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Seven Decisions Optimization Can Improve for Telecommunications Firms

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Biographies

Anat Hoida
Telecommunications Practice Lead
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As the Telecommunications Practice Lead for FICO (www.fico.com) in the EMEA region, Anat Hoida has responsibility for the sales and marketing of FICO's industry-leading decision management solutions to top-tier telecommunication providers in Europe, the Middle East and Africa.

Anat joined FICO in early 2016 as part of FICO's continues dedication to the telecommunication market in EMEA. She focuses on providing significant business benefits to leading telecommunication firms through business transformation, analytics-driven decision management, building profitable customer relationships, fighting fraud, credit risk management, optimizing operations and meeting strict government regulations while being customer experience driven.

Prior joining to FICO, Anat held various senior solution sales management and consulting roles focusing on the telecommunication market in international software companies. She has a Bachelor of Science in Industrial Engineering and Management (IE&M), specializing in Enterprise Information Systems, from the Technion – Israel Institute of Technology.

Mel Prescott
Telecommunications Practice, Principal Consultant
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As the Telecommunications Practice Principal Consultant for FICO (www.fico.com) in the EMEA region, Mel Prescott provides subject matter expertise, thought leadership and market understanding that translates industry challenges into FICO solutions.

Joining FICO during the summer of 2017, Mel has 15 years' experience within the Mobile Telecoms industry, gained through a number of analytical roles within Credit Risk and Fraud Management at both an operational and strategic level. Tasked with balancing competing objectives between sales, marketing, commercial teams and finance, he has a wealth of experience using data within decision management platforms. Prior to joining FICO, he worked for a UK Credit Reference Agency creating propositions and go-to-market strategy across a number of digital verticals.

Mel holds a Master of Science in Analytical Credit Risk Management from Sheffield Hallam University in the UK.

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Paper type Research

Abstract

The telecommunications industry has grown and evolved dramatically since its inception. Like most markets with explosive growth, it comes with both challenges and opportunities, as well as a need to respond to more sophisticated and changing consumer preferences and ongoing regulatory shifts. In this age of digital customer experience, customers can easily compare prices, equipment offerings and promotions across competitors and quickly switch providers.

Telecom professionals are used to change but need to be proactive and anticipate consumer needs to be successful. Having access to real-time insights to customer data and the ability to rapidly take this knowledge and turn it into great decisions has never been more important

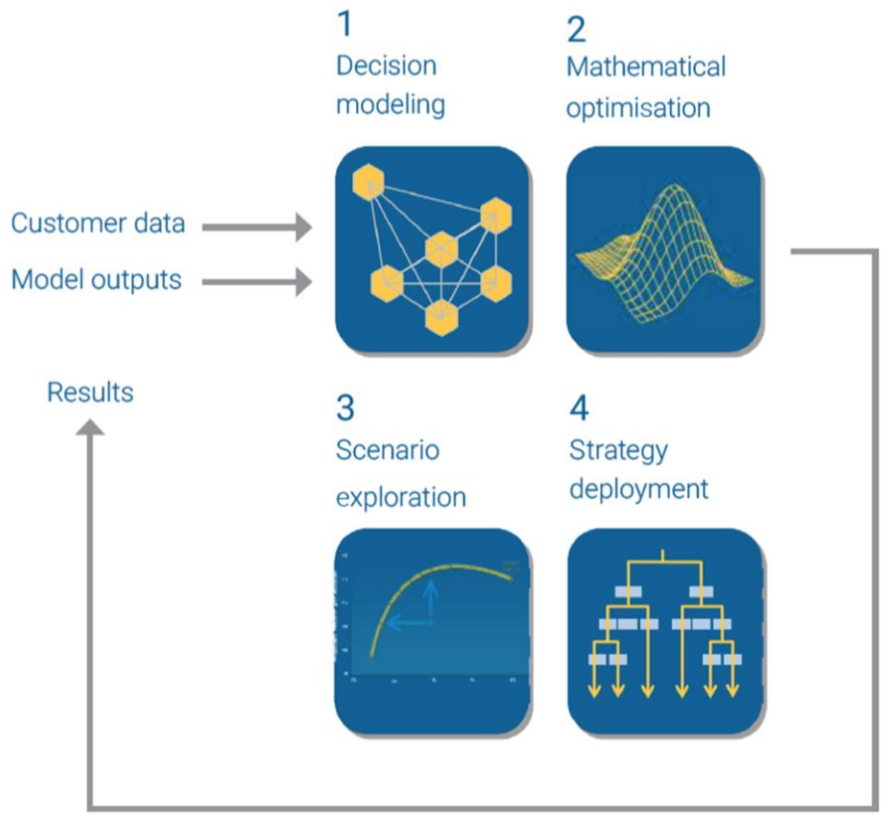
Introduction

With the telecoms industry in a continual state of change, telcos must manage shifting consumer trends, deal with new regulations, and maintain a massive technology infrastructure, while also remaining profitable and staying ahead in a highly saturated market.

To address these competing considerations, industry leaders are increasingly turning to optimization – a prescriptive analytics approach that takes into account existing data and constraints to determine the best action from all feasible outcomes for reaching specific business objectives.

Optimization is a systematic, scientific approach that businesses use to create more effective strategies that can also be deployed more quickly, resulting in better decisions and ultimately, improved business performance. A further advantage of using this kind of prescriptive analytics is its ability to continuously adapt to both changing market conditions, regulations and individual circumstances, thus consistently ensuring that the best possible decisions are made.

Figure 1: How decision optimization works



In optimization, prescriptive analytics are used to determine the best decision strategy to reach particular objectives given constraints. These strategies can then be deployed in operational systems to make instant decisions.

Here are seven areas where optimization can help boost the business value and competitive edge of your telecoms organization:

1. Risk-informed marketing

As devices continue to increase in cost, and acquisition budgets squeeze, operators need to make the most effective use of that budget by making attractive product and service offers to the right segments, personalizing and tailoring where possible.

Analytics-driven optimization strategies enable multi-dimensional factors to be considered, such as acquisition cost, lifetime value, credit risk, propensity to take up the offer – before reaching any decision about pro-active marketing channel preferences.

The analytics can be regularly performed, allowing operators to pivot their strategy as market dynamics shift. For example, if there is a push needed to meet quarter-end volume, then the optimization constraints can be amended.

2. Cross-sell candidate identification

Identifying existing customers for product cross-sell can further improve business performance in the face of market saturation and shrinking margins. To make it affordable and compelling for existing customers to remain loyal, operators could introduce timely and exclusive offers on new smart mobile devices, discounts on older models and other appropriate loyalty incentives that make customers feel valued and understood. Whether introducing them to new services such as TV, smart home systems or mobile wallets, the analytics need to be relevant to the customer needs and determine the appropriate action in line with the business goal.

With automated strategies that incorporate analytics – such as predictive models that assess the customer's ability to pay, and models that predict offer acceptance and take up, customer value, churn rates, individual credit risk and more – account management teams can determine the right candidates for the right products at the right price, and even assign risk-appropriate credit lines to maximize their chances of success.

3. Voluntary churn management

In this digital age, customers can easily compare prices, equipment offerings and promotions across competitors and quickly switch providers. As customer expectations soar, the competition to retain existing accounts has never been more heated. Despite operators spending a significant amount of money on recruiting each new customer, churn rates for multi-play packages can reach 20% per year – representing a serious and consistent drain on profitability.

This is where data-based optimization can step in. Analytics can proactively segment customers according to their likelihood of leaving, with churn scores based on their profile and activity data, such as the age of their mobile device, number of negative customer support interactions and dropped call incidents.

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These customers can also be segmented by value and other factors such as cost to serve, in order to inform the decision as to what tailored actions will mitigate each individual's risk of churn, exceed expectations and delight customers. Another decision consideration is whether the investment to retain a customer could be better used elsewhere and allow some lower-value customers to churn.

4. Credit financing acumen

There is a fine line between credit risk and corporate growth goals in the telecoms industry. Although many providers are focused on increasing their customer satisfaction and net promoter scores, it is essential that they first evaluate each risk versus reward scenario in a systematic way, especially when it comes to credit financing.

With optimization, operators can more accurately assess each customer's ability to pay and are better equipped to decide, in real time and on a device- and customer-specific basis, whether to offer financing and what the appropriate limits should be.

5. Pre-delinquency intervention

Once a customer enters a collections process, it can become a negative experience for them, and costly for operators to collect the overdue balance. Furthermore, the risk of a customer then rolling into further delinquency and debt increases, and can ultimately eat away at margin and increase customer churn.

Early signals that a customer is showing signs of stress can be identified using advanced analytics. Optimization can be used to generate automated alerts and trigger the appropriate treatment action to be executed at the right time, through the right channel, prior to the customer actually falling into delinquency.

These actions could be as simple as an SMS reminder, introducing temporary spend limits or a courtesy call from an agent. Prevention can help reduce the overall cost to collect, allow collection agents to focus on higher value cases, reduce overall debt value and can have a knock-on effect in improving customer satisfaction and loyalty.

6. Debt collections performance

In a July 2017 report, the Financial Conduct Authority (FCA) revealed that approximately one in six people with consumer credit debt are in moderate to severe 'financial distress'[1]. If a customer is in debt on their telecoms account, it is highly probable that they are also in debt elsewhere.

In an industry where every customer interaction counts, optimization can recommend collection strategies most likely to succeed with each individual customer, thus streamlining the collections process and turning risk into opportunity.

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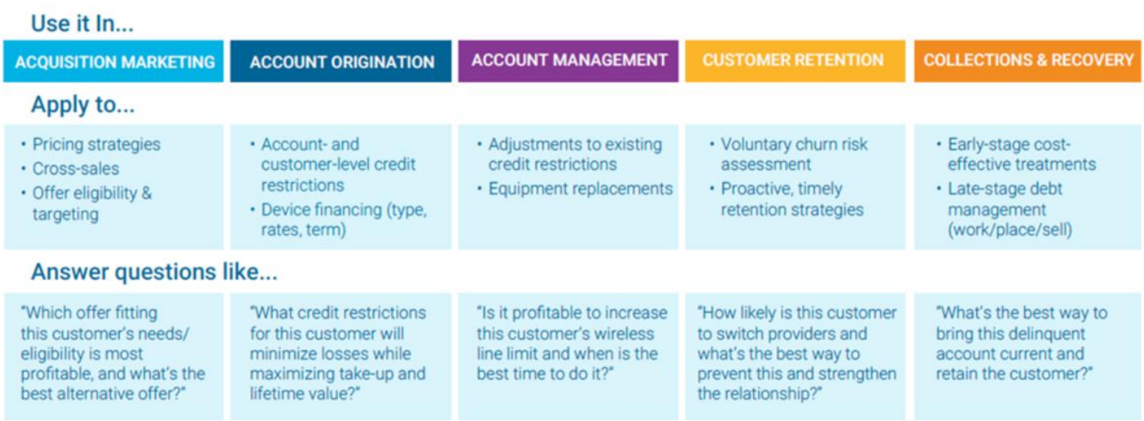
7. Regulatory compliance

Businesses are increasingly expected to provide a clear audit trail of their decisions. In fact, this will become mandatory after the General Data Protection Regulation (GDPR) comes into effect across Europe in May 2018.

Under the GDPR, customers can demand clear-cut reasons for any decision made against them. As an example, consider how offers for mobile phone service plans are calculated, and to whom they are offered. If a consumer feels he or she has been adversely affected by a decision model and queries the decision-making process, it is no longer acceptable for the operating company to respond with 'Computer says no.'

For business performance and regulatory compliance, staff need full visibility into, and control over, the entire decision-making process. It is therefore vital to choose the optimization tools that enable business users to easily navigate complex decision strategies and pick out the inputs used at any point. If a decision is questioned, users can immediately use the chosen tool to determine the credit policy rules and models invoked.

Figure 2: Decision optimization across the customer lifecycle



Optimization can be used to improve the results from any customer-related decision.

Choosing the right optimization tools

Once you have decided to implement an analytics-driven solution, the next step is to determine the right one for your organization. To make this decision, here are the two factors to consider:

Empower your business users to make changes directly – In an ever-changing market and organizational environment, the winners will be the operators that are able to quickly develop, test, scale and improve their analytically-driven decision strategies without involving IT. Putting the tools to create and modify decision strategies in the hands of your business experts makes your organization more agile in adjusting to market fluctuations and competitor manoeuvres to achieve high and sustained performance.

Managing decisions across the organization – As different departments focus on their individual corporate goals and performance metrics, it may be difficult to understand how the workings and improvements in each one fit into the overall strategy for the organization.

This difficulty can be resolved with a solution that manages decision-making across departments, which will result in a more holistic view for the executive team. For example, the FICO® Strategy Director is a rules-based cloud platform designed to support the work of multiple groups, and thus enable each channel to make decisions specific to their business unit's needs. In addition, it can be implemented in a phased approach to address specific pain points within the company, identify key process gaps and devise high-impact solutions that deliver quick, incremental value.

Given the reality of the telecoms market in 2017 – more choice for consumers, more competitive offers, and more regulatory scrutiny – successful telcos will differentiate themselves on the basis of customer experience and accuracy in anticipating future consumer needs. Having access to real-time customer data insights is vital, but it's not enough if you can't rapidly turn this knowledge into the best decisions. The power of optimization is that it makes the best use of new data and new analytics to systematically achieve your goals.

Reference

[1] https://www.fca.org.uk/publication/occasional-papers/op17-28.pdf