

# TELECOMMUNICATIONS:

## HOW MONTHLY BILLS CAN TRANSFORM THE CUSTOMER EXPERIENCE



It's not easy being a telecommunications provider. In arguably the most dynamic and competitive of all sectors, you are always looking for new ways to retain customers, grow revenue and differentiate service offerings. All this while commoditisation of services erodes the premiums that can be charged, new technologies are being constantly developed (witness the iPhone), the rise of capped plans limits revenue and price wars not only hurt your top line but severely increase customer churn.

The move to prepaid products is also reducing the direct contact and engagement you can have with your customers.

The good news is that there are untapped opportunities available to address these challenges and win back competitive advantage. The monthly bill, for one, can play an important role in enhancing the overall customer experience and also help manage customers more profitably: one at a time.

In a world where fixed line services are becoming replaced and outnumbered by mobile phones and wireless broadband, it isn't only the loss of physical connections that are causing customer churn. This paper focuses on how Transpromotional Marketing can retain and grow mobile service customers.

Having undertaken numerous interviews with key telecommunications stakeholders to identify the most important sector challenges<sup>1</sup>, our approach is to focus on the four key business objectives we have uncovered:

### CHALLENGE 1

Increase revenue (ARPU)

### OBJECTIVE 2

Reduce customer churn

### OBJECTIVE 3

Enhance the customer experience

### OBJECTIVE 4

Reduce cost to serve

### Transpromotional Marketing

Transpromotional Marketing (Transpromo) is the integration of transactional mail and customised promotional messages to create highly efficient and effective campaigns. Transactional mail can include customer statements, invoices, renewals and other documents that contain data describing the customer relationship (name, address, products held, spend etc).

Transpromo utilises the data already contained in the mailing file to customise the promotional messages. The data can be used to specify which specific message or offer should be presented to each customer, and the text and imagery that should be presented. Transpromo therefore becomes a discussion based on what is known about each customer and the offers that might appeal best to meet their needs, in a style that maximises appeal.

Transpromo particularly leverages the unique advantages of paper invoices & statements, as well as other transactional communications. Paper invoices & statements have extremely high readership and retention rates and it is this combination of high readership and customised, relevant messaging along with low incremental cost, that make Transpromotional Marketing an extremely effective marketing tool.



## The right offer

Selecting the right offer and optimising variations of it is a significant factor if you're looking to maximise response, conversion and margin on your campaigns. Specific behaviours identified in the billing data can identify these revenue opportunities. For example, occasional use of mobile email could indicate opportunity to migrate email access from wi-fi to network.

The flexibility of on-bill marketing can allow you to test a range of offers based on behaviour or propensity characteristics, and gain an understanding of price elasticity (and resultant margins). This flexibility can certainly help accommodate fragmented segments' different consumption of non-voice products.

### Example of relevant offer:

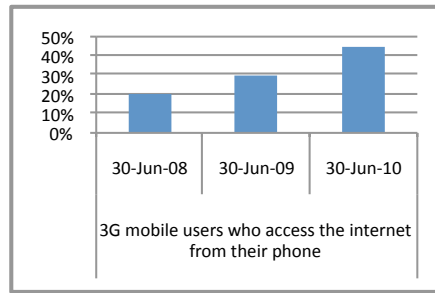
Heavy users of smartphone functionality, identified through heavy data usage and the sites they visit, can be invited to trial a content category for the first time, or to further extend their consumption within an existing category (eg a customer who already receives football scores on his mobile may be incentivised to sign up to video highlights of football games). Because the messaging flexibility within the bill allows offers to be as unique as the transactional data they contain, the bill can in effect become an automated 1:1 customer-specific stimulation tool.

## OBJECTIVE 2

### Reduce customer churn

The commoditisation of telecommunications services, along with mobile number portability, has freed consumers to move from one telco provider to another without perceived loss of any benefits. The telco industry refers to this movement of customers from one provider to another as 'churn'.

A common defence against churn is to encourage customers onto a contract to remain with the provider for a fixed period, or face a penalty. This strategy generally succeeds in



locking customers in for the duration of the contract but does not address the issues that cause customers to want to churn. Recontracting risks simply delaying churn until end of the new contract period, and if recontracting is the only retention tool then it can create the impression that the telco only cares about its customers when they are about to come off contract.

Thus telcos realise they cannot rely solely on contracts to hold on to customers, and must take steps to retain customers who are off-contract or approaching end of contract. This is where Transpromo marketing can help – by building a relationship and addressing drivers of churn, cost-effectively on the bill.



### Building trust – proactive optimisation

Building a relationship through trust is one of the most significant contributors to improved retention. By monitoring billing data, telcos can identify when customers continually exceed caps and suggest alternative plans that could save them money. Billing data can also monitor usage within specific products (eg MMS, Premium SMS, data) and reconcile these with allowances of the individual plan. As customer usage changes over a period of time (and the value

and ratios between the various products change), so more appropriate plans or offers can be automatically presented.

Propensity modelling can also identify behavioural/transactional cues that indicate a risk of churn. An appropriate retention offer can then be made to customers identified through this process.

### Proactive Retention example:

A customer identified as at risk of churn through propensity modelling may have a data allowance that is rarely, if ever, used. By using the bill to bring this inclusive service to their attention, the customer may begin to make regular use of the service, leading to preferred long-term behaviour as well as appreciation of the value of their plan, and thus increased probability of retention.

### SMS package example:

If Chat product "take-up" is defined as participating in five extended text-chats within a 30 day period, this could trigger an SMS package offer when a customer reaches this threshold. Demonstrating an interest in saving the customer money has been shown to improve retention.

## Integration of lifecycle communications

Further value can be added to lifecycle communications by integrating them within bills, to create a very cost effective multi-channel communications strategy. This additional layer of refinement can be customised (not just personalised) by using information contained within billing data (not necessarily limited to product, tenure, usage, value, and behavioural segment) to complement other lifecycle communications.

### Customised lifecycle example:

Two customers within the same segment who regularly send Premium SMS are included in a Premium SMS stimulation offer. The difference is that Customer 1 falls in a low usage group (1-5 per month) while Customer 2 is in a high usage group (15+ per month). By merging usage thresholds with billing data analysis, offer redemption for Customer 1 would be dependent on them sending at least 5 Premium SMS's during the month, whilst Customer 2 would be required to send at least 15 messages during the same period. Creative look and feel might be identical for both customers, but bill message flexibility would allow the organisation to apply a more commercially astute approach to offer decision and presentation.

### Next best product example:

Telcos often move customers along the product adoption pathway by gifting free or discounted trials of the next best product to promote. Key events such as anniversaries or birthdays can be used to introduce these gifts, but instead of each customer receiving a generic gift like 10 free SMS messages, the supplier can use the bill to ensure the offer is driven by a more strategic agenda like "next best product".

## OBJECTIVE 3

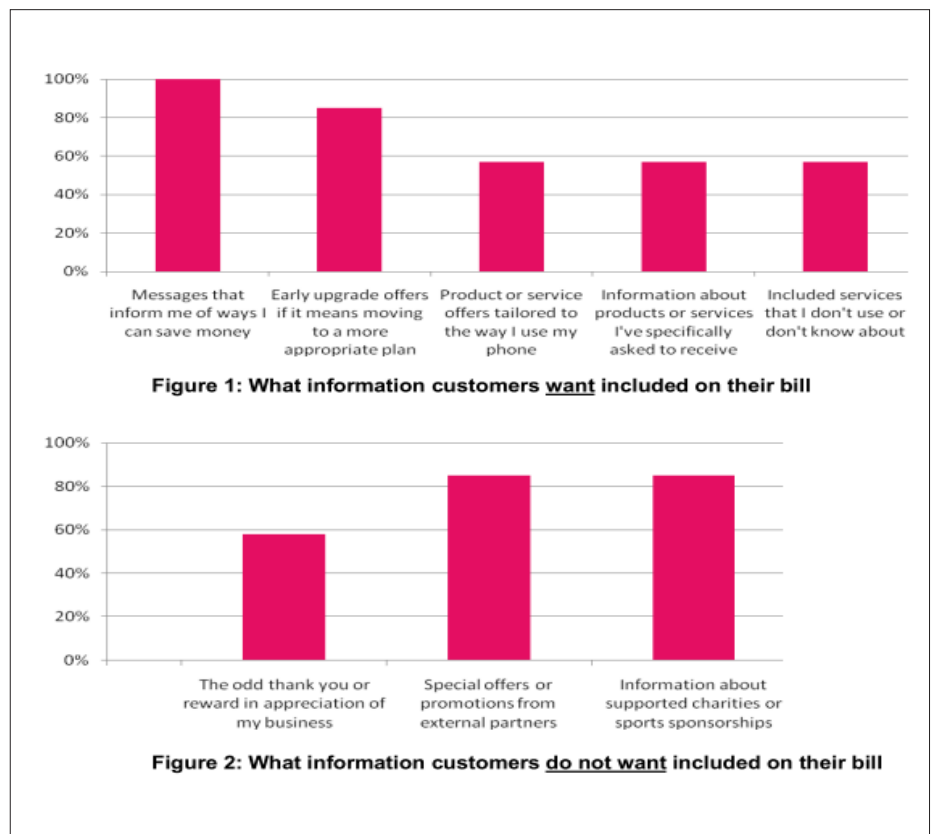
### Enhance the customer experience

Enhancing the customer experience is not just about good customer service. It's about adding value to the plethora of touch points customers and organisations use to interact with each other. It's about understanding what customers want and using this insight to make their lives easier – to make them feel like they're cared for as well as getting value for money. It's about being there for them, constantly, with information that is helpful, relevant and always to their benefit.

Enhancing the customer experience is about building relationships with customers – one at a time.

Not only is the monthly bill one of the most frequent customer touch points, it also offers tremendous opportunity to deliver service recommendations and other information that best suit the needs of individual customers. As Salmat's "Voice of the Telecommunications Customer" research illustrates<sup>2</sup>, if an organisation includes information that is helpful, relevant and adds genuine value to the customer relationship, there can be very positive impacts on retention, satisfaction and loyalty.

This research also points to how the bill can be transformed into a strategic customer management tool that enhances the customer experience resulting in increased profit and reduced customer defection.





## OBJECTIVE 4

### Reduce cost to serve

#### Reducing (unprofitable) call centre volume

With over 75% of inbound telco call centre volume being bill related<sup>3</sup>, significant opportunity exists to reduce call centre costs by addressing key customer queries on the bill. Call Centre reports can be used to identify common causes of inbound calls in order to redesign bills so that they address customer needs without the need to make an inbound call. And bill messaging can be used to quickly tackle any “hot issues” identified through inbound call trends. By using customised bill messaging to address these issues, unprofitable traffic can be reduced whilst simultaneously improving overall customer satisfaction indicators.

#### Data Usage example:

With the rapid uptake of smart-phones, a common trend is bill shock caused by unexpected data consumption. When a rapid increase in data usage is identified on the bill, a statement message can explain the probable causes to the customer along with recommendations to reduce costs (such as turning off automatic updates). The bill message would include most of the information that would be discussed if this issue had generated an inbound service call, so that even

if the customer still calls Customer Service, the call can be shorter and therefore less costly.

#### Nurturing self-service

Self-service portals have the potential to not only reduce cost to serve, but also empower customers with more control over managing their services in ways that best meet their needs. Bill messaging can specifically target and promote a self-service agenda, from general education (“What is self-service? How will I benefit?”) to plan optimisation (e.g. customer can select package bundles that better meet their usage patterns). The bill can also be used to reinforce self-service registration following either first use of the portal or recent call centre activity that could have been resolved through self-service.

#### Self-service example:

A customer called Customer Service because the credit card they use for direct debit was stolen. During the customer service call, the customer is registered for self-service. On their next bill, the customer is reminded about all the things they can do through the self-service portal now that they are registered.

## Integration of direct mail into bills

Integration of direct mail campaigns on to the bill itself can help to increase response rates and significantly boost ROI. Moving appropriate campaigns from direct mail or even EDM onto the bill can also help to drive down marketing costs. Either way, the customisation available for on-statement messages and the high readership of bills contributes to campaign effectiveness and greater response with huge cost efficiencies because most of the production and postage costs are already covered.

In conclusion, the bill offers a powerful and cost-effective mechanism to recognise and respond appropriately to customer behaviour. Its engagement with customers on a regular basis, depth of behavioural data and flexibility in supporting customised marketing messages makes it the perfect vehicle to enhance customer relationships, increase ARPU, reduce cost to serve and improve customer retention.

## TAKE ACTION

Your best-in-breed mailing services provider can discuss the technologies and processes that can deliver Transpromo Marketing for you.