EXPERT OPINION:

Going beyond traditional marketing campaigns to improve customer loyalty and revenues

Telecom operators in general, and wireless operators specifically, are facing an increasingly competitive marketplace together with a continuing trend towards commoditisation of their services and pricing pressures from a dynamic converged environment. Thomas Thekkethala sees four critical challenges facing virtually every telecom operator across the globe.

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The first challenge is retention, coupled with higher subscriber acquisition costs. Annual churn rates above 20%, especially in the growing prepaid segment, are not uncommon in many regions. The second challenge is the average growth of new subscribers, which is slowing down worldwide. With today's high level of mobile penetration, acquisition often involves a subscriber switching from their original carrier.

The third is the average revenue per user, which is at a steady decline with an average of 2% worldwide. While value-added services are a growth area, it has not offset commoditised voice and data revenues. The fourth challenge is to exploit the emerging – and exciting — opportunity for operators to generate revenue through mobile advertising and revenues through their partners.

So how do the operators turn this around? In our view, the best way of addressing these four challenges is to improve and nurture customer loyalty. Now that sounds easy, however, despite heavy investments in traditional marketing campaigns over the years, the trend remains negative.

Why are traditional marketing campaigns not effective?

The principal reason for this is that the traditional practices in campaign management have centred on mass marketing and static customer segmentations. The campaigns themselves tend to be driven completely by the operator, rather than based on the customer's behaviour. Communicating to the subscriber is one-way using SMS, email or other channels. Campaign and loyalty management software vendors have emphasised segmentations to target customer sets, based on IT reports and different forms of historical analysis.

Recent research from the major industry analysts shows, as well as what our customers are finding, that the uptake of these traditional 'segment-and-promote to a subscriber list' models is very low in a world jaded by too many offers and too much spam.

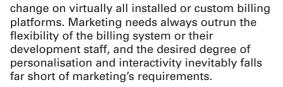### How can carriers increase the effectiveness of their marketing and advertising campaigns?

The answer is that they have to move beyond traditional campaign management to next-generation loyalty management strategies based on three key concepts:

1. Customers expect personalised communication and offers that reflect their individual needs and actions rather than offers based on broad demographic information like age, zip code or monthly spend level. Personalisation not only creates relevant promotion offers but it also fosters a sense that the operator is trying to respond to the subscriber's individual needs. Brand loyalty follows.

2. Customers respond better to 'just-in-time' promotional offers than to untimely random, periodic, mid-day or end of day communications. In fact, industry research clearly shows approximately 10-15x improvement in uptake for offers and promotions when they are driven by real-time triggers based on customer behaviour.

3. Customers feel a sense of connection when they can communicate back about promotions and offers. The interactivity greatly improves customer satisfaction and also reduces costly communications to customer call centres.

Why are current IT solutions failing to deliver against marketing's requirements?

Historically, operators have implemented campaign marketing functionality in their pre or postpaid billing or CRM systems. Adding marketing campaigns into the billing system is both high risk and very expensive. Billing systems were not designed for fully flexible promotional offers and campaigns, and the 'time to market' requirements for on-going promotions development far exceeds the feasible rate of ▶

change on virtually all installed or custom billing platforms. Marketing needs always outrun the flexibility of the billing system or their development staff, and the desired degree of personalisation and interactivity inevitably falls far short of marketing's requirements.

Carriers have also attempted to implement loyalty management in the CRM and subscriber account management systems. Traditional segmentation, based on customers by geographic location, spend level, or other static data, delivers customer lists from which traditional promotional offers are generated. However, here again, these promotions are limited by the static data in CRM with no connection to customer behaviour on the network and furthermore, 'time to market' remains a major issue.

Many operators have recently turned to analytics and segmentations using data warehouses. These solutions provide powerful customer segmentations and a level of personalisation using network data. However, they lack the real-time, interactive and 'time to market' characteristics that maximise the effectiveness of marketing campaigns.

The database-driven campaign management tools also typically lack the architected components for automated execution of promotions, the management of smart communication / interactivity with the subscriber in response to promotions or the integration with other business systems to provision promotion rewards (credits, free minutes, points, coupons, etc.). In this environment, campaigns are forever trapped in the limitations of segment-and-blast offer models.

What are the characteristics of next generation marketing campaign solutions?

We believe operators must embrace a new model of a real-time, 24x7 operational platform for promotions and campaign management. This platform listens for all the events in the network that reflect customer behaviour and then is able to trigger highly personalised and timely promotions that allow customers to communicate back to the platform about the offers.

Our experience shows that marketing and product managers from different groups need the ability to launch a diverse array of promotions each month and to do so very quickly. Some promotions may have a very short lifespan, such as the duration of a sports or media event, and so being able to create, launch and run a promotion in a matter of hours or days is crucial.

Furthermore, since marketing is constantly

innovating not just new offers, but entirely new promotion concepts, the solution must be fully configurable by business users and enable new loyalty concepts to be implemented rapidly without IT custom programming. Long expensive customisation projects are a real turn-off for operators, especially in the dynamic world of mobile promotions and marketing.

The RateIntegration Loyalty Manager (RLM) is a next generation solution built around a core real-time engine which listens to all the events in the network and is able to trigger highly personalised and timely promotions based on this real-time profiling of customer behaviour. Here, promotions and new promotion concepts are actually created by the business users within marketing and do not require any IT programming, and this allows them to launch new promotions whenever required. Flexibility in processing data from any BSS source and feeding other systems, including partner systems, enables a very nimble solution that adapts to carrier's individual requirements.

To lower the barriers to adoption, RateIntegration offers RLM under a fully-managed cloud computing model. RLM-Cloud comes as a software as a service (SaaS) or pay as you grow model with the Cloud hosted off-site or inside the carrier data network as an "Intranet Cloud". Set-up is simple with users typically up and running within two weeks.

RLM-Cloud includes a set of standard Promotion Packages. Each package contains a powerful set of 'best in class' promotion templates from around the world. Templates allow easy, immediate launch of promotions with no IT intervention so that marketing teams are empowered to control the schedule and speed of promotion launches. Examples include the Re-load Package designed to stimulate the growth of prepaid customer re-loads or the Collections Package which focuses on driving early or on-time payment by postpaid subscribers. The RLM-Cloud also supports Loyalty Points, Vouchers and Coupons through additional modules. The RLM Dashboard is a web-based portal from which business users launch, monitor, report on and analyse their promotions.

Analyst research and our customer experience indicate that the era for customer segment-and-promote campaigns has passed. Carriers need to turn to loyalty and campaign operational platforms that deliver timely, personalised and interactive promotions across multiple segments simultaneously. This next generation model has been proven to increase customer loyalty, new customer growth and revenues and new forms of revenue through mobile advertising and revenue through partners. $

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