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Extreme business.

The telecommunications operator business in Hong Kong is an extreme business. Unlike the operator business landscape in America and Europe, even a little stability in the customer and product landscape just doesn't exist here. Hong Kong customers passionately upgrade their mobile phones, and critically evaluate their supplier, every 12 months, some every 4 months. It is little wonder that the initial churn after the introduction of mobile number portability was over 50%. Add to such inherent customer disloyalty the fact that the other operators immediately copy promising new product offerings by one operator and you have an extreme business environment indeed. Hong Kong CSL wanted to slow down this frenetic pace of winning/losing/winning customers within the elite demanding segment of their '1010' offering. As part of their major service enhancement and product innovation program they looked to Emagine International to help with the creation of a special loyalty program that had not been tried in Hong Kong before.

The challenge.

Create a mobile phone customer loyalty program for an elite demanding segment of Hong Kong customers who account for well over \$HK1 billion of income per annum and who are bombarded with much cheaper offers every day. To efficiently create a perception of real value in the '1010' offering and have them stay as loyal paying customers. To create the program with a budget no larger than the previous program, and to have it launched within 6 months.

The solution.

Implementation of Emagine Customer Loyalty module, integrated with Web, Wap, IVRS, SMS, and e-mail.

The results.

In partnership with Emagine, along with CSL's own service enhancement and product improvement program there was an immediate cost saving of 7%. Initial results point an encouraging reduction in churn and accept-

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Approval.

David Peters.

ance of the price premium. As a result Hong Kong CSL is budgeting for a 1.5% increase in revenues attributable to the program.

The study.

The telecommunications operator business in Hong Kong is an extreme business. It careens at breakneck speed, 24 hours a day. The amounts of revenue that can be won, or lost, every hour are just as huge as the financial outpost is small. The geography of Hong Kong is one culprit of this operator extremism.

There are around 7 million people living, working, and communicating within a very small area. The other factor is the admirable Chinese trading ethic of constantly seeking the best deal. It is an extreme mix.

So it is with little surprise that the market penetration of mobile phones is close to an amazing 90% of the entire population. Mobile phone operator customer loyalty is a challenging concept here, it is more a concept of customer disloyalty. As soon as an operator wins a customer, usually after an all too expensive advertising campaign, that customer is immediately looking for an even better deal. Rather than a marketing department celebrating, they begin the disheartening countdown to losing that customer, and of course losing the significant investment they committed in gaining them.

Competition is extreme, all 6 cellular operators, and 9 networks are constantly trawling through the school of 7 million residents. Such competition meant that only a short while ago when mobile number portability was introduced, over half of the total number of mobile phone users in Hong Kong changed their operator. And even now, with users purchasing a new mobile handset at least each year, and some every 4 months, they are quickly placed back in the market for better service offerings.

If you were in an American or even a European frame of mind you would justifiably think you could rely on some smart marketing offers to attract and retain customers. But in Hong Kong, marketing is extreme too. You can spend considerable intellectual effort developing a new offer and testing it, but within hours of its release, your competitors copy it. Damn.

There is simply no time to take a leisurely week off at an executive retreat to ponder future strategies. The year's profit is fought for fiercely on every street corner, in every newspaper, pop by pop, every hour, twenty-four hours a day. Hong Kong CSL simply has to have the right tools to help it make the right decisions every hour to ensure the customers don't leave them for one of the other 5 very smart competitors constantly offering alluringly cheaper deals.

The sheer scale of the numbers at stake every hour is enormous. Every hour, 24 hours a day, the customers of Hong Kong CSL's '1010' program are deciding to stay put and spend well over \$HK100,000 with them, and not

with a competitor. In a year that income is well over \$HK1 billion, and is most certainly worth protecting.

You would think that everything under the Asian sky had been tried, and retried, to curb churn rates. It had not, as Emagine International and CSL have just proved.

Emagine's very different focus on the ROI driven CRM approach to churn management and revenue stimulation strategies, and CSL's own service enhancement and product innovation program, immediately saved Hong Kong CSL well over \$HK5 million and after only the first two quarters since the completion of their project had Hong Kong CSL budgeting for a 1.5% increase in revenues attributable to the program. That 1.5% increase works out at an amount approaching \$HK20 million per year in increased revenue from won customers simply staying put.

This is not just theory. As a practical example of one of the near monthly marketing campaigns CSL's has undertaken with their new tool from Emagine, CSL was very concerned that their '1010' members were swapping out their SIM cards for cheap roaming cards when they were roaming in China. To counter this they implemented, through their Emagine solution, an offer of 'double points' for all calls made when a '1010' member went roaming in China. It worked.

Superior software technology is just part of Emagine's success rate with customer projects. There are always other stand out qualities in success. Successful companies are clearly marked by both their absolute clarity of vision, and laser sharp focus on the tasks at hand.

This project was therefore different from the very beginning. This was a project that involved two such successful companies, the client, and the vendor. The COO of Hong Kong CSL, Mike Robey, was unambiguous on the only acceptable outcome of the project with Emagine. 'Greater retention,' he said with characteristic bluntness. When quizzed on the scope of what Emagine was being asked to do, he expanded with 'Create a mobile customer loyalty program for an elite demanding segment of Hong Kong customers who are bombarded with much cheaper offers. Create perception of real value the program.'

No small ask. The project involved Emagine being both the vendor, and also the systems integrator, and began with the scoping tasks in July 2001.

Scoping to Emagine is a serious part of any project, as David Peters, CEO of Emagine International explains, 'A lot of time was spent getting the scope very clearly defined, this meant that there was little ambiguity in the scope of the project.'

During the project, Mike Robey chaired a weekly Steering Committee attended by the project managers and myself. This ensured that senior management at the client and vendor level were directly involved, and managed resource, priority, and commercial constraints.'

Considering the complexity and the sheer number of different departments involved in the project the time from scoping to going live was remarkably short. Scoping began in July 2001, and the project went live to Hong Kong customers at the beginning of February 2002. Departments on the client's side involved with a stake in the project included Segment Marketing, Information Technology, and of course Finance. Everyone had to be kept happy during the busy 6 months.

The implementation team was fully confident in the implementation of the Emagine Customer Loyalty Module. It is a rock solid product. No challenges to their skill and experience there. But as the team integrated that with the complexities of Web, Wap, IVRS, SMS, and e-mail, 3 challenges were unmasked. The first challenge was a slow down in performance in adhering to the understandably very strict web security standards at Hong Kong CSL.

The second challenge was integration to the remote WAP gateway where handsets, and the gateways, did not fully comply with standards to support Chinese Characters.

The third challenge was the creation of 4 WEB and WAP sites, with 2 brands, in Chinese and English, that had to be dynamically updated. All 3 technical challenges were overcome.

What challenges were there strategically? Unusually, Hong Kong CSL's '1010' product is pitched at the high user/high profit segment. To maintain their income from this product, Emagine recommended a strategy of focussing on creating an innovative, proactive CRM implementation, as a key driver and trigger in transforming the business from a previously reactive relationship, to one of more proactive intimacy throughout the customer's lifecycle with '1010'. That view held firm through the entire project.

The solution vision of Emagine was characteristically simple, and characteristically had a potentially high return on investment. The vision was to replace the present price/handset subsidy retention model with one that rewards the loyalty of each customer. And to interact with customers through their preferred medium, being Web, WAP, IVRS, or Hotline support. It was also all about differentiation. And this strategy had never been done before in Hong Kong.

The Asian sky broadened a little more that day. The visions of Emagine International are not randomly plucked from over touted corporate marketing documents, but from their deep experience of project implementations with over 40 of the world's leaders in the telecommunications industry.

How does it all work? The key differentiator with Emagine's full solution is that it calculates the individual value of customers, down to the profitability of every call made for each customer, with both Customer Loyalty and Customer Valuation. For CSL part of this full capability was applied through the Customer Loyalty module providing Loyalty Points for their valuable '1010' customers. This allows an operator to immediately understand

the true value of customers to their business, and to then target campaigns to segments of their customer base according to their value to the business.

With the right Emagine module this customer points value can be instantly available with a call centre operator answering a call, or making one, and customers can access their Loyalty Points via Web, WAP, and IVRS. The Emagine v3.0 Closed-Loop marketing Suite at CSL can also be extended in the future to include the Customer Valuation Server, which captures and processes customer transactions in real-time. Every call made, call received, SMS sent, data downloaded, customer service call placed, or marketing offer accepted, either credits or debits that customer's valuation profile.

Because Emagine's artificial intelligence learns over time which offers are most effective for which customers, it calculates a suitability index in relation to potential offers, so a call centre employee talking directly with a customer, or a Marketing Manager thinking of next month's promotion, both have at their finger tips, accurate predictions on customer behaviour.

This unique artificial intelligence means that Hong Kong CSL has not just bought a one-off solution, for a one-off problem, but now has a tool that is refining its accuracy on the value of each customer every day, and also refining its accuracy of marketing activity prediction every campaign. Hong Kong CSL now has a tool that is just getting better over time, and with respectful apologies to Mies van der Rohe, this approach of Emagine's is one of differentiation from its own competitors, in a fiercely competitive vendor market, and can be summed up as 'Less becomes more'.

'Telecommunications companies in increasingly competitive markets are less focussed on acquiring new customers, and more interested in customer profitability leadership, where they can extract maximum value from their existing customers,' said David Peters, 'Emagine is the only solution designed specifically for telecommunications providers which calculates the profitability of each individual customer, and manages campaigns based on profitably meeting their needs.' This not just theory, it has just been proven again with this project.

Mike Robey said 'Emagine v3.0 is quite intuitive, providing an event driven profile of a customer based on their user patterns. It then attaches a value to that customer so we can determine what services and incentives we need to offer them as part of our loyalty program in order to retain their business.'

With the strategy well proven, the implementation complete, and the customer using the tool everyday, what would they do differently next time?

Hind sight is usually 20-20 on such matters. And many vendors and systems integrators usually roll out a long list of what they would do differently with a similar project in the future. But such long lists are usually associated with inexperienced players. With Emagine their list of what they would

do differently was just 1 item. When pressed, David Peters expanded on this 1 item by saying, 'Put the entire development team on-site for 4 week test and implementation on completion. In this case we split the team 50/50, however the logistics of code releases was more cumbersome.' And what of the future for CSL in this extreme market?

From the luxury view point of a near \$HK3 million a day present, what does Mike Robey see in the future? When pressed he said, 'Further deterioration of voice market, and greater competition for the NPV positive customer! New technology implementation of 3G services will be used as a lever to create churn from valued segments in competitor's base.'

From the enviable view of a vindicated solutions provider, what does David Peters see in CSL's future? He replied 'Extending our solution set to include an event base marketing tool, our Emagine Campaign Management. Loyalty will remain limited to the top x% of high value customers, given the economics of such programs. However the event based marketing has applicability to all segments of the customer base, especially given the cost effective nature of communications using SMS, and MMS.'

As a final thought David added, 'The success of the Loyalty Program has been, and will continue to be very heavily dependent on how Hong Kong CSL utilise the Emagine solution to exercise their marketing creativity. Emagine is a very flexible marketing tool, but like any tool, the users must know how to use it appropriately, CSL do.'

The underlying common theme to both replies is not one of fear of extreme business, but of being able to confidently profit from it.

Background on Hong Kong CSL.

Hong Kong CSL is a pioneer in the mobile communications market in Hong Kong, launching its mobile services back in 1983. It was the first operator in Hong Kong to employ a distinctive market segmentation strategy by marketing its services through the three mobile brands of '0101', 'One 2Free', and '1+1'. And today operates a GSM/Dual Band network and a TDMA mobile network. Market reach includes pre-paid mobile offerings and international roaming with coverage in over 200 destinations globally.

Hong Kong CSL was the first in the world to begin a High Speed Switched Data Service or HSCSD, was also the first in Hong Kong to launch a commercial General Packet Radio Service or GPRS, and launched Asia's first Multimedia Messaging Service or MMS.

Hong Kong CSL holds around a fifth of the customer share and an enviable third of the value share in the HK market. Hong Kong is headquartered in Hong Kong and is 100% owned by Telstra.



Background on Emagine International.

Emagine International is a pioneer in the ROI driven CRM approach to churn management and revenue stimulation strategies. From a standing start in 1998, Emagine International now has 40 international telco clients including the likes of StarHub Singapore, AIS Thailand, O2 Ireland, O2 United Kingdom, AAPT, and SingTel Optus. The Emagine Closed-Loop Marketing Suite is a modular set of solutions which consists of Emagine Customer Valuation Server, Emagine Customer Retention, Emagine Campaign Management, Emagine Customer Loyalty, and Emagine Data Mining and Analytics.

This suite of solutions enable operators to implement strategies for Customer Save and Win-Back, Campaign Management, Lifecycle Management, Cross-Sell/Up-Sell, Customer Loyalty Programs, Customer Valuation, Operation of a true 'Closed-Loop' Marketing Environment, Churn Prediction and Analysis, and Handset Upgrade Programs.

The suite of solutions operates with customer touch points including Inbound Customer Service, Customer Save and Win-Back Teams, Outbound Telemarketing, Web, WAP, IVRS, SMS, E-mail, and Direct Mail. Emagine International is headquartered in Sydney, Australia.

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