

# **Australia - Digital Media - Consumer Market Overview & Statistics**

## **1. CUSTOMER LOYALTY AND CAMPAIGN MANAGEMENT**

### **1.1 EMAGINE**

I have been following the activities of Emagine since early 2000 and I do find a soul mate in this company as it is one of the few that looks at the telecoms market from a marketing point of view. Of course it has a vested interest in this as it does offer a comprehensive campaign management and loyalty solution that telcos can use to improve profitability. But in the information I use in this chapter, you can clearly sense a deep understanding of what they believe marketing can do for telcos. It is sad that despite the knowledge on how to improve areas such as churn, customer loyalty, customer retention, cross selling and so on, very few telcos effectively use marketing tools to improve their business. The culture of these organisations is engineering driven – whether their marketing people like it or not, most of their investor's money is sunk in technology. This also results in the telcos getting more excited by the next technology that is around the corner rather than about the next marketing campaign. Often the marketing and not the technology budgets are the first to be cut.

With new enterprise software marketing tools, companies such as Emagine might be able to make better inroads into these technology companies. The telecoms industry is rapidly changing from basic voice and data services to broadband applications, and without a totally driven marketing organisation, the telcos will have little chance of maintaining their relevance in this market. They will be pushed into the technology aspects of their organisation and to using others to actually deliver the services over their networks. While there is nothing wrong with such a structural separation, telcos are fighting tooth and nail against such separation. In the end however, it is up to them. If they fail to truly become marketing leaders, others will no doubt do this for them. This is where marketing software tools can enable telecommunications to address both tactically and strategically the common challenges of customer loyalty and satisfaction and decreasing margins. Marketing solutions provide intelligent multi-channel interactive marketing, and automates trigger-based marketing for large volumes of data. This enables companies to deliver quick-to-market, high impact marketing campaigns and loyalty programs to reduce churn and increase revenue.

### **1.2 LOYALTY UNTIL THE NEXT DEAL**

In this highly-competitive environment, the SP's technological excellence, quality and reliability of services are taken for granted by customers. In order to differentiate themselves, operators have responded by offering innovative promotions to develop loyalty amongst their customers, who have proven to be loyal only until the next best offer comes along.

The ease of transferring phone numbers only encourages this customer group, which is fashion conscious and on the 'lookout' for the latest phone models. Such consumer behaviour is contributing to the SP's problem of customer defection. It is a well-known fact that acquiring a new customer takes five to ten times more effort than retaining an existing customer. But still, operators tend to invest more in customer acquisition than in customer retention, neglecting the fact that even a small gain in decreased customer churn increases the value of their customer base immensely.

It wasn't until the early 2000s that the first sophisticated loyalty plans started to evolve. This was only possible after the back-office systems required for such an approach were in place. With this, marketing started to change from advertising to call centre driven customer contacts, very similar to the 'churn-buster' strategies mentioned above.

### **1.3 CUSTOMER SEGMENTATION**

Integrated campaign management and loyalty solutions based on sophisticated customer segmentation and evaluation methods have been used to achieve significant reduction of churn rates for some of the

international carriers. Employing the latest technologies, such as web-enabled rewards programs and e-Marketing automation, these systems allow operators to establish individual customer relationships and to subsequently offer the customer rewards within his determined range of interest.

One such solution from Emagine International involves telecom operators in Australia and Southeast Asia. The loyalty program is fully online and customer centric. Customers redeem rewards and administer their own loyalty programs via the operators' website, vastly lowering their cost to serve. Customers earn loyalty points on their immediate and projected value to the operator according to billed and non-billed events, such as spend, VAS and tenure. This accumulated value determines the customer's available rewards.

The campaign management program utilises the web, SMS, MMS, eMail and other channels to make targeted offers based on the customer's value. It maintains an ongoing customer valuation based on the customer's usage and acceptance of marketing offers

#### **1.4 EFFECTIVENESS OF CAMPAIGNS AND LOYALTY PROGRAMS**

Looking at the effectiveness of loyalty programs and campaign management, Verizon Communications in the United States aimed a loyalty program at customers who made lots of regional calls, rewarding them with points similar to airline frequent-flier miles. Customers could use the points to buy merchandise from stores near their homes. The loyalty program wasn't aimed specifically at customers likely to churn. Results showed that customers who had received the offer churned 23% less often than those who hadn't.

Emagine has found that, along with displaying a lower propensity to churn, customer revenue is also stimulated through operator-specific loyalty programs and campaigns. In the case of one European operator, customer revenue was stimulated over 12% for customers in their loyalty program. Whilst a South African operator experienced a 14% increase in recharges for customers in their churn prevention campaign.

To focus loyalty programs on high value customers through an effective customer value segmentation model will see an even greater impact on lowering customer's propensity to churn.

#### **1.5 CUSTOMER VALUE MANAGEMENT**

When looking at the majority of operators, the top 20% of customer base is returning on average 80-90% of total revenues. It sometimes makes sense to spend \$5 per customer on loyalty to retain 20% of high value customers than to spend \$1 on each of all the customers, which may reflect a much smaller impact on the bottom line. Weighing up the benefits of a total 'above the line' loyalty program and a more targeted program to high value customers, is often a difficult decision. Sometimes the flow-on effect of an above-the-line loyalty program to 100% of the customers to market positioning, for example, also makes good sense.

During Emagine International's Customer Value Management benchmarking study with several carriers, it assessed all aspects of an effective customer retention program. It found that proactive customer loyalty programs and trigger-based marketing campaigns are a proven means of increasing retention rates while stimulating average revenue per customer.

So, who are the beneficiaries of the new loyalty programs and trigger-based campaigns in the telecommunications market? Creative and intelligent customer loyalty programs and campaigns have proven to decrease customer defection for the operators. At the same time, these programs are handsomely rewarding the customers. So it seems, in the end, all parties are beneficiaries.

With thanks to Emagine: [[www.emagineinternational.com](http://www.emagineinternational.com)].