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## CEM Case Studies

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## 1 Abstract

This document demonstrates how a CEM approach can be used in Managed Services based on Best Practice Case Studies of Customer Experience in the Telecommunications industry.

To demonstrate this, each section ends with an EMC (Experience Management Centre) Building Block diagram with relevant portions shaded to demonstrate their use (references are emboldened in the text).

This does not mean that exactly the same solution the EMC offers has been used but it does mean that the solution area has been applied. This also does not mean that for those solutions left unshaded that they are not best practice; it just means that for these specific cases they lacked relevance.

In total there are 7 best practice case studies in Customer Experience Management. All are from the Telecommunications industry and cover issues such as complete CEM transformation through to churn analytics.

Other cases from outside the Telecommunications Industry are available from the Cranfield Customer Management Forum (CCMF).

For enquiries on the cases enclosed or best practice cases outside Telecommunications please contact: [stswalden@aol.com](mailto:stswalden@aol.com)

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## 2 Case Studies

### 2.1 Background

The case studies (CS) were formulated by Steven Walden in conjunction with Vladimir Dimitrioff, an external Customer Experience Consultant with extensive CEM experience having designed the Turkcell best practice CEM programme.

In addition, the cases have been complemented using information from the Stairway Forum (case study 7) – a Customer Experience Forum sponsored by Royal Bank of Scotland. In this latter case, some of the graphics are proprietary and for internal use only. These have been marked as such.

It should be noted that some of the best examples of Customer Experience are from outside the Telecommunications industry e.g., Starbucks, Geek Squad, Southwest Airlines, Disney, Zappos and Amazon. These fall outside the scope of this paper.

#### 2.1.1 EMC Building Blocks

The definitions for the EMC Building Blocks are given below. For each area ECMS has a best practice supplier with a general focus on measuring, monitoring, analyzing, providing insight and reporting findings on a continuous basis to CSPs.

*A2B (Ad hoc to Best Practice) CEM Maturity Assessment:*

- A Customer Experience Maturity assessment used to understand EMC requirements based on expert judgment over 100+ CEM holistic benchmarks.
- Also a professional services/ thought leadership approach in its own right

*Churn Analytics:*

- Covers predictive analytics for understanding churn. This includes from existing secondary data sources e.g., complaints analysis; analysis of customer records and complaints (a mixed SOC-EMC solution) and primary data sources (e.g., survey and social media)
- Encompasses measurement, monitoring, analyzing, providing insight and reporting as well as any other related supporting function such as culture/ training (how findings are shared) and design (how findings are used)

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### *Contract Centre Analytics:*

- Covers predictive analytics for understanding contact center performance. This includes from existing secondary data sources (e.g., complaints analysis) and primary data sources (e.g., survey and social media)
- Encompasses measurement, monitoring, analyzing, providing insight and reporting as well as any other related supporting function such as culture/training (how findings are shared) and design (how findings are used)

### *NPS Optimization*

- Covers all functions related to the application of the NPS methodology
- Encompasses measurement, monitoring, analyzing, providing insight and reporting as well as any other related supporting function such as culture/training (how findings are shared) and design (how findings are used)

### *Network Benchmarking*

- Covers Network benchmarking. A mixed SOC-EMC solution where expert opinion provides insight into performance (e.g., drive tests)

### *Voice of the Customer*

- The capture of customer responses whether by survey, social media or other format excluding machine data
- VOC is both a channel (real time, social media, crowdsourcing) as well as a specific function (e.g., as it relates to best practice metrics such as customer effort score, customer satisfaction, story capture)
- It is not related to NPS as this is a specific category in itself, although many of the functions of a VOC are replicated in NPS optimization, the demand for NPS requires a separate specialization
- Encompasses measurement, monitoring, analyzing, providing insight and reporting as well as any other related supporting function such as culture/training (how findings are shared) and design (how findings are used)

### *Culture and Training*

- Supports the CEM initiatives by answering the question, if we provide an EMC how can we support the findings with a Customer Centric culture

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### *Journey Mapping*

- Provides blue sky thinking on redesigning the customer experience and the frameworks to apply ('as is' and 'to be')
- Where relevant to MS, leads to measurement, monitoring, analyzing, providing insight and reporting as well as any other related supporting function such as culture/ training (how findings are shared) relevant to the design change

The EMC encompasses a focus on perceptual data rather than machine generated data (which would be a SOC or NOC solution).

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### 3 CS1 Avea: Optimizing Multi-Channel Interactions

#### 3.1 Background

Avea is the mobile operation of Turk Telekom, an Oger Telecom company.

In spite of the dominance of a few large players in the Turkish mobile market, the company has over the past decade succeeded in growing its small market share by 10% (from 6 to 6.6%). This has been achieved through aggressive pricing, responding to changes in the regulatory environment, extreme operational efficiency and managing a low cost base.

However, with the introduction of 'Number Portability', retention priorities changed towards a dependency on delivering a superior Customer Experience. Unfortunately, for Avea their low-cost operating model inadequately addressed many CE issues. For instance, there were management concerns about the unsatisfactory take-up of self-service channels (which could be a potential cost saving) and the continuing reliance on an expensive manned call centre.

Previously Avea's self-care service via web and IVR had demonstrated success through reducing costs. Indeed other players such as Turkcell were also using this approach. However, Avea's execution of these channels had actually led to an inferior self-care channel experience. Customers could, for instance, do more activities in call centres that they could online e.g., changing bank accounts to direct debits. In total, 60%+ of possible interactions were not able to be performed in self-care channels.

Customers also felt that online was less secure even though they were happy to release private information on the phone.

Hence, with market changes the company had the difficult task of boosting Customer Experience and retention, while remaining competitive and cost-efficient.

#### 3.2 Approach

To correct this failure in Customer Experience, Avea undertook **an assessment of** as many interactions as possible. This included a review of the areas of the experience that were making it inferior qualitatively e.g., pages not being intuitive to use.

The approach used **a multi-dimensional model** that looked at all channels (e.g., ATM, Call Centre) and all customer segments: since not every segment had access to all channels. The model is described below:

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Figure 1: Multichannel Model

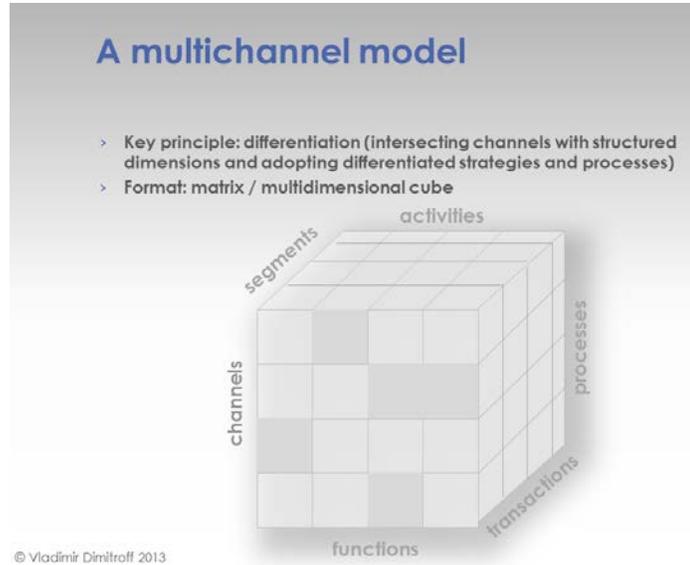
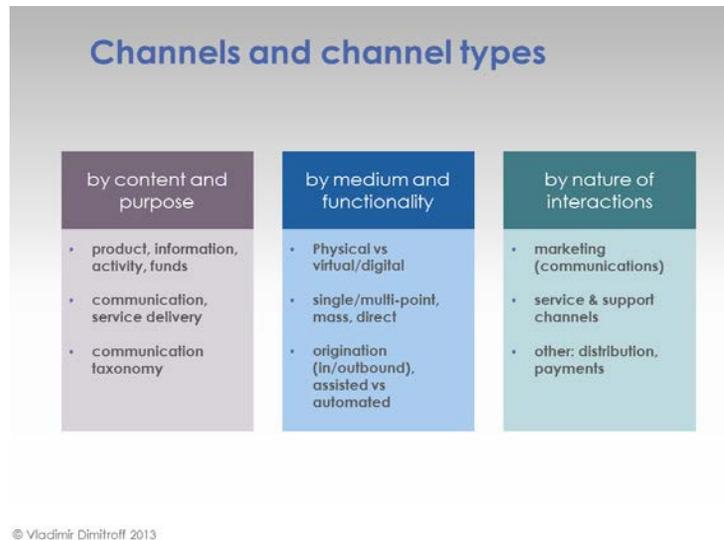


Figure 2: Channels and channel types



This analysis found an inconsistent experience between (and even within) touchpoints and interaction channels and inconsistent and variable service offerings/ levels in Call Centre, IVR, Web and Retail experiences.

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Examples of this included:

- The failure of the high-cost human-assisted channel (CC and Retail) to differentiate service offerings according to customer attributes and segments; which led to the sub-optimal deployment of resources.
- The low up-take of self-service channels due to an unsatisfactory Customer Experience. Through '**walking the experience**' it was found that this was due to IVR and Web channels offering a poorer level of service than the equivalent offer in Retail and Call Centre channels.
- Customers feeling confused and uncomfortable with the presentation/communication of options on digital channels. This in turn led them to seek live assistance.
- The poor IVR experience. Here there were no gaps between options, so in spite of using actor's to provide good voice and tone, there was no chance to assimilate the options. This meant consumers typically responded by pressing zero to speak to an operator.

To resolve these problems a substantial Customer Experience programme was undertaken. This started with the **roll-out into processes, organisation and systems of an advanced customer segmentation** approach (by Value and Needs). This in turn led to a segmented focus to routing, staffing and the provision of services in both Call Centre and retail channels.

Following this, a **Multi-channel Interaction Strategy and operational framework** was designed. This aligned capabilities and experiences across channels and led to:

- The number of Web interaction options doubling to 84 and eventually 129.
- The development of a **new self-service portal** design to ensure clarity of communication and a smooth experience.
- The IVR was improved in volume and quality.
- The number of self-service options was increased to represent the full capacity of the channels removed.
- A better user experience of the site to make it user friendly was instigated.
- The IVR was redesigned to take account of the gaps customers would take.

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### 3.3 Outcome

As a result, the up-take of these channels dramatically increased with 4 million new customers added in the period. At the same time call centre traffic increased by only 8% while Self-service rose by 103%, resulting in significant cost savings, improved satisfaction and recommendation (through better experience), better Retention and a net gain of >10% from the bigger operators through switching during the Number Portability market re-distribution.

This fulfilled the corporate objectives of increasing use in the self-service channel, reducing traffic into the call centre and hence costs as well as improving retention. In this environment, the loss of customers due to Number Portability was less than the gain and the cost of servicing subscribers per capita dropped.

By comparison, Vodafone (the main competitor) obtained fewer new subscribers than Turkcell and Avea lost, and the churn to Turkcell from Avea reduced (Turkcell has the lowest churn of all 3 operators).

In the first 3 months after Number Portability, Avea performed better than the other 2 competitors in an environment where Multi-Channel Interaction is a key proposition for all.

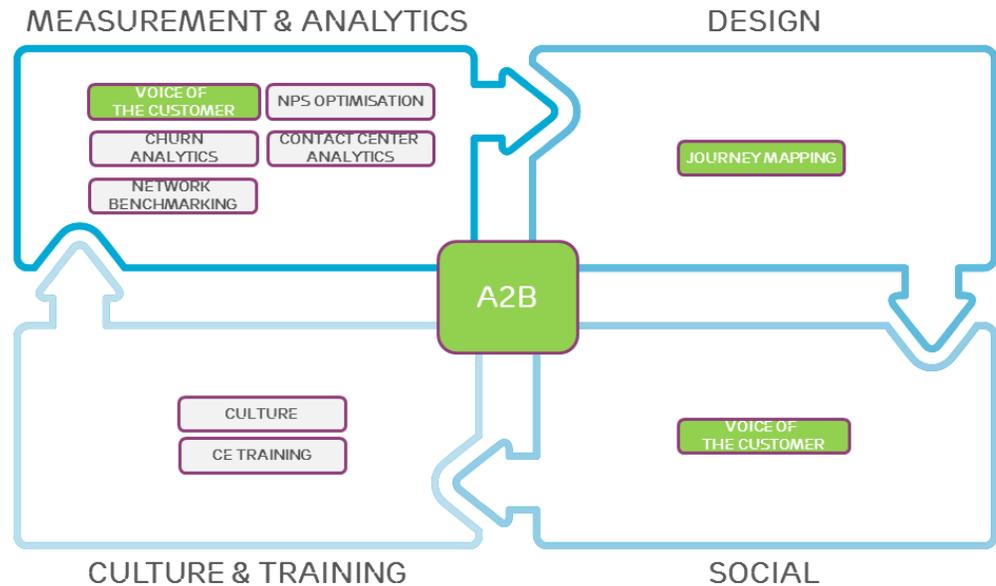
#### Notes:

1. The supplier used in the redesign was Genpact, an offshore BPO company; formerly owned by General Electric.
2. Genpact use a 3 way model for multichannel delivery.

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### 3.4 EMC Building Blocks

Figure 3: Avea EMC Building Blocks



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- Green: Experience Management Centre (EMC) related solution applied
- Grey: Experience Management Centre (EMC) related solution not applied

1. A2B Maturity Assessment type approach was applied to devise the new strategic framework
2. Journey Mapping type approach was applied using the Multi-Dimensional Model. This optimised the multi-channel experience.
3. Voice of the customer type approach was applied to integrate a self-service web care channel

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## 4 CS2 UK Telecoms Operator: Outsourced Service Enhancement

### 4.1 Background

A small alternative telecoms operator in the UK (subsidiary of well-known US brand) had ambitious targets for expansion in the UK and the broader EMEA region. However all of its contact centre operations were outsourced off-shore by the US parent to several providers e.g.,outsourced billing (to India) and the sales and retention teams to Asia-Pacific.

Hence, inspite of rapd growth, the company was experiencing high, above industry levels of churn which undermined any acquisition gains and growth plans. In addition, although costs had been lowered, sub-optimal levels of efficiency were resulting in lower rates of customer retention.

A critical reason for this performance was found to be related to the London-based managements difficulty in monitoring and influencing the experience provided via the CC channel, which accounted for over half of all interactions.

### 4.2 Approach

- **Call analysis and Customer Satisfaction statistics pointed to a cultural discrepancy** (including language) between the Asian personnel and the UK customers. The provider's staff were culturally closer to the US subscriber base, as was their language (with added strong accent).
- UK subscribers felt they were receiving inferior service and this shaped their satisfaction and recommendation rates.
- Aggressive telephone selling (with exaggerated promises and poor product explanations) led to disappointment among subscribers and contributed to high rates of churn.
- Retention teams did not probe into the reasons for termination and were too eager to offer 'save' discounts and special tariffs, which only postponed churn. Heavy discounting could not make up for poor communication and Customer Experience. This led to limited success in reducing churn.

To resolve these issues It was decided to move call centre operations geographically closer to the UK and make **them culturally more relevant**, providing a better Customer Experience at the critical start and end lifecycle points.

An outsourcing provider was identified in (medium cost base) Central Europe, which traditionally employed expatriate British staff and serviced clients with a UK

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base in good native English. Agents were also, better educated, more mature and experienced. This led to a notably higher quality of experience.

**An enhanced training programme** was run, and **adequate experience monitoring processes** and techniques deployed to give UK management a constant 'feel' for interactions.

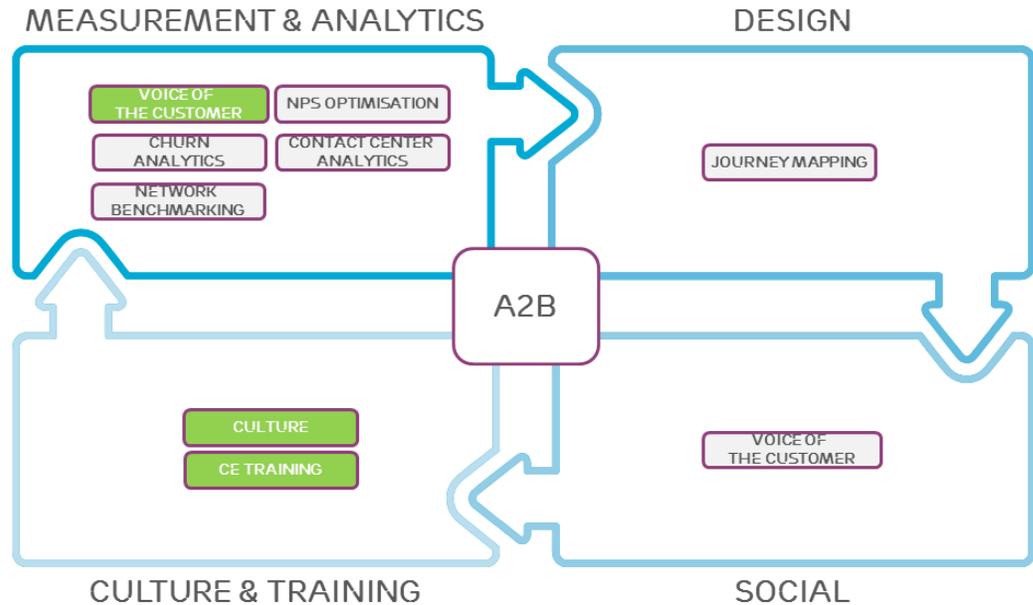
**4.3 Outcome**

Despite slightly higher per-seat costs, the better skills and effectiveness of the call centre staff actually led to reduced headcount and counter-intuitively, overall cost savings. In addition, sales conversions and retention rates grew dramatically in Q3-Q4 2013 and are on track for further growth in the current year.

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#### 4.4 EMC Building Blocks

Figure 4: UK Telecoms EMC Building Blocks



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- Green: Experience Management Centre (EMC) related solution applied
- Grey: Experience Management Centre (EMC) related solution not applied

1. Voice of the customer dashboards provided the ability to measure satisfaction rates and call centre volumetrics as well as monitor interactions
2. Culture type approach was applied to bring the call centre geographically closer to operations.
3. CE Training was applied to alter the agent – customer interaction

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## 5 CS3 Wataniya: Addressing Churn Root-Causes

### 5.1 Background

Wataniya Mobile (now Ooredoo) is Kuwait's leading mobile operator, part of one of the largest regional telecoms groups.

Wataniya was comfortably sharing the market with the other big player, Zain, until the entry and rapid ascent of a third operator (Viva, mobile arm of the state incumbent telco).

This change in market dynamic raised a number of issues:

- The unbalanced market, along with the explosion of mobile broadband, smart devices and social media, brought dynamic competitive challenges to all players and threatened both market share and profitability.
- Wataniya experienced churn even amongst their pre-paid audience. Wataniya however did not do anything to understand the experience beyond analysing pure verbatims.
- The country comprised a highly price-sensitive mass market, a significant expat workforce and a number of profitable brand-loyal top segments; however there was evidence of Wataniya also becoming a 'tired' brand with more 'exciting' competitors gaining preference.
- Existing and newly-launching loyalty programmes were primarily reward-based and not adequately differentiated to reflect customer segments.
- Churn was addressed at the tail of the lifecycle, mostly as 'save' and 'win-back' activities, typically with high cost and limited success because of earlier events resulting in determined churners.
- Churn correlation to satisfaction was inconclusive, and dissatisfaction factors were not deeply analysed.
- Customer Experience was only rarely assessed by research agencies through surveys and focus groups, and not proactively and continuously managed
- Customer segmentation was fragmented, hence with multiple models they made little impact and were poorly implemented into process, organisation and systems

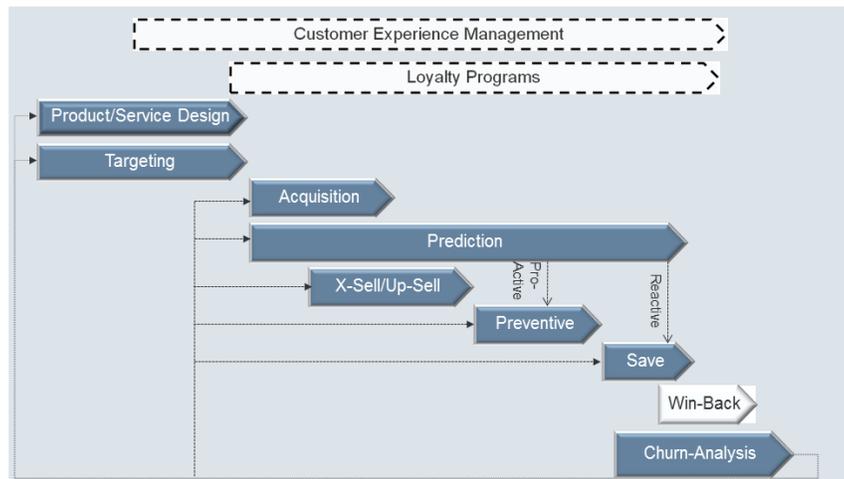
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## 5.2 Approach

A comprehensive Retention and Loyalty programme was launched, involving the roll-out of an **advanced segmentation model**, loyalty **program redesign**, dedicated CEM programmes, new **performance metrics**, and a **full-lifecycle retention process**. **Customer Retention & Loyalty become top priorities**, and Customer Experience the main enabler for these goals.

The retention programme comprised two main elements: retention building and churn management. These are shown in the diagram below:

Figure 5: Customer Retention Lifecycle

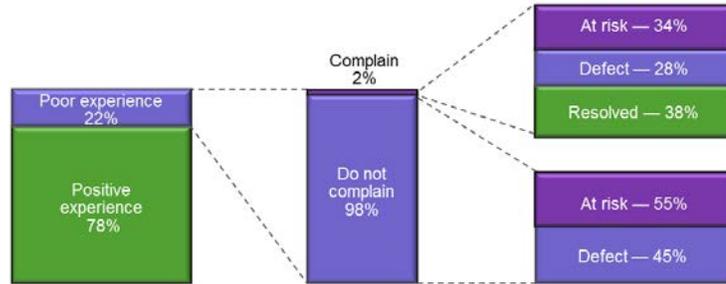


In overview:

- Retention building is on-going and enabling in nature; it happens within product design, prospecting/targeting, PoS acquisition, Cross-selling, Support and interaction management. It also involves overall Customer Experience Management and dedicated Loyalty programs.
- Churn management focuses on the tail end of the customer lifecycle as well as engaging efforts as early (far from termination point) as possible. This involves Churn Prediction, pro-active churn prevention activities and reactive ('save' or 'win back') activities. This covers both those who are engaged in churning (identifiable through save team commentaries) and those who are predicted to be liable to churn e.g., the silent majority who do not state their intent to churn through save teams but are identifiable through other forms of churn analytics.
- Cherry Tree provides a framework for understanding this latter group and their importance; here we see that non-complainers are the most likely group to churn

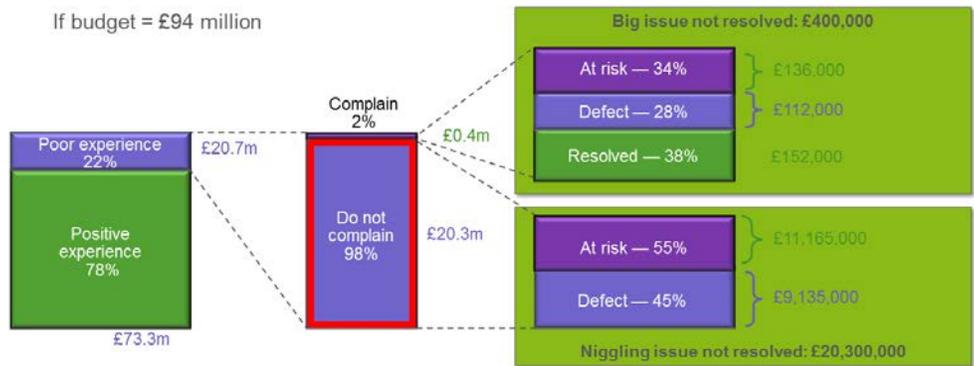
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Figure 6: Understanding the Silent Majority



Model Sources: Cherry Tree Research, Bain & Co., McKinsey, Harvard Business Review and Gartner

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Model Sources: Cherry Tree Research, Bain & Co., McKinsey, Harvard Business Review and Gartner

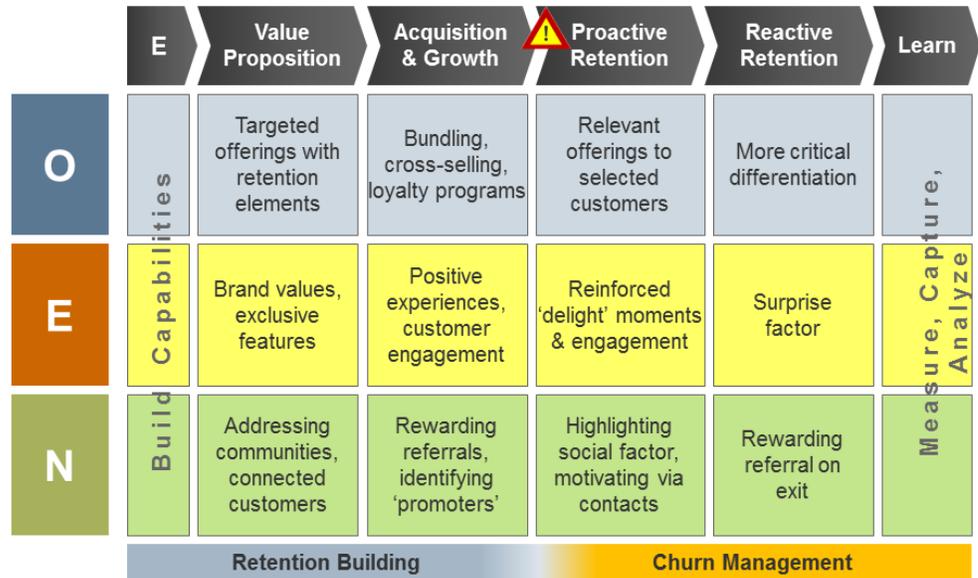
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### 5.3 Outcome

- In-depth **Root Cause Analysis of churn** uncovered two significant clusters of causes behind voluntary / intentional churn, each with CE links: rational (the experience with the network, the billing and other operational aspects), and emotion related (brand attitude, touchpoint 'feel', peers and influencers).
- These causes were addressed from the 'prospect' (pre-acquisition) stage through the entire lifecycle, applying the **OEN framework** of (operational, emotional and network/social) levers. Different techniques and tools were applied to the rational and emotional related root causes.

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Figure 7: OEN Framework



- Operational – targeted the practical elements of a customer’s engagement with the operator.
- Emotional – targeted a customer’s associations with the brand. These satisfy a higher order of need such as achieving a positive attitude and a special relationship.
- Network – targeted a customer’s connection to the company through their community connections.

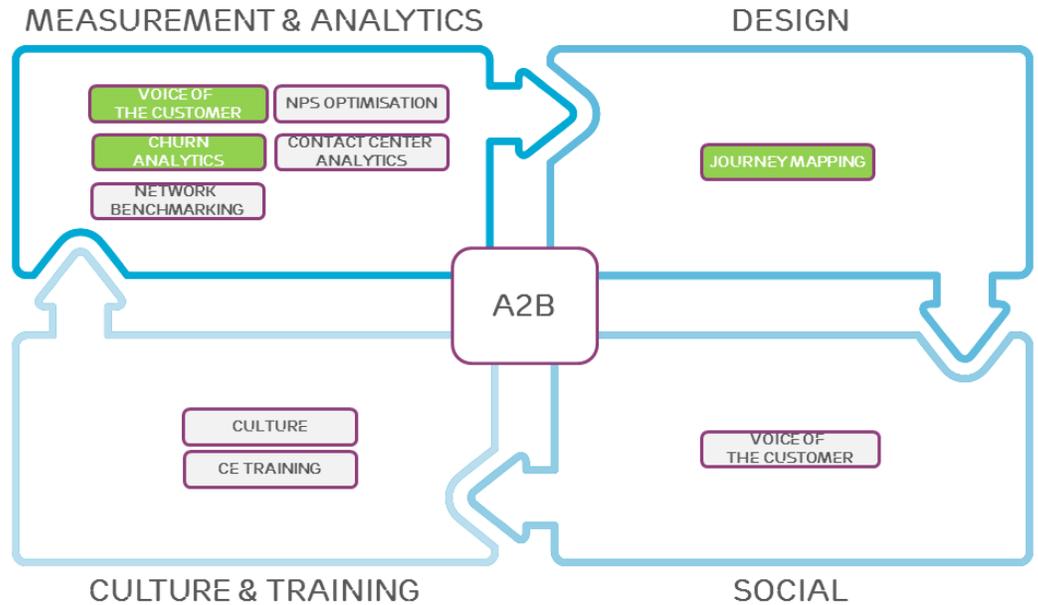
All new activities were deployed in a targeted and differentiated manner according to a single composite segmentation scheme, combining Lifetime Value and Needs segments (the latter based on earlier research, enhanced with behavioural/usage clustering and a level of attribution at an individual subscriber level).

The segmentation approach was even extended to non-payers i.e., is it deliberate or people who have just forgotten to pay.

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### 5.4 EMC Building Blocks

Figure 8: Wataniya EMC Building Blocks



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- Green: Experience Management Centre (EMC) related solution applied
- Grey: Experience Management Centre (EMC) related solution not applied

1. Voice of the Customer approach focused on retention behaviour
2. Voice of the Customer type approach using a composite segmentation approach
3. Churn analytics to understand causes of churn
4. Journey Mapping type approach using the OEN framework to design in experiences

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## 6 CS4 Turkcell: Customer-Centric Transformation

### 6.1 Background

Turkcell is Turkey's largest mobile operator and Europe's 3<sup>rd</sup> largest, operating in 9 countries, with 70 million subscribers and widely regarded as one of the most successful Telco's on the planet.

Early in the past decade, Turkcell's leadership as a first-to-market player was under threat. These threats included:

- *Slowing penetration and a belief that the market was facing saturation:* at 2002 Turkcell had 11 million subscribers which was generally considered to be a saturated market – even though this was less than 50% of the market. However, Turkcell and its rivals considered that in the future everyone would eventually have a mobile so the general view would be proven false.
- *Declining network advantage:* the advantage of a superior network was being eroded by commensurate investments from the competition that were also catching up in terms of coverage and network performance. Similarly, new technologies were being adopted by other players and now offered less of an advantage.
- *The challenge of a (then) strong contender.*

This led to Turkcell facing a tough competitive environment in which to grow its acquired base and an alternative competitive differentiation was needed.

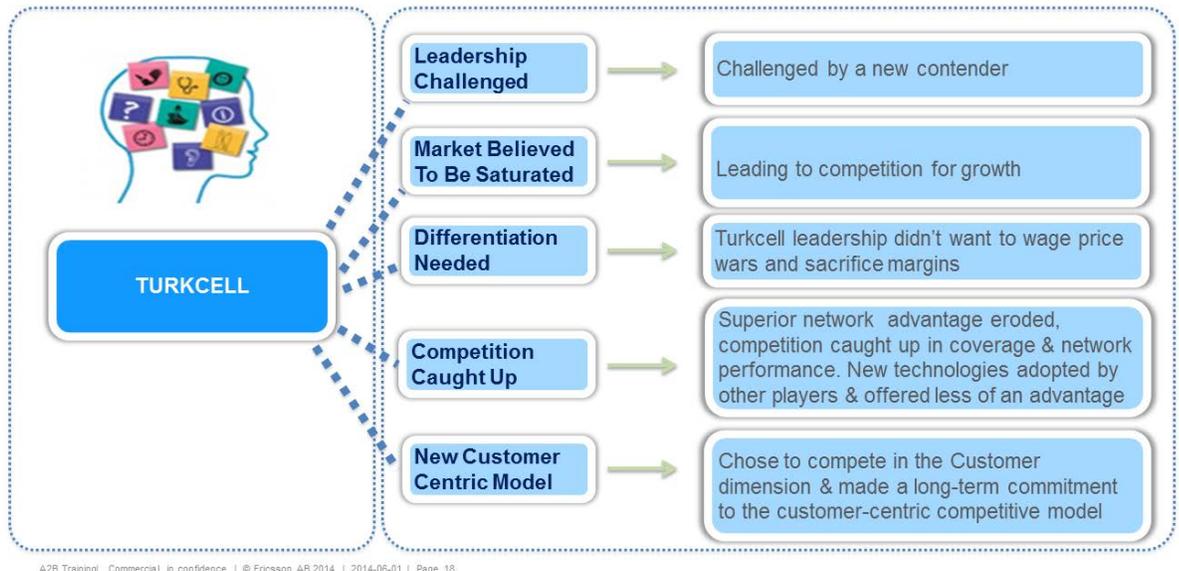
One possibility was to compete on price, but the Turkcell leadership didn't want to wage price wars and sacrifice margins. Instead, they chose to compete in terms of Customer Experience and made a firm long-term commitment to the customer-centric competitive model.

The belief was that further price wars would be stopped and churn reduced by this approach which would also enable Turkcell to grow through achieving good margins and profits rather than by being the cheapest.

It was a belief that ROI would come in time through a value proposition based on customer intimacy.

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Figure 9: Turkcell CEM Strategy - Not About Price



## 6.2 Approach

### 6.2.1 Assessment

An assessment using a **Capability Maturity framework** highlighted a number of alignment priorities and improvement opportunities. After setting an ambitious target state, the gap analysis resulted **in a roadmap and a portfolio** of 20+ projects in the first 12-month phase.

The framework used for the change was the **Round Framework**. This looked at strategy, process, organisation, IT architecture (e.g., the flow of information), the support systems (CRM solution, Call Centre, IVR, Datamarts), the support and strategic vision, information architecture and performance measures.

The aim was churn reduction: it is interesting to note that Turkcell do not consider retention to be the opposite of churn reduction, since a consumer can be retained but unhappy,

### 6.2.2 Programmes

This involved the authorization and launch of a multi-phase **implementation programme** for the whole organisation. This **cross-functional, enterprise-wide programme** (branded 'Journey To/With the Customer') covered strategy and processes, organisation and systems, and not least performance metrics.

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Critically this programme did not just focus on fixing specifics, instead it designed and supported a comprehensive change programme, something very few operators were prepared to engage in. The aim was to become **Customer Centric in all possible ways**.

The key to Turkcell's approach then was to be comprehensive and to follow a customer centric strategy i.e., over the three competing sets (operational efficiency, product superiority and customer intimacy), customer intimacy was key (requiring in its delivery, great products and an optimal resource allocation and cost focus) with Turkcell values set to the brand.

No investment was spared to match technology capabilities and information architectures to the new high demands of customer-centric operations.

Everything in the company, from planning and budgeting to operations to performance measurement was performed by segment. Processes were centrally designed and governed, aligned with the segment strategies and overall customer-centric principles.

### 6.2.3 Governance

A 30-strong internal team, steered by a committee chaired by the CMO, worked alongside consultants, technology vendors and other service providers to transform every aspect of the organisation and make it radically customer-centric, capable of competing sustainably on the base of strong relationships with customers and other stakeholders.

In addition, there was strong, commitment from leadership and the will power to engage in this way since they saw this as a competitive model for long term gain.

The CMO undertook the 1st phase within 9 months; this lasted 3 and a half years before phase 2 kicked in.

### 6.2.4 Research

Customer insight was elevated to a strategic priority and capabilities built up to world-class, with some of the most advanced analytical models (borrowed by others), market-leading tools and valuable in-house talent. A very advanced Lifetime Value segmentation was combined with similarly sophisticated Needs segmentation and operationalised into customer portfolios.

Turkcell's segmentation criteria led to different segments being treated differently e.g., in a Call Centre. Turkcell initially started off conducting demographic segmentation. They then undertook segmentation based on value e.g., this means profit not revenue in order to take account of costs (cost of call, cost of serving). They then moved to a lifetime model, churn prediction.

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This involved advanced analysis using SAS.

### 6.2.5 Organizational design and Culture

The segmentation approach led to the **design** of a lot of branching processes in the **organisational design**. This included how teams and departments were set up, how they were trained and rewarded. Appraisal and assessments now also included assessments of how customer centric individuals are; representing a **large shift in organisational culture**, and included communication at all level.

Organisation design was adjusted (more than once during the phases) to support evolving processes and enable behaviours. A massive culture change effort involved company-wide communication, education and motivation, resulted in a lasting customer-centric ethos.

It is noteworthy that in future years a CMO was recruited from Procter and Gamble who did not understand the importance of the individual customer, instead budget tended to be allocated on above the line activities (mass marketing). However, the approach was and remains so built into the culture and mind-set of the organisation that CEM remains robust to these challenges.

### 6.2.6 Measurement

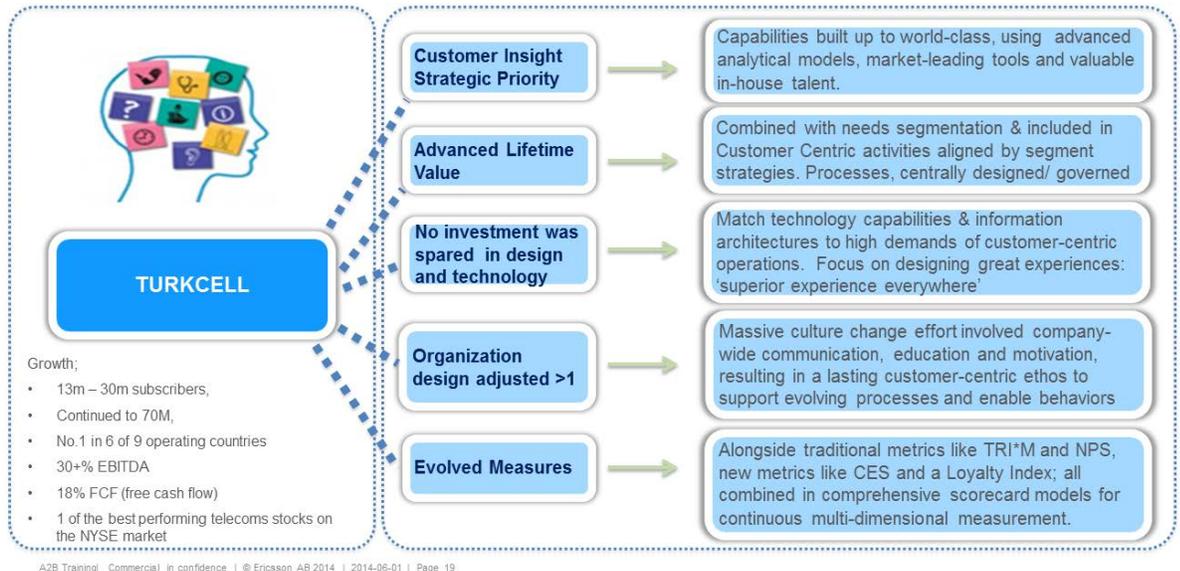
On metrics, there were the usual volumetric measures – sales, new acquisitions, financial performance, EBITDA and churn. In addition there was CSAT, their own CES, TRI\*M and a new loyalty Index which comprised 10 attributes of a target customer. These attributes included tenure, how much individuals bought and contributed, advocacy information, NPS, resistance to competitive offers, how much individuals responded and provided voluntary feedback. Each person received a score out of 10 for loyalty: these then became vectors for the differential treatment of customers.

In addition there was an aggregated segmentation score which informed the business as to how good it is at creating loyalty; Turkcell measures themselves by that metric.

Alongside traditional metrics like TRI\*M and NPS, dedicated CE studies were also performed (and continue to be used), as well as new metrics like CES and a Loyalty Index; all were and remain combined in a comprehensive scorecard model for continuous multi-dimensional measurement.

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Figure 10: Turkcell CEM – Ensure Customer Centricity



### 6.3 Outcome

By Year 2 of the programme, Turkcell had achieved 30 million subscribers against projections of 13 million. Partly this was due to market developments as penetration proved higher than anticipated as mobile advanced to access even poorer segments. Nonetheless, the CEO attributed success to the customer centricity programme.

The programme also firmly established Turkcell’s competitive market position. For instance, in December 2003 Turkcell faced an aggressive price campaign from Avea who were engaged in subsidising their cross-net calls (*Avea-Turkcell*). This led to cheaper calls than (*Turkcell – Turkcell*) and was aimed at capturing market share. The Turkcell team were intending to respond to this through the introduction of a killer tariff. However, the policy was altered from competing on price to strengthening the relationship through loyalty points.

The result was that Avea spent \$30m and only gained a 0.6% market share, and even that was gained from non –Turkcell competitive Telco’s. Hence, Turkcell had succeeded in not lowering prices and not losing customers. Since then there never has been any question, Turkcell follows a policy of ‘no price wars’ and aims to increase the Customer Experience (e.g., service levels, 1<sup>st</sup> Time resolution).

During the Programme Turkcell also grew from 13 to 30+M subscribers, eventually continuing to 70M, being no.1 in 6 of its 9 operating countries. With

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30+% EBITDA margins and 18% FCF (free cashflow) it is among the best performing telecoms stocks on the NYSE market.

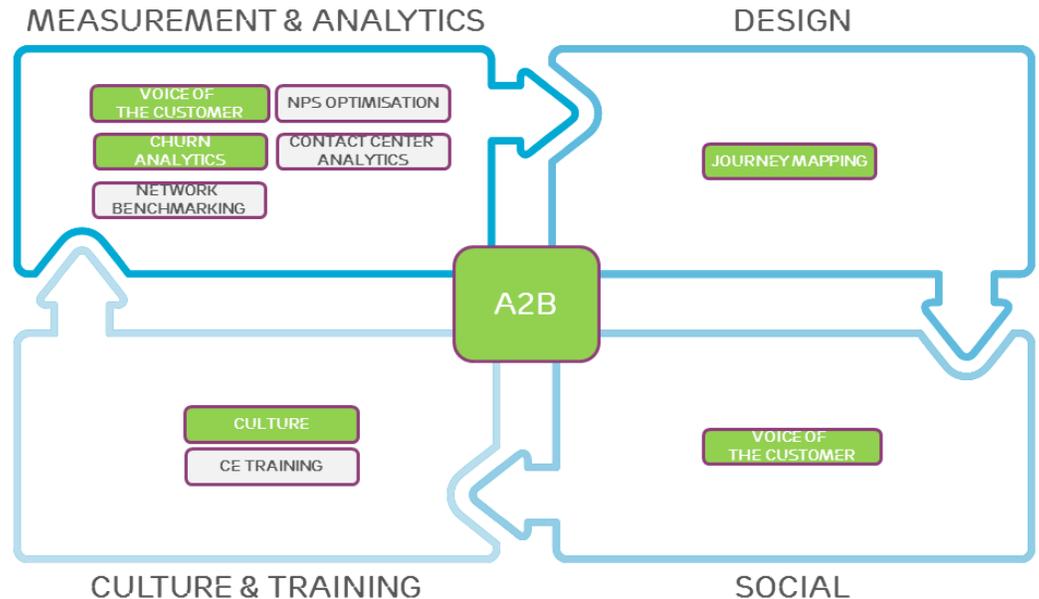
In 2007 Gartner awarded Turkcell and award for CRM excellence. The company is also number 14 up from 80th in the IT Media and Telecoms awards for best place to work.

The programme, after a very successful 1<sup>st</sup> phase, was extended twice with subsequent 1-year phases, making a huge impact.

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## 6.4 EMC Building Blocks

Figure 11: Turkcell EMC Building Blocks



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- Green: Experience Management Centre (EMC) related solution applied
- Grey: Experience Management Centre (EMC) related solution not applied

1. A2B CEM Maturity type assessment was applied using the Capability Maturity framework and the Round Framework
2. Voice of the Customer approach brought customer insight to a strategic propriety and with world-class analytics
3. Voice of the Customer type approach using a Lifetime Value segmentation approach and a focus on key metrics (social media is well developed in youth market)
4. Churn analytics to understand causes of churn
5. Journey Mapping type approach in the CEM programme design
6. Culture engaged within the Journey to/ with the customer and the focus on cross-silo activities and company-wide communication, education and motivation

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## 7 CS5 Middle-East Telecom: CEM, Revenue Assurance and Churn

### 7.1 Background

This concerned a wireless broadband provider in Asia, a subsidiary of one of the Middle East's largest telecoms groups, operating advanced 4G technology for residential and business broadband. The company operates in territories with a historically inadequate infrastructure, including POTS telecoms networks, in challenging terrain and fragmented geography.

The wireless technology and speed provide significant advantages over traditional competitors; however, costs are also higher in a very price-sensitive market.

Problems arose when low-income subscribers started to default on payments and it was difficult to establish whether it was a circumstantial involuntary effect, or an intentional form of churn via non-payment. Without sufficient insight, a robust Collections process was established to minimise losses from such debt.

### 7.2 Approach

In many cases there were very different reasons for non-payment. For instance, the application of ugly collection methods by the collection team was not suitable in situations where this was a simple case of a missed payment i.e., it was non-intentional, just a case of forgetfulness.

Indeed, in a research study combining exit interviews with generic satisfaction results, a **potential cause of churn was established** due to high dissatisfaction with the harsh collections process! it was found that 1/3<sup>rd</sup> of cases fitted into this category and the process was reorganised to send out a gentle reminder instead.

Other causes were related to economic reasons. In these cases consumers were switched to another plan they could comply with; the objective being to keep them as customers and reduce churn. This may of course lead to some loss of margin, but it managed to keep them as customers.

For others it was simply a case of not being able to pay; hence the process was one of 'easy termination'.

A further study of these groups also revealed that each was subdivided, and had a portion that would churn irreversibly, while another portion could, under certain conditions, remain with the company and continue using the service.

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There was therefore a strong case for balancing revenue assurance imperatives with retention objectives and examine the debt situation of certain customers against their potential to recover and continue usage.

Following these research studies, analytics were performed on an on-going basis to identify the type of non-payment and to filter customers in collections lists by their likelihood of reversing their churn decision.

The lists were then split into two, whereby those with genuine and irreversible churn intentions were processed under established mechanisms. Those deemed to have temporary financial pressures or other reasons for non-payment were tagged for additional insight, removed from collection lists and passed to the retention team.

Outbound contact was then made to capture primary insight, but with ready pre-designed offers to incentivise eligible customers to remain as subscribers. Based on customer experience findings, the scripts, conversation tone and projected attitude were **modified to differentiate the conversation** from a debt collection call (although it effectively remained one, dual-purpose with retention priority).

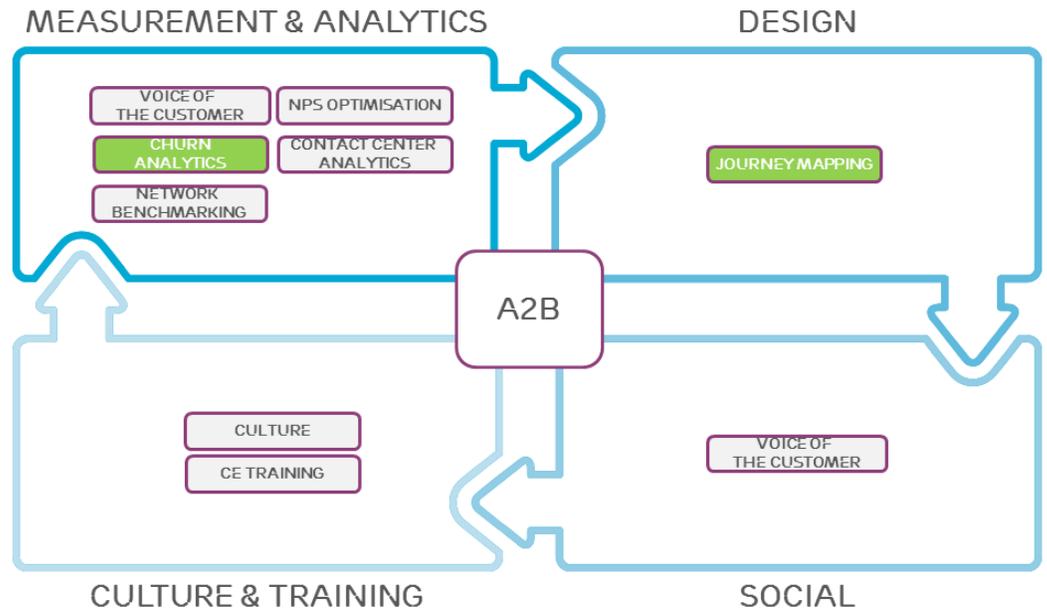
**7.3 Outcome**

Following a positive pilot, the process was standardised and continued to deliver improved satisfaction scores along with measurable reduction in overall churn.

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### 7.4 EMC Building Blocks

Figure 12: Middle-East Telecom EMC Building Blocks



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- Green: Experience Management Centre (EMC) related solution applied
- Grey: Experience Management Centre (EMC) related solution not applied

1. Churn analytics to segment customer bases by propensity to churn and tag databases accordingly
2. Journey mapping type solutions were applied to redesign the experience for those customers who could be recovered

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## 8 CS6 Du: Customer-Centric Transformation

### 8.1 Background

Du is a telecommunications company offering mobile and fixed telephony, broadband connectivity and IPTV services to individuals, homes and businesses in UAE. They launched in February 2007 and by the end of 2009 they had reached 32% market share competing against a well-established competitor.

Acting quickly they grew from 0% market share in 2007 to 32% market share by the end of 2009; serving almost 3.5m customers. However, this fast growth caused aspects of their customer experience to be overlooked. For instance, the level of complaints and calls to the call centre created a long backlog and put pressure on the bottom line. Employee morale was also amongst the lowest of all Gallup surveyed companies.

In addition, du realised that its initial success was driven by the price sensitive pre-paid customers (the lower end of the market). The opportunity for further growth lied in the high end (post-paid) customers, who travel a lot and pay for data and voice roaming. Du realised they need to take their game to the next level and create a “wow” experience that will attract the wealthy Arabs.

### 8.2 Approach

Du engaged in a complete transformation of the company led by Customer Experience Management principles. In particular, they used the language of Pine and Gilmore, taking several aspects derived from the HBR paper (Welcome to the Experience Economy) into their **strategic repositioning**.

Of particular importance was the concept of the company creating memorable experiences:

Figure 13: Definition of Customer Experience



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Their CE programme also included an emphasis on loyalty and delight using NPS as a key metric. This was applied both at a strategic and at an operational KPI level. The overall approach across measurement, vision, process and culture is summarized below:

Figure 14: Du CEM Strategy



A particular focal point was on **the cultural side**. This involved increasing the level of empowerment of middle managers, establishing the roles of customer touchpoint, journey stage and functional champions while the Customer Experience as a whole became a central point in the agenda of the specially created Customer Experience Board.

**Customer journey design** was also emphasised. This led to the creation of virtual teams by journey stage, the use of design thinking (based on Ideo) and an emphasis on embedding delight clues. In fact delight was used as an organising principle for Journey redesign.

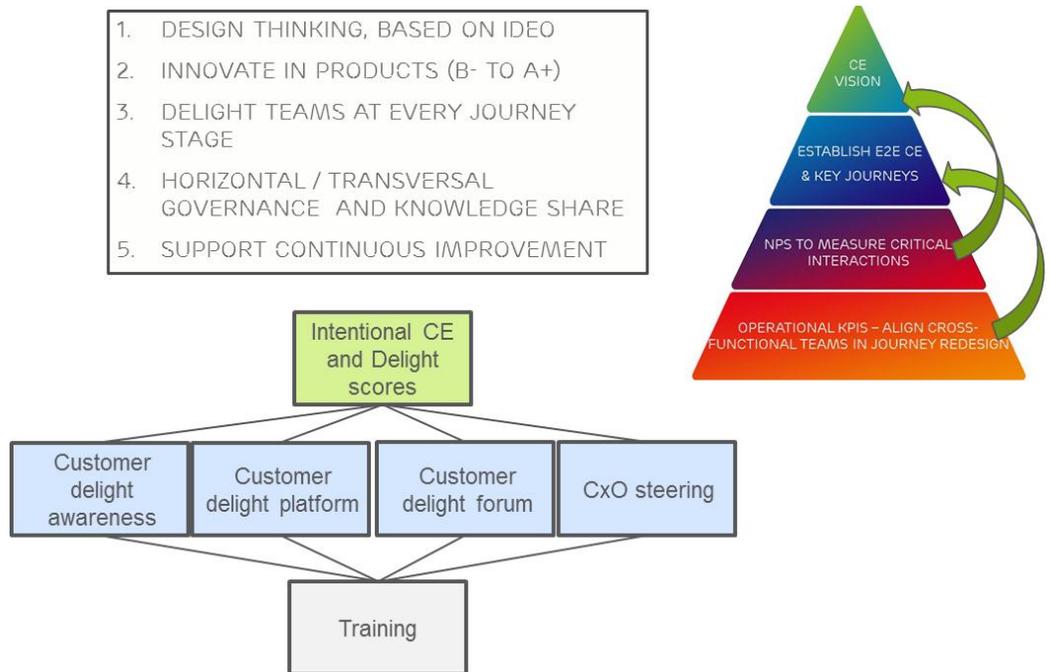
**Delight was measured alongside NPS and a behavioural segmentation model was developed** – in particular to understand at a greater level of detail, the wealthy Arabs segment. This meant a continuous measuring and **sharing of Voice of the Customer data** inside the organisation based on these strategic and transactional KPIs.

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The graphics overleaf show the organisation of journey design around delight. By way of example, the sort of technology initiatives engaged in within journey's included:

- Making payments easy and fast in retail branches
- Mass activation of data
- Enhancing the process of stock control
- Identification on top enterprise accounts to delight them
- Provision of hands-on play
- P2P customer forum

Figure 15: Du Design for Delight



### 8.3 Outcome

Post-paid subscriber base grew 109% between Q1 2010 and Q3 2011, while their share from the overall customer base grew from 4% to 7%. The overall mobile communications market share of the company increased from 32% in 2010 to 42% in 2011. The operating margin also improved 7% for the period.

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Figure 16: Du CEM Strategy

# USING CE TO GROW THE HIGH END CONSUMER



- **Objective:** Exhausted growth in price sensitive pre-paid market, focus on growing high-end post paid
- **Issues:** Business culture and experience design set-up for 'fast acquisition' not 'engaging high-end'
- **VMDC Approach:**
  1. **VISION** : defined the 'to be' vision based on what drives/ could drive loyalty for the premium segment (Behavioural segmentation and tagging). Set-in Strategy layer
  2. **METRICS**: Deployed NPS c of key stats
  3. **DESIGN**: delight design tear post paid segment
  4. **CULTURE** : created CE func council ; created employee bt change



Strategy direction #2.  
**Making experiences memorable.**  
But how do we do this?

-Products are tangible,  
Services are intangible,  
Experiences are measurable.  
-The deeper the emotions and memories,  
the stronger the experience.



## Results:

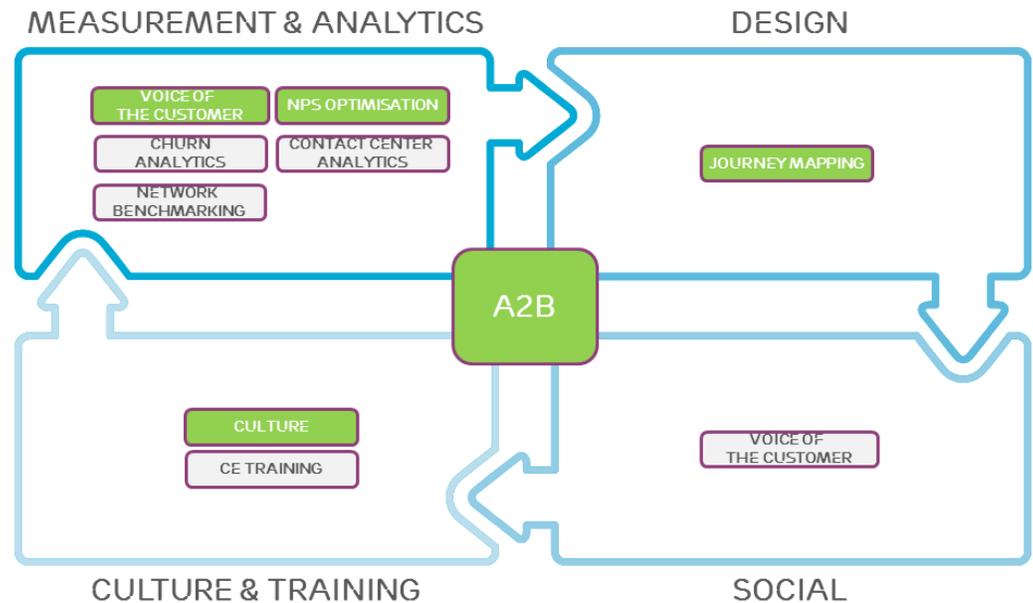
- ✓ Post-paid subscriber base grew 109% between Q1 2010 and Q3 2011
- ✓ Share from the overall customer base grew from 4% to 7%.
- ✓ Mobile market share increased from 32% in 2010 to 42% in 2011
- ✓ Operating margin improved 7% for the period.



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## 8.4 EMC Building Blocks

Figure 17: Du EMC Building Blocks



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- Green: Experience Management Centre (EMC) related solution applied
- Grey: Experience Management Centre (EMC) related solution not applied

1. A2B CEM Maturity type assessment was applied using a variety of consulting based CEM maturity assessments
2. Voice of the Customer approach brought customer insight to a strategic propriety
3. NPS Optimisation type approaches were used, building in measurements of NPS at a strategic and at an event based level
4. Journey Mapping type approach in the CEM programme design was engaged following Ideo principles and using design teams and applied a 7 stage approach
5. Culture engaged focused on cross-functional teams, the sharing of VOC information and the setting up of an effective Governance process e.g., CE Council and Strategic pillars around CEM

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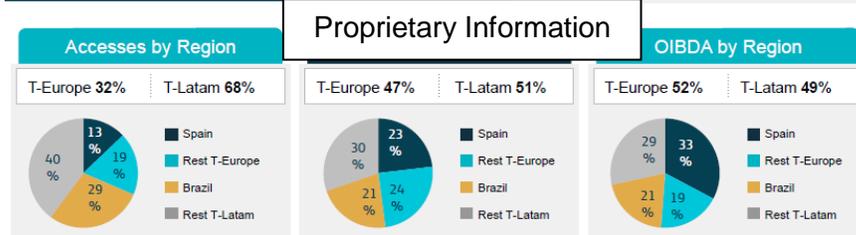
## 9 CS7 Telefónica: Customer-Centric Transformation

### 9.1 Background

Telefónica enjoys a unique portfolio in the industry:

Figure 18: Telefónica revenues

	2013 (Mn €)	% Var. Reported vs 2012	% Var. Organic vs 2012 *
Revenues	57,061	-8.5%	+0.7%
OIBDA	19,077	-10.1%	0.0%
OIBDA Margin	33.4%	-0.6 p.p.	-0.2 p.p.
Operating CF **	10,905	-11.8%	-2.7%



\* Organic growth: Assumes constant exchange rates as of 2012 (average Fx in 2012), excludes hyperinflationary accounting in Venezuela and considers constant perimeter of consolidation.  
 \*\* Operating CF = OIBDA - CapEx (excluding spectrum).  
 Note: Differences up to and over 100% are due to "Others & Eliminations".

The fundamental identity of the organisation is a belief that technology should be open to everyone. That happy employees and partners lead to happy customers, happy shareholders and society contribution.

In 2007, Telefónica started on their Customer Experience Journey. The critical features were the setting up of a **cross silo group of stakeholders** owned and supported by the Telefónica ExComm, within which each CEO owned and implemented their own Customer Experience Programme. Senior Management showed a commitment to Customer Focus with local governance within the operating business. In addition, the language of the business supported Customer Experience through regular conventions and conferences.

The commercial rationale for a focus on Customer Experience was derived from a belief in emotional connection i.e., one that looks at customers not just from the point of view of a physical interaction but also from an emotional one. In addition, it focused on relating the Customer Experience with the brand i.e., creating a branded Customer Experience (*'Customers are not buying just a product or service from a company; they are buying the total experience around its consideration, purchase, use and service'*, Shaun Smith).

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A key point was the finding that **dissatisfied customers** are worth significantly less than inert and highly satisfied customers.

A key belief was a focus on **creating 'fans'**.

Telefónica deliver this vision with an integrated strategy. They start top-down with the **brand vision** (what makes Telefónica different) and flow this through into **people and culture, organisational set-up, systems and processes**. The output is to **deliver customer loyalty through effective programmes and touchpoint design** alongside the CE promise (proving it to customers and galvanising employees). Underpinning this are business strategy and function plans.

It is a top down vision.

## 9.2 Approach

At a strategic level, the Telefónica Customer Experience Management programme was roadmapped as follows:

2007

- Step 1: reduce customer acquisition and retention costs
- Step 2: reduce complexity and improve services end to end
- Step 3: differentiation, focus on what the customer really values
- Step 4: create affinity and an emotional relationship with the customers (Fans)
- Step 5: reduce churn

Essentially in the first year the focus was on reducing cost and complexity using Customer Experience before but with the key intention of improving the positive appeal of the brand: the ultimate aim being to reduce churn.

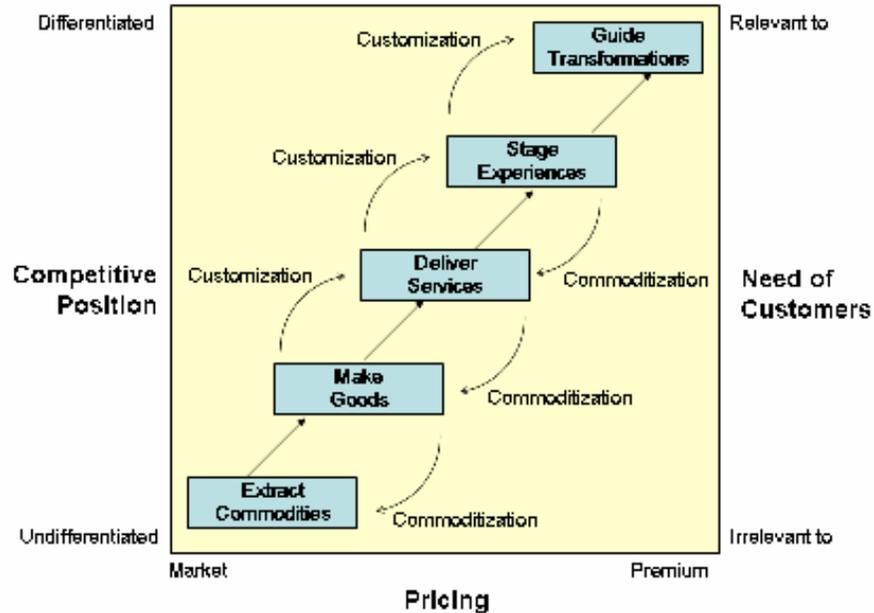
2008

With the basics in place, Telefónica underpinned the programme with principles derived from Pine and Gilmore's 'Welcome to the Experience Economy' (Harvard Business Review). The key point being that Customer Experience develops a differentiation and creates value.

The key chart used was the Progress of Economic Value. This demonstrated the price premium to be extracted from delivering an Experience over merely staging an Experience or delivering a Service.

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Figure 19: The Progression of Economic Value (Pine and Gilmore)



© Pine &amp; Gilmore, Harvard Business Press

2009

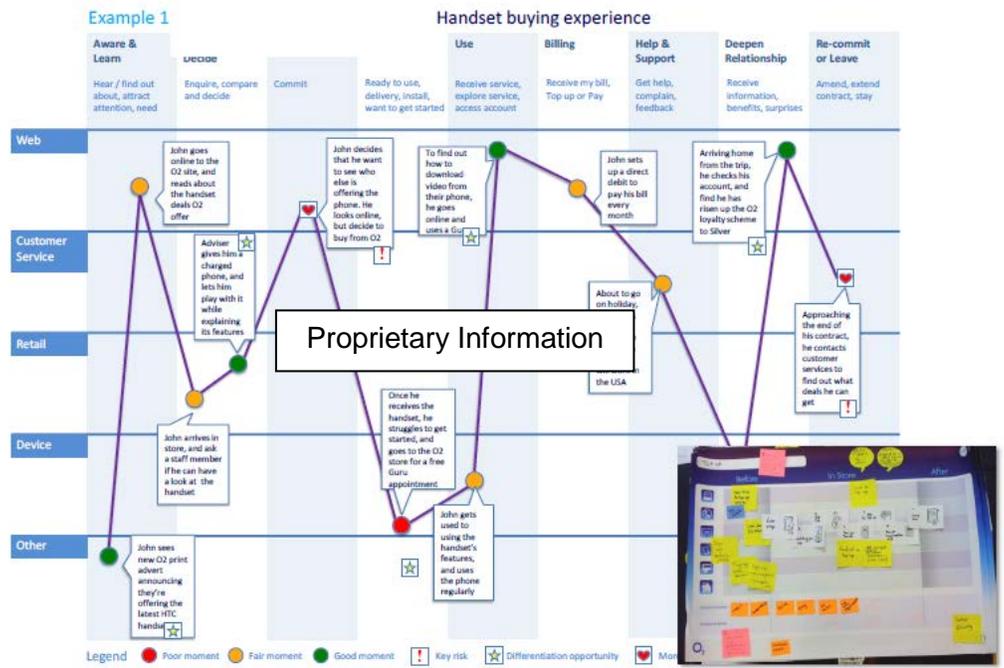
By 2009 the emphasis was on delivering against 4 key values:

1. *Cash*
2. *Customers*: be the number 1 Telecom company in customer satisfaction in the markets we operate in
3. *Employees*:
4. *Society*: we want to be perceived as the number 1 admired Telco in the societies in which we operate

A fundamental deliverable as part of the CE programme was a deep understanding of the customer that flowed through into design excellence. As part of this, Telefónica undertook **customer Journey Mapping**, looking for the key moments of truth.

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Figure 20: Customer Journey Mapping – looking for the Moments of Truth



Alongside the mapping, Telefónica also undertook ethnographic research to understand in detail ‘what it was like to be a customer’ by walking the experience over the following steps:

1. Attract
2. Information
3. Buy
4. Bill
5. Use
6. Help
7. Lifetime
8. Cancellation

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In terms of design this led to the creation of what Pine and Gilmore would call 'Signature Moments', experiences that customers remember you by and go beyond the delivery of service or the purchase of product.

Examples include:

1. Using Web Chat to reduce calls to Customer service: over 250K service chats to deflect calls and emails. Covers Gurus, Welcome Chat, Mobile, Retail Store Assistance, Virtual Agent Escalation. This drives new customer acquisition, seamlessly onboards customers, maximises customer lifetime value, gains deeper customer insights, leverages customers as brand ambassadors, decreases customer service costs, manages customer operations for success.
2. Fair deals: changes retention offers, policies and tariffs to ensure that existing customers get just as good a deal with O2 as new customers – plus their loyalty is rewarded.
3. Priority moments: engages customers emotionally by offering discounts on things they love (reward programmes linked to customer location and preference). Aims for positive impact on sentiment and CSI (Customer Satisfaction Index).
4. O2 Gurus – in store. Online and in call centres.
5. O2 Refresh & TuGo – O2 launches a new tariff allowing customers to get the latest phone whenever they want

### 9.3 Outcome

Key learnings

1. Put the customer at the heart of everything you do
2. Start with customer insight – emotional not just rational
3. Challenge yourself to invest in what customers really value
4. Devote time and attention of top-level team and do not rush – take your time to realise where your starting point is and to align
5. Bold top-down leadership
6. Believe that numbers are the output of doing the right things

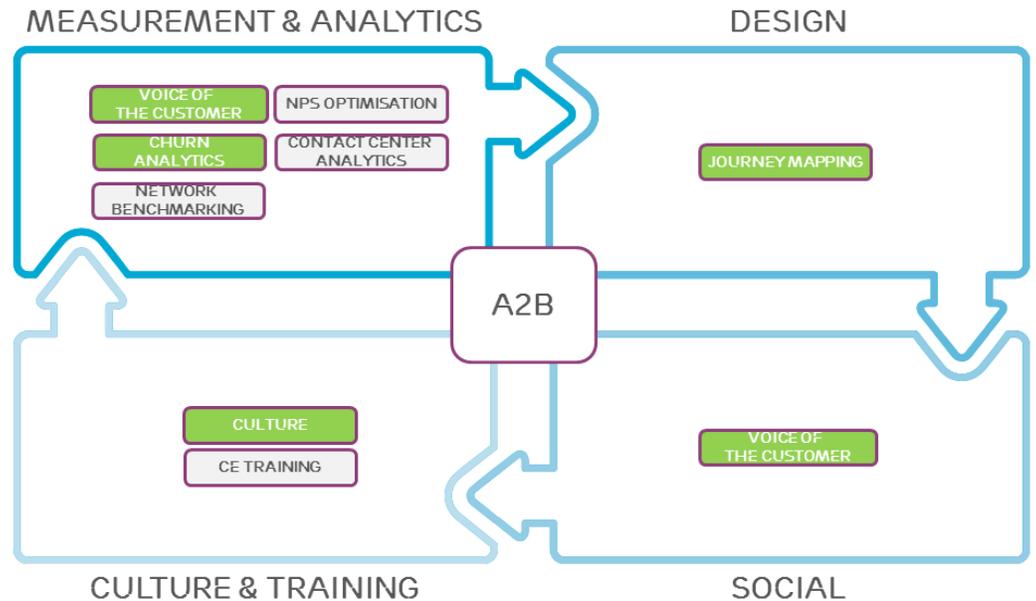
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7. Keep on innovating
8. You must engage people internally to succeed
9. Do not underestimate the need for culture change and coherence between brand values and customer propositions to enable attitude transformation towards customers
10. Pay attention to communication: cascade the message down through the whole organisation and demonstrate 'walk the talk' early in the process
11. Treat Customer Experience as a continuous process with a number of key steps/ milestones/ indicators , not as one-step/ turnaround change
12. Dramatise the difference through clear and compelling Marketing and propositions
13. When implementing make sure the budgeting process enables proper allocation of funds and realisation of priorities and considers a long-term vision
14. Prioritising is key to success in Customer Experience

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## 9.4 EMC Building Blocks

Figure 21: Telefonica CEM Strategy



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- Green: Experience Management Centre (EMC) related solution applied
  - Grey: Experience Management Centre (EMC) related solution not applied
1. Voice of the Customer applied a number of techniques such as ethnography and a focus on reducing dissatisfaction, loyalty and social media developments such as web chat to deflect calls from the call centre (and increase satisfaction)
  2. Churn analytics
  3. Journey Mapping was a fundamental activity and used to redesign Customer Journeys
  4. Culture was an important component e.g., start top-down with the brand vision (what makes Telefónica different) and flow this through into people and culture, organisational set-up, systems and processes.