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James Lawson finds out how O2 has been rethinking its multichannel marketing to keep its growth trending upwards.

UPWARDLY MOBILE

Marketing at multinational telecoms giant O2 is not a simple matter. In the UK alone, it has over a quarter of the population as customers. That's almost 16 million people with greatly differing requirements and spending patterns. It also operates in a maturing market where churn is a huge and growing challenge.

Fighting fit

O2 is continually honing its marketing processes and technologies to make the best of both its existing base and new prospects. In the UK last year, that meant a stronger emphasis on human contact through company-controlled (rather than third party) channels, with the number of high street stores expanding from 260 to over 300 and a new call centre opening in Glasgow.

As you would expect at such a technology-driven company, text and email loom large in marketing though as yet this hasn't been at the expense of more traditional channels such as direct mail. The majority of outbound marketing contact goes to the existing base, with most new customers now arriving via high street shops.

Consumers are initially segmented according to their payment type – pre-pay and post-pay (monthly billing) – while business users are split into SME

and corporate users (more than 200 handsets). As the highest value customers, the latter are managed mostly by account teams.

New post-pay customers immediately enter a pre-set lifecycle communications programme, with specific information and offers for the “Welcome” (up to three months) and “Nursery” (three to six month) stages. At six months, all customers migrate to the “Best Plan Advice” (BPA) programme that makes up the bulk of contact; customers get monthly offers based on factors like their previous usage and also seasonality. For example, roaming offers might be made during the peak skiing month of January.

“This is to remind them that they can sign up for roaming deals plus tariffs that have better international rates,” says Mark Pollard, O2's head of Campaign Operations. O2 is sophisticated in how it manages its media, selecting channels on the basis of customer preference and potential offer value. BPA communications go out via bill overprinting, email, texting or solus DM to up to 200,000 customers every month.

“If a new tariff is going to save them £200 then we will want to have a one-to-one via outbound,” says Pollard. “The bill panel is a very cost-effective way of marketing for more generic messages and we know it

will get to the whole post-pay base, so it's very good for things like changes to terms and conditions."

For the lower value pre-pay customers that constitute the bulk of the base, the vast majority of communications are value and tenure-based upgrade offers sent via text. As well as being a much more expensive option, mailing is rarely possible with pre-pay customers as name and address contacts are hard to come by; most customers sign up through third parties. This situation should improve with the growing number of dedicated high street shops.

Response handling is also tied closely to current and potential value. The highest value post-pay customers go into the long-running Select programme, with a dedicated call centre handling inbound calls. These customers are also far more likely to be mailed or outbound called, while lower value post-pay customers are more likely to receive a text or a mailed coupon that they can take to an O2 store.

With the post-pay lifecycle campaigns, the company has built up a number of highly automated response handling processes. If a customer texts back to accept a new tariff, the daily-downloaded SMS details are processed and the change in tariff passed on to billing systems without human intervention. Coupon details are keyed in by suppliers and passed on to O2's internal systems in the same way.

The inbound channel offered to pre-pay text responders is also highly automated. "Most that respond to the text go to IVR due to the size of the pre-pay base," says Pollard. "Based on their value, some do go through to live operators."

SME business customers are segmented simply by value, while corporate clients require more subtle handling. Sales teams deal directly with in-house corporate purchasers, while the actual phone users are sent a variety of offers to encourage them to increase their consumption. After two years, corporate clients enter another lifecycle communication plan where staged offers, such as value for money messages, are based on tenure.

"We give the sales teams the tools to have an educated conversation with clients and send a generic quarterly magazine to decisionmakers with articles from different sectors," says Pollard. "We advise end users of the different services available though some corporates ask us not to do this. We have to manage the opt-outs against those accounts very carefully."

Updated infrastructure

O2 is currently updating its systems with a series of packages from Chordiant. Going live this month, the Marketing Director package will handle all outbound selection and campaign management and replaces the current internal package as well as two outsourced suppliers. But though the outbound work is intelligent and effective, the most radical

innovation at O2 comes in its use of targeted inbound marketing.

By combining predictive models built from customers' transactions and demographics with complex business rules in its Vision system – again using a suite of Chordiant applications – O2 can now predict the next best action to take with inbound callers in real time. With its high value customer base, abundant transactional data and modern IT infrastructure, O2 is the perfect company to take up the challenge of real time marketing.

"Though you can predict the likelihood of someone taking a handset upgrade or churning, it wasn't easy to really use that insight and the work tended to be done in isolation," says Aly Richardson, O2's head of CRM Architecture and Real Time Marketing. "Putting two models together and applying them to changing customer groups isn't something that's easy to do in conventional statistical software. You need to apply all the insight from the back end to the front end and doing it in real time makes all the difference."

Agents are briefed to first answer the customer's question or otherwise fulfil their needs, then turn to the next best action. To do this, the agent keys the client's number (CLI is not yet up and running) and selects the option that most closely matches the reason for the call. The models relating to that customer are rescored at each interaction, then combined with business rules and run through an engine to produce a script or a set of bullet-pointed recommendations. The agent can also view the customer's full history on a single screen.

One offer might be, "you've been using roaming a lot recently, would you like a better deal on calls from Germany?" The current roster of rules/model combinations totals 208 – so-called "strategy sets" – but the possibilities are endless. For example, the customer might not yet be using roaming but may show a high propensity to do so, triggering a similar but slightly different proposition.

"It's relevancy, relevancy, relevancy, and you have to put a lot of effort into making that happen," says Richardson. "It's very very subtle and that's what you need."

Agents log the call result as "accepted", "not accepted" or "maybe later" and, by matching the accepted offers against transactional data, O2 can find out if the customer really did take them up.

After eight months, there's no doubt that inbound is working astonishingly well. Richardson gives the figure of 70 per cent for conversion rates at the moment and says the company saw "a significant rise" in ARPU (Average Revenue Per User) after one month.

"If the customer declines the offer, they still sometimes go ahead and use the product," says

Richardson. "That's not counted in the conversion rate so it's probably even higher than we think."

Reporting benefits too: the real-time system has the ability to measure performance minute-by-minute. Screens in the marketing department show the "trading position", that is, the number of agents logged in, the offers made, conversion rates and which offers are doing best. To give agents the best chance of converting customers, call time is no longer measured – a major cultural change.

Richardson is also adamant that customers are not being overtly sold to, and says that satisfaction surveys bear this out. "It's not 'sales from service', we're not trying to do that," she stresses. "The agents' remit is to service the customer, not sell. The business case is obviously sales but we want to improve the customer experience, which will help with sales anyway. There's a lot of work going into the cultural elements and making the system work for the agents."

The Vision system is soon to be extended to outbound calling for cross-sell and retention work, while a pilot in the retention call centre is "going very well". The use of IVR for pre-pay responders to text-based offers may also be replaced by live agents using Vision in future, while stores and the website are also ideal future candidates for this kind of real-time offer management.

When the new campaign management application goes live, inbound work will also be more closely

tied to outbound offers, with customer recognised through CLI and scripts altered based on the outbound propositions they will have received.

"We're currently using the rule sets and propensity models to generate campaign lists too," says Richardson. "It's an interim stage. Outbound marketing may become the stimulus to call us."

The future promises more development, with the upcoming use of Chordiant's new Adaptive Modelling tool. Where little historical data is available or offers change quickly, it allocates offers to customer groups and monitors take-up to fine-tune its scoring.

Changing times

Overall, O2's marketing is stunningly successful. With Telefonica's takeover set to go through soon, the UK operation managed to post its best quarter ever last month, attracting almost a million new customers between October and December. At the same time, churn among contract customers fell to 27 per cent from 30 per cent last year and declined to 29 per cent from 37 per cent in the pre-pay market.

Alongside that, the 50/50 joint venture with Tesco secured a base of one million customers by the end of last December and the company scored top in a JD Power survey of mobile customer satisfaction. O2's marketing and customer management operation has a lot to be proud of. ■

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