



Tailor Made

Changing the organization to meet customer needs

As the various players in the telecom space assemble and roll out their triple- and quadruple-play bundles, convergence is becoming an everyday reality for consumers. As companies strive to manage expanding product offerings, diminishing competitive differentiation, and increasingly powerful and demanding customers, the winners will be those telcos that convince their customers to buy and keep more products and services as well as meet and exceed their customers' expectations at all critical customer touch points. Faced with this challenge, traditional product-oriented organizational structures and systems are simply no longer up to the job. An alignment of the customer relationship management (CRM) program and supporting organizational structures, processes, and technologies is required to achieve a sustained excellence in customer experience, service, and responsiveness.

**by Mike McGrath, Ash Bassili, Quentin Orr,
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After years of talk, convergence is finally happening across the infocomm industry. Cable television providers are offering voice, high-speed Internet, and even mobile services. Incumbent telcos are rolling out IPTV. Retailers and handset resellers are offering broadband packages. Mobile operators are selling and delivering music and video entertainment. In competitive terms, everyone is rolling their tanks onto everyone else's front lawn.

For the customer, it's great: an unprecedented explosion of choices and new services. For telcos and other providers, it's a new world of competitive opportunities and threats: a whole new market approach and mind-set are needed. At the core of this mind-set has to be a clear and relentless focus on the customer.

Products are becoming more complex, carriers are entering into new content relationships and advertising models, and customer care is becoming a differentiating factor. Companies that do not actively embrace customer centricity will continue to deal with increased customer churn; declining customer satisfaction; employee engagement challenges across critical, front-line, customer-facing roles; decreasing market share; and an increased cost to serve as a result of product-segregated business processes. As a result, the challenges of understanding customers' values, needs, and decision drivers, along with having a holistic view of the customer's relationship with the company, have intensified—making customer focus a strategic imperative.

An integrated customer experience

The sheer scale of the impact of convergence on how telcos go to market is becoming clearer by the day. For many years, telcos have talked about being focused on customers; however, organizationally they remained aligned internally along separate products. To compound this further, successive waves of product launches and corporate acquisitions have been "bolted on" rather than integrated around a single view of the customer. All too often, activities from product development via sales and marketing to billing, customer service, and call centers have remained rigidly organized around products rather than customers.

Convergence is sounding the death knell for that approach. Instead of selling one product to many customers, companies now need to sell bundles and solutions to each individual customer and ensure that customers' needs are satisfied at each stage of their life cycle to engender loyalty. Research

suggests that acquiring a new customer costs several times as much as selling an additional product to an existing customer, and that customers who buy a bundle of products are less likely to switch providers. So companies that sell more integrated solutions to a base of increasingly loyal customers can indeed create a virtuous circle that will drive increasing revenues and, ultimately, greater shareholder value.

The company's ability to understand and anticipate changes in the customer's needs—customer centricity—should be a core objective. Pursuing this objective leads to an enhanced organizational ability to be continually relevant to customers, thereby delivering greater value to customers. The commercial result is a larger base of loyal customers for the long term, consuming more services and solutions.

The onus is on the telco to make sure it always offers the right services through the right channel at a price that the customer regards as reasonable and in the manner in which the customer wants to interact with the company.

Creating a differentiated experience for customers, across all customer touch points, is what is required. This differentiated customer experience must be delivered through appropriate organizational structures, embedded in the underlying business processes, and enabled by the supporting technologies. In a converged, multiproduct, multichannel world, all of these steps are vital to achieving differentiation while overcoming existing organizational complexities and addressing competitive pressures and threats, such as speed to market.

Another of those complexities is the telco's workforce. Some telcos will struggle to make meaningful changes because, typically, powerful unions resist rapid changes in work responsibilities for their members. The traditional telco/operator organizational structure and labor arrangements need to change to empower employees to make the right decisions for the customer, without regard to strict, union-negotiated workplace rules. As we have seen in the auto and airline industries of the United States, often large, heavily unionized organizations are incapable of making changes quickly enough to respond to new market entrants that have different cost structures and disruptive pricing models.

Forward-looking telcos are now preparing for that world by looking at this opportunity from the customer's

perspective, and realigning their operations end-to-end around the customer's current and future needs.

What *is* customer centricity?

In our view, the close connection between customer centricity and customer relationship management (CRM) is key to a telco's ability to maximize shareholder value. But what precisely does customer centricity mean in the context of today's telcos? How can organizations measure it as a baseline? And what is the best way to operationalize that understanding in the management of customer relationships and channels to market?

The fundamental principle underlying customer centricity is a recognition that customers—and their needs, wants, and aspirations—differ and are not static. For example, a 40-something head of household will have different needs and values than will a 20-something, single, self-employed professional. A more subtle distinction between them is the fact that their needs and values are not static.

From the moment a customer considers purchasing a product or service, whether as a standalone purchase or as part of an integrated offer, his or her relationship with that service and the company providing it begins to evolve. Perhaps the customer has had a subscription for many years, or has just taken on a pay-as-you-go deal to try a service. Either way, the customer's requirements are on a cycle of change. Similarly, the traveling professional may have different needs when on the road as opposed to when not traveling. The organization must actively and deliberately pursue strategies to completely understand each segment's needs and effectively personalize the customer relationship.

As this cycle continues, two factors will determine the customer's potential and actual value to the provider over the course of the entire relationship. One is the way the customer's needs and propensity to spend change over time. The other is how well the provider anticipates, monitors, and responds to ongoing change in the customer's viewpoint with appropriate service propositions. So, after acquiring the customer, the onus is on the telco to make sure it always offers the right services through the right channel at a price that this customer regards as reasonable and in the manner in which the customer wants to interact with the company. If it fails to do this, the customer eventually will interact with another provider that better meets those needs.

Through analysis centered on the customer (i.e., customer profitability, customer segmentation insights around unique needs for products and

CRM vs. customer centricity

CRM can be broadly defined as the domain of sales, marketing, customer service, and supporting reporting and analytics. At the highest level, it is the strategy, organizational structure, processes, and supporting technologies used to manage the customer relationship in an organized and controlled manner. The CRM objective is to manage the customer experience life cycle effectively, through any media or channel in which the customer chooses to interact with the company.

Customer centricity focuses on understanding customers' needs and preferences and on adapting a company's service delivery processes to accommodate and satisfy those preferences in order to enhance customer loyalty—which results in increased growth and profitability.

services), an organization can begin the process of enabling CRM capabilities that are designed to satisfy customers' needs and, thereby, consistently deliver a superior customer experience. For example, giving customer service representatives access to the history of contact with a customer, frequency, and reasons alerts them to customers' needs and helps them achieve a more intimate phone experience for the customer. This is already a common source of poor customer service today.

In short, companies that adopt a customer-centric strategy improve their position through deeper understanding of their customers' needs. The result is a unique competitive advantage that insulates a company against disruptive threats. The more customer centric a company is, the more time its competitors need to respond to its moves and the more likely it is to win new customers.

Telcos' transformational efforts increasingly are based on customer centricity. When they have actively pursued this strategy, telcos have benefitted by acquiring customers and improving their value to customers, speed to market, and operational performance in terms of the cost to serve and their performance consistency. Working recently with an Asia-Pacific telecom client, we piloted a program that included a new customer-centric consumer offer, resulting in a 60% reduction in churn among customers in the first 90 days of service. In retail environments, there is much evidence that when a customer-centric approach is adopted, the "close rates," or percentage of shoppers that actually make a purchase, can improve dramatically.

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Customer centricity challenges

Indeed, the prize is large; however, as telcos embark on this journey, they face several challenges. The first challenge is merely knowing their customers—**understanding what their customers want** and how they want to get products and services. Needs-based analyses as well as life stage and lifestyle characteristics demand elasticity, sales propensity indexing, churn propensity analyses, and customer profitability. All represent great sources of customer insight and analytics.

The second challenge is **developing the agility to apply this understanding** to their offerings and operationalizing these needs throughout the customer experience life cycle. Insight into the customer holds value only when it is applied to a process that drives enhanced customer outcomes.

The third challenge is overcoming the constraints of legacy, product-centric organizational structures, processes, and systems and **facilitating customers' needs** and delivery of services. Enabling employees with the right customer insights, analytics, and decision tools can unlock tremendous value in the telco's customer base.

The fourth challenge is **meeting rising time pressure**, as speed to market becomes vital to seizing customer demand. The race is on, and the telco that consistently delivers such value to its customers can relish the coveted first-mover advantage.

Traditional approaches to CRM have attempted to address these challenges across an expanding range of products in a product-centric paradigm with limited understanding of customers' needs, coupled with even more limited CRM enablement for front-line, customer-facing staff. CRM remains an important enabler in today's market, where focus on the customer experience is critical. The full benefits, however, can be achieved only by driving CRM initiatives from a customer-centric perspective and supporting intelligent and responsive management of the company's channels to market.

This shift cuts to what CRM is about. At the foundation, CRM supports the core functional domains: sales, marketing, service, and reporting and analytics. While these all form key parts of a telco's overall CRM effort, they often have been managed separately, with the same activity conducted discretely in different product silos, with little understanding of the impact on the customer experience, and with uncertainty around the business outcomes that are desired.

Operationalizing this type of holistic, integrated approach to customer centricity is increasingly

commonplace in industries such as retail financial services and entertainment and media. However, while many telcos are moving in that direction, their primary focus continues to be heavily influenced by traditional approaches to designing, developing, and rolling out new propositions.

Operationalizing customer centricity

In the multiproduct, multichannel world now emerging, the traditional fragmented and reactive approaches to CRM will no longer work. Telcos must overcome their challenges through an integrated process and program of work that are based on a solid understanding of customers and that take action to mitigate the known obstacles.

As with most proven, successful approaches, the starting point must be a strategic focus with clearly defined required business outcomes (*see Figure 1*). The journey starts by setting a compelling strategy that includes a focus on the opportunities in the marketplace, then identifying meaningful value propositions, aligning them with an execution path, and defining measures of success.

With respect to the business outcomes required, key questions will need to be answered. Is this journey all about customer acquisition? Or is it about customer retention? Or is revenue growth going to be achieved through a mix of both? How will the objective be achieved by the sales and marketing mix? What role will marketing activity play in demand stimulation and customer value delivery vs. the sales and service efficiency and effectiveness levers in your channel mix?

For any company to claim they truly understand the needs of their customers, they must gain a good understanding of their client base through sound reporting and analytics capabilities, customer surveys, commissioned primary research, and segmentation analysis. Only then will a company be in a position to design and deliver a differentiated customer experience based on customers' needs.

Having a data enablement capability that readily delivers "whole-of-customer" data that are consistent, accurate, and timely will serve as the vital basis in moving toward operationalizing customer knowledge and relationship management (*see Figure 2*). A "single view of customer" is critical and must be visible and accurate at all customer touch points. Knowing all the services that the company provides to the customer allows for a more integrated relationship with and experience for the customer.

To truly embed this differentiated customer experience into all customer touch points, significant efforts

Figure 1: Business outcomes

Customer acquisition	Sales & service effectiveness and efficiency
<p>Which customers do I want to target for which promotions?</p> <p>Which marketing (acquisition or retention) strategies will win the most profitable customers?</p> <p>Where do I invest my resources?</p> <p>What price point should I offer on new products or bundles?</p>	<p>For which customers should I allocate specific queues or channels?</p> <p>What price point should I set for custom solutions?</p> <p>What is the minimum term for which I should sign a customer?</p> <p>Should compensation plans be altered to reflect profits?</p>
Customer retention	Customer profitability
<p>Are processes and segmentation aligned with customer value?</p> <p>How do we define our customer servicing strategy?</p> <p>When should penalty and termination charges be enforced?</p> <p>What are the appropriate goodwill adjustment thresholds?</p>	<p>Are segments aligned properly to customer lifetime value?</p> <p>Are the right financial reporting and metrics in place?</p> <p>What strategic analysis is required to support product, marketing, and pricing direction?</p>

Required business outcomes must be definite and explicitly linked to revenue growth.

must be made to ensure that it is operationalized throughout the customer life cycle. To that end, there may be a need to rationalize existing organizational structures and processes in order to align them with delivering the envisioned customer experience.

Both the sales force and the customer service representatives must understand the differentiated customer service that the company needs to deliver, and they must be enabled to deliver that experience. Sales agents must be provided with training in a specific segment that covers the needs and behaviors of the segment and clearly translates the service offerings made available to them. Customer service representatives must understand how varying needs can be met by a select few customer value propositions or approaches to customer care and must cross-sell/up-sell opportunities.

Decision tools (i.e., proposal and recommendation tools) and the appropriate decision rights and delegation authority are required for enabling front-line employees to take the appropriate action on behalf of their customers. Customer-driven routing and integrated voice response strategies, along with tailored scripts and call flows, also will be required in accommodating and meeting the needs of unique customer and segment differences.

These efforts will take the organization from having a reactive customer response posture to operating

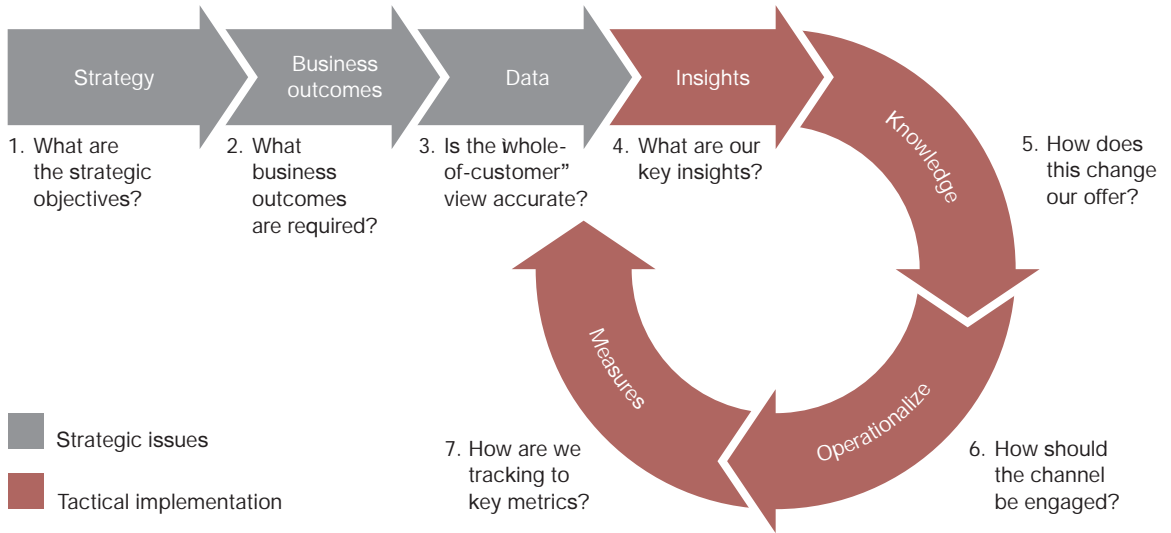
with a proactive, engaged workforce that is able to demonstrate familiarity with each customer at each critical touch point. The level of investment an organization will have to make will vary based on many factors, such as offer complexity, markets and product market maturity, and the flexibility of the underlying platforms supporting these functions.

Clear measures of success—such as service quality, presentation rates, and sales conversion rates—will need to be embedded, providing real-time feedback throughout the entire customer delivery process. Completing the customer delivery cycle, these measures allow for self-correction of the process in real time, thereby always adapting to changing customer needs and ensuring that investment and effort achieve outcomes of value to the customer.

Upon embarking on any of these efforts, companies must overcome the usual obstacles in getting access to critical customer information from legacy systems and repositories. Customer insights can be derived and continually updated only by having a whole-of-customer view. Gaining this view is often complicated by the fact that the information is dispersed across several product-centric systems and platforms and involves many screen hops to navigate and source.

Difficult access to information needlessly prolongs interaction with the customer and influences customer satisfaction. And if a skilled customer service

Figure 2: Operationalizing customer knowledge management



To position themselves to respond to shifting demands and deliver the critical customer experience, companies must base every phase of their operations, from planning strategy to measuring success, on valuable customer knowledge.

Sources: Industry research and PricewaterhouseCoopers' analysis.

representative manages to retain the customer's attention through such activity and secures a commitment to sign up for a new service, the order management process also may be needlessly prolonged. In these situations, the telco must fully evaluate a number of operational excellence, process redesign/evolution activities, or wholesale transformation efforts that revisit customers served, their expressed needs, the product and service offerings, and how the company delivers to the market—as well as the underlying infrastructure for addressing these challenges.

The approach to take will depend on a telco's specific competitive pressures and its position in the market. For example, when an incumbent finds a relative weakness in addressing customer demands as a result of operational ineffectiveness in, perhaps, its order management or provisioning processes, it must take corrective action. More important, the customers' needs for effective order management and timely service must drive the telco's redesigning of its processes.

Convergence is transforming the dynamics of the industry and requiring companies to embrace new approaches to differentiate themselves and drive growth. The new product niche players and new market entrants are doing this well. Focused mobile and Internet service providers have been more nimble than incumbents in their ability to respond quickly to customers' needs.

Incumbents have always wrestled with the desire to provide the complete breadth and depth of service

offerings in order to achieve economies of scale. But breadth and depth of products and services is what often hampers their agility. Once a company has a clear understanding of how it will deliver the critical customer experience throughout the customer life cycle and has assessed the organizational structures, processes, and systems in place to deliver this experience, it must evaluate the need to invest in new technologies or partner with third-party content providers. The objective is to be in a position both to respond quickly to shifting customer demands and to adapt supporting processes seamlessly to meet those demands.

Getting started

Getting started on a CRM program of work will require developing key customer experience principles that must be adhered to in order to provide customers a personalized experience.

The first principle must deal with getting the right customer to the right channel to deliver the most relevant and meaningful experience. This may sound basic for any telco; however, many players continue to struggle with it, causing significant harm to both employee and customer relationships.

One problem springs from a telco's implementation of different contact and entry points for various customer segments or products. When presented with a choice of access points, customers tend to pick one at random, call a number, and end up in the wrong place with an agent who knows nothing about them or their problem. They then find them-

selves passed along and redirected through a chain of agents, often ending up having to call again on a different number to get their problem resolved. This results in a disappointing and frustrating experience for the customer that damages loyalty and makes inefficient use of the company's resources.

Customer centricity focuses a company on identifying the critical customer experience principles it must follow to address customers' needs and translate those needs into capabilities it must develop to deliver the target experience. With this framework, the company can align its CRM efforts with developing those capabilities and fulfilling the promise of operationalizing the customer experience principles.

In the telecom environment, examples of customer experience principles that may be relevant are:

- **Common front door**—A single number to call for all questions regarding products and service.
- **Customer intimacy**—Providing customer service agents with access to relevant customer information so they can communicate an understanding of a customer's situation and current status or issues that a customer may be calling about.
- **Effective customer routing**—Integrated telephony capabilities that mitigate the need to transfer customers.
- **First call resolution**—The ability to resolve customers' queries and concerns on the first call or to "case manage" a request effectively.
- **Premium care capabilities**—The ability to deliver tiered services to customers who are higher-value consumers or are of higher profitability.
- **Back-of-house integration**—The ability to both deliver and support products and services in a timely, efficient manner and to make these capabilities visible to call center representatives dealing directly with customers.
- **Measurement of performance**—The ability to measure and report on operational performance metrics that are critical to the customer, such as installation time, first call resolution, etc.

These customer experience principles drive the prioritization of capabilities that must be delivered through the CRM-enabling technologies. They also help ensure that investments made in the technologies are aligned with the overall strategy and have the support and ongoing sponsorship and commitment of the business units.

Aligning organizational and process requirements to the customer experience principles, then, allows for the definition of technological requirements and ultimately leads to a robust implementation road map.

Moving to customer centricity requires the active participation of and coordination across many functions and divisions. Many leading telcos have confirmed the common issues they are facing with this coordination—understanding who their customers are and should be, as well as their needs, and how the company should respond to fulfill those needs. Our experience shows that, irrespective of the stage of maturity in pursuing a customer-centric approach and linking the approach to its CRM efforts, a telco usually will need to take six steps to create the most value from customer relationships.

While the precise mix of activities and necessary resources at each stage will vary from company to company, the six steps themselves do not. They are:

1. Establish a customer-centric understanding of segments and their evolving needs.
2. Build on this foundation to create an understanding of each customer interaction with the company throughout a customer's life cycle by adhering to the customer experience principles.
3. Identify the implications for the four CRM functional domains—sales, marketing, customer service, and reporting and analytics—to support customers' needs and interactions.
4. Catalogue and prioritize gaps in the current strategy, organizational structure, process capabilities, and enabling technologies.
5. Develop a road map for addressing any gaps, as well as the change management components required to support these efforts.
6. Execute phased initiatives identified in the road map.

All stakeholders must accept the six steps, thereby enabling a customer-focused, problem-solving approach. If done, this will allow for greater collaboration among product, marketing, sales and customer care, service assurance, and field force management. Significant implications for organizational structure and culture are often encountered, especially where the different functions of sales, marketing, and product—contained in their silos—are accustomed to operating with a high degree of autonomy. In our experience, in all cases where the environment has become one of rapid collaboration across functions, a better customer experience has been realized.

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Putting customers first at Telstra

Jovan Barac is managing director of CRM at Telstra, the leading Australian telecommunications and information services company. This role makes Barac a key player in Telstra's drive to turn itself from a product-centric to a customer-centric organization—a sweeping transformation program launched by CEO Solomon Trujillo when he took over in July 2005.

The guiding principle of Telstra's customer-centric transformation is market-based management. This approach involves identifying a set of customer segments based on specific and distinct customer needs, and then managing and optimizing each segment with an appropriate end-to-end experience and relevant KPIs (key performance indicators). In simple terms, the approach means putting customers first. Barac joined Telstra in September 2005, from France Telecom's United Kingdom-based mobile subsidiary Orange, to help make the approach a reality throughout Telstra's business.

In practice, Barac must fulfill three main roles. The first role is to define Telstra's needs-based customer segmentation, including building the related customer profiles. The second is to ensure that Telstra implements CRM best practices. And the third—building on the other two—is to oversee the implementation of market-based management and customer segmentation across Telstra's CRM systems and processes. All this must happen in a context where Telstra is also renewing its network infrastructure.

Barac summed up: "We are transforming the marketing side, the systems side, and the network. Everything is moving at once!"

To date, the systems implementation project is well on track, while progress on the market-based management side actually has been faster than expected. "We have been pushing forward very aggressively with trials, using our needs-based information and customer segment knowledge," commented Barac. "These have been yielding good preliminary results, especially in terms of response rates."

On both the systems and the marketing sides, Barac's strategy involves exploiting quick wins while remaining focused on the long-term goal of market-based management. "You have to look at both perspectives," he commented. "You have a long-term plan, so you have to put the framework in place, define segments and KPIs, and start operating. But you also want quick wins. So, for example, on segmentation we have built a reporting system for segments, scored the database, and implemented a quick-win campaign management system."

A great deal has been achieved already, but what challenges and hurdles remain? Barac highlighted three key ones.

"On market-based management, we have the consumer intelligence, the organization in place, and preliminary trials under way, but we still need to industrialize the whole process," he explained. "The second challenge is to make market-based management actually work when we still have the legacy product-based systems. And the third issue, a combination of the first two, is the fact that implementing new systems—billing, CRM, call centers, and so on—simply takes time."

Telstra's record in turning a promising start into long-term success will depend on two critical factors, according to Barac. The first, and most evident, is to remain focused on being customer centric and needs based. The second is to get the integration of market-based management and CRM absolutely right. "We need to implement market-based management through our CRM system, so that at every customer touch point the CRM reflects our customer strategy rather than just being a new systems implementation," he said. "We have to make sure we embed our customer strategy and knowledge into every contact with every customer—whether via shops, call centers, Internet, mobile, or any other channel."

How is Telstra achieving this embedding on the front line? Barac cited Telstra's call centers as one example.

"Traditionally, call centers are functionally based," he explained. "There is an underlying reason for the call, and customers, basically, are routed to the specialist handling that type of call. The process we are implementing starts with a set of customer needs, or segments, and then translates them into a specific call center experience that matches those needs. So, you move from a functional view to a hybrid view to a customer-needs view. You also look segment by segment at the cross-channel experience and start optimizing it based on customer needs and channel economics."

On the subject of where all this is taking Telstra, Barac is crystal clear. "To optimize every touch point with every customer, you simply have to embed customer centricity rather than product centricity," he said. "It's a massive change that involves not just systems implementation but analytics, campaigns, training, culture, behavior, and many other elements. That's the way forward. And that is where we are heading."

Bringing it all together

Our hypothesis in this article is that the wave of convergence, driven by the accelerated roll-out of broadband technology, is permanently changing the ground rules for customer relationships across the industry. As products multiply and become more complex, as carriers create new content partnerships and advertising models, and as differentiation on the basis of product continues to shrink, customer centricity will become *the* differentiating factor.

These changes necessitate a solid understanding of the customers served, their profitability and their needs, which will drive the identification of key customer experience principles that must be adhered to and delivered. These principles will drive the organizational capabilities as well as the supporting organizational structures, processes, and enabling technologies that deliver them. In our view, this shift is not an option but a prerequisite for a place in tomorrow's infocomm marketplace. Those that fail to embrace this shift face being left behind as their competitors achieve customer differentiation and excellence. Leadership and executive sponsorship are critical to adopting customer centricity.

The winners in the converged, broadband, infocomm marketplace, which is now emerging, will be those who not only understand the full value of every customer but also can act on that knowledge. The way to achieve these goals is to recognize and harness the full potential of customer centricity and its implications for the company's CRM capabilities.

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