

White Paper



Customer Care for High Value Customers: Key Strategies

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Abstract

Communication Service Providers (CSPs) have started investing in emerging technologies as a result of commoditization of their basic service offerings. In order to stay ahead of competition they have been compelled to offer new products and services. Maintaining profitability and ensuring high Return on Investment remain a key priority for CSPs.

Through CRM applications, CSPs can ensure high customer retention and enable up-selling as well as cross-selling existing high value customers. This white paper proposes some strategies to identify and target high value customers with new service offerings/ promotions/ discounts/ loyalty programs.

Communications Service Providers (CSPs) have realized that the commoditization of basic service offerings demands investments in emerging technologies to sustain growth in a deregulated environment. In addition, they must constantly roll out a wide range of new services to stay ahead of competitors. It involves substantial Capital Expenditure (CAPEX) in infrastructure to support the diverse portfolio of services, and deployment of new business processes that increase Operational Expenditure (OPEX).

Maintaining profitability, ensuring high Return on Investment (ROI) and effective management of stakeholder expectations assume significance during an economic downturn. Besides, the credit crunch necessitates a prudent approach to CAPEX. Significantly, the curb on discretionary spend by customers affects the plans of CSPs' sales and marketing teams to launch new services and value-added services.

The cost of acquiring a new customer is several times more than retaining an existing customer¹. Service providers must devise strategies to increase the value of existing customers and explore ways to enhance the value proposition of commoditized services. The focus of marketing strategies must shift from products to customers by rolling out new services for expanding the customer base.

The customer care organizations of CSPs must focus on ensuring customer loyalty, reducing churn and increasing customer value. Studies indicate that 70% of service provider revenues accrue from 30% of customers². Service providers can ascertain customer profitability by assessing the cost of acquisition, cost to serve, and the value of retention.

The customer care processes of CSPs must enable preferential treatment to high and medium value customers. Our white paper focuses on strategies that help CSPs -

- Identify high value customers
- Attract and retain high value customers
- Enhance the lifetime value and profitability of customers
- Improve the value proposition through up-selling and cross-selling
- Manage customer contact proactively

Identify High Value Customers

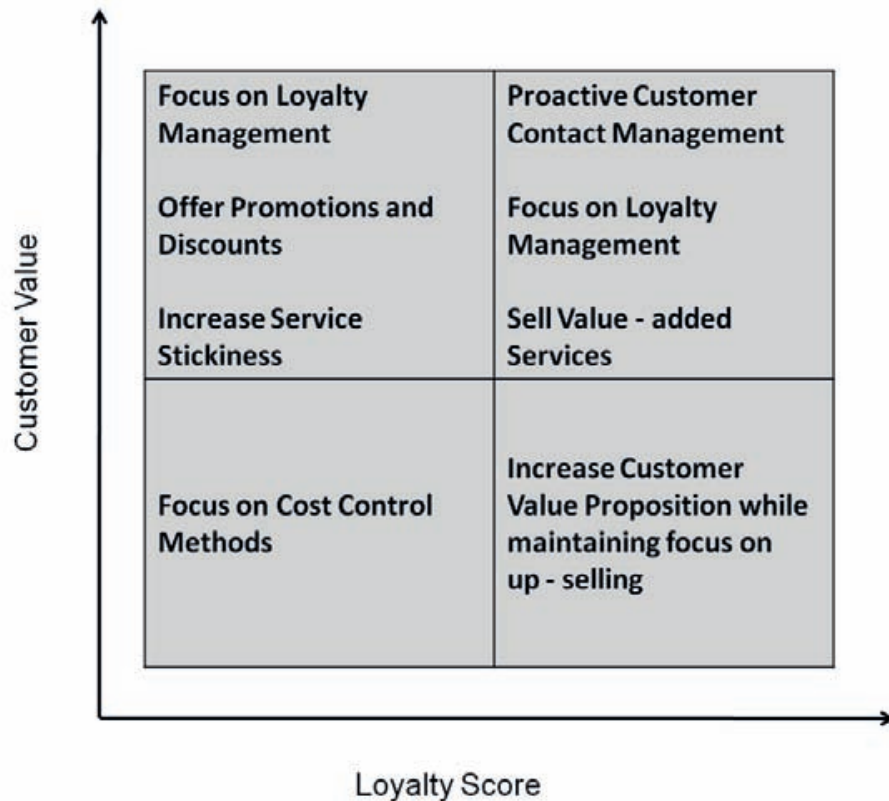
High value customers can be identified by assessing their Lifetime Value (LTV), which is based on the period of the relationship with customers, the value of purchases and the frequency of purchase. LTV is also influenced by factors such as retention cost, the cost to serve and discounts. It is a key marketing metric that indicates the profitability of each customer and is a crucial input for customer care and marketing strategies. LTV-based segmentation of the customer base helps service providers differentiate between high value, mid value and low value customers.

¹ http://en.wikipedia.org/wiki/Relationship_marketing

² <http://www.billingworld.com>

Service providers can model customer LTV with data from CRM systems, contact information, and data on billing and network usage. The data can be fed into a policy management system to formulate customer care and marketing strategies. Customer care strategies for high value customers must focus on increasing their lifetime value and enhancing the customer experience.

Figure 1: Strategies to enhance the lifetime value of customers



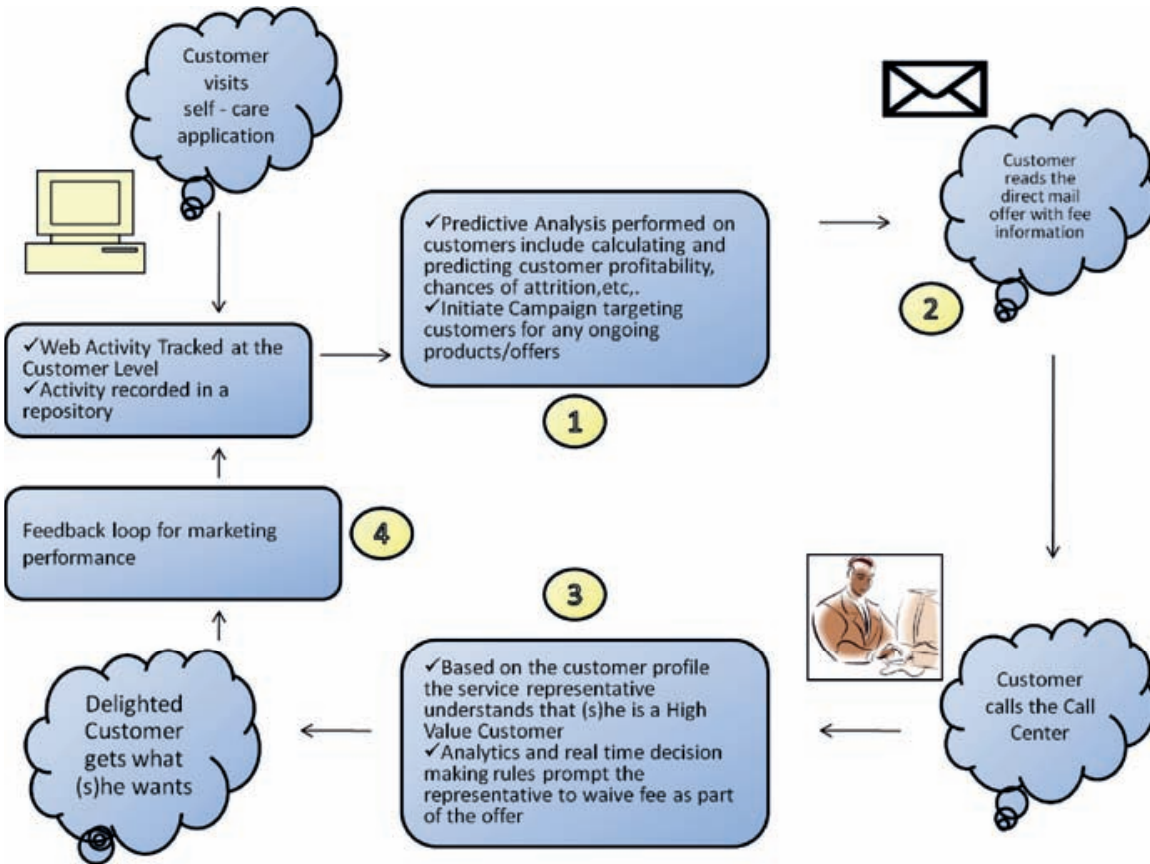
Focusing on High Value Customers

CSPs must develop rich customer insight to identify customers who are likely to respond to offers and those who may defect to competing brands. Predictive analytics provide a vital input by assessing the appropriateness of targeted offers. For example, assessment of a customer's current and potential value helps in flagging special considerations such as waiver of fee.

CSPs can better interact with customers by capitalizing on available customer information. However, the interaction must be across multiple channels and in an interactive environment to enable a unique customer experience.

Modern marketing systems facilitate and encourage customers to provide real-time data, which, in turn, helps CSPs formulate appropriate cross-sell offers for customers. CSPs can learn and improve services continuously by integrating an efficient feedback mechanism into the system.

Figure 2: Identifying high value customers



Improve Customer Lifetime Value and Profitability

Loyalty management strategies

Loyalty programs are powerful tools to reward long-term customers who have subscribed to high value services. To be effective, loyalty management systems must interact with fulfillment, billing, collection, data warehousing, and customer contact management systems. Points-based or discount-based rewards and redemption schemes consider the volume of purchase, frequency of purchase and the contract period to drive retention.

Figure 3: Loyalty management system for high value customers



High Value and Value-added Services

A majority of telecom customers prefer to receive more than one service from a single service provider, if priced competitively. For service providers, subscription to more than one service significantly reduces the risk of customer churn and provides opportunities to up-sell and cross-sell value-added services.

For high value customers who have subscribed to more than one service, CSPs must provide call center representatives with real-time access to customer profile, demographics, preferences and buying habits, and usage patterns. Based on this information, the representatives can use appropriate sales scripts to probe customers' requirements and propensity to subscribe to value-added services. Real-time decision engines can be set up to analyze the data to cross-sell or up-sell products.

Bundled marketing programs that integrate individual services and channelize marketing and sales effort towards high value customers will accelerate up-selling of high value services and value-added services. Careful planning enables CSPs to provide high value customers with a choice of personalized bundled offerings to suit their specific needs.

CSPs must design bundles that enhance the value of subscribed services to ensure success of up-sell and cross-sell efforts. For instance, a customer with a premium broadband data plan is more likely to accept a data bundle that provides Internet security protection and free online games.

Churn Management and Retention Strategies

Promotions, discounts and rewards strategies

CSPs can minimize churn by providing high value customers with discounts or rebates when their usage crosses pre-defined threshold limits. The rebates can be notified through marketing messages in bills and promotional artifacts.

It is well known that loyal customers contribute to the customer base by means of new referrals and word of mouth. Promoting referral schemes that provide high value customers with rebate checks or discount coupons for referring new customers is a cost-effective practice.

Winning back lost customers is an integral part of successful customer care strategies. Early warning systems that detect signs of customer dissatisfaction can be integrated with customer care systems to flag customers who are likely to defect in the near future. In the case of customers who eventually defect, the customer care system must capture the reason for the defection

Figure 4: A holistic churn management system



and collate churn-related data from all customer touch points.

Data mining tools help identify churn among high value customers and analyze the reasons for churn. Based on the analysis, renewed offers can be made by proactively interacting with customers to win them back.

Proactive customer contact management

Real-time CRM analytic tools are useful in profiling customers who establish first contact through call centers, self-service portals, kiosks, etc. Techniques such as Computer Telephony Integration (CTI) fetch crucial customer information from CRM systems based on the Caller ID.

CRM analytical tools that mine customer segmentation data maintained by the CSP help categorize 'Platinum, Gold and Bronze' customers for preferred services. High value customers should ideally be moved to the beginning of the call center wait queue, and the call routing system must connect such preferred customers with an appropriate call center representative promptly. It is possible by mapping customer profiles with call center teams in real-time.

Customer care processes can be fine-tuned to ensure that interactions with high value customers result in a superior customer experience and delighted customers. Improved customer experience delivers significant downstream benefits, which eventually enhance the customer lifetime value and increase the profitability of customers.

CSPs realize significant benefits by closely monitoring contracts with high value customers. Contracts nearing expiry can be renewed proactively with and they can be offered new services or enhanced bundled offerings. A viable alternative is to place outbound marketing calls to high value customers, extending new services and bundled offerings that match their interests.

It is imperative for CSPs to engage high value customers. Customers can be warned of anticipated service disruption, while being directed to suitable service alternatives, wherever possible. In addition, analysis of customer usage patterns unearth periods of non-use, typically due to vacations. Services to such customers can be suspended proactively and restored at a pre-determined date or on-demand.

Customer Relationship Officer

To delight high value customers with personalized attention, CSPs need dedicated, highly trained and experienced call center personnel. The focus of the team must be on addressing grievances, resolving complaints and promoting new service offerings. Besides improving customer satisfaction, personalized attention delivers collateral benefits.

Superior Customer Experience and Value Proposition

Customer Experience Management (CEM) strategies are crucial to improve customer satisfaction and can be a strategic differentiator. CSPs can deploy systems that collate data from multiple customer touch points and correlate them to extract CEM Key Performance Indicators (KPIs) that drive customer satisfaction.

Systems to compute CEM KPI metrics must interface with customer care applications and self-service applications. It helps CSPs ascertain and communicate to customers:

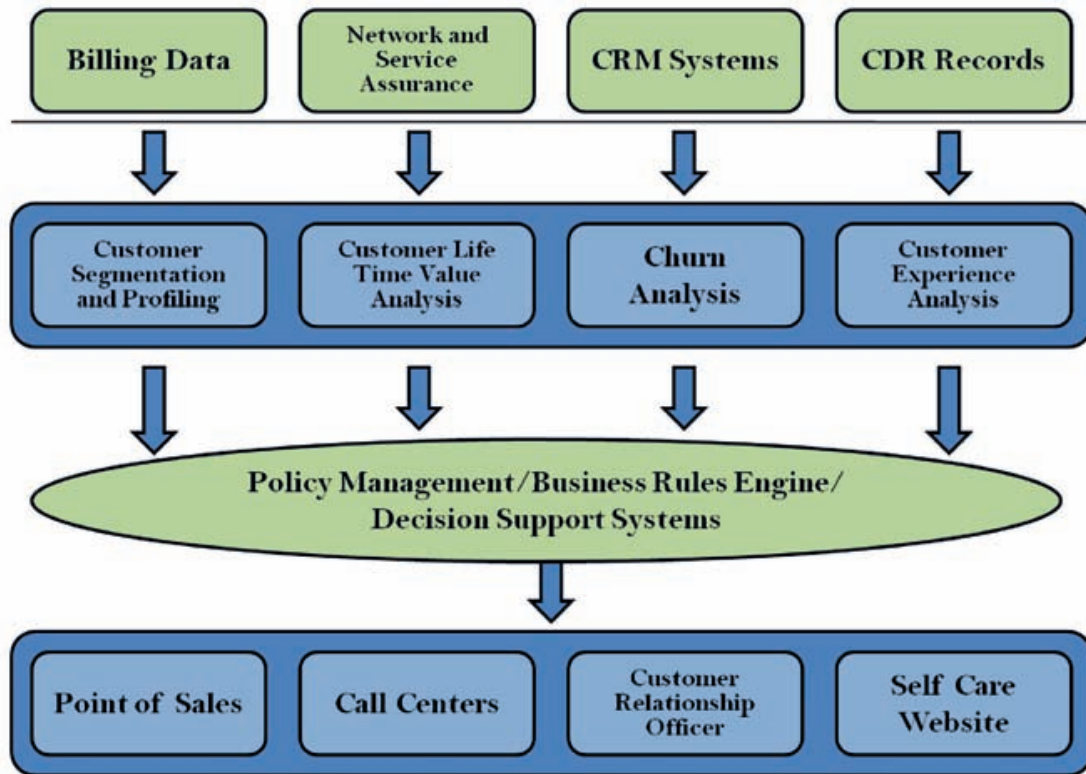
- Potential service disruptions and estimated time for restoration of service
- Estimated time to complete a new service installation
- A 360-degree view of customer order status

CSPs must implement a rules engine that encompasses CEM KPIs and metrics related to network and service assurance. These metrics can be combined with CRM data to indicate the value of a customer. A robust policy management system can proactively notify customer care applications about service disruptions and also provide billing adjustments when a Service Level Agreement (SLA) metric is violated.

Flexibility of service improves the customer experience. High value customers must be provided with a self-service portal to access billing data, pay bills, order new services, track service fulfillment status, etc.

A majority of high value customers subscribe to bundled services and more than one high value service. Customers who subscribe to bundled services and multiple services must be offered a bill for all subscribed services irrespective of the service delivery infrastructure at the service provider's end.

Figure 5: Decision support system for CSPs

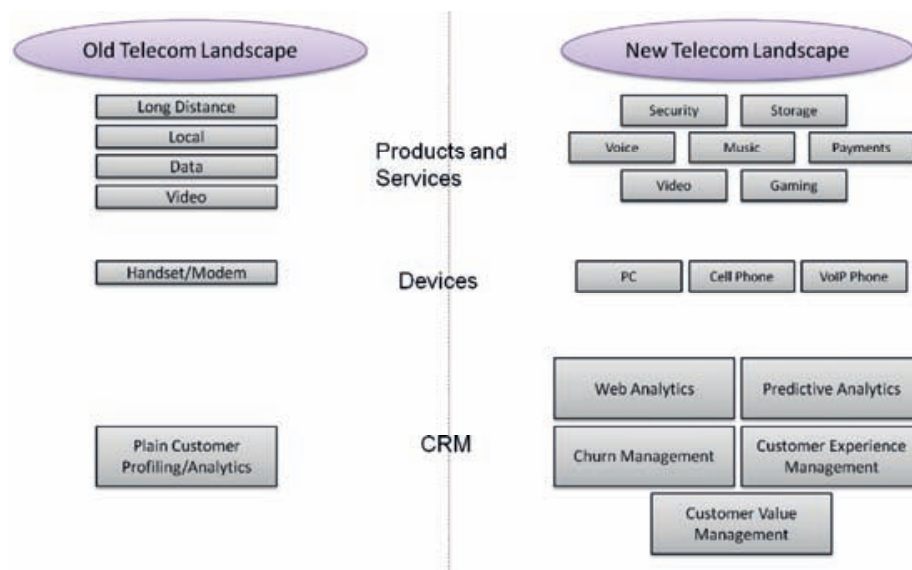


Making the Shift

It is imperative for CSPs to align their ‘application/ technology stack’ with the overall shift in the telecommunications industry, especially with respect to Customer Relationship Management, as shown in Figure 6. It demands adapting their applications, both in terms of scale and complexity, to address the additional dimensions that arise from the changing dynamics of customer management.

Integrated application stacks, such as customer value management system and loyalty management system, provide a single-stop solution to manage the changing landscape.

Figure 6: The evolving application/ technology stack



Conclusion

The playing field is leveled with the blurring of pure telecom players, cable companies and content providers. Due to fierce competition, service providers are under constant pressure to differentiate their services for increased share of market and wallet.

Enhanced customer care, particularly for high value customers, can be a key differentiator. CRM analytics, predictive analysis tools and decision engines can be leveraged for sales proposals, promotion offerings, campaign management strategies, service assurance levels, and contact management strategies etc. Effective customer care strategies help CSPs retain high value customers.

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