

Agenda

- **Introduction**
- **Statement of Objectivity**
- **Objective of the Study**
- **A brief discussion on Zero Latency**
- **Methodology**
- **Key Findings**
- **Summary**

Statement of Objectivity

Even though Compaq Telecommunications has contracted Gartner Consulting for this project, this contractual relationship does not affect our valuation methodology and/or analysis.

Gartner Consulting does not endorse any particular vendor and/or vendor solution(s).

Objective of the study

To develop a compelling business argument for improved CRM in the telecommunications industry enabled by the deployment of Zero Latency strategies.

Zero Latency Strategy and Gartner

The term “Zero Latency Strategy” was developed by Gartner’s Roy Schulte, Vice-President and Research Fellow.

Zero Latency Strategy as defined by Schulte:

- **“A zero latency strategy is any strategy that exploits the immediate exchange of information across technical and organizational boundaries to achieve business benefit.”**

The 5 Success Factors for Zero Latency

- 1. A business strategy that leverages fast action.**
- 2. An organization that can implement the new processes, e.g., strong change management programmes, newly defined relationship between departments.**
- 3. A set of business policies, processes and product offerings engineered to implement that strategy.**
- 4. A network and software infrastructure capable of quickly exchanging information across technical and organizational boundaries.**
- 5. End-user interface tools (e.g., browsers) and other application programs capable of sending and receiving information through the infrastructure in a timely fashion.**

Introducing the Zero-Latency Enterprise (ZLE)

The “Zero-Latency Enterprise” means sharing information...

- In real time
- Among disparate locations and people
- Across technical and organisational boundaries

... in order to act faster on new information
and gain competitive advantage.

Methodology

Methodology of the study included both secondary and primary research.

The secondary research phase included a detailed analysis of Gartner studies as well as in-depth discussions with Gartner analysts.

Primary research involved interviewing 22 senior executives:

- **Executives from 11 companies in 10 countries were interviewed**
- **Executives interviewed included Chief Information Officers, Chief Technology Officers, Senior Vice-Presidents and Vice-Presidents of CRM/Marketing, Billing and Sales**
- **In companies where only one executive was interviewed, that executive was typically the CIO / CTO / Senior Vice-President of IT**



Key Findings

Key Findings

Telecom companies want to differentiate in terms of:

■ Premium Brand

- A company's brand promise rests upon superior customer service and improved customer satisfaction

■ Technology Leadership

- To be perceived as being at the cutting-edge of new technology.

■ Global Competitiveness

Key challenge is to achieve and maintain the lead in differentiation.

Key Findings - Billing

Lack of real time information in the billing process leads to a loss of revenue - over a billion dollars among 11 companies!

- **“Length of time between when bill is made and last charge is a big concern. We have a two week lag time from the last call made to the bill - implied loss of revenue - up to 30 - 60 days”**
- **“Currently, CDR’s are updated once a day. We need this information in real time. We generate over 44 million bills a month, and not all CDR’s are on the customer’s bills - the rate of interest is 7%, and there is an opportunity cost in not having an up to date bill.”**

Key Findings - Billing

The issue: a cash flow problem, and as a result, a cost of money problem!

- **“ZLE has enabled us to be very fast and flexible with invoicing - it takes 2 days from the end of a cycle to get the bill to the customer”**

Key Findings - Billing

Billing on demand is a hot issue - customer estimates an increase in revenue of 2-3% per annum with the introduction of new products enabled by billing on demand.

- **“Billing on demand would enable us to rent out mobile phones at our beachside resorts, helping customers save on international roaming charges, or the unnecessary expense of buying a prepaid service”**

Billing solutions enabled by ZLE would address:

- **Problems with e-billing**
- **Extending payment channels**
- **Collection**

Key Findings - Risk Exposure and Credit

ZLE enabled solutions can help better manage Risk Exposure:

- “When we notice an unusual pattern of calls with some of wholesale customers, we immediately bring it to their notice as their bill for that period would be very high, relative to what is normal for them. This has had special relevance with a few of our dotcom customers”

ZLE can also help improve making credit decisions on accounts and treatment processes.

- “In a pre-ZLE environment, we could monitor credit and collections on a billing cycle. In a post-ZLE environment, we are able to set credit parameters and limits and monitor in real time. . . I estimate we must have saved hundreds of millions of dollars just by making better business decisions”

Key Findings - Fraud

If the number of prepaid customers is very high, fraud reduces in significance.

- “Fraud is less than 1%, and it is mostly stolen handsets or theft of pre-paid vouchers”

Fraud ranged from 15 to 20 per cent in Australia and Asia.

- “Our biggest problem is credit card fraud”

ZLE will help in:

- Better manage bad debt
- Prevent reselling of products to “bad” customers

Executives interviewed felt that ZLE could cut fraud costs by more than half.

Key Findings - IT

Concern with legacy systems and consolidation / integration of various systems:

- Manual journal entries in many companies
- Management of Information an area of concern - “it takes us six to eight weeks to generate a custom report”
- Companies are cognisant of the fact that non-integrated and legacy systems do not provide them with a “one view” of the customer

Key Findings - IT

Customers estimated that ZLE can reduce information processing costs from anywhere between 5% to 35%.

- ZLE reduces the number of applications in a customer's portfolio by allowing a single clip-on application to perform the work currently done by many applications
- “We will reduce global IT operating costs by 20% through the adoption of a zero-latency strategy”
 - “We are unconsciously moving towards zero latency - IT is only an enabler in moving towards ZLE, not a decision maker”

Key Findings - Customer Satisfaction

Lack of real time information prevents the ability to create a relationship with the customer.

Customers are frustrated by:

- **Busy signals and queuing**
- **Waiting time**
- **Multiple transfers to get a problem resolved**
- **Poor service at the help desk**
- **Incorrect customer information**

Key Findings - Customer Satisfaction

Decreased customer satisfaction contributes to churn.

- Churn is a major concern - ranged from 10 to 25 per cent across companies interviewed
- “A churn rate of 5 to 10 percent contributes to 10 to 15 per cent of total revenue as lost revenue”
- Many respondents said that the cost of acquiring a new customer was seven times more than retaining an existing customer

Key Findings - Customer Satisfaction

Reduction in Churn

- Respondents believed that ZLE could reduce churn from 15 percent to 5 percent, leading to an improvement in profitability by 6 percent to 15 percent

Executives interviewed felt that ZLE could improve customer satisfaction ratings by 10 to 20 percent.

- Companies interviewed had not conducted any studies to link an increase in one percentage point in customer satisfaction with an increase in revenue
- Even a one or a one-half percent increase in customer satisfaction could have a great impact in a saturated market, where all the major telecom providers are in the same range of customer satisfaction

Key Findings - Marketing

Improve cross-sell and up-sell efforts with ZLE - could result in an incremental revenue of 0.5 percent to 3 percent.

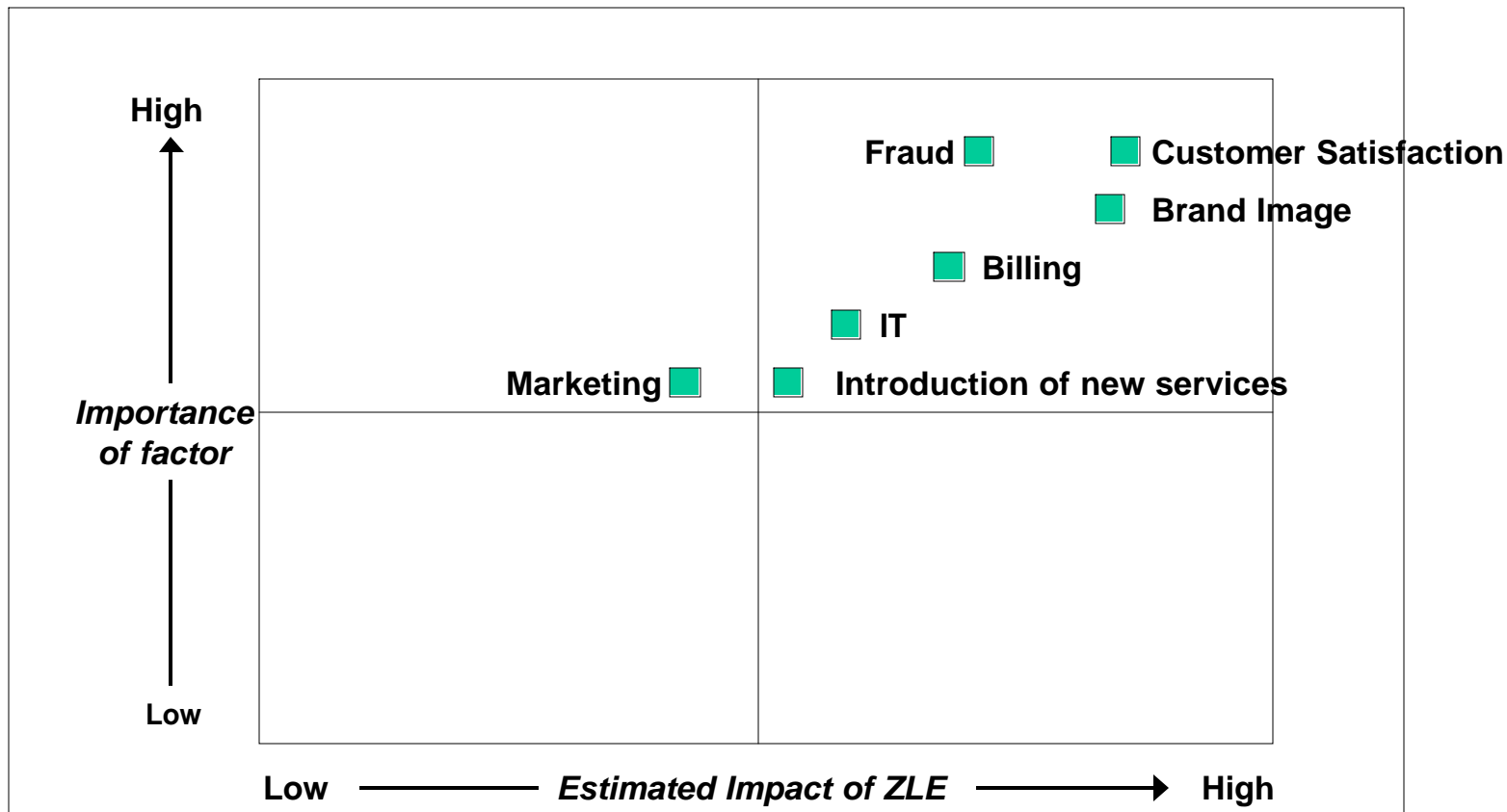
Companies believe ZLE can help improve customer tiering process.

ZLE can improve marketing campaign efficiency - “you can kill unprofitable campaigns and plough money back into profitable campaigns.”

Most companies felt that true benefits from ZLE would be experienced by CRM.

Importance of Factors and Estimated Impact of ZLE on Managing Customer Relationships

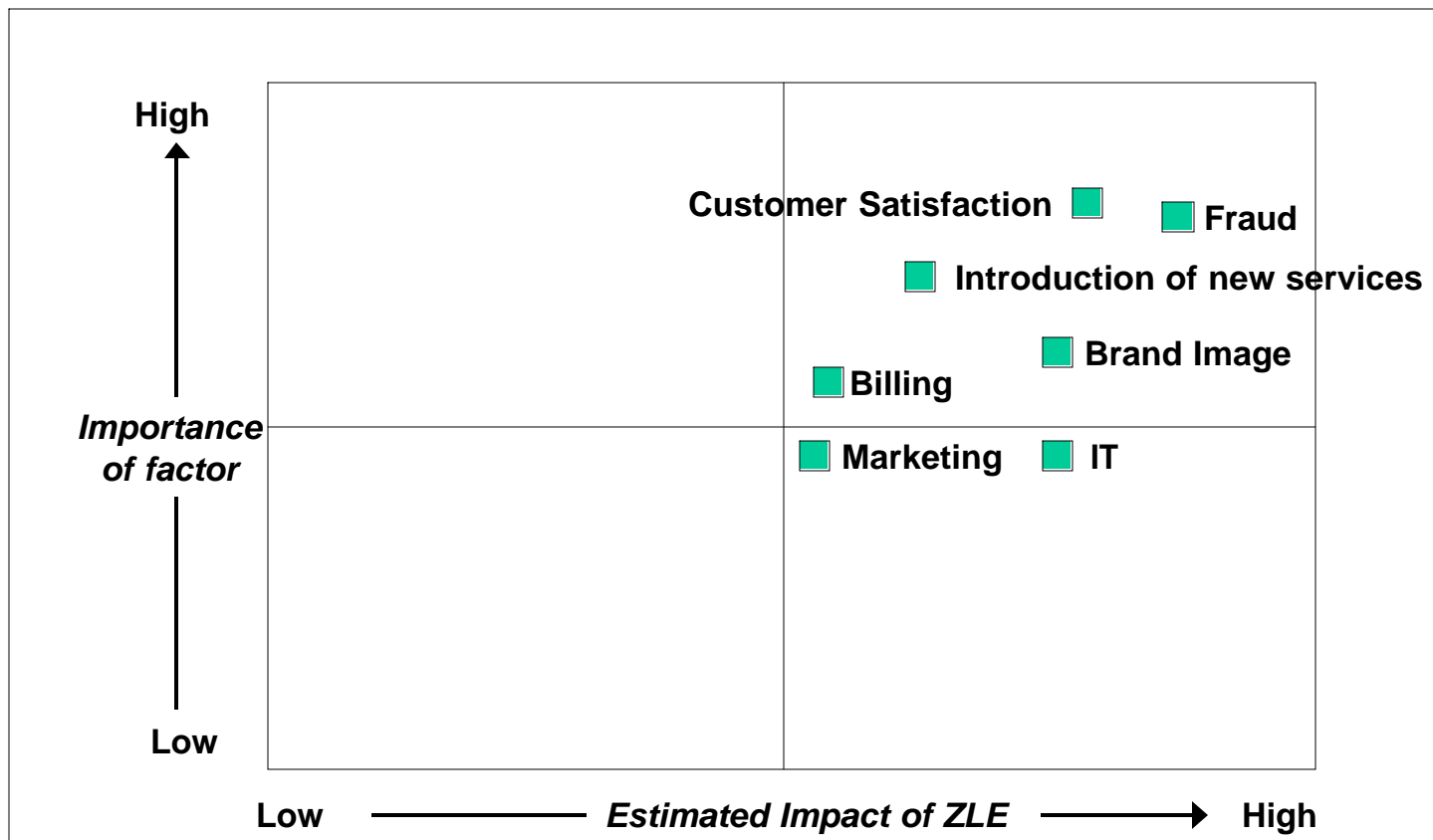
North America



Source: Gartner Consulting (January 2001)

Importance of Factors and Estimated Impact of ZLE on Managing Customer Relationships

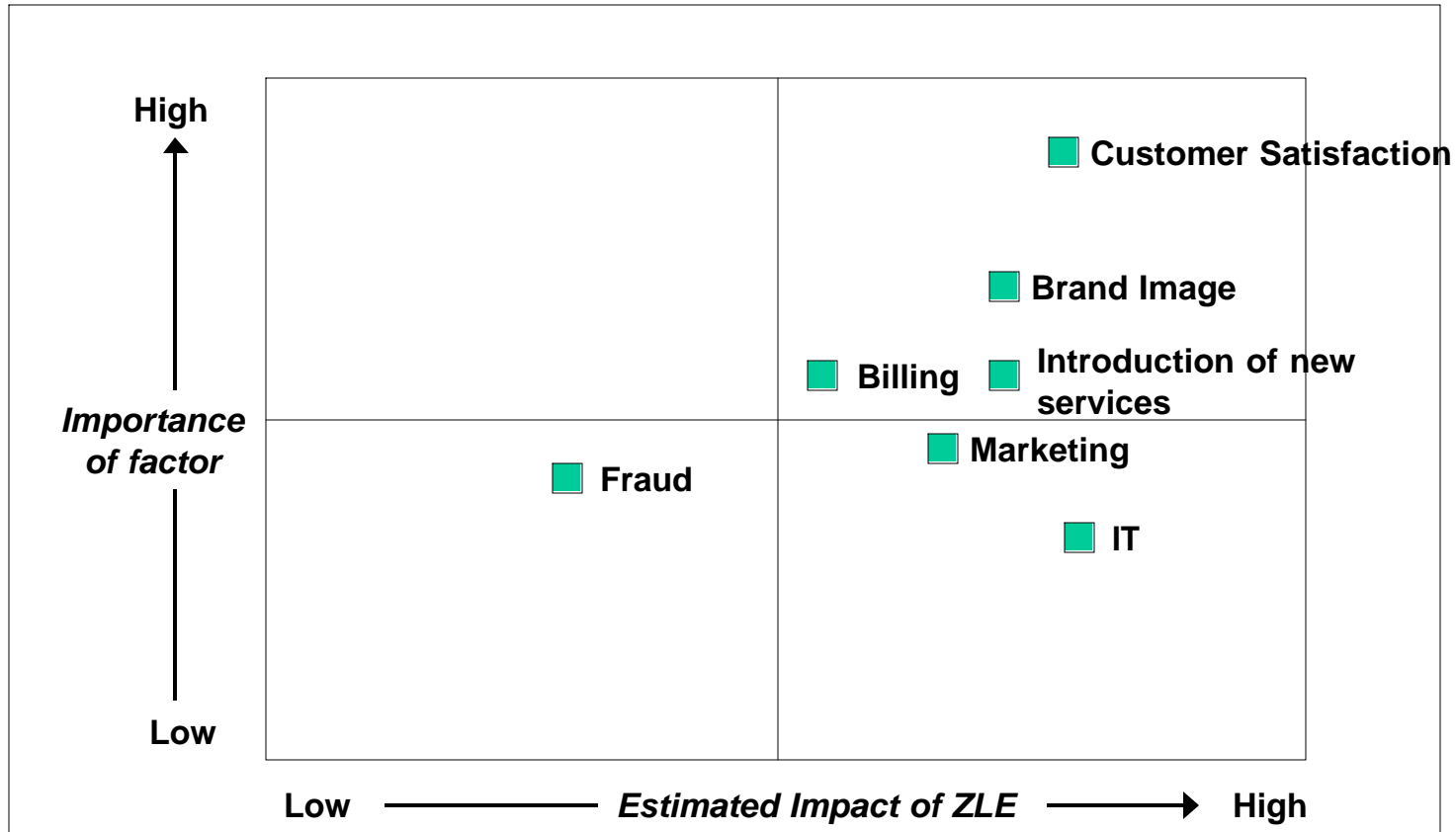
Asia



Source: Gartner Consulting (January 2001)

Importance of Factors and Estimated Impact of ZLE on Managing Customer Relationships

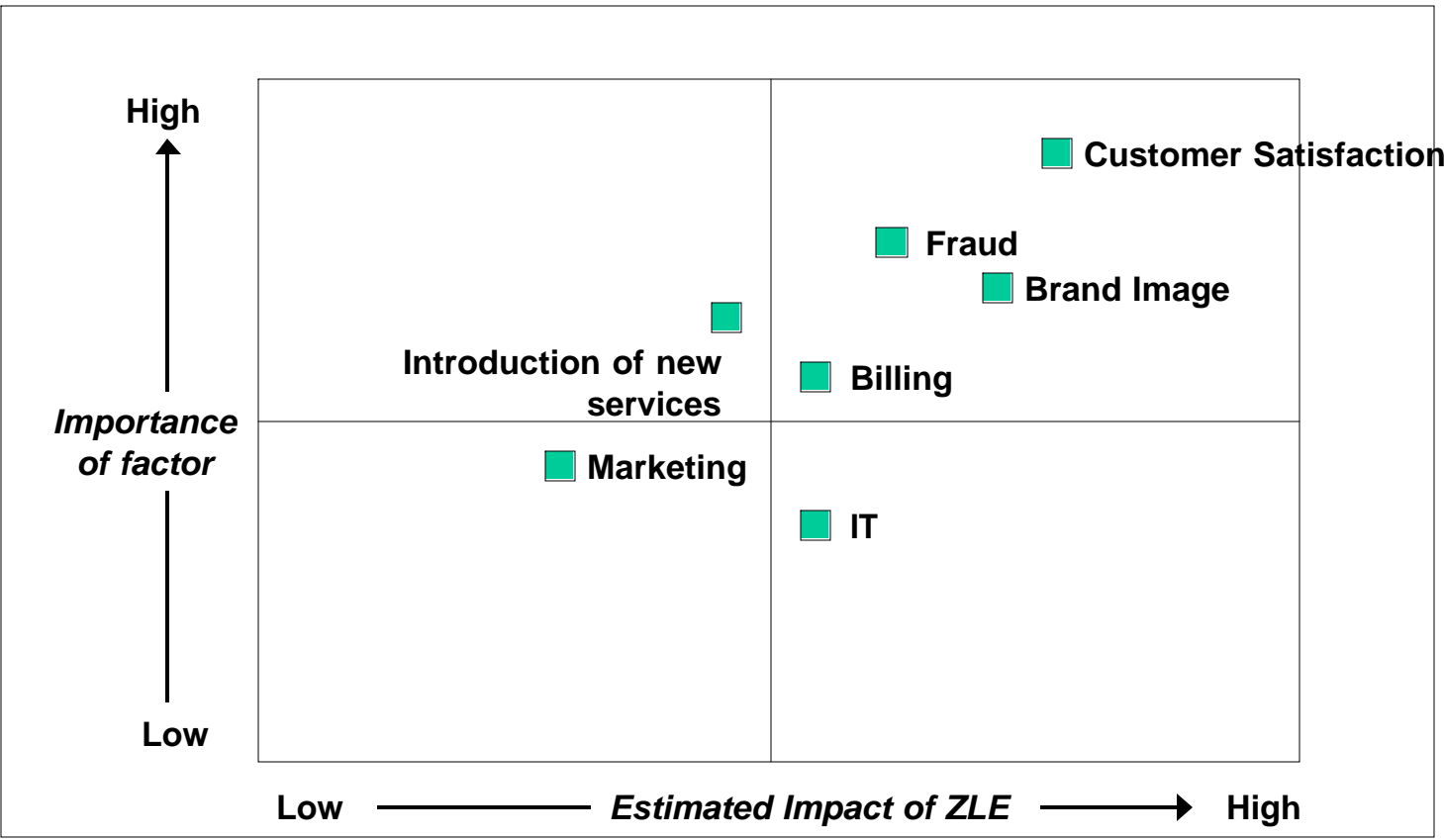
Europe



Source: Gartner Consulting (January 2001)

Importance of Factors and Estimated Impact of ZLE on Managing Customer Relationships

Latin America



Source: Gartner Consulting (January 2001)

*Chart extrapolated from interview with one company

Key Findings - Summary

Adoption of a Zero Latency Enterprise strategy can positively impact the following areas in CRM:

■ Customer Satisfaction and Marketing

- ZLE helps build customer loyalty and reduce churn rate
- Provides a “one view” of the customer
- Can improve customer satisfaction ratings by as much as 20% in certain cases

■ Billing:

- Faster billing cycle has a positive impact on revenues
- A Zero Latency strategy can enable a company to offer billing on demand, which can lead to increased revenues through introduction of new services
- ZLE can enable a company to be fast and flexible with invoicing, raising customer satisfaction levels

Summary of Key Findings

■ Fraud

- Fraud costs may be cut by more than half by the adoption of a Zero Latency strategy

■ Credit and Collection

- A Zero Latency strategy can help companies make better credit decisions and improve their treatment process
 - ZLE allows to better manage late paying clients and “bad” customers

■ IT

- A Zero Latency strategy can reduce global IT operating costs by as much as 35%
- ZLE helps in improved network quality
- ZLE has a positive impact on batch processing
- Builds a basis for offering more complex services in the future

In summary, ZLE can positively impact the operations, customer satisfaction and profitability of telecom companies.

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