Customer Value Management (CVM) as a key enabler to succeed in the new SME landscape

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The opportunity

The SME segment in the telecom industry is becoming more sophisticated and competitive as a result of the rising importance of the evolving product offering towards ICT and new players expanding in the value chain, namely tech giants and specialized cloud solution providers. In this context, Telecom operators need to evolve their approach to the segment from being mere connectivity providers towards transforming into aggregators of services and one-stop-shop for SMEs.

In this context, Customer Value Management (CVM) capabilities play a key role to maximize share-of-wallet potential (e.g., up-selling & cross-selling new ICT products) and lock-in the base protecting it from the wave of new players thanks to the data-driven insights and a personalized offering approach. However, creating effective CVM capabilities for the SME segment does not happen overnight as it is
not a simple replica of what is being done for the B2C segment; instead, it needs to leverage different channels, a much more industrialized approach, and completely different offers. CVM for B2B requires the set-up of a dedicated ecosystem that touches all the key functions of the B2B organization and requires a change in operating model and mindset across the whole unit.

Telecom operators that have properly leveraged CVM capabilities in the SME segment managed to generate significant incremental value. Expectations should be to achieve between 3-5% incremental revenues within the first 18 months.
What is required to succeed

Based on our experience setting up CVM ecosystems with telecom operators worldwide, we identified 5 key challenges specific for the B2B segment:

1. Multiple stakeholders need to work together: Cross-functional coordination is mandatory across B2B organizations to harmonize collective effort. Miscommunication or inefficiencies across Marketing, Product, Sales, Technology, and other units significantly impact the potential for value creation.

2. Limited customization of products and offers: It is critical to develop a product proposition that is specifically tailored to the SME segment, particularly when it comes to ICT, and that is flexible and customizable enough to be sold below-the-line to each specific account.

3. The traditional channel management mindset: The channels (mainly telesales, digital app, door to door, or SME account managers) are historically used to independently ‘run the show’ in the B2B segment, mainly leveraging their personal knowledge of the clients or pushing standardized offering. The shift towards a much more analytics-based approach now requires to be embraced.

4. Insufficient channel capacity for CVM operations: Being the channels the main execution arm to reach the customers with the CVM proposition, dedicated sales agents need to be shifted from traditional sales activities to CVM-driven efforts. This applies to agent capacity, digital offers, etc.

5. Data availability and readiness: In today’s B2B organizations several gaps in data availability and integrity are typically found, mainly when it comes to firmographics, digital footprint, geo-location, ICT usage, etc. Such gaps significantly hinder the ability to properly profile and provide customized offers to the client base through the development of analytical models.

Figure 3: Key Challenges & Success Factors
Effectively addressing these challenges puts the organization en route to a successful transformation. Based on our experience, it is critical to address each of these challenges and convert them into key success factors when setting up or accelerating the creation of CVM capabilities:

**Success Factor 1 - Set up a dedicated function within the B2B team with a clear mandate, accountability, and targets:**
Ensuring cross-functional coordination across the organization is essential to start building an effective CVM function. Identification of key stakeholders, clear roles & responsibilities distribution, and regular touchpoints to coordinate CVM actions should be led by a strong CVM team with open support from the executive leadership.

For example, a leading operator in EMEA re-structured the B2B organization setting-up a dedicated CVM unit, combining analytics capabilities with CVM offering definition and synchronization of actions execution. This was coupled with a strong top-down endorsement from the B2B management as well as clear accountability on CVM targets.

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**Success Factor 2 - Develop tailored product portfolio for CVM activities:**
Having a well-diversified and tailor-made product portfolio for the SME segment to push below-the-line is crucial to achieve ultimate success via CVM activities. In today’s market, Telecom operators need to go beyond the “discount always works” approach and take necessary actions for:

- Launching innovative campaign concepts (e.g., freebies, try & buy, fermium model, bonus on usage, cash-back reward, etc.)
- Building vertical oriented & need-based bundles (e.g., SOHO start-up package, Retail security bundle: CCTV + cybersecurity, etc.)
- Leveraging BTL offers to boost up awareness of new service across the SME base (e.g., promoting file-sharing platforms with up-sell offers)

Additionally, CVM offers need to be more aggressive than the above-the-line ones as are dedicated and tailored to specific profiles of SMEs which can generate higher customer lifetime value.
This effort needs to be done in close collaboration with the product function to ensure that it is in line with the overall SME product roadmap and properly addressing customer needs.

Success Factor 3 - Ensure IT capacity is allocated to the development of CVM products and bundles: support from the technology team is required to accelerate the results of the CVM function. Based on our experience, back-end development, and technology efforts for CVM actions are usually the most time-consuming and mission-critical activities for the success of the CVM function. Some of the key responsibilities of technology units in CVM operations:

- Easy enablement of new campaign concept launch by integrating multiple systems (freebies, try & buy, etc.)
- Quick adaptation of bundling capabilities to generate more customer-centric solution packages for B2B base.
- Applicability of flexible discounting framework for telecom and ICT / digital products across different segments.

A European operator invested significant time and effort in the coordination of technology activities. As a result, the CVM team successfully developed a flexible bundle customization portal for SME segments, which allowed the sales agents to build a customized selection of product mix at competitive pricing for each customer. This innovative initiative is enabled by technology support and resulted in significant revenue uplift for the operator.

Success Factor 4 - Proactively engage with the channels and align incentives: B2B organizations usually provide power and freedom for sales units to ensure the best sales performance from the base. However, to be able to compete in the new context, sales teams should be supported with more informed and data-driven insights to maximize the revenue potential of the SME base. Sales teams need to embrace the CVM function’s presence as a long-term partner and create synergies to achieve better results together. This means a change in mindset; allocation of more resources to CVM actions; prioritization of CVM sales efforts within commission scheme or dedicated incentives. However not all channels play the same role in CVM execution, and a customized approach needs to be developed at the channel level. The more critical ones are:

- Tele-sales: Dedicated agents for outbound CVM actions are essential and continuous training sessions on B2B specific products & CVM campaign concepts should be regularly conducted.
- Account managers: Each account manager needs to have a specific target for CVM-related revenue generation from managed accounts. Data-driven insights will also evolve how the relationship is managed for managed accounts.
- Digital channel: More personalized and micro-targeted offers should be launched via digital channels. In-session capture of company representative’s attention is a game-changing advantage of digital channel execution.

A leading US telecom service provider successfully conducted a B2B CVM transformation initiative and created its own dedicated telesales agents for CVM actions. To foster two-way collaboration, task forces are created to coordinate CVM campaign execution for each channel.

Success Factor 5 - Prioritize the creation of advanced analytics targeting capabilities: personalized targeting is critical to drive conversion rate and ARPA uplift of the CVM activities and it can only be achieved on the back of Adaptive Machine Learning (descriptive, predictive, and prescriptive modeling) capabilities.
Figure 5: Analytics concepts

**B2B DATAMARTS**
- Consolidation of enterprise data, including +3K features at account and line level
- Ensuring customer DNA from various categories, such as revenue, usage, firmographics etc.

**SEGMENTATION MODELS**
- Multi-dimensional segmentation relying on a 360-degree customer view
- Enable hyper-targeted campaigns by pushing the right offer (flavour) based on behaviour

**PREDICTIVE MODELS**
- Predictive models, leveraging machine learning capabilities
- Understanding of base with high probability to adopt a specific product or service

**UNSUPERVISED MACHINE LEARNING ALGORITHMS**
- FIXED USAGE
- DIGITAL / ICT USAGE
- PRODUCT OWNERSHIP
- LIFETIME VALUE
- COMPLAINT TYPE
- PAYMENT BEHAVIOR

**SUPERVISED MACHINE LEARNING ALGORITHMS**
- CROSS-SELL MODELS
- UP-SELL MODELS
- RETENTION MODELS

**NEXT BEST OFFER MODEL**
- Automation of model output and data-driven insights for customer level offer distribution
- Optimizing the offer match based on customer preference and revenue generation

The process starts with the creation of a single source of truth with a 360-degree view of customer data both at an account level and at a service level; it evolves with the development of Adaptive Machine Learning-based models including semi-supervised clustering algorithms, application of multi-dimensional segmentation approach, self-training propensity modeling to understand customer’s appetite to purchase a certain offer or the risk of churn. Due to the unique challenges of the B2B ecosystem, ICT and digital services can collect very few observations which prevent effective predictions by machine learning algorithms. In that kind of situation, heuristic modeling techniques bring tailored and more business-driven structure to these B2B specific problems. All these should then be integrated into an automated Next Best Offer (NBO) model allowing to prioritize which action to push to each customer at any given point of time in an almost real-time fashion.

For example, a leading Middle Eastern operator initially created SME-specific datamarts with +3000 features at the account and service level and deployed 40+ predictive and descriptive models. After the operationalization of the analytical environment, the ML models started generating data-driven insights and fed CVM actions and offers. Eventually, those efforts resulted in 5pp uplift in conversion rate.
Conclusions

A properly set up CVM ecosystem can generate significant value for the SME segment both in the short and long-term. It is a key differentiator from other telco players as well as a key enabler to protect the base and extract more value from the wave of new digital players entering the space. On the other hand, delaying the investment in CVM capabilities for B2B can translate into a significant loss of competitiveness with a catastrophic impact on revenue creation and share of wallet extraction.

Considering the complexity of setting up all the enablers typically a phased approach is preferred as achieving best-practice can take up to 18 months. We recommend combining activities that guarantee early value creation through quick wins along with the creation of the core capabilities.

Figure 6: Roadmap

- **Value realization**
  - Focus on launching quick wins campaigns to generate initial momentum and get learnings
  - Progressively launch new campaigns concepts leveraging new capabilities created
  - Launch a full-scale campaign and focus on performance optimization

- **Capabilities build-up**
  - Define an ambition plan and identify main pain points to be addressed by different stakeholders/departments
  - Develop all capabilities required across the enablers of the ecosystem, including dedicated offers, channel enablement, teams, etc.
  - Ongoing enhancements as required across all enablers

- **Time**
  - Phase 1: Getting ready
  - Phase 2: Execution
  - Phase 3: Ongoing enhancements
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