Mobile operators drive for customer centricity

But cultural, process and systems challenges prevail

By Josie Sephton, February 2008

In a nutshell:

The mobile service provider market is increasingly characterised by high levels of competition, with providers dealing with the dual challenge of reducing churn and moving customers up the value chain. Against this background, is the traditional product-centric approach to marketing still adequate, or is it time to put the relationship and dialogue with the subscriber at the centre of our thinking and activity?

Key points:

- Mobile operators are faced with dual challenge of reducing churn and building loyalty

- To do this, there is a need to shift to a more customer-centric approach

- Sub-optimal systems and processes are hindering this shift

- Mobile operators need to overcome the barriers using a structured approach

With high and increasing levels of competition, mobile service providers are faced with the need to both reduce churn and move customers up the value chain. The response of providers is to increasingly look at initiatives that will encourage more customer loyalty. Emphasis is being placed on taking a more customer-centric approach, highlighting the need for ongoing communication with subscribers that will both enhance their perception of value (and thus their level of loyalty), and encourage them to take advantage of the services on offer in a broader and/or deeper manner (to drive up revenue and profitability).

This shift shouldn't come as any surprise, and arguably it is long overdue. Consumer experience in other areas involves an increasingly rich dialogue with the supplier, and expectations are aligning accordingly. To illustrate this point, consider, for example, on-line retailer Amazon, which strives to create a personal interaction with customers. This includes extensive use of carefully targeted emails offering relevant recommendations. Additionally, during browsing, a customer will receive recommendations, based on previous purchases, and will be given access to product reviews and information on how other customers purchased, as well alternative products they might consider. The overall experience suggests to the customer that Amazon really does understand their needs – very impressive given there is never any human interaction with Amazon.

Central to this richer, customer-centric dialogue is:

- Understanding the customer through advanced segmentation techniques

- Matching products and services to customer micro-segments in an informed manner

- Determining or creating synergies between offerings to drive cross-selling and up-selling

- Executing an integrated programme of targeted interactive campaigns that collectively enhance and exploit both the customer relationship and service synergies over time

Yet a recent study[1] with mobile service providers by Freeform Dynamics into this very subject, indicated that in general this wasn't being achieved, and in fact as providers move to more customer-centricity, they face some significant constraints and capability gaps which are caused by a combination of suboptimal systems and processes, along with a disjoint between functions.

At the very outset, providers have to deal with highly fragmented data sources, where customer information is spread across multiple, discrete systems, making advanced segmentation complex and time-consuming. This also leads to an undue, and undesirable, reliance on the IT department, which is invariably needed to help pull the data into a manageable form. Manual processing of data is not an uncommon event, which can further lead to data errors.

Limited automation around campaign execution is commonplace and means that a lot of manual processing is required to handle fulfilment, both for promotion and loyalty programs, resulting in increased costs, excessive use of resources, increased errors and delays in the overall process.

A major area of concern is that of campaign monitoring and reporting, where clumsy and inadequate reporting is very common. In particular, visibility across overall direct marketing activity is poor, which leads to difficulties when trying to manage activity at the next level up, and identify and maximise synergies between campaigns.

Last but not least are issues around general mindset and culture within the service provider environment, which has traditionally been service/product oriented as opposed to customer centric. This means that the campaign process can lack the necessary support and understanding it requires from the different parts of the business. Another equally important issue revolves around internal structures, which are not optimised for the campaign process, and add to the challenges discussed above.

These shortfalls result in a campaign process that is slow and costly, resulting in fewer campaigns that take longer to reach the market. In terms of monitoring, an inability to analyse performance across campaigns results in wasted opportunity for exploiting synergies. And the lack of automation limits what can be fed back into customer data management, in terms of customer responses, which in turn restricts the ability to refine segmentation information. At a more subtle level, these shortfalls can create both frustration and dissatisfaction issues among staff, and perpetuate political problems between departments

In order to make transition from the traditional service-based approach to the new world of customer centricity, providers must overcome all these barriers. To do this, there is a set of key principles and imperatives that providers should consider. I have outlined these below.

- **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. Moving forward, there is a need to shift to a more customer-centric approach, which in practical terms, translates to 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, customer services and, because of the current high reliance on bespoke systems setup in many operators, the IT department too. Paying attention to collaboration can have a very positive impact, but this effort needs to be targeted at both systems and processes. To

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[1] *Mobile Marketing Imperatives by Freeform Dynamics. Project involved in-depth interviews with a panel of senior marketing professionals from 13 Tier 1 and Tier 2 mobile service providers across a range of geographies*

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 (CMO) role may best be considered as that of 'orchestrator', taking a high level business-oriented view across all campaign activity, and looking 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. On some occasions this might be achieved through custom extensions or integration work. But adopting specialist solutions designed for specific requirements such as closed loop web, email or SMS campaigns is often the most cost effective answer.

- **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, i.e. taking a customer-centric view of the business.

Final thoughts

Mobile service provision is about to enter a new era that presents both risks and opportunities. The rapid turnover of content and services - many of which users expect to be delivered for free or for a nominal subscription fee – means that the traditional way of thinking in terms of service silos is also irrelevant from a commercial perspective. The market makes sense only if you think across portfolios to consider cross-sell and up-sell opportunities at the simplest level, but also to leverage loss leading services that make no money *per se,* by encouraging useful subscriber behaviour or habits

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