

How to reduce churn: spread the message



Movius says messaging solutions that use voice allow even better communication of mood and intent

Once simply considered a value-added service, messaging is now a main-stay of operator revenue. The key is innovative services within emerging business models with the potential to reduce churn

Earlier this year an important milestone within the mobile sector was reached: four billion people worldwide are now mobile phone subscribers. With one in two people now using a mobile, the potential to connect via advanced messaging services, such as mobile email, is enormous. Yet in emerging markets, such as Africa and Eastern Europe, consumer mobile email still remains a largely untapped market waiting for operators to exploit.

"The key is to research the options very carefully and ensure that any solutions chosen will attract and retain a significant percentage of

subscribers," explains Carsten Brinkschulte, CEO of mobile email and synchronisation vendor Synchronica. "Choosing a solution that doesn't have a large enough addressable market and/or does not fit with your subscriber base can be a costly mistake, as a number of operators have already learned the hard way."

Brinkschulte says that developing regions such as Africa are largely dominated by users who have low-end handsets. He adds that there is also an overwhelming dependence on prepaid contracts, which makes churn a big problem for operators in such markets. "The result is a competitive

landscape often characterised by a 'snatch and grab' culture that necessitates high customer acquisition or marketing spend simply to stand still."

The killer app

For Brinkschulte, mobile email is the "killer application" for operators in emerging markets. "We are seeing that mobile email is indeed proving to be a very attractive proposition for service providers and subscribers alike, precisely because the fixed-line infrastructure in these countries is weak. These operators have been able to reduce

customer churn because once subscribers start relying on a mobile email service to communicate, they will think long and hard before cancelling the contract and losing their email account," he says.

Michael Edgett, marketing director with Movius which specialises in messaging and mobile media solutions for service providers, says: "Lately, we have seen a big interest in messaging solutions that utilise voice as the communication form, because voice allows even better communication of mood and intent. Consumers are still embracing the simplicity and superior user control of SMS, but despite its popularity, text has some significant limitations relative to voice communications. With voice, more information can be shared, and it provides a greater ability to express emotion and intent than SMS."

Edgett says that the text messaging capabilities of mobile devices are restricted to certain alphabets and characters, thus limiting their use in certain cultures. He also says that in some areas where literacy is low, text messaging is of little value. But he adds that these limitations can be overcome by integrating the reliability of voice with the ease of SMS into a voice SMS solution. "With clientless voice SMS, a consumer or business subscriber can communicate by leaving a short voice message for the recipient by dialling a pre-defined unique number or short code and then the recipient's phone number. The recipient then receives an SMS with an access code to retrieve the voice message at their leisure."

According to Movius, mobile IM provides greater personalisation and control than SMS. In 2008, it worked on the launch of MTN's *noknok* mobile IM solution in South Africa. The offering features a 'presence attribute' which allows users to share their mood via the presence icon and context within a status message, therefore



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enhancing communication opportunities and conversation starters.

"Based on lessons learnt with mobile IM and other interactive mobile media applications, we know that consumers are more likely to adopt applications that are personal and fun to use. Therefore, we took the concept of voice SMS further with *Fun Talk SMS*, which allows people to customise the look and sounds associated with their messages, whether it's ringtones, avatars or music.

A key driver

Brinkschulte says that the advent of advanced mobile messaging solutions that work on any handset is proving to be a key market driver. The challenge for service providers is to select the right advanced messaging services from the plethora of solutions purporting to offer what they need.

Movius' solution is *MessageMe Plus*, a text-based visual voicemail platform. "With this particular application, the subscriber's SMS inbox becomes the universal inbox for all messages. Each individual SMS message includes a unique access number so that the subscriber can go directly to the voicemail message of interest," says Edgett.

For Brinkschulte, encouraging loyalty to cut customer acquisition expenditure and maintain revenue is a vital component of longevity. The cost of acquiring a new subscriber can often exceed the cost of retaining an existing subscriber and value-added services such as mobile email which lock in subscribers offer the answer.

"I believe that those mobile operators that break the mould and adopt a segmented, flat-rate model for advanced messaging services such as mobile email will see customer loyalty improve. For example, [you could offer] an entry-level, ad-funded mobile email service for free to consumers with MSN or G-mail backends; a mid-level package at USD2-3 per month for subscribers wanting a little more than a basic service and a premium USD5 per month flat-rate service for business users wanting access to business backends and the ability to view attachments."

Movius says that there is an obvious trade-off between client and clientless solutions. Clientless solutions are easier to deploy as they utilise typical mobile communication tools (SMS and phone calls). Client solutions on the other hand, can produce greater consumer adoption because of the intuitive nature of dedicated applications. But, warns Edgett, these are more expensive to deploy and maintain, especially over multiple handset types. Carriers need to balance the pros and cons based on the application and the market they are targeting.

"When operators deploy a client-based mobile messaging application, there are a few technical challenges to overcome. The most prominent is the fact that with different operating systems on different phones, operators will be restricted to a limited number of phones or be required to develop multiple versions of the same application. Additionally, they must address the fact that



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screen sizes vary, so the effectiveness will be limited in some cases."

He goes on to say that operational factors are equally challenging as applications need to be preloaded by the phone manufacturer or carrier, otherwise there needs to be a means for the consumer to download them personally.

Zero footprint solutions

Synchronica says that many of the technical challenges faced by operators when deploying these solutions can be avoided by choosing 'zero footprint' solutions that work on any handset without the need for any additional software to be installed on the phone or behind the firewall. "An over-the-air provisioning module for service activation also helps to keep the deployment simple and makes it much more likely that subscribers will sign up for the service," says Brinkschulte.

He goes on to point out that choosing a managed service from a solutions vendor rather than hosting the solution themselves is another increasingly popular option among emerging-market operators. "In the past, operators invested heavily in non-core infrastructure, and the human resources required to maintain it. This outsourcing trend will continue, and more operators will opt for a managed service from solutions vendors that enables them to deploy value-added services quickly and effectively, without having to invest in additional IT infrastructure and staff."

Brinkschulte concludes by saying that while the emerging-market mobile sector may not be completely immune to the economic downturn, it will fare far better than others. "However, these mobile operators have their own problems to contend with – namely, high churn rates and low ARPU. Those that succeed will be the ones that correctly identify and tap into new revenue streams that can help to reduce churn and perhaps also improve ARPU. Value-added messaging services, such as mobile email, will charm the masses, thus minimising churn." ■