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## Mobile Operators: Boost Customer Loyalty, But Do It RIGHT

Author: Adhish Kulkarni



Increased competition for customers from rival mobile operators, as well as a range of players from across the value chain, has turned up the pressure on telcos to think of **new ways to keep prepaid users happy and loyal**. Many operators are putting budget into campaigns aimed at increasing loyalty and improving CRM (Customer Relationship Management). But spend alone won't stop churn. **Adhish Kulkarni** draws from **new research** to provide telcos practical advice on how operators can get the edge with sharply focused mobile loyalty and CRM

programs.

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Mobile operators may be the best marketers of communications services on the planet, but **now the time has come for operators to use those same capabilities to communicate more effectively with their customer base**. With the majority of the world's mobile subscribers choosing a prepaid tariff, it's imperative that mobile operators develop strategies to reduce churn rates and maximize dwindling margins per user.

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The race is on as mobile operators gear up to implement mobile loyalty programs designed to extract more value out of their existing customers. However, **effective mobile loyalty programs don't come off the shelf**. To the contrary, mobile loyalty programs — like all marketing campaigns — must have a clear objective and speak clearly to the target demographic.

## What works — and what doesn't?

It's a tough one to call, especially since few companies have investigated (or documented) the real and effectiveness of mobile CRM. Fortunately, a new survey from **Analysys Mason** (commissioned by **Buongiorno**, a provider of solutions enabling our mobile connected lives) does both.

The report surveyed 1,029 mobile users (adults and youth) in the **U.K., Russia, Spain and Nigeria** to learn consumer attitudes across both developed and developing markets toward churn and mobile loyalty programs. The findings highlight **five key areas** that should be top of mind when operators choose and implement their mobile loyalty programs.

**1) Don't pursue a 'me-too' approach.** Consumers may be accustomed to loyalty programs from restaurants and retail brands, but most have not yet been approached by their mobile operator. Specifically, the survey found that **73 percent** of respondents in the U.K. are members of at least one non-telco loyalty scheme (offered by companies such as banks, supermarkets and department stores) . Surprisingly, the survey also found that only **29 percent** of U.K. respondents participate in reward programs offered by operators aimed at boosting customer loyalty. Additionally, only **27 percent** of respondents participate in programs aimed at increasing their spend on services. These low levels of customer participation are even more amazing if we consider that most U.K. operators already have programs in place to reward either customer loyalty or spend, or a combination of the two.

Clearly, **there's more business to be had in mobile**. However, mobile operators launching loyalty schemes must be careful to manage customers' expectations in order to avoid a mismatch. After all, there is **little value in a 'me-too' loyalty scheme** that fails to generate customer interest or engagement.

**2) Get close(r) to your customers.** Mobile operators own the customer relationship and should leverage those insights to *really* understand why customers churn and target their loyalty schemes accordingly. Again, this new research sheds much-needed light on the *real* reasons customer stay — and leave.

Specifically, effective loyalty schemes are the ones that aim to retain users who have the greatest propensity to churn in the first place. This segment includes younger subscribers (youth) and newly acquired customers.

However, churn is not limited to these customer segments. Earlier research (also conducted by Analysys Mason) reveals that even heavy users — post-paid users that **spend EUR30-50**

per month – can churn if operators fail to give them what they value most.

So, what motivates users to churn? The survey uncovered the top three reasons:

- **Wanting a new mobile phone:** More than half of churners said they would change to get a newer model handset.
- **Paying too much for calls:** For 40+ percent of churners this was a thorny issue. Interestingly, this was a particularly important consideration among respondents in Nigeria.
- **Failure of the mobile operator** to provide additional benefits to loyal customers: Again, over 40 percent of all churners said this was a chief reason for wanting to change providers.

**3) Different customer segments and regions require different incentives and scheme structures.** Getting it right is a challenge. What consumers say they want may not always reflect what they really want from reward programs.

Overall, the majority of respondents said they favored schemes that offer high-value gifts as an occasional 'surprise' reward for their continued loyalty. Another crowd-pleaser was programs that reward them for collecting loyalty points. So-called 'experience incentives' (free dinners and trips to the spa, for example) were a favorite among post-paid subscribers. Prepaid subscribers preferred perks in the form of physical prizes and high-value gifts. **Overall, preferences vary depending on the market.** Respondents in mature markets (U.K., Spain) preferred collecting loyalty points to save for a guaranteed reward. Instant-win prizes and incentives for top ups and paying their bill were popular with users in developing markets (Russia and Nigeria).

**4) Right rewards make a big difference.** Reward schemes, when done right, deliver the desired impact on subscriber behavior. In developed markets the result is reduced churn. In developing markets the correct loyalty program can encourage increased spend. In growth markets such as Nigeria, the majority of users (**58 percent**) have multiple SIMs, which means users can easily shift their spend to the operator with the best rewards. When designing effective programs in multi-SIM markets, the focus must be to reward the user's actual usage on an ongoing basis, rather than reward them for being part of the network over a certain period of time.

**5) Don't put your brand at risk.** Designing the right loyalty program is critical. Think it through – carefully. If done right, a reward scheme can generate a powerful behavioral change, resulting in reduced churn, increased spend - or both. Get it wrong, and you can do serious **long-term damage to your brand.**

How serious? A survey of respondents in Nigeria, where operators have been aggressively launching promotions, shows that a bad scheme can be worse than no scheme at all. It appears that the negative consumer feedback may be linked to a mismatch of expectations and a feeling among respondents that they have not been adequately rewarded for their

loyalty. Whatever the reason, the lesson for operators is clear: **keep it simple in developing markets**. Ensure that users benefit in a way they can understand and appreciate – even if this means rewarding loyal users with a few free texts.

When operators do get it right, the benefits are significant. At Buongiorno we observe that clients typically see increase in gross revenues of between **4 and 9 percent over 12 months**. Incentives and approaches employed by our clients vary, and include loyalty programs linked to experience incentives (**Orange Wednesdays** in the U.K.), programs encouraging users to collect and redeem loyalty points (MTS Bonuis in Russia), and schemes focused on driving spend (Top Up Surprises **for O2**, Optus, **TIM Italy** and others).

Overall, the survey shows that mobile operators can succeed with a variety of loyalty incentives. Prizes, points and perks all work *provided* mobile operators **deliver the right incentive to the right customers**. It's a tall order, and the same incentives will work equally well across all markets and segments.

### About Adhish:

Adhish is Managing Director of Buongiorno mobile loyalty business unit, focusing on the development and execution of customer loyalty programs addressing each stage of the engagement, interaction and redemption cycle to reward profitable customers. Adhish has a long track record in the telecoms and media space as part of the management team at Flytxt, a mobile marketing company, and as a strategy consultant with Accenture in Europe and Asia. Adhish has an MBA from INSEAD and a B.Sc. from Carnegie Mellon University.



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