Marketing Analytics for Communications Service Providers

How a customer-centric data repository and marketing analytics engine can boost your relevance and results
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What if, with a few clicks of the mouse, you could identify the business accounts and prospects that had responded well to your last campaign, determine exactly what attributes they shared, and use that information to find 1,000 more just like them? With that insight, you could make smarter marketing decisions with each campaign. Without that information, marketing would be something of a shot in the dark.

For example, relying on intuition and a visual scan of the data, you might surmise that companies with 50 to 75 employees seemed more likely to accept a particular offer. You would generate a target list of companies of that size, execute a campaign against that list, and have it flop. OK, so that wasn’t it. You might then theorize that the best targets seemed to be locally owned retail outlets, so you’d run a target list, execute another campaign, and have lackluster results again.

Trouble is, the good prospects are probably defined by a combination of attributes. From eyeballing the data, would you know that the best prospects are consumer electronics retailers with a revenue increase of 4-7 percent in the last six months, who have not upgraded their services or equipment in the previous 24 months? Or retailers that have 10 or more locations within three adjoining area codes? Or community colleges and trade schools that offer 50 or more online courses to local and out-of-state students?

Such insights require the ability to correlate information from multiple data sources: internal and external, transactional and demographic, customer and market. Extracting meaningful insights from masses of disparate data requires more than intuition and common sense. It takes analytics.

That realization is driving a profound transformation in how communications service providers are generating – and using – customer insights.

The Pitfalls of Product-Focused Marketing

For most service providers, the market is highly fragmented, including consumers, small to midsize businesses (SMBs), and enterprises representing the gamut of vertical markets. Market offers, messages and communications are quite different for each group. This paper focuses on the SMB market segment, but the concepts apply to any target market.

The growing competitive scene leaves no room for inefficient or scattershot marketing efforts, yet that scenario is common. I recently heard from an SMB marketing director at a major provider who said, “We had a variety of sales channels – inbound and outbound, direct and indirect – to reach our SMB customers, but we found we were getting in each other’s way with overlapping efforts – definitely not optimized. We felt like we were wasting money and still not getting to the entire base of customers with the most relevant product and/or solution.”
The problem is not a lack of data. Service providers are awash in data. However, until recently, marketing efforts have tended to be product-oriented, so most data was organized around products, not customers. Internal systems tend to produce data that is difficult to roll up at a customer level.

When you face the customer, you want to be relevant and accurate, but when the marketing team works to provide leads to the sales channels, it is often working with incomplete or outdated data, very much oriented around product. A customer either has this product or doesn’t, and that information becomes a key driver of campaigns for that product or the next upgrade of that product.

A common approach has been to pick a channel, pick a campaign strategy and a tactic, and say “Go.” The campaign may be super-successful in pockets, but you wouldn’t know why. What was unique about the customers who purchased via the campaign and those who did not? There's no time for that, and no way to gain that understanding anyway. Just move on to the next campaign.

The net effect of this type of process is that if you hit customers too many times with different messages, customers get irritated and find your offers irrelevant. Service providers are seeing the limitations of this traditional marketing model and definitely want to improve their lead targeting and their ability to create offers that represent a win-win for the customer and the CSP.

From Product-Centric to Customer-Centric

The customer-centric vision a good one: understand your customers better than anyone, so you can market to them better than anyone. You’ll be able to send them the proverbial “right offer at the right time via the right channel.” Obviously, it takes more than masses of subscriber data and transactional data to achieve this ideal.

Service providers need a technology platform capable of performing ad hoc analysis, predictive modeling and campaign development – a marketing analytics engine. This platform includes three key elements: a customer-focused data repository, an analytics core with the data quality and analytics tools to transform that data into insight, and the outputs that incorporate that insight into marketing action and other business decisions.

The Data Foundation for a Comprehensive, Customer-Centric View

The first step in creating a marketing analytics engine is to identify and integrate multiple data sources, including information about customers, products, online activity, sales and campaign results, and contract lifecycle status. The next step is to integrate third-party data, such as Dun & Bradstreet information. A solid marketing analytics engine can incorporate several hundred variables that describe your SMB customers, enabling you to build very effective profiles of them.
Within a few months, a service provider can integrate a wide range of data sources into an aggregate view to look at customers in totality. With this data foundation, marketers can not only see a customer's products, services and transaction history, but understand that information in context with purchased third-party data – information such as the business size, vertical market, various firmographics and more.

The data framework can (and should) evolve over time. Don’t think you have to spend six or nine months collecting all these data sources before you can get started. The providers that have succeeded with this have done it in a very incremental way. Focus on the most important business question first, and go after the data sources you need to answer that business question.

Once you start to organize the data, questions or gaps will appear, and you will begin to understand what additional data you can get. You can continue to add more data sources as you find them, or as your organization merges with or acquires other entities, to continue to nurture a more comprehensive view of customers.

Data Quality and Analytics

The core of the marketing analytics engine is, of course, analytics. Analytics-driven marketing raises the standard, moving away from mass marketing products a provider believes it can sell, and toward targeted campaigns based on a personal understanding of subscribers’ unique wants and needs.

Building on the data foundation, analytical models can provide rich insight into your business and your customers to guide you to the right prospects to target and the right offers to make.

With analytics, you can optimize price, customer segment and product mix. You can:

• Perform complex calculations of individual customer bills under any number of price plans to generate a precise, prioritized list of offers that balance the needs of subscriber and provider.

• Analyze subscribers across psychographics, demographics, billing, utilization, customer lifetime value, products and services to gain new intelligence and context to define offers, promotions and pricing.

• Test what-if scenarios such as price changes or promotions and determine the likely effect of these factors on future demand.

• Assess all the revenues and cost to serve for a customer over the expected duration of the relationship to make smarter decisions based on customer value, not just customer revenue.

As events unfold, you can quickly refine the strategy to maximize the impact of your treatment, because the market doesn’t stand still. To be able to react quickly in the face of changing technology and a changing competitive scene, you must be fast and accurate with the data and deliver the right approach to the customer at the right moment.
Outputs of the Marketing Analytics Engine

The marketing analytics engine supplies a variety of outputs to business users. For example:

- **Multivariate segmentation** identifies homogeneous groups of customers within the embedded base derived from statistical patterns.

- **Profiles** clarify the attributes and product needs of each set of customers. With the addition of third-party data, you can now assess customers’ uniqueness across many variables and generate a profile of the ideal candidate for a particular solution.

- **Propensity models** reveal the key drivers of potential marketing success and rank customer lists for specific campaign purposes.

- **Microsegmentation** further homes in on target customers and helps clarify how their attributes could translate into marketing action.

- **Automated campaign management** enables campaigns to be created and executed against customer lists in a fraction of the time of traditional methods.

- **Ad hoc query capabilities** enable business users to explore the data to test theories and ask what-if questions.

- **Interactive dashboards** show how effective a campaign has been, how the marketing analytics engine increased campaign take rate, and which factors influenced success.

Business users have flexible access to investigate the data and get their questions answered without having to always come back to the analytics team for help. Users can tap into the power of analytics much more easily as part of the sales service toolkit they can use on a day-to-day basis.

Marketing Analytics Engine in Action: Microsegmentation

“Bundle and save with a package of IP business services.”

“Get your dedicated Internet connection with discounts based on speeds, term and availability.”

“Get 30 percent off select data center services for a limited time.”

“Get a 25 percent discount on long-distance service with a one- to three-year agreement.”

“Get zero percent financing on equipment through our in-house credit.”

“Security made simple, 40 percent off.”

“Business bundle with Internet, voice and Google Apps starting at $79.95.”

Analytics is widely used across industries, but there is a lot of untapped opportunity in the communications service provider area. The amount of data can be daunting, but if you can exploit analytics to make more use of it, you can create a lot of advantage.
At any given time, service providers have any number of open offers, each designed to entice customers to expand the relationship by adopting new services, upgrading equipment or service level, or bundling services for discounts. Each offer will appeal to different customers under different circumstances, needs and technology appetites.

What is the best way to approach such a fragmented market with all these concurrent offers, when marketing dollars and channel capacities are limited? Ideally, you would identify the attributes that characterize your best customers, and use that profile to find more just like them.

**Identify groups of customers with similar needs, wants and preferences.**

In identifying homogeneous groups of customers, the first logical step might be to segment the market into the most obvious categories of differentiation, such as: mass market accounts (companies with up to five employees), managed accounts (10 to 1,000 employees, representing enough value to warrant a dedicated account representative) and unmanaged accounts (smaller accounts that the provider wants to reach but not big enough to warrant a dedicated rep at the time).

Once this segmentation is done, it will quickly become apparent how different the marketing efforts should be. The managed accounts have established relationships with account representatives who know their needs and challenges, and can address them with the appropriate solution. Wouldn’t target marketing dollars be better applied to a group that doesn’t already get this level of personal attention? Certainly there could be more untapped value in smaller customers that did not already have a significant relationship with you. However, unmanaged accounts are anything but homogeneous. This group represents all kinds of organizations and vertical markets. No one campaign strategy would be effective for all of them.

**Home in on the specific clusters with multivariate microsegmentation.**

In the next step of a multistage segmentation process, you could look at customers in that unmanaged account base to understand what was unique about them, how they behave and how that pattern might play out. With that information, you can better understand which customers and prospects to target next and how to optimize channel resources.

You might use statistical methods or decision-tree techniques to cluster unmanaged accounts into a manageable number of smaller segments — and create descriptive profiles for these new segments. For example:

- One segment might tend to include financial services and retail companies with fewer employees, high revenue growth in the previous six months, low product penetration in strategic categories (such as Ethernet, cloud services and managed services), and higher response rate to past campaigns.
• Another segment might include midsize companies that already own core voice and Internet products, had steady revenues for the previous six months, and have shown a slight decline in product penetration.

Those are just two typical microsegment examples. A provider might have 10 or more microsegments, but the overall number must be manageable. If the clustering scheme is very complex, it’s not going to work in sales. If you have several dozen segments, some of them will start to be more similar than different. Is it helpful to be that granular? You’ll probably do better to net out the salient characteristics of the segments and collapse multiple segments into one.

By winnowing tens of thousands of customers – or 100,000 customers – in the macro-segment to six or eight microsegments, providers can now create campaigns that are more meaningful and relevant and, as a result, more successful. The marketing team can say to sales, “Today’s campaign focuses on the ‘Value Up’ customer segment; here is the theme, here are the messages, here’s the data from the analysis, and here’s a simple approach that will win with these customers.”

Instead of the campaign theme of the quarter, now you can run a multitude of customized, individual campaigns, going after a variety of types of customers in the overall customer base. Some campaigns might have 100 people, others might have 10,000. Feedback from each campaign is folded back into the model to deliver even better results the next time around.

Closing Thoughts

Microsegmentation has proven to be very successful for finding relatively homogeneous subgroups within heterogeneous market segments. Customers get more relevant product information. The provider can track behavior trends and understand which customers to target for a particular product or solution based on others who are buying it now. You can look at customers’ revenue trends over a period of time, and see if there’s something statistically unique about customers that are growing versus those that have flat or declining revenues. You can look across a multitude of variables, determine what is statistically unique about customers, and understand how you can find the next 1,000 of them.

The insights derived from new analytic capabilities enable service providers to find the sweet spots that will continue to drive loyalty, profitability and sustainable growth. The benefits of a marketing analytics engine are seen in many ways:

• Reduced direct marketing spending. Data quality capabilities eliminate data duplication and the waste of sending multiple pieces to the same customer. If a customer has 10 accounts, now you’ll be sending one piece to the relevant decision maker instead of 10 pieces to the service address.

Microsegmentation enables you to drill down to specific customers and apply a relevant solution and customer lifecycle approach – helping them think through their next technology migration in a way that makes those customers feel that they are important to you.

“Once you develop it, you’re able to look at so much more. You’re able to look at the effect of multiple variables – such as channel effectiveness, promotional pricing and product bundling. We run segmentation and microsegmentation all the time for the business needs, and we continue to evolve the model all the time.”

Marketing Strategy Director at a Global Service Provider
• **Higher campaign close rates.** One SAS customer reported that campaign close rates (sales) increased by more than 250 percent in the first year analytics and microsegmentation were used, compared to the company’s previous, rules-based approach.

• **Faster campaign development.** With the new analytics platform, a product manager can do a self-service, ad hoc query to gauge the addressable market for a particular action or solution, determine if it makes sense to move forward, and prepare a business case to gain approval, if necessary. If the campaign is a go, it goes in a fraction of the time. For example, one major service provider trimmed the time required to launch a campaign from three weeks to one week – and for some campaigns, to a day.

• **Improved customer satisfaction.** From the customer perspective, providers that use marketing analytics appear to be really reaching out to them and meeting them where they are, versus just saying, “This is what we have and what we think you should want.” Not surprisingly, this relevance leads to better customer feedback and satisfaction ratings.

**How SAS Can Help**

SAS provides a robust business analytics framework tailored to the unique needs of service providers. The solution takes data from multiple operational systems and formats; cleanses and transforms it; and stores it in a foundation data mart. The architecture aligns with the Information Framework (SID) defined by the TM Forum.

Analytics sits on top of that foundation layer and enables you to perform important functions such as: build an acquisition model, segment customers not only by demographics but also by behaviors, identify customer propensities to churn or to respond to a particular offer, or determine the potential lifetime value of a customer.

Analytics is helping to transform the way we do business at companies of all sizes. Originally best suited for the very large data sets of big companies, analytics has proven to be equally effective for smaller companies, in part because the business challenges are universal, no matter what the company size. In all cases, the question being asked is, “How can we use analytics to improve our business?”

To find out more about analytics for communications service providers, visit SAS on the Web at [www.sas.com/industry/communications/](http://www.sas.com/industry/communications/).

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- **With analytics, when a strategy proves successful, you can answer a lot of questions as to why it was successful. If a campaign isn’t showing good results, you have the early feedback to tweak it or stop it. You have that much more intelligence to drive the business.**

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**Results from Embedding Analytics in the Marketing Process**

- Quickly produce a 360-degree view of customers and customer segments.
- Cluster customer segments into more tightly defined microsegments.
- Optimize sales channel activities around unique customer needs and challenges.
- Drive more effective campaigns with microclustering and predictive modeling.
- Reduce campaign creation time while dramatically improving campaign take rates.