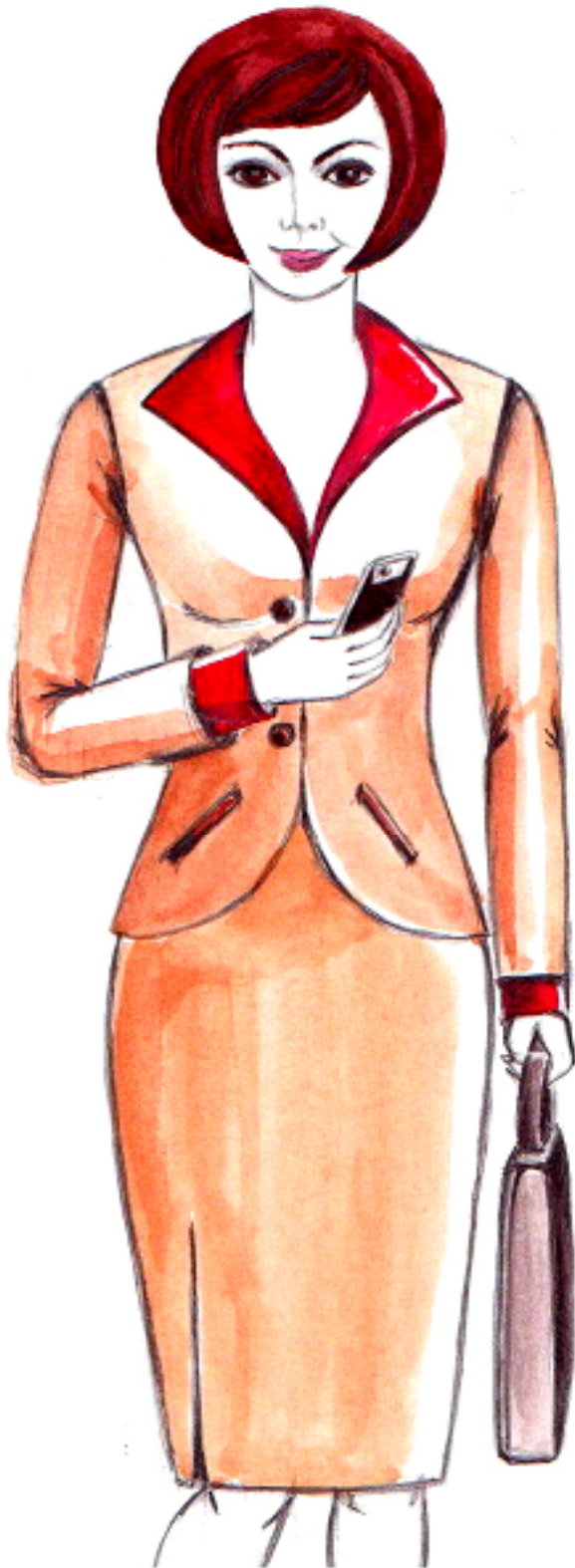


SUCCESSFUL TELECOM STRATEGIES



A series of episodes captures experiences of Red, a Telecom Management Consultant, as she travels the world devising leading-edge strategies and sharing insights from global Telecom leaders

- SK Telecom's new data services strategy
- Sprint's wireless broadband strategy
- Customer stickiness, loyalty and retention
- Creating an engaging end-user experience
- Combating churn and revenue erosion
- Redefining business models for today's economy
- Learning from Web 2.0
- Mobile Payments business models
- Municipal wireless broadband models

by DAWOOD KHAN



A Series of Innovative Case Studies

FIRST EDITION

ABOUT THE AUTHOR



Born in Karachi, Dawood spent his early years growing up in countries spanning Asia, the Middle East, and Europe. He came to Canada in 1988 to study at Carleton University. Upon obtaining his Bachelor's Degree in Aerospace, Electronics and Computer Systems Engineering, Dawood moved to British Columbia, where he worked as a Software Design Engineer at MacDonald Dettwiler and Associates (MDA). When MDA acquired a consulting firm out of Ottawa called The PSC Group, they could only find one volunteer willing to relocate to Ottawa. Dawood established and managed the wireless practice for PSC in 1995, and spent time advising and educating professionals at Nortel, Motorola and other firms on the latest wireless and IT technologies, and trends. His passion to learn drove him to move to Whippany, New Jersey, where he joined Bell Labs, Lucent

Technologies, as a Member of Technical Staff in 1997. Over the next five years Dawood was promoted to Technical Manager and subsequently Director. He held roles in Engineering, Product Management, and Sales. During this time, he availed the opportunity to earn a Master's Degree in Electrical Engineering from Columbia University in New York. In 2002, Dawood became a part of KAZAM Technologies team in Markham, Ontario, and served as a Vice-President of Professional Services. Ranked in the top 300 companies in Canada, KAZAM provided management consulting, strategy, and planning services in wireless and broadband communications. In 2008 Dawood founded Red Mobile, an innovative consultancy leveraging the experience of KAZAM and bringing together seasonal professionals from Wireless and Broadband Telecommunications with vertical experts from Industries using wireless technologies, including Retail, Healthcare, Media and the Financial Sector.

Over his 15-year career in wireless, Dawood has worked globally with key decision makers and executives at companies including SK Telecom, KTF, NTT DoCoMo, Verizon, Sprint, Telcel, as well as all of the major Canadian operators. Currently Dawood heads up the WiMAX Forum in Canada and writes regularly for the "Wireless Telecom" magazine.

WHO IS Red?



Successful Telecom Strategies follows the adventures of a management consultant specializing in wireless and broadband strategy and implementation planning. Her name is Red. She has a degree in Engineering, an MBA from a leading University, and has worked with several global vendors and operators. 32 years of age, with distinctive red hair, she is outspoken and frank, vivacious, lively, energetic, and youthful. She is knowledgeable and up to date on the latest trends, but always looking to learn from new experiences. She is well traveled, can converse in several languages, and is always interested in learning about new cultures and traditions.

A series of case studies are presented, using real life situations. There are two types of articles. Strategy focused articles follow the traditional case study format and have Red address key client challenges by devising tried and tested strategies. The other form is Insight focused. These articles typically involve interviews with thought leaders globally. The story unfolds as a series of chapters would in a novel, and over a period of time, you learn more about Red.

Want to inter@ct with Red?

If you have story ideas, feedback on an article or if you are interested in having Red help you with your strategy or planning needs, write her at redmobileco@redmobileco.com.

A stylized red signature that reads "Red" in a cursive, handwritten font. The signature is written in a vibrant red color and is positioned at the bottom of the page.

CASE I: COMBATING CHURN AND REVENUE EROSION VIA ENHANCED USER EXPERIENCE FOR DATA SERVICES

Situation	<ul style="list-style-type: none"> • Incumbent operator facing declining voice revenues and increased churn in customers has decided to focus on customer retention and increase revenues from data services to meet targets
Problem	<ul style="list-style-type: none"> • Increased post-paid churn, as a result of no perceived differentiation in services or value from those of lower priced competitor plans • Low take rates, low usage, and low revenues for data services, as a result of poor user experience and lack of differentiation
Strategic imperatives	<ul style="list-style-type: none"> • <i>Reduce churn - create stickiness</i> to attract and grow high value customers, changing the competitive measure to <i>differentiated value</i> rather than <i>pricing</i> • <i>Increase Revenues</i> while monetizing existing investment

The Challenge

It was 6:42AM when Red pulled into the client’s parking lot. She parked her 350-Z Roadster, and walked by a half dozen cars parked in the executive row. The October sun was rising, and the crisp morning air brought her back to her previous visit here with Richard, the operator’s CMO. “We have launched high speed data, which will help take our already popular content offering to the next level; allowing us to offer video messaging and streaming to video enabled devices,” Richard claimed in a somewhat complacent tone.

“That’s great Richard, but so has every one of your competitors. What makes you different?”

It had taken over a year for the gravity of Red’s remark to sink in. She was escorted into the boardroom where Richard had summoned the key stakeholders. Not one for small talk, he got right to the point.

“Red, three years ago we embarked on a strategy to focus on high value customers in light of burgeoning competition. We launched the latest technology and associated services; we built a strong brand; and are ranked in the top percentile for customer care. The competition has been targeting our customers aggressively through lower prices, despite our efforts, even our high value customers are leaving. Our retention efforts seem to be too little, too late. As a result, over the last two years our post-paid churn¹ has risen by 20%, and our blended ARPU² is down

¹ Churn is a measure of customer attrition, and is defined as the number of customers who discontinue a service during a specified time period divided by the average total number of customers over that same time period. A churn less than 1% is considered good, anything above 2% is considered poor.

² ARPU is Average Revenue per User, measured as a monthly dollar amount, and calculated as the overall services revenues an operator makes, divided by the total number of users. Blended ARPU is referred to as the ARPU for

considerably. We feel that a major area for improvement is in data services. We missed data revenue targets last year, and are falling behind our biggest competitor. While our capital intensity³ has been much higher than the competition, there has been internal pressure to invest in next generation networks, 3.5G and beyond, so that we can differentiate.”

He paused long enough for the CTO to interject: “However, majority of our services are in silos; we are not effectively monetizing our existing investment. 90% of our messaging is simple peer to peer; and revenue growth for music, our most popular content, has slowed by nearly 70% year-over-year.”

“While data uptake rates have grown considerably,” continued Richard, “discounting for SMS and email usage, fewer than 5% of data users visit more than once monthly. As a result of billing mechanisms and sensitivity to fraud, only 3% of pre-paid users access data services, other than to use SMS. Email and messaging represent the majority of data revenues. We have initiated measures to address some of the other areas of concern. I need your assistance in focusing on getting our data service revenues up and reducing the churn of our high value customer base.”

Introducing the Hypothesis

Focus On Key Customer Touch Points

Red knew that customers made their decisions based on several touch points. Red positioned these with Richard given her client’s strategy to focus on high value customers, and drive value through differentiated customer experience and services, rather than on price.

“Richard, our objective is to attract high value customers, reduce churn through measures other than price or customer care, and meet revenue targets.” Richard nodded in agreement.

“Let’s focus on attracting the target customer first. I visited some of your retail outlets, and spoke to your top dealers. I believe you are not effectively targeting your desired customer base. Let’s focus on the **Consumer market**, we’ll address the Enterprise and SMB markets later. You can differentiate from your competition in several ways; the best is to focus on customer touch points that provide the biggest return.”

Attract High Value Customers through Devices and Device Positioning

Current Situation: Device selection similar to competition, *equal* distribution of low, middle and high tier devices.

post-paid and pre-paid users. Pre-paid ARPU is usually less than post-paid ARPU, and blended ARPU can range from US\$2 in some countries to over \$70 per month, per Customer, in some regions of the world.

³ Capital Intensity is the ratio of a company’s annual capital expenditure divided by revenues. For operators it typically ranges in the 15% range.

Issue: Strategy to focus on high value customers not followed through in device selection, placement or categorization. Categorize devices via price points alone, rather than appeal to a segment (i.e. youth) or functional value

Impact: No advantage over competition in attracting high value customers.

Hypothesis: The more customers spend on devices, the more they spend on value added services. Focus on segments that are deemed high value, and offer devices that meet the needs of these segments, i.e. cool and attractive for the youth segment, highly functional for business users. An “everything for everyone” approach dilutes attractiveness for the target market, as well as the ability to deliver effectively. Create a high-end retail image, by shifting to a higher proportion of high value devices. Even if the competition has the same devices, a decidedly emphasised approach will draw in the target crowd.

“Richard, an important element of strategy is to know what *not* to do. Appealing devices are an important decision criterion for customers. Your strategy is to focus on high value customers, yet you have an equal emphasis on all tiers of devices. You do *not* want to do that. If you want to attract high value customers, focus more on high end devices.”

“How do we do that, Red? There is a limited selection of high-end devices in the market,” challenged Richard.

“You can do this in several ways, by increasing the proportion of high tier devices relative to others in your store – today you give equal value to tiers of devices; and by changing the way you position devices with your customers. Today you categorize devices on price, which worked well years ago, when devices and their applications were simple. Today, beyond a status symbol, devices are an integral part of your customer’s life, their productivity and social connectivity depends on these devices. Categorize devices based on meeting the needs of your target segments. Focus on the functional appeal rather than just price, and you’ll attract the desired customers.”

Simplify Pricing to Drive Service Adoption and Repeat Usage

Current Situation: Data rate plans just as complex as those of competition. Client charges 25% less than competition for browser usage.

Issue: Charge for content + download fee + per packet fee. Data charge while searching for content.

Impact: A \$3 game may cost from \$4 to \$7 due to extra fees; uncertainty of final cost results in customer complaints and reduction in repeat usage. Pre-paid market is mostly un-served due to billing issues.

Hypothesis: Drive usage by simplifying pricing. Instead of the message of lower browser pricing getting lost, a simple “pay what you see” is easy to communicate to customers, and drives usage.

“I met three sales people before one of them could explain your data pricing clearly. You have a complex, multi-layered pricing scheme, charging for content, per packet for browser use, and a download fee. Even though you charge 25% less for browsing, no one knows this because of multi-layered pricing.”

She walked across the room, and picked out the green Perrier water bottle from a large selection of drinks. “Did you know that almost half of your customer care calls in relation to data services are complaints from your customers, including parents, regarding content costs?”

Richard didn’t respond, but didn’t show surprise either.

“As a result of the added packet fee, customers are unsure of the final cost of content. This reduces uptake rate, and potential repeat customers shy away after their first bill. For pay per use, a simple “pay what you see” pricing model is easy to communicate to the market, allows for a differentiated message, and drives usage. There is also the issue of charging for streaming content; we’ll need to revise some of the business and technology solutions in our next meeting.”

Getting back to the pre-paid market, Red said, “Pre-paid billing challenges can be addressed; the key is to meet the customer’s needs, and to move your pre-paid market toward higher value. A monthly subscription for data services may not work with their preference for billing, so offer them a daily or pay per use alternative. Vodafone, for instance, offers Radio DJ service as a monthly subscription for \$13; pre-paid users are targeted through a daily subscription for just about a \$1.”

Create Service Stickiness by Becoming an Integral Part of a User’s Community

Current Situation: Client offers family plans, similar to competition. Off portal sites are supported through a complex pricing structure.

Issue: Nothing to leverage viral nature of social networks.

Impact: Missing out on the viral nature of social networks to drive stickiness and data revenues.

Hypothesis: Successful operators leverage social networks for sharing of content – user generated or bought. Gifting and recommending content is another means to leverage the viral nature of social networks and communities. A tightly knit community drives loyalty, therefore becoming an integral part of the value chain.

Opening the bottle of Perrier water Red continued, “Communities and social networks like Facebook and YouTube are viral and ensure stickiness. KDDI allows users to sync music between devices over the air, it allows users to share content with others via LISMO; SK Telecom offers users Cyworld. If you become an integral part of a user’s community value chain, the competition will have to offer significantly higher incentives to win away that customer.”

Drive Data Usage and Revenues by Enhancing the User Experience

Current Situation: Superior sales and customer care, but end user experience for data services similar to competition – i.e. traditional browser/WAP with limited user interface intelligence.

Issue: Limited capability to up sell and drive revenues per transaction.

Impact: Little extra value, resulting in lack of customer stickiness, and increased churn. Linear spend on data services results in low revenues.

Hypothesis: Simplify the user experience; up selling and suggesting add-ons increase revenues per transaction. The idea is no different than going to buy a suit: a smart sales person will suggest a shirt and a matching tie, based on the choice of suit.

Richard passed Red a glass, nodding politely with a smile she preferred to drink from the bottle. "Richard, everyone's got content, what makes you different from your competition is the user experience in getting to that content and enjoying it. Operators with successful data services have mastered the spirit of the end user experience. We need to work on creating a simple and engaging user experience for your customers, we need to create an intelligent user interface that allows you ways to position content of interest to the user intelligently; and we need to consider about adding Smarties to the popcorn."

"Smarties to popcorn?" Richard looked puzzled.

Red laughed. "It'll keep you thinking till our next meeting. In the meantime I need to catch a flight to Korea. I'll have some interesting insights for you upon my return."

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Dawood Khan is a Partner at the KAZAM Group and a founder of Red Mobile Inc. Dawood worked in the wireless industry for over fifteen years and was previously Director of Sales Engineering at Lucent Technologies. He holds an M.Sc. in Electrical Engineering from Columbia University, N.Y., and a B.Eng. from Carleton University, Ottawa. Ranked in the Top 25 up & coming companies in Canada by the Branham Group, KAZAM Technologies provides Management Consulting, Strategy, Implementation Planning, and Service Development Services in wireless & broadband communications from Canada to South Korea.



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