



## EXPERT OPINION:

# Policy – the key to unlocking the customer experience?

A truly great customer experience is seen as the holy grail of telecoms. But why is it important, why does policy play such an essential part and just how can you become more profitable by dividing your data service into chargeable service assets and deliver the experience to meet your customers lifestyle, asks Graham Cobb?



Graham Cobb, marketing director, service delivery solutions, Telcordia: Customers need to perceive the value

Following the recent explosion in data consumption, operators are racing to regain profitability, which will only happen through service differentiation. Customers need to perceive value with differentiated offers for which they are willing to pay.

Policy will be one of the great enablers for service differentiation in the coming year as it moves far beyond just helping operators deal with data overload from consumers desperate to satiate their 24/7 communication needs.

Operators need to change their mindset to fully understand how policy can best be implemented to deliver an experience that meets their customers' expectations and at a cost that meets their own return on investment (ROI) needs. They need to see the bigger picture and regard policy as a strategic enabler in its own right, rather than just a cog in the machine of reducing cost.

At its most basic level, policy control is a series of rules applied to the way customers access mobile broadband, including time, location, service and how much the customers pay. Initially, operators were restricted to static policy rules that affect the entire customer base. Examples included imposing monthly download limits on all users or banning peer-to-peer or VoIP traffic. Even in the mass market, these restrictions end up severely limiting appeal, as their use of mobile devices is becoming increasingly complex. Static policy control does not allow for operators to segment their customers, in the way that other industries can with their gold- or platinum-level customers. Because some customers have – and want – special requirements that provide them with added value, they are willing to pay

more to receive the extra service and that is exactly the position that operators want to be in.

Delivering these services whilst successfully monetising data isn't becoming any simpler for operators. Not only do they need to manage people's data usage, but they also need to be able to divide their mobile broadband offerings into chunks for which people can pay, which can be hard to profit from. One solution may lie with the theory of yield management. According to Glenn Withiam of Cornell University: "the strategic levers of yield management can be summarised as four Cs: calendar, clock, capacity and cost. They are bound together by a fifth C: the customer".

In recent years, consumers have been spoilt with all-you-can-eat data plans and packages and now expect to have something for nothing. That model is unsustainable and operators are suffering decreased revenues and congested networks as a result. The challenge is to build and capitalise from different levels of customer experience that have perceived value and are something customers are willing to pay extra money to receive.

One immediate option is to offer customers the ability to pay to ensure high-quality access to the network, even at peak times. This aligns plans with customer willingness to pay – allowing more revenue to be generated from the less price-sensitive customers.

At the other extreme, successful options involve customers being able to pay for only what they use. One example is Indian operator, Tata Docomo, which has introduced a variety of pay-for-use options, including social media ►

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add-on packages, discounts for those only visiting one site, or who send short text messages. This has resulted in an increased market share and through its infrastructure, Tata Docomo has the flexibility to accommodate consumer requirements both now and in the future. It is only a matter of time before this model becomes more widely adopted by other operators who will look for this type of offer flexibility as a differentiator and a revenue generator even among the most price sensitive consumers.

Deciding to offer new services is increasingly complex – not only are customers more discerning, demanding and knowledgeable, but operators also need to take into account the substantial differences between markets for customer requirements.

In the US, the iPhone was the tipping point for the mobile broadband data explosion, whereas in Eastern Europe, it was the laptop. These are just one of the variables that need to be taken into consideration, particularly as the increase in demand hasn't correlated with an increase in profit. It is, in fact, those more 'advanced' markets that have the biggest resentment in paying extra, chiefly because developing nations haven't embarked on all-you-can-eat data pricing wars and the expectation of the subscribers, from the beginning, has been different.

For the offers to be successful, operators need to put themselves in the marketers' mindset to understand exactly what it is customers want, and what they are willing to pay for, ensuring they can offer attractive packages to customers; what they want, when they want it and respond to fast shifting market conditions. Marketers need the tools to be able to create personalised and relevant services for each market – segmented, differentiated and aligned with customer willingness to pay. In Brazil, Oi has used this service-based strategy to allow it to be both the perceived price leader as well as one of the most profitable operators in its market.

There are almost limitless options for the policies themselves – adding on cheaper 'off-peak' data, offering fewer bytes with a free movie each week or extra bolt-ons, such as content, in lieu of the extra minutes, which used to be commonplace with plans. However, these need to be carefully targeted for the correct market. As referenced earlier, Tata

Docomo has had a lot of success offering services based on the length of texts and number of sites visited, whereas in a mature market like the US, an additional content allowance would be a preferable addition.


For all these options to be easily incorporated, it is essential for operators to have the tools to efficiently and effectively provide not just services, but also ensure that the network can cope with the ebb and flow of traffic and accommodate the different charging scenarios. The close integration between charging and policy is only just becoming available.

Of course, customer experience is not only what customers are willing to pay for, but also the overall quality of the experience, that well-used 'X Factor' that will make customers happy to part with their hard-earned money. It's an obvious observation, but the more a customer enjoys their experience and the higher the quality of service they receive in terms of both product and customer service, the more they will be willing to pay additional money to use it.

It is also essential as part of the ROI of policy to include sufficient measurement abilities. For policy to continue to be effective, it needs to be measured across a variety of attributes, including quality of service and traffic, so the changing needs of customers are analysed and anticipated where possible, ensuring a high level of customer satisfaction and subsequently, stickiness.

### What does the future hold for policy?

Traditionally, it has been incredibly difficult to predict what customers will do next – will the latest handset be most important or will it be the remote access of a certain website or social network? These trends seemingly come out of nowhere and at a speed that it can be hard to keep up with. Speed will continue to be important for operators – speed of connection, as well as the speed of service innovation. It's also important for operators to ensure that they are ahead of the competition in a fiercely competitive marketplace. The correct tools need to be in place to ensure rapid rollout of new services and to enable operators to deliver the experience that meets the customer's lifestyle.

Operators need to ensure that they can accommodate customer needs, whilst making it feel like a personalised plan. Only then will they truly deliver the ultimate customer experience. 

An obvious implication is that to capitalise on any of these opportunities, there needs to be a robust interface defined between the application layer and the operator's policy and charging infrastructure and a deep integration between those infrastructures.