Fact sheet

Marketing optimization and automation for DSPs

Next Best Action offers a practical approach with measurable outcomes

Communication service providers (CSPs) around the world face hard challenges—unlike ever before. As shown in Figure 1, the industry's advertising expenditures are flat and projected to remain so for the next three years. Company CEOs feel the pressure to increase margins and revenues. Multiple factors pressing executive leaders include:

- CSPs have become a commodity for users.
- Market saturation has increased competition to retain and attract customers.
- Over-the-top (OTT) players are leaders in the consumer digital life domain, weakening CSP brand reputation.

Gain market share

A few years ago, CSP leaders were urged to respond to market expansion by OTT players, including warnings about being perceived as "pipe dumb." Since that missed opportunity, many have tried various tentative programs to compete. Meanwhile in garages and basements, innovative startups built the next all-digital technology revolution. And, these small, agile companies beat large incumbent providers to market, creating the digital service provider.

Digital service providers (DSPs, formerly CSPs) now have a second chance to re-establish a leadership position in the new digital world. They need to become digital service brokers

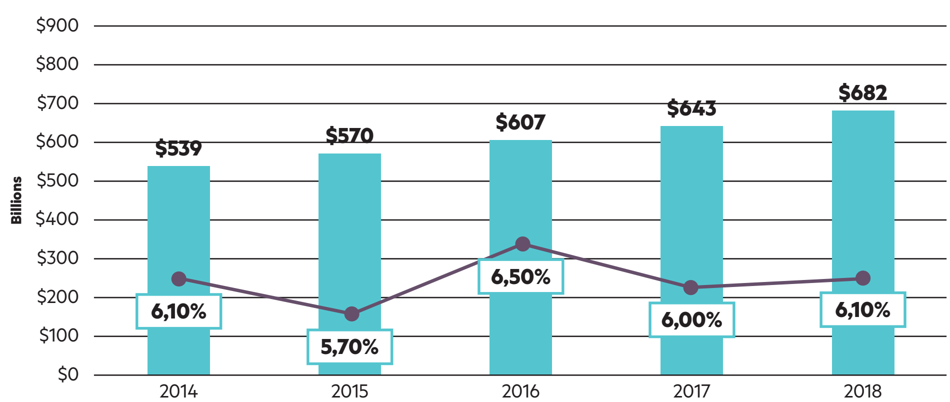

Figure 1: Worldwide Telecom advertising spending 2014-2018

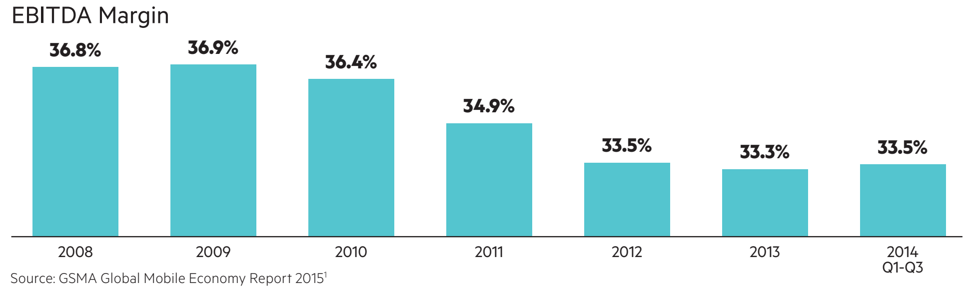

Figure 2: Global profitability stabilizing

and create an ecosystem of OTTs and small-to-medium business that can tap into DSPs huge infrastructure and information reserves to enhance their businesses.

Take advantage of new opportunities

The latest information from GSMA's Mobile Economy Report 2015 shows evidence that the rapid evolution and growth has saturated old markets, reaching the natural tipping point for most financials metrics. As shown in Figure 2, markets are stabilizing, and the trend is predicted to continue for the next three years.

Globally, low returns and a complex mix of structural, strategic, and regulatory pressures have created an environment for mergers and acquisition (M&A). Convergence is sweeping the continent, eliminating the weakest members in the marketplace. Drivers for M&A activities are operational and provide capital expenditure efficiency (OPEX and CAPEX) along with organizational synergies.

Price wars and customer poaching threaten traditional providers, undermining a fragile market equilibrium. As shown in Figure 3, revenue growth is slowing down, with a predicted compound annual growth rate (CAGR) of 3.1 percent per annum through 2020, down from just over 4 percent in the previous period 2011-2014.

Customers are accustomed to paying less for their commoditized services (voice and data). And, deregulation makes it easy to switch from one DSP to another. In the upcoming future, European roaming regulation will open even more competition between providers in different countries.

The results mean higher customer acquisition and retention costs, which are great advantages for users, but critical budget-management issues for operators.

Evaluate business models

OTT players have experienced prosperity; however, the sector shows signs of trouble. For example, Spotify, a music content provider, reported $1.3 billion USD in revenue for 2014, up 45 percent from the previous year. In the same statement, it reported net losses of $197

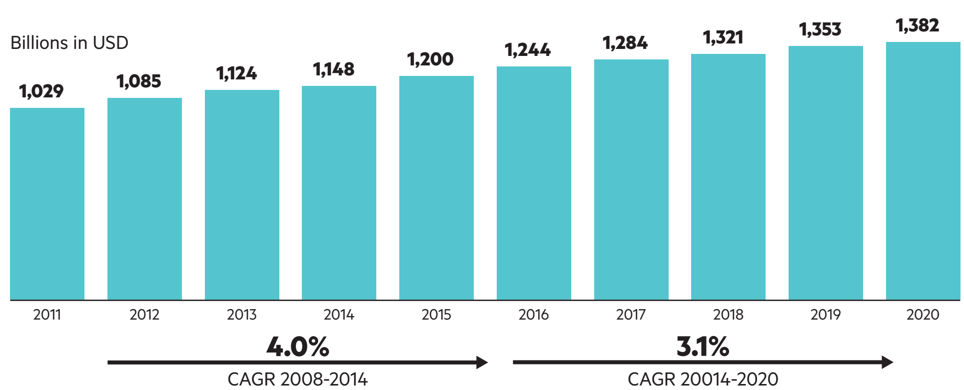

Figure 3: Compound annual growth rates are slowing worldwide

[1] www.gsmamobileeconomy.com/GSMA_Global_Mobile_Economy_Report_2015.pdf

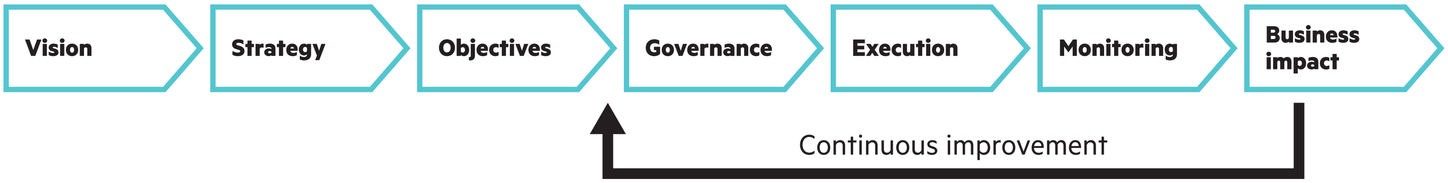

Figure 4: A roadmap aligned to strategic vision makes best business impact

million, up from $68 million in 2013. Spotify offers unlimited music content for $ 9.99 USD monthly flat rate. The package options let subscribers add up to 4 additional members at a 50 percent reduced fee. In this example, a primary subscriber can add 3 family members to their subscription, for about $25 per month. This model benefits consumers, but demonstrates an unsustainable model without additional capital investments. Recently, Spotify, evaluated at $8+ billion, raised close to $400 million in investments.

Gain efficiency and customer satisfaction

With these trends in mind, top executives are asking their organizations to create innovative ways to wisely allocate budget dollars. And, they want efficiency initiatives for CAPEX and OPEX that pinpoint gray areas, creating budget for investments that impact customers. It also means investments in customer-experience improvements should be high-quality products that support company strategies.

It's fundamental to create a roadmap aligned to corporate vision and strategies, which outlines changes required for DSPs to evolve into customer-driven companies. With it, DSPs can maximize revenues and value to customers while creating the best products that fulfill market needs.

Creating a strategic vision enables organizations to determine business impacts that will meet company objectives, which ultimately increase, shareholder value.

Metrics help companies monitor their progress from strategy to execution. Businesses should carefully consider their goals and key performing indicators (KPIs)—financial and operational—to measure their success

Hewlett Packard Enterprise (HPE) Solution Consulting Services (SCS) created key insights and metrics from its real-world experience. Our expertise helps Telco marketing organizations measure the success of customer-oriented innovations for processes, organizational changes, tools, and capabilities.

Choosing the right KPI measurements for customer-experience initiatives can shift the whole organization's focus to strategic priorities. For example, identifying the percentage of customers that opt out of marketing promotions is leveraged to assess user characteristics and possibly predict their privacy preferences.

Service providers can track stop-use events to trigger customer-initiative processes that ease "bill shock," unexpected payments due, or service suspensions. This measure is critical not only for improving revenues or pushing more profitable offers, but it also helps illuminate the relationship between customers and their digital service provider.

Understanding if customers are happy with their digital service provider is as important as generating more revenue or offering more profitable products.

Based on our experience, when opt-out rates increase—sometimes as much as 80 percent abandonment rates—it usually means outbound marketing efforts are too aggressive. This impacts the topline because users won't make new purchases, and it gives competitors an opportunity to easily poach customers.

Customer compensation is widely used in different markets, but doesn't always prevent customer churn. This compensation KPI relates strongly to customer satisfaction—the more compensation required to keep customers, the less satisfied they are with their DSP.

Use KPIs for best outcomes

HPE Solution Consulting Services created a comprehensive set of KPIs to help our clients measure outcomes from their customer experience improvement efforts.

Our solutions focus on the next-best-offer domain, which is a key marketing strategy used to provide the "perfect" offer to customers. This strategy includes delivering product to consumers through the right channel at the right time.

To take advantage of new market opportunities, DSPs must evaluate potential future business models. HPE Solution Consulting Services helps you find the best strategy for the market. We partner with you to establish a vision, strategy, metrics, and KPIs. We assess tools, technology, and processes needed to execute your plan. Once implemented, we monitor against KPIs. With this feedback loop, together we fine-tune campaigns, offers, and channels. This enables continuous improvement, maximum outcomes, and ROI.

HPE Solution Consulting Services assists DSPs from strategy development to evaluating the business case and execution. Our services portfolio includes:

- Industry and business consulting
- Strategic and financial advisory
- Process, organization, and technology
- Analysis, design, and optimization
- Transformation planning and governance

Work with the best

Get support from our KPI reference framework. Contact HPE SCS experts for an express workshop to design a:

- Detailed market analysis
- Business case evaluation
- Business impact model

With our support, you get a clear strategy, vision through a disrupted ecosystem, and a set of service offerings that include capabilities, platforms, solutions, and services to fulfill your needs from start to finish.

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4AA6-4852ENW, March 2016