

white paper

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Broadcast CRM

General Approach & Methodology

February 2007

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Introduction

As we move towards a real convergence of broadcast and telecom infrastructures, we're seeing a shift towards IP infrastructures, file-based workflows, and the influx of enterprise IT solutions into the media space.

There are a myriad of issues that arise from this the convergence 'soup' of traditional fixed-line operators, mobile phone operators, TV broadcasters, ISP's and content owners. This transformation manifests itself in the form of triple/quad play services provided to households, with bundled fixed line telephony, cable TV, broadband access and mobile phone contracts.

As we transition from a Master Service Provider (described later) to a Communication Master Service Provider (CMSP) model, customers will have access to multiple services on one bill and through a host of customer 'interaction' points, such as the web, call centres, post, email, mobile, etc.

However, the very technology that strengthens the customer's relationship enables switching between providers with ease. Pricing competition and perceived quality of service reduction (e.g. shifting to offshore call centres) have lost significant numbers of consumers to competitors.

Customer Relationship Management (CRM) provides commercially valuable insight on customer behaviour. By analysing customer information stored in databases such as billing systems or usage records, operators and service providers can use techniques such as propensity modelling to encourage greater customer loyalty and minimize customer churn.

This is only the tip of the iceberg, however; CRM's capabilities in this new IP world could re-energise advertising revenue, by engaging significantly with each individual customer in an informed and proactive manner.

Master Service Providers

"Experts expect that four or five telecommunication companies will go on to dominate the UK supply of fixed-line services in the same way as O2, Orange, Vodafone and T-Mobile dominate the mobile market, the FT reported. Ian Watt of Enders Analysis said that BT, NTL, BSkyB and Carphone Warehouse would be the 'main players' within two years, with Orange possibly joining them. 'We are looking at a relatively small number of very large providers,' he said."

Source: Financial Times 5th August 2006 by Andrew Parker

Multi-brand corporations – or Master Service Providers (MSPs) - now appear in a number of sectors, including:

- Utility services (energy etc) such as Centrica, RWE, E.on UK, Scottish Power
- Financial services such as Royal Bank of Scotland, HSBC, HBOS, Norwich Union
- Mobile Telco's such as Vodafone, Orange, T-Mobile, O2
- Communication providers such as NTL, BT, BSKYB, Carphone Warehouse

In the UK, communication providers are moving more deeply into this MSP model. NTL's autumn 2006 launch of Britain's first quad play service is a prime example.

In this highly competitive commercial environment, the importance of customer retention and business extension is paramount, and represents major expenditures in the technology and processes to deliver these critical business drivers. Costs associated with customer acquisition (marketing, incentives, new customer induction processes) mean that exploiting the existing customer base becomes increasingly important. Telco MSPs have refined this to a clear focus on increasing ARPU, or average revenue per (existing) user.

Good customer retention practices demand managed customer interaction across multiple channels, such as direct sales, online sales, telesales, agents, etc. However, the more channels, the greater the need to integrate these interaction points to provide a single view of the customer.

These customer interactions generate customer data from which real value can be extracted by analysis. It can then be used to drive targeted marketing campaigns and added-value services aimed at specific customer segments. These processes are all the domain of a CRM programme.

CMSPs supplying triple/quad play services will inevitably need to fully deploy sophisticated CRM technologies and business management processes to improve customer retention and ARPU, and realize the cost savings and revenue generators that CRM can provide. How CMSPs use CRM to drive real business value will determine who becomes a powerful if not the predominant player in this communication services market.

IT CRM

IT-delivered CRM should always be defined by the business benefits it delivers, the main ones being to:

- provide better customer service
- make customer contact points, i.e. call centres, more efficient
- cross sell products more effectively
- help close deals faster
- simplify marketing and sales processes
- discover new customers
- increase customer revenues

Source: <http://crm.manufacturer-supplier.com/>

To achieve this, a CRM programme is predominately constructed around the customer engaging with the service provider in some way. This type of interaction is defined as a CRM lifecycle.

This CRM lifecycle produces volumes of data, that when connected together provides a single view of the customer defined as CRM data flow. This information can then feed through CRM marketing processes to provide customer knowledge and insight to drive customised campaigns to be delivered to targeted customers.

CRM Lifecycle and Data Flow

Customers engaging with a service usually fall into a step by step process defined within a CRM lifecycle. IT CRM's foundation is the technologies and processes built around a CRM lifecycle.



CRM Lifecycle

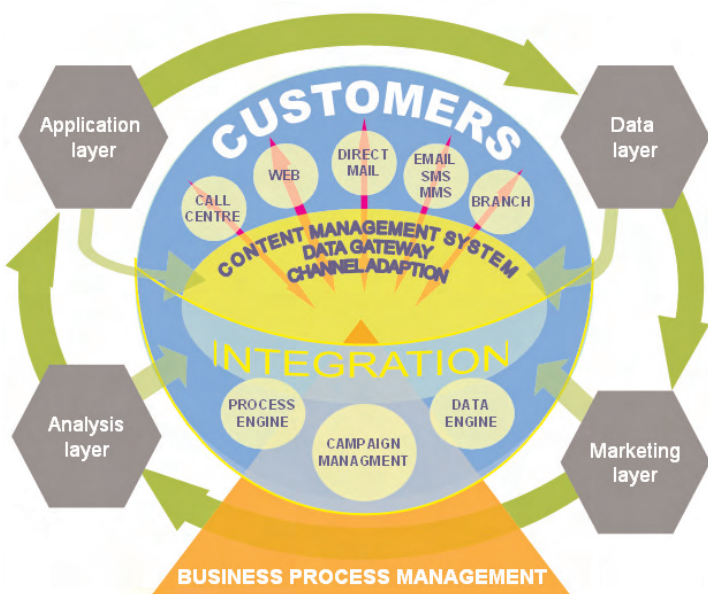
Source: <http://www.crmondemand.com/crm/why-is-crm-important.jsp>

The CRM lifecycle starts when the customer engages and is identified at interaction points (call centre, local branch office, etc). These customer interaction points are the main source for customer data. Customer information entered onto the company's databases can cover everything from past product and service purchases, preferences, credit history, service, support agreements, and authentication fault reports.

This data can be analysed to create the basis of targeted marketing campaigns to encourage different customer segments or identified customers to buy into a service or product.

When the customer engages with these targeted campaigns, there will be an increased propensity for the customer to buy the company's products. This data from sales can be further used to produce more targeting to retain customers, increase revenue, and complete the CRM lifecycle.

Through a number of CRM technologies and processes, business benefits are delivered from the flow of customer data through the company's IT architecture.

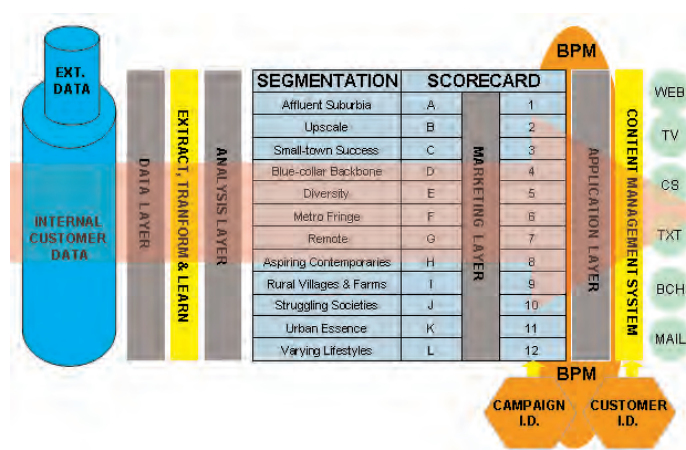


CRM data flow

Once collected into the company's IT architecture, this data then enters layers of systems (data, marketing, analysis, applications) enabling CRM processes to provide a single view of the customer and a high quality of customer service. This data flow must also be connected to the company's commercial processes through integration with Business Process Management (BPM) tools, in execution of the enterprise's commercial endeavours, including analysis by CRM marketing processes.

CRM Marketing Processes

Once the data has been collected, extracted, transformed and learnt (ETL) and analysed to provide customer insight, the results can be used to decide which group of customers (segmentation) will quickly buy which services (propensity modelling). These segments and propensities are then stored in a database as 'scorecard' tables against identified customers. The resulting data is used to trigger specific customised content to engage with identified individual customer segments at identified customer interaction points. This process is illustrated below in the CRM Marketing Process Diagram.



CRM marketing process

Source for segmentation list from Experian's geodemographic mosaic segmentation methodology:

<http://www.appliedgeographic.com/mosaic.html>

IT CRM Benefits

Once an enterprise starts to look after its existing customers effectively with this type of programme, efforts can be concentrated on finding new customers and expanding markets. The more learnt from existing customers and their affinity to products and services, the easier it is to identify new prospects and grow the customer base.

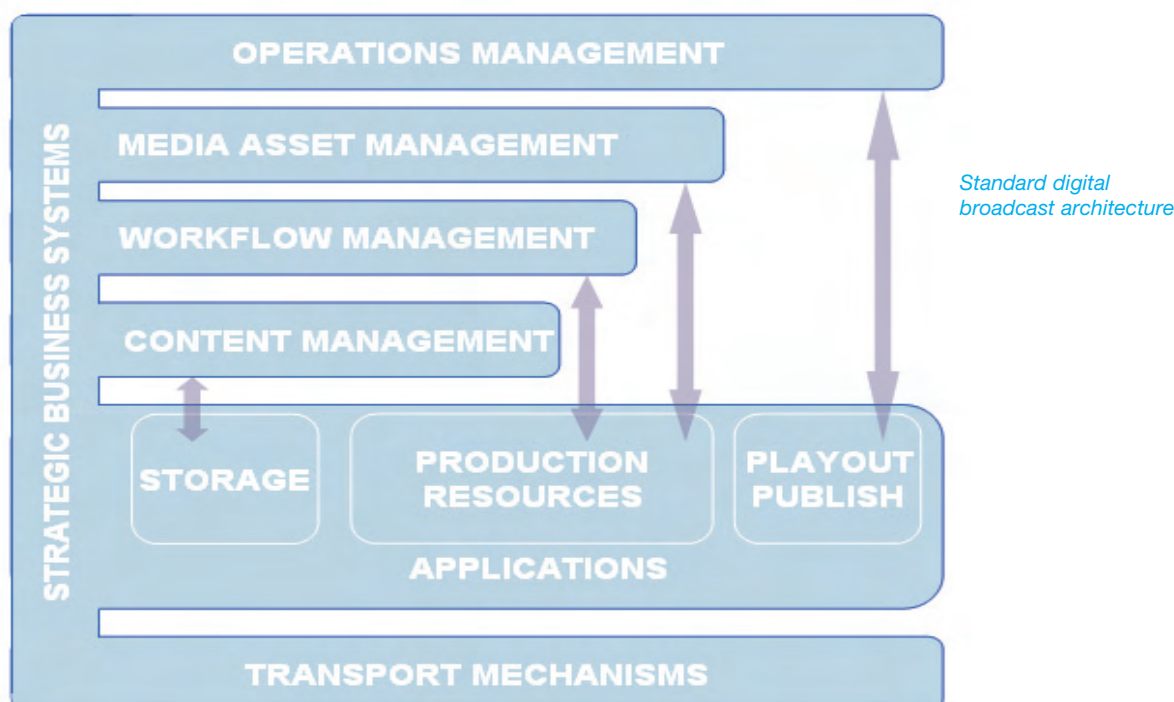
Even with mature exploitation of accumulated customer knowledge, customer needs change over time. Products and services continually evolve, and consumer technologies move forward. Any CRM programme aimed at achieving the above business benefits must have short, medium and long term goals as well as a strategy for continual evolutionary operational approaches.

Business benefits provided from the CRM lifecycle, data flow and marketing process are all driven by the MSP's IT system architecture. For a broadcaster to achieve these business benefits, it is wise to compare it to a broadcast architecture.

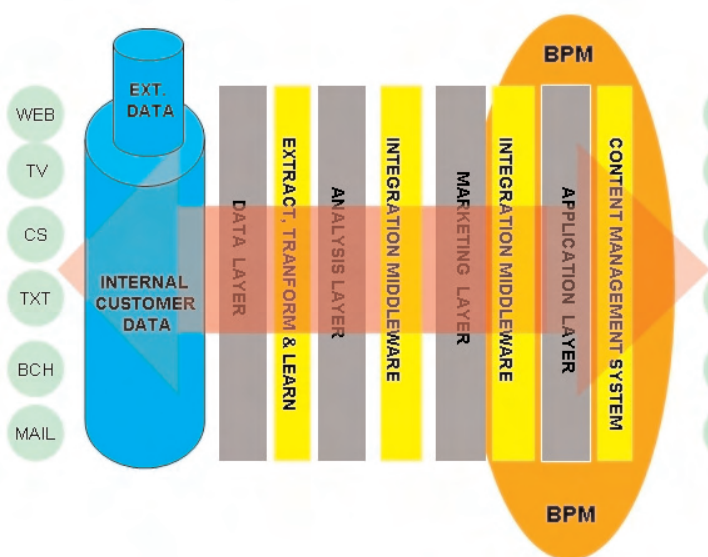
CRM Data and Broadcast Content System Architectures

The technologies and processes used in a standard digital broadcaster's system architecture are dictated by the flow of content.

In a broadcast model, content is typically managed through processes at the operations management layer. Metadata is stored in a MAM layer and the media (essence) in content management and storage mechanisms. This content is then available for distribution or post production, and prepared for playout through various transport mechanisms under the control of workflow management automation systems. These processes are delivered through strategic business systems (the broadcasters' equivalent to IT's Business Process Management, or BPM).



However, in a standard CRM IT system architecture, technologies and processes are mainly dictated by the flow of customer data. These processes are in turn driven through integration with the business logic defined within its BPM.



Standard IT CRM architecture

This BPM is the integration glue that can join the strategic business systems in the broadcast architecture and the business logic within the CRM architecture.

By effective integration and coordinated workflow, business benefit can be delivered in the acquisition, retention and exploitation of the broadcast customer base through interaction between the service provider and the individual viewer. With interaction at the content level, broadcasters can provide business benefit by providing a significantly personalised experience to the customer.

CRM for Communication Master Service Providers

As discussed previously, business benefits provided from the CRM lifecycle, data flow and marketing process are all driven by the MSP's IT system architecture. This architecture design is also relevant for emerging CMSPs.

Better Customer Service

Until recently, customers purchased individual services: fixed line telephone, cable TV provision and Internet services, each with a separate bill, help line number, Internet site etc. As enterprise integration improves and we move to a pure IP triple/quad play scenario, the customer's service expectation is one bill, one service number, one website.

To provide this connected service, the business processes of billing, multiple service provision authorisation and authentication driven by BPM require a complete, individualised view of the customer. The customer's expectation of their communications provider is one of instant response leading to instant gratification. For example, when an individual customer requires an upgrade to a higher speed broadband connection, they will expect to call/email/text and have the service supplied immediately. This all requires the provider to have a full single view of the customer (billing arrangements, current service provision parameters, etc at any interaction point). It also means that the provider must have the ability for automated (non-touch) provisioning. This capability can only be enabled through BPM to the company's system architecture (commonly called a Service Oriented Architecture, or SOA) that the company uses to provide the actual service to the customer.

To deliver a high quality of service, a CMSP must depend on a completely connected, enterprise-wide architecture, including the integration of the CRM programme into the BPM system (which is also integrated into the enterprise). CMSPs will have to achieve this to stay the distance in an increasingly competitive marketplace. To do this well, it is

highly advisable to apply lessons learnt from the utility companies, who have already built this type of large complex IT based enterprise architecture.

Efficient Customer Contact Points

Multiple customer interaction points are now a ubiquitous part of CMSP offerings, and represent an important access route for CRM's capabilities to influence, assist and raise revenue from each customer. At any point of customer interaction the CRM process can provide a relevant and significant customised experience. Supplying the call centre operator, for example, with a detailed customer profile and a record of past customer interactions enables the operator to deliver an informed and targeted high level of service.

Cross Selling Products

Data on what, how, when and where the customer buys products can be analysed to provide customer insight. This insight can configure interaction points, to assist in the cross-selling of new services and products to targeted customers. However, it is important to note that in providing this customised experience across all interaction points demands complex technologies and processes. Utility company experience with this type of CRM programme suggests that the nature of the integration and execution of specific work packages demands a sophistication of middleware integration that can represent serious engagement levels of consultancy and software development resources.

Customer insight supports automated content or prompts for call centre operatives to instigate triggers (price discount etc) and break down barriers (contract length etc) to close a sale.

Understanding the Customer

All CMSPs are in an increasingly competitive market, and have to be clearly focused on providing a sustainable quality of service whilst driving up ARPU and driving down interaction costs. Therefore understanding customers is the essential motivation behind all CRM programmes.

It is of utmost importance to any MSP, either communications or utility supplier, to run some form of CRM programme to understand their customer base. To properly understand customers is to be able to create services that they will buy.

This understanding is essential in providing broadband services, due to the relationship the customer has with the supplier through multiple interaction points. For example: knowing whether new customers will most often apply for a broadband speed upgrade by Web or call centre.

Simplified Marketing and Sales Processes

CMSPs will depend on cost reduction and revenue-generation resulting from economies of scale. A well implemented CRM programme (with good interaction through BPM to the enterprise's system architecture) can provide real connection between customers, services, products, interaction points and service delivery. This greatly enables highly effective and extremely cost efficient targeted marketing, whilst simplifying and streamlining marketing and sales processes at every point of interaction between the customer and the company's services.

Increasing Revenue

MSPs always hope to induce all single service customers to migrate to multiple service offerings, which provide the company with a steady revenue stream through optimal, cost efficient customer care and service provision. A CRM programme provides the data on which customers to target and the knowledge of how to sell efficiently by using the most cost effective interaction points for processing each type of sale.

CRM is usually associated with management of existing customers. However, new customer acquisition is much improved if the marketing activity that attracts new customers is supported by a strong CRM capacity to provide a customised and targeted experience, specifically designed by customer data analysis to attract new customers.

CRM's Future Potential for Broadcast Channels

Connecting the CRM capabilities of MSPs to a broadcaster's content-driven architecture is a clear opportunity. The application of CRM within an IP broadcast world will provide transparent, connected, customised content as well as a targeted TV experience by understanding customer needs, desires, interests and aspirations from the collection and analysis of customer data.

This customisation capability does not, however, have to disturb a customer's passive experience with their TV. Learning from past use and modelled propensities allows the services provider or broadcaster to actively supply the most effective channel/ads/red-button/advertiser links interactively, without the customer's conscious participation. This specific use of CRM connected to content delivery is aimed at counteracting the following type of perception:

"Despite the growing range of alternative distractions, television will continue to dominate our entertainment, locking-in our attention by offering high definition content delivered to ever larger, flat-panel screens. On-demand television and video will likely grow in popularity, and will be selected and delivered using a variety of technologies and transports. Although on-demand programming and interactive television will grow, the scheduler's job will remain. The effort involved in choosing what to watch may well be too much for people, who will default to whatever happens to be on."

Source: Deloitte findings from TMT futures 2006 report

There are strong indicators that certain attributes and capabilities of CRM could have real potential in reinvigorating the relationship between advertisers and broadcasters. CRM's capability to enable customised content choices facilitates more precise targeting of the customer needs, wants and aspirations. This simultaneously satisfies customers with a desire for a passive experience and actively engages those who have a propensity to buy a certain advertiser's product.

From a broadcast perspective, the normal model of marketing analysis is basic intuitive decisions based on demographic segmentation, i.e. MTV and their youth-focused demographic, which directly attracts those advertisers whose products have relevance to that particular perceived youth market.

For original analogue terrestrial broadcasters with the whole population as their license responsibility, real business benefit can only be achieved by using customer knowledge found by the application of CRM. This can assist in focusing customised content to specific audiences who, by analysis, have been identified as having a high propensity to purchase an identified set of products.

Conclusions

CRM programmes can provide commercially valuable insight into what, where, when, how and why each customer spends money with their service provider.

In exploring how CRM works within MSPs, and in showing opportunities and challenges of CRM for communication service providers and broadcasters, it is clear that understanding the lessons learnt by the original MSPs can be the difference between failure and success of the launch of new IP-based services.

The connection of the communication service provider's CRM architecture to the broadcaster's content architecture through integration of each other's business process systems will enable the broadcaster to achieve tangible business benefits from real customer knowledge and insight from these CRM technologies and processes. Eventually, CRM will be able to provide content and adverts that are automatically chosen based exactly on the customer needs and desires. However, to get near this advertising 'nirvana' many serious IT and broadcast challenges need to be mapped out and executed.

A decade of experience by traditional MSPs demonstrates a clear perspective of these challenges, including many of the pitfalls encountered on the way to customer service excellence and the substantial amount of effort needed to

fully reap the benefits of customer CRM.

The digital transition in the broadcast sphere has brought with it a tremendous amount of complexity in choices, standards, interoperability, and integration with legacy systems. The broadcast/IT convergence currently under-way should include strategy and planning for the effective use of CRM, and learn from the wealth of experience and successful use from within the traditional MSPs.

This white paper has only addressed in general terms the business benefits that can be achieved from the application of CRM when applied to communication service providers and broadcasters. It is important that successful strategies are developed with an understanding of each organisation's view of where they are and where they want to be. It is in this new emerging communication landscape that the winner will be who scores and secures the highest levels of customer satisfaction. After all, the bottom line in this communications landscape is the acquisition, retention and development of customers.

Contacting Ascent Media Consulting Services is a first and best step for communication service providers and broadcasters to build strategies to fully utilise CRM's enormous capabilities. Real business benefits derived from the successful acquisition, retention and commercial development of customers results in the best bottom line of all: increased revenue.

Acronym Glossary

IP

Internet Protocol

ISP's

Internet Service Providers: Dial-up and Broadband only providers

MSP's

Master Service Providers: Utilities & Financial services providers

CMSP's

Communication Master Service Providers: Tripleplay providers

CRM

Customer Relationship Management

ARPU

Average Revenue Per Customer

ETL

Extract, Transform and Learn

MAM

Media Asset Management

BPM

Business Process Management

SOA

Service Oriented Architecture

TMT

Technologies, Media and Telecommunications

AMCS

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