

Optimization Services

- Going-to-Market-Strategy
 - Segmentation
 - Target Marketing
 - Product
 - Pricing
 - Promotion
- Sales Channels
- Customer Care

WHAT'S IT ALL ABOUT?

Going-to-market strategy is a central topic for both new entrants and incumbent operators, as it is the key determinant of success on the marketplace and, at the same time, a framework reflected in the key assumptions of the operator's business plan.

With the worldwide telecommunications markets maturing, or even becoming saturated, and with ever-increasing competition, more sophisticated tools and methods and greater market intelligence are needed to target the right market segments and provide them with customized services. Simple segmentational approaches based on product features, such as prepaid and post-paid, or according to customer type – business or consumer – no longer suffice. Operators are now looking at still underserved profitable niche segments and a greater degree of differentiation, rather than resorting to competition on price.

In our Going-to-Market Strategy consulting package we offer operators advice on defining and implementing a marketing mix that aims at achieving the company's strategic and financial objectives. Before blueprinting or reviewing the operator's strategy, we consider the market characteristics, including composition of the population base, telecommunications services penetration and competitive environment, as well as our client's background and qualities. We then research the market segmentation and assist the operator in defining and prioritizing target segments. Subsequently, we create an effective and efficient marketing mix – the "4P": product, price, place, promotion – further broken down from a strategic level into implementation-oriented recommendations for appropriate measures. Customer care is an important ingredient in implementing the marketing strategy, so that is also covered.

OUR APPROACH

• **Going-to-Market Strategy:**

Going-to-Market Strategy assignments begin with thorough market research, using publicly available data, analyst intelligence, as well as our consultants' knowledge base and network. This allows us to understand the client's market and competitive environment from a neutral perspective.

Next comes a qualitative analysis of the operator – especially where an incumbent operator is concerned – which is performed in a combination of desk research and field work. In the case of a "greenfield" operator, the appraisal will be limited to existing leadership staff, infrastructure, plans and assessed potentials. We use a mix of data gathering methods:

- Desk research of client documents relevant to a strategic appraisal
- Data room scrutiny of complementary material not made available for desk research
- Questionnaires addressing key determinants of the operator's market competitiveness
- Structured one-to-one interviews with all executive-level management and other selected key staff in product, marketing and sales functions
- Field survey on selected operator infrastructure, such as points-of-sale – including direct and indirect sales channels – and call centre, as well as field survey on selected main competitors' infrastructures

Our findings serve as a basis not only for a first-stage review of our recommendations for the operator's high-level going-to-market strategy, but also as input for all further work on the marketing mix. They are therefore consolidated, evaluated and documented. Tools used to quantify our inputs are:

- Argument balances to compare strategic pros and cons regarding a critical success factor
- PEST analysis to assess the strategic high-level impacts of external – political, economic, social and technological – forces on the operator
- Porter's Five Forces Analysis for detailed appraisal of the external market impacts on the operator: the intensity of competitive rivalry, the threat of new entrants, the threat of substitute technologies, the bargaining power of infrastructure and services suppliers, as well as the bargaining power of end users
- SWOT analysis to evaluate strengths, weaknesses, opportunities and threats of the operator, therefore combining the view of external impacts with the judgement of internal skills and quality

- **Segmentation and Target Marketing:**

The telecommunications market lifecycle drives segmentation, as market maturity – or even saturation – and increased competition induce operators to pay more attention to previously underserved minorities and niche segments. Providers aim at better addressing these target groups in terms of marketing and sales, as well as by provision of customized services tailored to fit their specific demand patterns, and by leveraging group factors, such as high affinity towards innovation, by initially launching new services within the respective segments.

The knowledge of the market segments, their respective populations, telecommunications spending budgets and needs is a key prerequisite for designing an effective and efficient marketing mix, the “4 P”, which drives product and service development, delivery, pricing, the setup of sales channels and distribution networks, branding, market communications and promotional activities. We support our clients by employing state-of-the-art market segmentation approaches that go well beyond splits into post-paid (contract) and prepaid, or into business and consumer (residential).

A minimum requirement – even for growth markets – is a further segmental breakdown according to usage, in order to identify which sub-segments justify higher subscriber acquisition and subscriber retention costs (SAC and SRC) by providing superior average revenue per user (ARPU). Furthermore, the corporate segment needs to be clustered according to business size, since large accounts are served by dedicated direct sales channels and offered special kinds of (frame) contracts.

The most sophisticated methods applied in highly mature and saturated markets use segmentation based on demographic, socioeconomic and behavioural (lifestyle) factors. Age, occupation, education, race, household composition and income would be considered, for instance, as well as any consumer behaviour that would also be likely to affect telecommunications preferences, such as attitude towards consumption and luxury, affinity towards trying out something new, brand loyalty, spare time interests, etc.

With such multidimensional criterion catalogues, leading market intelligence is reported to have identified fifty to a few hundred market segments in some countries. Depending on our client’s requirements, we would commission external market research companies to conduct field research and gather primary data that would be useful for precision clustering and determining cluster population sizes. Nielsen PRIZM constitutes a good example of segments described in this way. It identifies 66 consumer segments, e.g. “upper crust” (the nation’s richest group), “young digerati” (affluent and tech-savvy professionals), “money and brains” (individuals with advanced academic degrees and sophisticated taste), “bohemian mix” (young singles and couples, students and professionals who are innovative and open-minded), or “cosmopolitan” (immigrants and descendants of multicultural backgrounds).

Business customers are treated on an individual account basis for multinational companies (MNC) and some large enterprises (LE), by industry cluster for small and medium enterprises (SME) and some large enterprises, and by inclusion into a “tech-savvy” segment for the small-office/home-office (SoHo) professionals. Regarding segmentational fine-tuning, we should note that, other than business size in terms of headcount, number of office and factory locations, revenues etc., the actual number of addressable users and usage volumes have to be considered when determining the appropriate amount of customer relationship management required; e.g. a services company where almost every employee carries a company mobile phone would qualify for the operator’s account sales channel with a relatively small headcount, while a larger industrial production company where the majority of factory workers are not provided with mobile phones by their employer might not.

Once total market segmentation has been fully understood, then comes target marketing itself: after considering the competitive environment and the operator’s overall strategy, strengths and weaknesses, primary (strategic) and secondary (opportunistic) target segments are chosen from the full set of market

segments. Care must be taken to reconcile the resulting total addressable market and reasonable market share projections with the subscriber assumptions in the business plan.

- **Product and Pricing:**

Product/service development and pricing must be aligned and consistent with target segmentation. We support the client in deriving a sound product and price strategy matching the strategic imperatives and the segmentational decision. We consider the client's technological constraints and assist in composing a product roadmap that harmonizes with the technology roadmap – the latter also being covered by our operations and technology management practice. By extracting and detailing a short-term view out of the medium-term product roadmap and the medium-to-long-term technology roadmap, we accompany the operator in assembling an implementation-oriented product launch schedule (or calendar).

The operator generally has the option of competing through product and service differentiation or through discount pricing. Both approaches could target either the “mass market” or a “niche market”. These generic concepts from marketing theory need to be adapted to the telecommunications environment in that, while operators in more mature markets routinely establish (a variety of) focus segments (potentially even addressed via sub- or secondary brands), they usually still aim at addressing the market as a whole – with the notable exception of some Mobile Virtual Network Operator (MVNO) with a narrow market focus. Furthermore, the practical degree of freedom with regard to premium pricing is often limited in the telecommunications services arena, as is customer acceptance of steep downgrades in quality.

Product and service differentiators are typically:

- High quality-of-service: good network coverage, abundant capacity, good voice quality, low call drop rate
- Early network technology upgrades enabling higher bandwidth and new services
- Pioneering and market-leading launch of new, innovative services

- Superior customer service
- Availability and promotion of attractive handsets through the operator's sales channels
- International network of roaming partners (ideally within the same operator group)

While new entrants into monopolies – and, to a lesser extent, duopolies – typically cause sharp price decreases in the market, which the incumbents eventually also have to follow, truly aggressive pure discount strategies are seldom found in more mature markets. In order to avoid a general and potentially disastrous price war with competitors and the potential cannibalization of other in-house offerings, discount pricing is preferably implemented by:

- Overall positioning very close to the lower boundary of market price points
- Pricing dependent on many factors, such as party called, time of call, location, etc., which lacks transparency and makes it difficult to compare prices
- Highly visible single low price points bound to many conditions and therefore applying only to little traffic
- “Flat rate” and “bucket pricing” schemes that combine low unit prices with high usage volume included (more than would otherwise be consumed, and possibly even more than will actually be used)
- On-net discounts for calls to a party subscribed to the same operator, which also create network – or community – effects for subscriber acquisition and retention
- Community pricing, further discounting calls to a narrowly defined “buddy” group
- Promotions limited in time and place
- Marketing of very basic “no frills” or “bare bones” product packages as sub- or secondary brands through low-cost sales channels without subsidized handsets and with no personal customer service

- **Promotion:**

Promotion includes branding and market communication on strategic, tactical and operational levels, as well as individual promotional marketing measures and actions. We leverage our experience from past assignments and our knowledge of “best practice” cases to highlight those individual action areas

offering our client substantial room for improvement and potential for differentiation from the competition, yet attractive under cost-benefit-considerations.

We view promotional issues as inseparable from the setup of direct and indirect sales channels, as they determine the degree of control the operator has over the points-of-sale and their quality, behaviour and actions. These aspects are discussed in the following section.

• **Sales Channels and Distribution Network:**

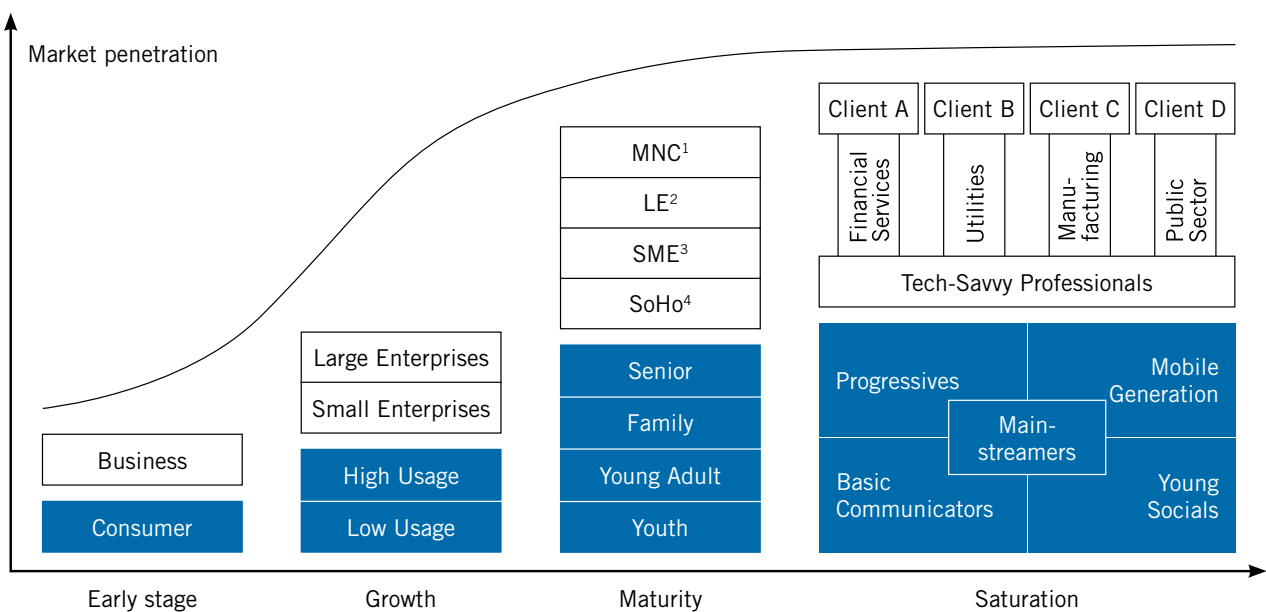
Operators usually choose a well-thought-out mix of direct and indirect sales channels (the “sales mix”), as each channel has its own pros and cons. This is sometimes referred to as a “core-satellite” approach. We support our clients in defining and optimizing their sales networks with a holistic approach, taking into account the pros and cons of various sales channels from strategic and operational, non-financial and economic points of view.

Direct sales channels consist of direct account sales teams, targeting large business, corporate, government and similar accounts, as well as of in-house shops and points-of-sale. They usually form a “core”

of the operator’s distribution network, providing full control to the operator and strong branding power: It is left up to the operator’s own discretion to choose the locations, facilities, furnishing and decoration for the shops, hire suitable sales and customer care staff, expose marketing materials, such as posters, displays, etc. However, only a limited footprint will be achieved through in-house points-of-sale, as they add to fixed costs, entrepreneurial risks and organizational complexity and their roll-out also takes time and effort.

Franchise sales channels provide less control than proprietary shops, but help share entrepreneurial risks, turn fixed into variable costs and speed up roll-out. The franchise contract still guarantees exclusivity and sets policies limiting the franchisee’s discretion.

On the other hand, independent dealers, constituting the indirect sales channels, provide the largest footprint, as they are typically retailers with a history and established market presence. Often, they are therefore regarded as the “satellites” around the operator’s own “core” distribution network. Products such as prepaid recharging (termed “scratch



¹ Multinational Companies ² Large Enterprises ³ Small and Medium Enterprises ⁴ Small Office - Home Office

Lifecycle evolution in telecommunications market segmentation

cards” for the traditional physical packaging) make a widespread dealer network absolutely mandatory. The dealers receive sales commissions as incentives, thus making their costs fully variable, and they also bear their own business risks. On the downside, operator control is very limited and branding power is usually low, especially when the dealership is non-exclusive (meaning competitors’ offerings are sold by the same dealer).

- **Customer Care:**

Customer care, provided by the operator’s call centre, is essential to subscriber retention. The expected service quality of customer care varies, depending on the market and between customer segments. We assist our clients in properly dimensioning the customer care function and in defining proper service levels for the various customer segments.

Customer care can be a differentiator in helping to attract new and retain existing subscribers, if superior-than-market standards are attained. Depending on the functionality of the customer relationship management (CRM) system, customer care can also leverage subscriber retention by sophisticated use of user profile data and by offering customized promotions.

On the other hand, customer care is still seen as a cost centre to be run as efficiently as possible. To achieve this aim, we use benchmarks, such as subscriber-to-staff ratios, to assess the condition

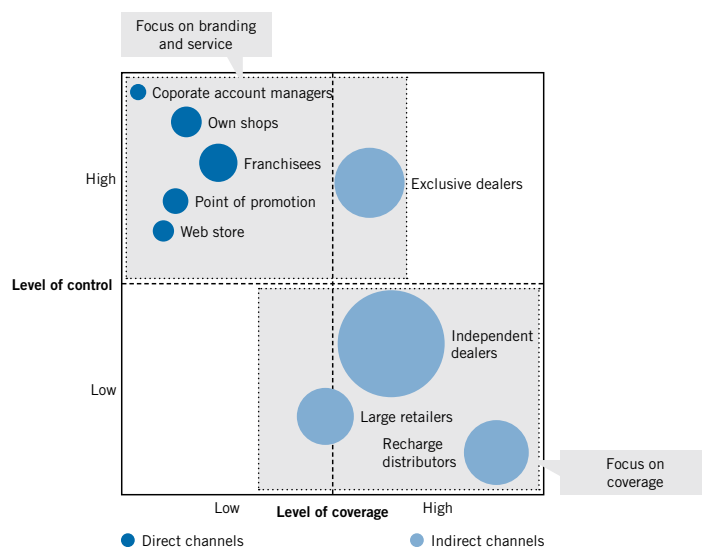
of the call centre and provide inputs for this unit’s future staffing, considering projected subscriber numbers. With regard to service levels, we provide guidance on policy setting for the various subscriber segments, the target being to provide the best customer care experience to those user groups where it really makes a difference.

CLIENT BENEFITS

Operators benefit from a thorough research of their market and competitive environment, as well as their own strengths and weaknesses. We provide them with our own in-house and external partners’ market intelligence on customer segmentation, as well as assisting them in defining and prioritizing their own focus segments.

Based on the target segment definition, we accompany our clients through the composition of the entire “4P” marketing mix, comprising the ingredients “product and service”, “pricing”, “sales channels and distribution network” and “promotion”. We ensure consistency between target market definition, marketing mix and subscriber-driven assumptions of the business plan.

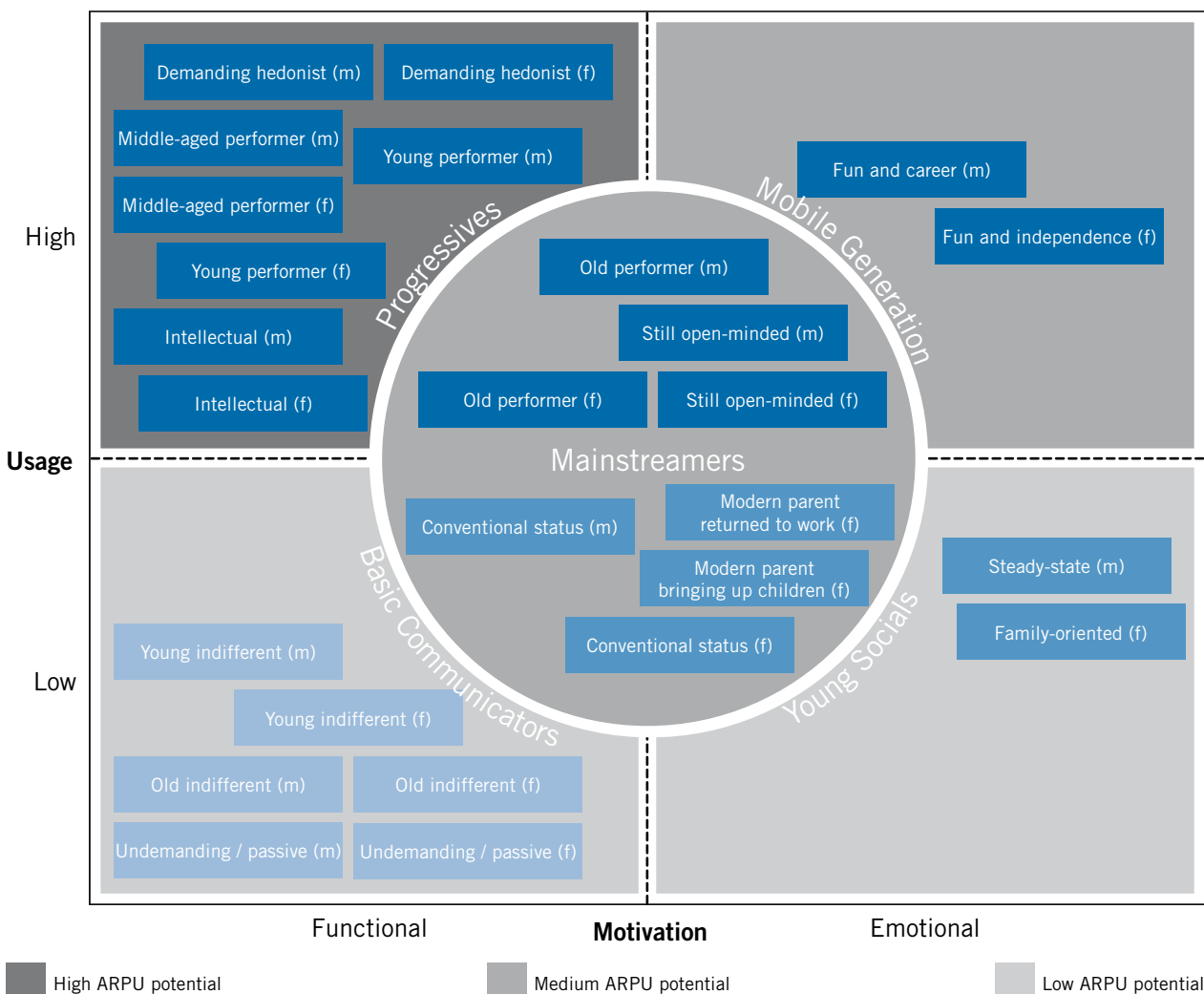
New entrants and incumbents benefit equally from these services, be it by doing things right from the start in a greenfield launch, or by reshaping or refining existing market approaches.



Exemplary sales mix

	< 25 years	25-40 years	41-55 years	> 55 years
Male	Fun and career (m)	Young performer (m)	Middle-aged performer (m)	Old performer (m)
		Demanding hedonist (m)	Intellectual (m)	Still open-minded (m)
	Steady-state (m)	Conventional status (m)		
	Young indifferent (m)		Old indifferent (m)	Undemanding/passive (m)
	Young indifferent (m)		Old indifferent (m)	Undemanding/passive (m)
Female	Fun and independence (f)	Young performer (f)	Middle-aged performer (f)	Old performer (f)
		Demanding hedonist (f)	Intellectual (f)	Still open-minded (f)
	Family-oriented (f)	Conventional status (f)		
		Modern parent bringing up children (f)	Modern parent returned to work (f)	
	Young indifferent (f)		Old indifferent (f)	Undemanding/passive (f)

Early adopters
 Followers
 Laggards



Exemplary mapping of population clusters to consumer market segments

OUR SERVICES

We offer a broad range of advisory services, as presented in our portfolio matrix. We position our individual solutions alongside services practices and service clusters.

	Strategy and Marketing	Corporate Finance and M&A	Operations and Technology Management
Transaction Services	Strategic Investment Management · Feasibility Study Strategic Due Diligence · Management Assessment Licensing and Regulatory Affairs	Commercial and Financial Due Diligence · Business Plan Analysis and Benchmarking · Asset Valuation Investor Business Plan Development Bankable Business Plan Negotiation · Project Finance	Network Infrastructure and Operations Due Diligence Roll Out Plan Review and Benchmarking Operations Plan Review and Benchmarking
Optimization Services	Going-to-Market Strategy · Segmentation · Target Marketing · Product · Pricing · Promotion · Sales Channels · Customer Care Organization Development Partner Selection and Sourcing	Financial Performance Measurement and Benchmarking Forecasting and Budgeting Service and Process Costing	Network and Process Performance Measurement and Benchmarking Business Process Reengineering · Process Audit and Improvement Shared Delivery · Regionalization and Centralization · Outsourcing and Managed Services
Innovation Services	Business Development · Growth and Transformation Mobile Virtual Network Operator · Mobile Virtual Network Enabler Value Added Services	Financial Modelling and Financial Engineering	Technology Appraisal and Roadmapping Network Planning and Migration Network Infrastructure Sharing



CONTACT

Investelecom Inc.
 P.O. Box 32643
 Ras Al Khaimah
 United Arab Emirates

info@investele.com
www.investele.com