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Networks



Making your investment in customer
insights work for your business

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Nokia Siemens Networks Consulting

Inspired thinking,
innovative solutions

Whether you have already invested in understanding your customers better, or you are still wondering what is the best way to take advantage of the rich customer data you possess, know this: any investment you make will be wasted unless your customers feel a difference in the way you treat them. In the following paper, we discuss what insights matter, and how to access them. But, more importantly, we discuss the best way to act on the insights to drive positive change for your business.

Customers expect service providers across all industries to anticipate their needs and tailor both service and offers to their expectations, and these expectations can vary for the individual based on a number of influences, least of which is the “now” factor – what is relevant to the individual at the present time and place.

After having advised many Communications Service Providers (CSPs) on several continents, Nokia Siemens Networks has concluded that even those CSPs that have invested significantly in CRM still have room to grow through innovation around customer insights.



Finding the source of customer truth

Well established approaches to customer insight rely on collecting data from Billing and CRM systems, and storing this in a data warehouse. Then making operational decisions toward customers based on daily, weekly or monthly aggregated information from masses of call records and customer details.

This may require a segmentation exercise to add richness to usage and value-related data. Typically this is based on consumer research and usage patterns to understand needs, or based on communications spending and care costs to understand customer value.

Our experience with a wide range of CSPs has shown that:

- People are different! But conversely, there are often strikingly similar patterns of behavior and needs – meaning several segmentation models may be necessary to capture and act on customer insights effectively
- Assuming people are similar and treating them as such, either with mass-market campaigns, undifferentiated propositions or inappropriate segmentation, may actually inhibit revenue growth and trigger price wars
- An individual can have different “personas” throughout the day, week, year and lifetime. That is, they can dramatically and suddenly change their needs based on different roles they may have at different times
- CSPs are using a small proportion of available data to develop customer insights, focusing on relatively easy to access IT based data, but ignoring the vast amount of network based data – these other data sources are increasingly important in identifying the digital ‘fingerprint’ of individual customers
- The Internet is conditioning individuals to expect more personalized services, affording them huge increases of control over their choices and services
- The same Internet experience is teaching individuals about immediacy and the benefits of ‘real-time’, therefore raising market expectations for responsiveness and agility
- In a world of information overload, spamming and infinite choices, relevance and ease-of-use is absolutely critical to success
- Expectations and understanding of privacy issues vary according to segments and markets – many individuals are beginning to trust their CSPs with their personal data

Is privacy a problem?

When driving benefits from customer insights, we often hear concerns from CSPs on behalf of their customers regarding privacy. There is a reluctance to exploit insights for fear of losing trust with customers.

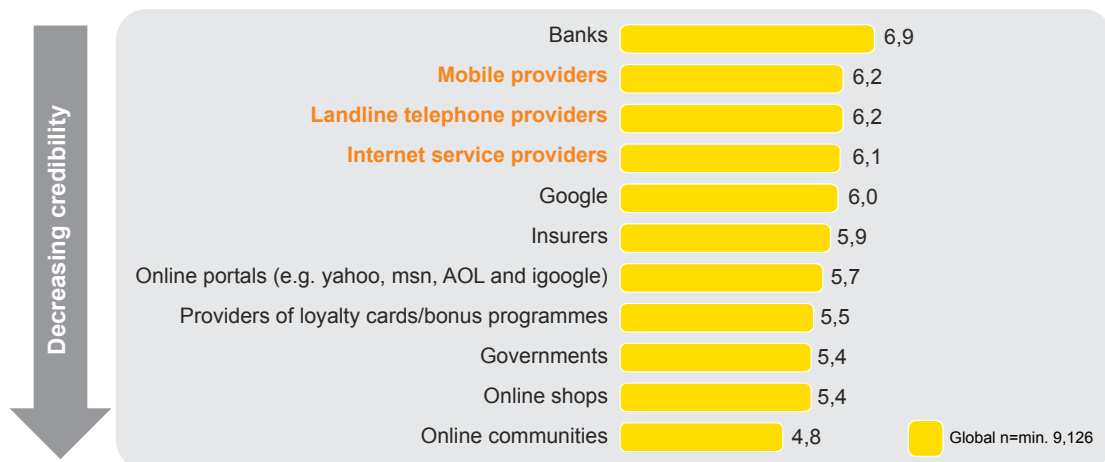
Our research, conducted directly with consumers, has shown that relevance is key to an individual's perspective on privacy issues.

Individuals are ready to share information with CSPs if the benefits have:

- Clarity: clear and evident
- Tangibility: attractive, concrete and measurable
- Applicability: relevant to as many consumers as possible and able to be used frequently

Our research also confirmed that CSPs are trusted by consumers in most markets, coming second only to financial institutions. This places pressure on CSPs not to jeopardise established trust through misuse of data. But if the insights are analyzed and acted upon correctly, the subsequent offers brought to the customer will be clear, tangible and applicable.

Figure 1: Data protection and respecting your privacy



Source: Nokia Siemens Networks Consumer Privacy Study, 2009

Looking at other industries, it becomes clear what little incentive is required to encourage consumers to share personal information, even where the relationship is yet to be established.

A chain of restaurants in North America developed a specific promotion to test the effectiveness of various marketing channels. A closer look reveals an interesting approach in incentivising potential customers to share the promotion in their online

communities – doing so earns the original recipient the chance to win \$100 in a weekly draw. Given each person has an average of at least 300 online friends, promotion reach increased significantly. Participating in the promotion required the prospect to register online – and considering there was no existing relationship, over 6% volunteered information about preferences and demographics.

For CSPs, this type of low-cost incentive demonstrates a large untapped potential for overcoming the lack of customer insights available for pre-pay and other anonymous users.

Deepen your understanding of your customers

Based upon our observations, CSPs should invest strategically in understanding, analyzing and acting upon the mountain of behavioral information available in their environment. Leveraging 'atomic' level, or at least 'de-averaged' data to drive real-time operational decisions will accelerate business performance and dramatically increase personalization accuracy; yielding one-off revenue increases of up to 10% for key segments.

To compliment the focus on customer insights, we recommend CSPs consider multiple approaches to segmentation depending on their strategic, tactical and operational needs. The balance between a manageable number of segments and sufficient granularity to provide distinction for different groups must be recognized. The better informed the segmentation approach is from time-sensitive customer insights, the more accurate and compelling the results will be.

Approaching a more granular segmentation, and ultimately moving to a 1-to-1 marketing approach demands high organizational agility or extreme digitization of processes, specifically organized around the demands of the customer. This has implications on organization structure, driving CSPs to move from product based structures to service or customer segment based structures.

- Our experience with different CSPs confirms that hundreds or thousands of highly targeted micro-campaigns can be dramatically more effective than traditional mass-market promotions, but the challenge is still accessing timely customer insight coupled with rapid and efficient execution. For example, take-up rates for campaigns can rise from just 6% for mass market campaigns, to at least 75% for accurately targeted micro-campaigns

- There is potential to suffer significant losses from misguided mass-market promotions. CSPs stand to lose up to 15% of their revenues by offering discounts to subscribers that were already happy with the current price. However, such direct effects are often masked by either subscriber growth or competitor activity – looking at price sensitivity can be effective at minimizing losses through discounting

Increased speed brings risks through fast moving decision-making, and old insights can be more damaging than a lack of insights. For example:

- It is not uncommon to experience a 'Welcome' SMS when roaming that is received too late, when leaving the visited country for home
- Customers of a large fixed CSP in Europe complained to the regulator when receiving sales calls for an IPTV service, when they had already lodged complaints about broadband speeds being significantly lower than the contract stated

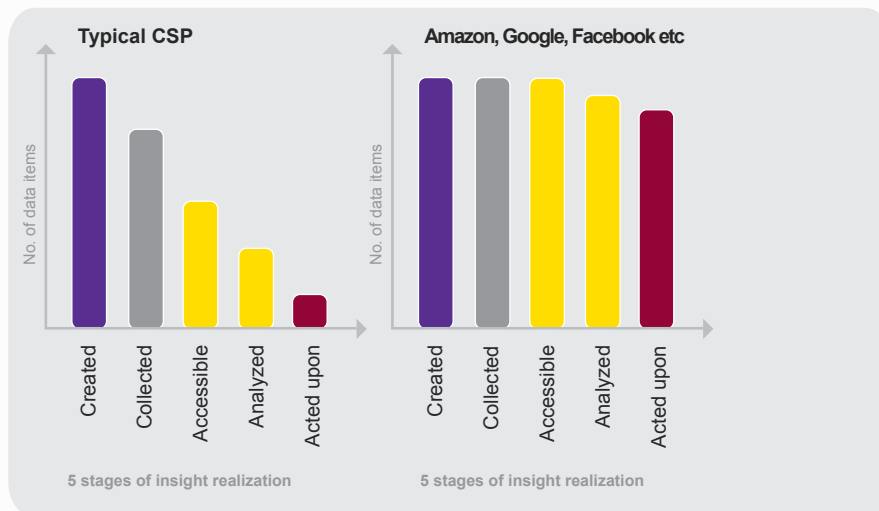
1. Digital fingerprints

For many years, CSPs have enjoyed a direct and personal relationship with their customers. As a result they have not sought new or innovative ways of understanding customer behavior. In contrast, Internet companies have built business models from the beginning with the anonymous world of the Internet in mind. Approaches such as click-stream and social network analysis have developed as a consequence. Only now that the growth phase is over for many of the worlds' CSPs, and a perceived lack of personal and demographic information exists for pre-pay subscribers, are CSPs looking at the customer insights challenge.

Most CSPs have well established processes in place to access and respond to insights from traditional sources such as billing and customer care, but few have mastered accessing and acting upon the vast insights locked inside network and service platforms.

CSPs in pre-pay dominated markets often sight a lack of customer insights from even traditional sources, particularly when it comes to identifying customer needs and preferences. Few are willing to invest in appropriate end-user services that can return valuable insights in this area. For example, with experimental micro-campaigns that can test a customer's preference for certain price levels or new services. Or with free information services that can reveal an individuals needs or personal interests from the information sources they subscribe to.

Figure 2: Insight realization maturity



Source: Nokia Siemens Networks Consulting

2. Build a dynamic segmentation approach

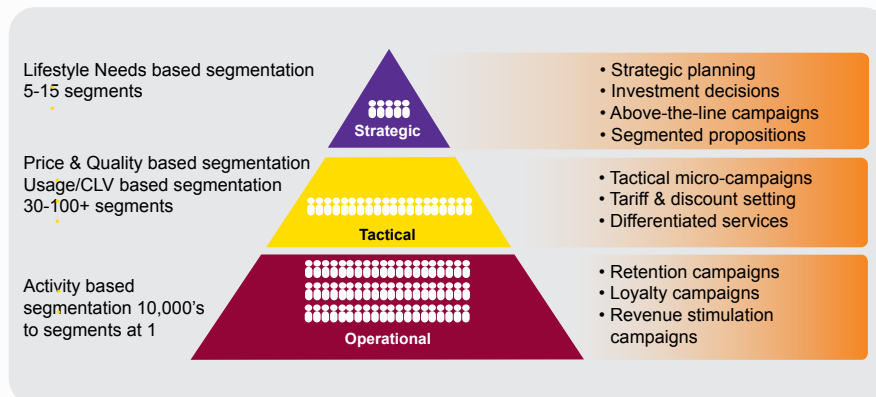
The maturity and strategic direction of the CSP will be major factors in determining the appropriate segmentation approach. There is a strong correlation between the sophistication of the market and the required type of segmentation. A more sophisticated segmentation strategy will drive challenging requirements from customer insights.

For strategic planning, investment decisions and organizational design, many CSPs use a few needs-based segments to guide the company toward focus areas and customer groups. This can drive the design of segmented propositions to ensure the CSP attracts the desired customer groups in above-the-line campaigns. The need for speed in customer insights to achieve this goal is low. However, to drive more value from the existing customer base and to ensure customer satisfaction and retention is tailored to specific needs, a more granular segmentation is applied. This will drive customer related decisions at

an operational level in customer care, churn management and campaign management. Time is a critical factor in these situations as information value deteriorates exponentially over time.

Tactical segmentation models can be used to address certain opportunistic situations or extraordinary events. A specific segmentation may be required when launching a new service or moving to an adjacent industry. Typical examples would include 3G service launch, mobile TV launch or entering the Enterprise market. The entry strategy would identify key segments that should be targeted, and these segments may need to be further split to tailor propositions around customer needs. Again, access to appropriate customer insights, particularly around usage of similar or related services, will be critical in determining the segmentation to be used. Operationally, this segmentation may drive up-sell and cross-sell activity across the existing customer base.

Figure 3: Appropriate segmentation models for different applications



Source: Nokia Siemens Networks Consulting

3. How to act on the insights and realize benefits?

There are some great examples where CSPs are utilizing customer insights to directly and positively impact both revenues and customer experience. Several European CSPs are able to track problems, such as a failed sent-picture message, and inform customer care staff – some even automatically update device settings. An APAC CSP is enjoying success from proximity-based promotions and campaigns, driving revenue from time and location-driven promotions.

In more common situations, several European CSPs are improving accuracy of churn prediction models and retention campaigns by applying fresh insights from previously unused data sources, such as experience-impacting issues. This enabled one CSP in particular to sharpen its focus on 60% of its potential churners – the resulting campaigns reduced overall churn by 1.8%.

A pre-requisite for success remains a deep understanding of the individual and their likely response to such approaches. Irrelevant offers and promotions, even if giving away real value, can appear intrusive and disturbing, leading to customer dissatisfaction and reduced likelihood of success with that individual at a future opportunity.

A lack of understanding can have a direct and negative impact on revenues. For example, discounting the price of certain key services without differentiation in accordance with a customer's needs and price sensitivity can lead to dramatic losses in revenue. The losses are often masked by huge acquisition volumes driven by sweeping discounts, but the end result is a de-valued market and medium-term losses of up to 15% of revenues for the CSP.

Are you exploiting your hidden customer insights?

Surprisingly, we find the availability of insights is not usually the issue. They exist in the CSP's organization as they are essential in the running of even the most basic services. However, the organization is often not enabled to access and act upon the available insights. At a basic level, we find the managers of IT-based data do not speak the same language as the managers of network based data, and both these areas speak a different language from the marketers and commercial teams. Who is speaking the language of the customer?

Similarly, even when the technology barriers are resolved, we observe that organizational agility lags behind. A lack of empowerment, aligned thinking, fear of privacy issues and regulation all conspire to slow down approvals and execution of even the most forward thinking CSPs. To avoid expensive mistakes, and optimize gains, testing and experimenting 'in the market' is essential. Start small, execute fast and repeat frequently.

The most successful CSPs are determined and focused, with both strong leadership and a willingness to experiment in new directions – keeping approvals in proportion to risk and investment levels.

Considering our observations, we recommend all CSPs strive to grow knowledge around each individual customer with deeper customer insight. Above all, act on what you find, and achieve competitive advantage, customer delight and increased profitability.

Turn the focus of your business away from reacting to your competitor's activity and set your sights firmly on your customers needs.

Meet our consultants



Jeremy Brown

With over 25 years in the services industry, and 10 of those years spent with a major CSP, Jeremy combines technical skills with commercial acumen to bring unique and valuable insights to Nokia Siemens Networks' customers. Having begun his career in video game design in the early 80's, Jeremy has always understood the importance of differentiating through customer experience. He has held a variety of roles that have one thing in common; whether transforming a business to become more customer focused, launching award-winning customer care systems or exploiting customer insights to bring new services to market – they have each demanded innovation through determined focus on the needs of the customer.

Jeremy has been leading Nokia Siemens Networks Consulting in the areas of Insights, Experience, Pricing and end-user services since 2007.



Johan Karlsson

Johan has more than 10 years of consulting experience. He currently works as Lead Business Consultant in West South Europe. With his combination of technical and commercial skills, Johan is ideally placed to help Operators master the cross-functional challenges that need to be overcome to adapt a holistic customer centric approach. Johan understands that many CSPs have realized the need to improve customer experience and launch truly personalized services. To achieve this he believes that CSPs need to unite all organizational units relating to customer data.

Johan started his career as a Network Planner at Telia in Sweden and before joining Nokia Siemens Networks Consulting he spent more than 8 years with the international management consultancy firm Arthur D. Little supporting mobile and fixed network operators in developing strategies on multiple markets.



Bob Jordan

As a Principal Consultant in North America, Bob Jordan has 25 years experience in wireless services. Bob's mission is helping clients capture opportunities around end-user needs and delivering programs to support subscriber and ARPU growth. Bob's approach is intense and detailed. "Clients are excited by the opportunities we create together. It's not just another day at the office, it's about capitalizing upon once in a life-time opportunities. In this industry, we're doing very unique things. Working side by side with great people means there is very little we can't accomplish."

Bob's interest is finding ways to support development of our client's business: improving end-user experience, increasing revenue and discovering new forms of innovation. "Ultimately, fulfilling unmet needs and helping people 'get jobs done' is just so darn cool! Customer insight is clearly at the center of that"



Obaid Saleem

Obaid is a business insights professional with over 13 years experience in customer analysis and insights in telecommunications including consulting, operator and vendor businesses. He has setup and headed customer and business intelligence departments at various telecom operations across Europe, Asia and Africa.

Obaid thinks on behalf of operators that "if we understand our customers and let them know with a suitable gesture that we know them well - we will never lose them!"

Obaid holds an MBA in Marketing and has hands-on expertise in segmentation, service launch and retention strategies, product lifecycle and customer valuation, dashboards, scorecards and customer intelligence.

Do you want to know more about customer insights?
Visit us at www.nokiasiemensnetworks.com/consulting

Nokia Siemens Networks Corporation
P.O. Box 1
FI-02022 NOKIA SIEMENS NETWORKS
Finland

Visiting address:
Karaportti 3, ESPOO, Finland

Switchboard +358 71 400 4000 (Finland)
Switchboard +49 89 5159 01 (Germany)

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