic paradigm "Better be a new customer than a loyal one"

It is a well known fact that acquiring a new customer costs 5 to 10 times more than retaining an existing one or that it can take up to 3 years to break-even with some customer segments. Therefore, retaining a stable base of high-value customers and growing their lifetime value is a key business strategy for service providers.

Loyal customers are more profitable not just because they continuously buy your products, but also because their cost-to-serve is much lower and they add value to your company by providing authentic viral referrals and by becoming eminent marketers for your brand.

New customer acquisition costs are huge, starting from 150 up to 350 EUR in mature markets and churn rates figures hit EBITDA margin severely, starting from 1% per month in mature markets with dominant post-paid plans like the US, up to 13% per month in developing markets, with 90% prepaid plans, like some parts of Asia. For example, Indonesian prepaid customers can churn once every few weeks!

Enhance value from your customer's experience - Operators are sitting on a gold mine!

By mining the existing customer data efficiently, without losing any of the valuable material or wasting it, by applying simple and efficient campaigns, operators can increase customer satisfaction, their revenue and QoS (quality of service) – or at least the customer perception on it - and enhance the value of their brand.

The natural question is "Where does this information lie?" The answer is simple: everywhere. All the infrastructure of a service provider is built from the ground with two entities in mind: the customer and the service. So there is huge amount of data in just about every system: The CRM



data is where most people would look for customer information, the billing system is where service usage and spending are found and not to mention the trouble ticketing system or the network elements where we can find a lot of information about QoS or perceived QoS. So, when building customer insight, no system should be overlooked.

Traditional loyalty systems, built with the capability of delivering a certain reward to any subscriber based on defined usage patterns, are not based on customer behavior. They usually work by processing data - customer events - in an offline batch mode and this means they cannot be real-time. It's possible that the customer would have already churned before the Operator could deliver our batch-based promotion whilst trying to detect and prevent his churn intention.

Real time, targeted campaigns based on personalized communication are almost nonexistent in a world where marketers are launching too many pointless offers and are sending zillion of spam messages. Operators must expand traditional loyalty promotions that focus only on giving rewards.

We shouldn't omit the fact that a gross part of the subscribers' base is happy with the service they are using and willing to pay for it, as they currently do, they don't need a further incentive to use services and respect their payment plans. This does not mean that Operators should find comfort in the status quo. They should understand such customers' behavior in order to quarterback promotions that increase their use of services and enhance attachment to the brand still further.

Operators need to unleash the creativity of the marketing department and free it of prosaic technical constraints



To be effective, a loyalty initiative ought to map to the specific customer needs. For different customers, different actions are necessary. This is where macro-segmentation, micro-segmentation, dynamic promotions, reactive promotions examples come into play.

Operators need to experiment promotions out on small (not microscopic) segments of their customer base - on micro segments. They can then monitor their effectiveness and apply feedback to improve the next promotion launched. They need to make possible the launch of many promotions. Let's say... 100 promotions per month, the more the better! Yes, one hundred... Many of them may fail, probably will fail, but if they are continuously monitored and if the feedback is used to improve the future campaigns launched, Operators will finally optimize and gain the successful results they aim to achieve. They should enhance their ability to quickly design, implement and launch that many promotions and to target them to specific groups of customers.

A good simulation tool is a key requirement for a promotion management system; it should have the capacity to forecast and simulate each promotion planned to launch, to enable having an anticipated results overview based on historical customer behavior and to support achieving feedback about the launched promotion's effect in real-time and to allow fast reaction, based on immediate results. The hardest part would be its capacity to compare each campaign against other

campaigns, or the same campaign with different advertising channels or the zero option of no campaign at all, as the interplay of many simultaneous promotions that may touch overlapping groups of customers should be taken into account.

Besides enhancing the capacity to develop targeted marketing, efficient customer segmentation enables Operators to prioritize new development efforts, to choose specific product features, to establish appropriate service options and to design an efficient distribution strategy. Furthermore customer profiling is also valuable and relevant for prospecting new customers from various external sources. Through appropriate profiling, an estimated usage behavior can be established.

The most common type of loyalty scenario, but also the “bluntest instrument”, the **mass marketing**, reaches the majority of the customer base and thus the gross effect is very significant. It also requires the fewest resources to plan and execute a campaign.

This type of promotion is not well targeted; Operators are likely to reach out to many customers who are either not interested in their promotion or who don't need it to influence their behavior in the way that we desire: so precious marketing budget is being wasted. Worse still, mass marketing messages might irritate certain satisfied customers and it's not fully interactive; it cannot be timely nor personalized for every customer.

By launching general, mass promotion, Operators sometimes just give away their revenue for free, with no pre-defined purpose, no retention or revenue enhancement strategy but on the other hand, mass promotions can still often be an effective approach. The results may be unpredictable because the subscriber base is so diverse and we may not be able to figure out success factors for the same reason.

By using **dynamic segmentation**, in contrast, a specialist segment of the whole customer base is being constructed in real-time. The segment is small enough so that all customers in it share a key commonality. Real time is the key factor here. Operators need to monitor events and detect the trend towards inactivity. This can only be done on a heuristic basis. The loyalty system should detect this behavior and make an immediate personalized offer to reverse the trend.

The micro segmentation allows the implementation of highly focused and personalized offers. The offer can be a direct and immediate **reaction** to the customer's behavior and needs. To emphasize here are sophisticated promotions like proactively compensating for minor performance problems or repeated failures in network that can drive high retention goals or promotions based on viral marketing, like customer calling off-net numbers, which are a good way to attract subscribers from the competitors' networks. Studies show that 15% of customers would choose their network influenced by having friends, families or colleagues on the same network, while a further eight percent would make the decision after having a network recommended to them. This type of promotion can be run continuously, with the aim or hope of a snow ball effect, more customers being added every month. The important advantage of such campaign is that new customers are less likely to return to their previous network, as friends that can influence this decision are already with the new provider.

Well designed loyalty programs can provide an invaluable chance for operators to differentiate and increase retention. Events and trends in subscriber data during and after the campaigns allow fine tuning during the campaign and enable operators to understand the benefits of specific promotions.



Based solely on exploiting the existing data and precisely targeting the right customers to get the most value out of them, this type of “handy” strategies are a MUST especially in mature markets, where mobile operators have similar branding and service offerings.

About Computaris

Computaris specializes in system integration, BSS technical consulting and software development for software vendors and communication services providers (CSP) in Europe, Middle East, Africa and SE Asia.

We provide the highest level of expertise in the domain of communications BSS: billing, rating and charging, SDP (Service Delivery Platform), VAS (Value Added Services), messaging, provisioning, mediation, service management, mobile commerce and mobile money.

WWW.COMPUTARIS.COM



Bridging the gap between IT and Telecoms