Loyalty by Numbers

An Integrated Approach for Telecom Companies
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EXECUTIVE SUMMARY

At most telecom operators, holistic customer management strategies still take a backseat to siloed customer acquisition efforts taking place in discrete lines of the business. Though this emphasis on acquisition made sense a decade ago, when the industry was less mature and attracting customers was the main goal, operators now must work to retain customers and build deep, loyal customer relationships by applying state-of-the-art customer management practices and tools. Operators have no shortage of valuable information about customers—from internal and external sources—but thus far have done little to integrate and translate that information into insights they can use to customize marketing and loyalty programs.

To effectively compete moving forward, in a market increasingly characterized by fickle customers and fast-moving competitors, telecom providers must build an integrated data set about each customer; shift the culture to one where everyone thinks about customers in an integrated way; add essential skills in IT, marketing, and elsewhere; and define success and develop a system for measuring it. In the process, they can follow the example of consumer-facing industries such as retail and consumer packaged goods, where leaders already integrate data from every customer touch point and experience, and use it to bone offerings and deepen customer relationships.
It’s a fact: Satisfied customers are less likely to comparison shop. Finding a way to keep telecom customers happy—by making their lives easier and their interactions with products more fulfilling—can mean the difference between a high lifetime value customer and a marginally satisfied one who generates little or no revenue. Customer data is at the core of this effort. Having information like how much customers pay each month, the locations where they are using their devices, and the types of applications they are downloading can shape the way a provider markets to particular customers.

Yet for many telecom providers, data about customers is still scattered across lines of business with little integration or transparency among them. The cellular division, for example, collects information but often doesn’t share it with the residential fixed-line division. Historically, customer data has been used in silos to measure and manage individual channels or touch points. There’s no complete view of a customer across the multiple channels—stores, websites, call centers—that the customer touches.

In many cases there is even a lack of data integration within divisions themselves. The cellular e-mail marketing team doesn’t share customer data and analysis with the online display team, while sales and service maintain completely separate perspectives on customers. This means that customers calling in to speak with a representative may have completely different experiences depend-
Telecom providers have struggled to translate their data mining efforts into actionable programs that deliver measurable results.
Very few telecom providers have fully tapped into the treasure trove of available internal and external customer information. Although the technology and concepts for developing a single, integrated view of the customer have been available for more than a decade, telecom providers have rarely adopted them successfully. A fully realized, integrated customer data set differs from most existing customer databases not in its design but in its scope: It will include much more data than telecom providers have collected, aggregated, or analyzed in the past.

Data on direct customer interactions such as purchases, upgrades, and customer service inquiries and complaints can now be enriched by vast amounts of customer lifestyle data gathered internally and from third-party sources. Facebook posts, Twitter feeds, and online browsing data are additional sources of data and insights. A provider can now know not just that a customer likes to shop online, but at what time during the day purchases were made, on which sites, and what that shopper read, posted, or tweeted right before and right after placing the order—and what impact that had on customer’s social network. Additionally, handset global positioning systems (GPS) make it easier for providers to geo-target—sending, for example, a discount code for a favorite shop as the subscriber walks nearby. Beyond simple demographic or geographic profiling, integrated data sets, with the help of business intelligence and data mining software and algorithms, can also yield information and insights about a customer’s lifestyle, behaviors, and preferences. New technology will also play a role as telecom companies pursue the following activities:

- Leveraging data on content preferences such as entertainment, brand affiliation, etc.
- Identifying communication patterns from basic caller profiles, which can fuel detailed, actionable social network analyses
- Mapping out shopper and customer journeys and ensuring efficient processes to support them at every step along the way
- Improving target marketing by sharing customer insights—into behaviors, lifestyles, interests, and more—with third-party marketers and developing tailored services, packages, promotions, and other offers that increase loyalty and break the cycle of price comparison and deal-driven churn
- Generating secondary revenue by selling aggregated insights to other consumer organizations, such as retailers or consumer goods companies

Integrated data sets can yield information and insights about a customer’s lifestyle, behaviors, and preferences.
Integrating existing and new data sources, and combining the data in new and different ways to yield fresh insights, is fundamental to building a truly multichannel, ROI-driven organization. But a shift of this magnitude—toward developing a more detailed and nuanced understanding of customers—cannot be made halfheartedly. The objective is to release value from a truly integrated offering and not simply to improve marketing activity. As such, it must be driven from the top, by the executive board, and executed through a reporting line to the CFO or potentially the CMO. The executive team must have a full appreciation of the value in this approach and be prepared to make the requisite financial commitment to implement it and to operate in a new way going forward.

Telecom companies will need to initially dedicate effort and resources in three areas in particular:

**Building the Integrated Customer Data Set**
Developing an integrated customer data set will require a new approach for many organizations. For starters, they will need to identify and locate the basic customer information that already exists in various silos around the company, and integrate it by establishing a unique identifier for each customer. This may sound easy, but many large organizations wrestle with it, often at great financial expense. The lessons from early customer relationship management (CRM) initiatives are pertinent at this stage. If enterprises have learned only one lesson from their forays into CRM, it should be that heavyweight IT implementations are not the goal. Instead, companies will need to focus on attaining rich customer data sets that can help them meet their overarching business objectives with customers. The biggest milestone—and the one that is rife with potential risk—will be integrating data from existing legacy systems.

**Shifting the Culture and Acquiring the Skills**
Typically, the job of deeply understanding customers has been relegated to a generic “customer insights” team. Too often, this team has limited sponsorship, unclear reporting lines, and ambiguous objectives, and spends too much effort producing detailed analyses that are difficult to translate into action. What’s needed instead is a fundamental shift in company culture. Every employee must begin, first, thinking about customers and, second, thinking about them in a truly integrated way. This will represent a radical shift in many organizations; making it happen will require sustained attention from company leaders.
At a more pragmatic level, the organization is also likely to need different skills—in marketing, IT, and elsewhere—as it works to build and leverage the integrated customer data set. That may include a team of database specialists and statistical and business analysts—equipped with sophisticated database software and high-capacity computing platforms—who can mine the data for rich insights, and integrated marketing specialists who can then translate those insights into programs and offerings that will help retain customers and increase their loyalty. Recruiting people with these skills and acquiring additional computing capacity should be on any telecom provider’s to-do list.

Finally, operators will need to take a hard look at the way they operate if they want to succeed in today’s telecom environment, which is increasingly characterized by fickle customers and fast-moving competitors. The change effort must include the following:

- Replacing rigid, sometimes plodding customer processes with rapid and lean processes for turning insight into action
- Embracing an innovative culture and incentive structure that encourages and rewards new approaches for building customer loyalty
- Adopting a faster and more iterative approach to system development as the variety and complexity of customer information outgrows traditional development approaches

## Defining and Measuring Success

Metrics are key to managing customer loyalty and formulating strategies for how to increase it. No provider should set out to make sweeping changes without first defining success (e.g., increase wallet share by 10 percent or cut churn by 0.5 percent) and then putting in place a system, including detailed metrics, for assessing activity against it. Used properly, metrics help operators comprehensively measure the relationship a customer has with the brand, and a customer's total impact—top-line and cost—on the business.

While operators already have various metrics in place, they are typically aligned with a growth business rather than with a more mature one, in which retention and loyalty are critical to success. Metrics such as share of wallet or lifetime value are used to understand customer value, but they are lag indicators of historical performance. Operators need to develop more forward-looking metrics that give them the ability to anticipate, for example, the likelihood that a customer may switch operators, increase or decrease usage of particular services, or even recommend a service to a friend. To apply metrics in this way, companies need to collect and integrate data from a range of internal and external sources, across all customer touch points and at different life-cycle stages.
Net Promoter Score is one management tool that can be used to gauge customer loyalty using market research data, but operators can also supplement it with their own real-time customer data to make it more relevant and actionable. For example, an attractive customer—one the operator is eager to retain—may be flagged as needing immediate attention following a sudden or even subtle change in behavior that suggests disillusionment with the service.

Not only do metrics guide senior management on strategy, but they also provide individual teams with the information they need to handle client interactions on a daily basis. In the example above, another useful metric—the retention score—would inform customer-facing employees about how far they should go to keep that disillusioned customer happy. A retention score may comprise a large number of metrics—household revenue, cost to serve, channel usage, length of relationship, propensity to churn—distilled down into a simple number, say 1 to 100, that essentially sums up that customer’s overall value to the provider, and the provider’s value to the customer, and determines how that customer will be handled in given situations. A call center representative may make no attempt whatsoever to prevent an irate caller with a retention score below 10 from defecting to a competitor’s service, while the similarly distressed caller whose retention score is 90 may immediately be offered free minutes or a service or handset upgrade.

Finally, understanding the ROI from integrated loyalty activity is difficult, but the effort is essential to effectively manage the multichannel landscape. The value erosion in mature markets from constant price promotions and high churn makes innovation essential and overdue. Understanding the true impact of all customer activities across the life cycle, and developing ways of measuring ROI against it, will be where organizations win or lose the battle for customer loyalty.

**Metrics provide individual teams with the information they need to handle client interactions on a daily basis.**
CONCLUSION

The rapidly changing landscape in the way customers interact with one another, the Web, and their communication providers calls for telecom providers to borrow strategies and metrics from other consumer-facing industries and start understanding and approaching their customers in a holistic way. Traditional silo approaches to customer management and loyalty have a clear advantage over more integrated ones in terms of ease of measurement and operational simplicity, but they are not sustainable. Telecom organizations need to completely overhaul their approach to their customers and customer data. They must also reach out to customers proactively to prevent churn and increase loyalty, using a wide variety of customer incentives and measuring the success of such offerings through new and more advanced metrics.

Key Highlights

- Telecom companies have an opportunity to build enriched data sets derived from detailed customer behavior data, demographic information, and other sources.
- Telecom companies must find ways to consolidate and mine data across divisions and products to create enhanced custom offers and bundles, and to cross- and up-sell to customers.
- They also must do a better job of supporting integrated multichannel relationships with their customers.
- Metrics can be more effectively used to help boost revenue and decrease churn of profitable customers.
Resources


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Booz & Company is a leading global management consulting firm, helping the world’s top businesses, governments, and organizations.

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