



How to win with

digital brands

**Fulfill your digital needs
without the legacy nightmare**

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introduction

You want to launch new offers and services to your customers quickly but are getting frustrated by the time it takes to roll these out. Your competitors are bringing new offers to the market that are impacting your churn figures. NPS scores are not improving and calls to customer care are increasing. Your finance team are pulling you aside to say that you need to do something about the impact that the above is having on ARPU. You are coming up with new ideas but constantly being pushed back to say that's too expensive to roll out or that will take 9 months to build. You want to make changes but your hands are tied.

Faced with pressure to generate new revenues and reduce costs, many operators are starting afresh. They're starting with a blank canvas and setting up digital brand companies, that don't have the legacy baggage of traditional telcos.

In this paper we discuss the foundations for mobile digital brand operators and examine the new digital operating models that are reducing costs and increasing customer satisfaction.



digital brand: definition & examples

Some of the biggest telecom operators across the globe have launched an alternative brand to sell similar products and reach target segments that the principle brand finds hard to penetrate. In certain cases they target high-value markets (e.g., Toyota and Lexus the car industry), although in the majority of markets they have been used to target lower value segments. Digital brands are usually more prominent in negative economic markets or in markets with fierce competition.

The objective is nearly always the same: steal a big share from competitors and only a small (minimal cannibalization) share from the company's main brand.

Telefonica

Telefonica launched Tuenti in Spain and in 5 countries throughout Latin America. Vodafone Spain launched their low cost digital brand Lowi, gaining significant market share in the youth segment since its launch in 2014.

giffgaff

Other examples include giffgaff (O2UK digital brand) who launched in 2009 with a disruptive viral marketing campaign and have since grown to over 2 million customers.

SMARTY

Simple, honest mobile

Three UK's reaction was to launch their own digital brand called Smarty which focuses on "honest" mobile data usage – meaning that subscribers only pay for the data they actually use.

Sosh

In France, Orange launched the Sosh sub-brand, which offers a simpler range of plans at a lower cost. SFR focused on Red by SFR, and Bouygues Telecom provided SIM-only plans under B&YOU.

A black and white photograph of a woman from behind, standing in a field of tall grass. She is holding up a glowing, multi-colored arc that resembles a rainbow. The background is a bright, hazy sky.

digital brand: definition & examples

In addition to increasing market share in underperforming segments, new branding possibilities and disruptive marketing campaigns, the other important advantage offered by these digital brands is cost-cutting opportunities.

This means higher margins on the strength of tariffs that can compete with virtual operators. Distribution costs are also a key factor. The commercial model is much more focused on direct online relations with the customer. Other positive factors are lower customer care costs, negligible handset subsidies and more agile and innovative technical capabilities.

This is because more often than not the digital brand is built and managed on a separate platform to the main brand.

In summary, to maintain the overall customer base and at the same time grow market share in underperforming segments, a proven approach is to create a digital brand with differentiated concepts to the traditional telco operation.

The benefits include:

- **Focus** solely on target customer needs and break into new or underperforming customer segments
- **Transform** the way you interact with customers: real-time and self-management
- **Launch new digital products** and services serving the target segment but also used a "test-bed" for the parent brand
- **Minimise** first brand cannibalization by careful branding, positioning and a value proposition carefully crafted to focus on a specific market segment
- **Setup a lean organization model** ring-fenced from the parent company

what's the difference between a digital brand & a mobile virtual network (MVNO)?

Not much to be honest.

The main difference is who the parent company is. A digital brand is where an existing service provider wants to set up a new brand that is for a particular sector/segment/target market.

An MVNO is a service provider that does not have a parent company that is an operator, they might already be an existing business that wants to add mobile e.g. supermarket chain like Tesco.



Fig 1: Example of an MVNO

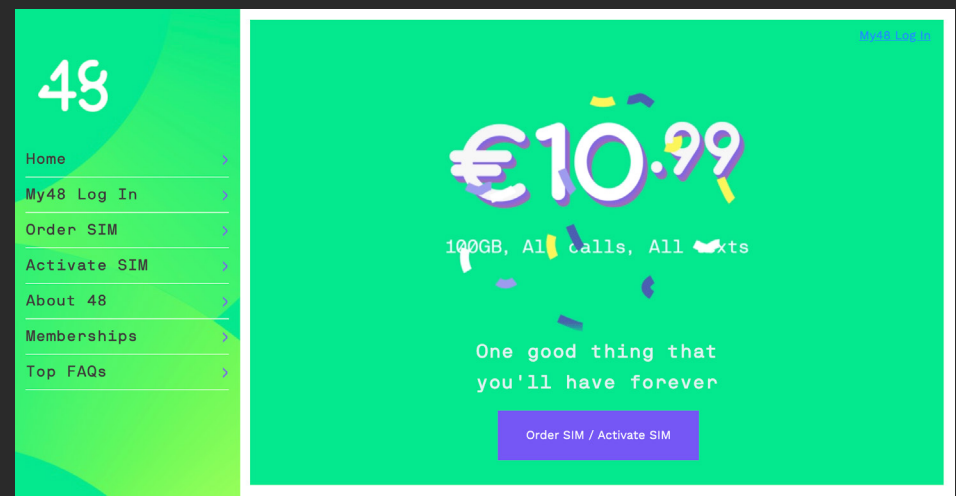


Fig 2: Example of a digital brand

develop points of difference to build the digital brand



Service providers today typically differentiate on price, network coverage, speed, whereas very few focus on innovation and providing a product and service focused on what the customer wants.

Identify the segment(s) in the market that the parent brand is under-performing in.

Develop the market positioning required to achieve success. Be the pioneers that seek to simplify customer processes, digitizing the functions of a Telco.

With **simplicity** at the core, a digital brand service should embody a challenger mentality.

A proposition with simple modular pricing offering the best value in the market – get rid of the frills that customers don't need or want. e.g. online care only.

Identify channels – be where they play (online) and where they go (direct & indirect). Build customer relationships online. Online channel should be primary channel for customer acquisition and top-up. Customer Care should be 100% online though online portal and social media.

A compelling digital proposition with the right level of flexibility will deliver aggressive base and ARPU results very quickly.

The parent brand, which is focused on multiple segments delivering a wide variety of services, should be separated so as not to generate confusion and destroy value in the client. Ultimately this results in an increase in the parent company's share of the overall market while minimizing revenue dilution at the core.

A successful digital brand depends on a good understanding of the target market.



examples of digital brands

The concept of setting up a new brand is not new, especially for service providers.

They have been doing it for years globally. But with the advent of cloud based platforms that can enable operators to roll out a new brand in weeks and offer a whole new digital experience with a limited investment in personnel to run the brand. Most digital brands that have been set up have focused on the youth market because it's clear that the youth market e.g. Tuenti Case study (Figure 4) strive to be associated with cooler/trendier brands. This is where a lot of service providers fall down because the youth market

want different services than their parents and they don't want to be associated with the same brands as their parents. So there is a clear market here.

A clear example of this is that of 48 (CK Hutchinson). The branding, use of imagery, messaging all catered for people aged 18-22 and they did things completely differently to the parent company. They also adopt a friend get friend tactic and community based support. These methods clearly drive down the running costs of the brand but drive up adoption and NPS. On the next page you will see some global examples of digital brands.

giffgaff

48

@tuenti

examples globally of digital brands

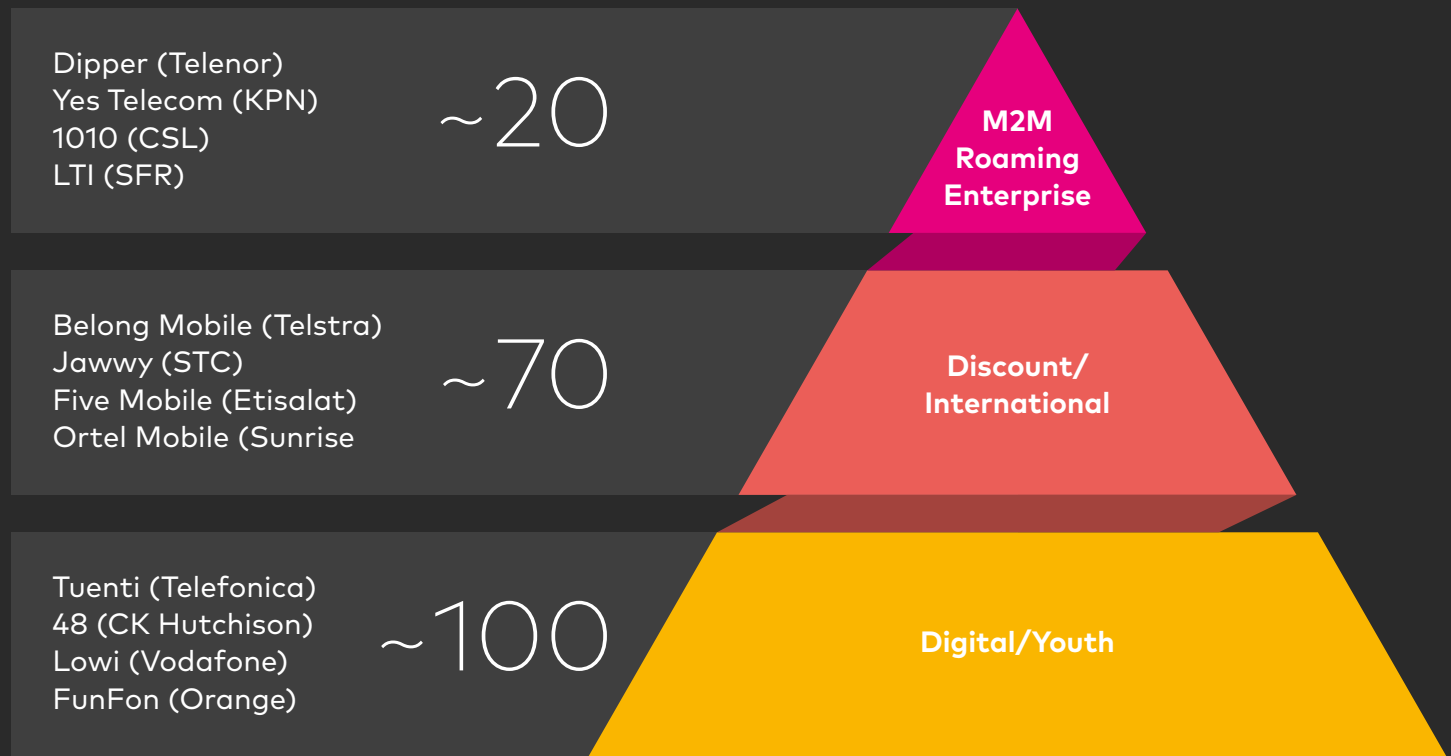


Fig 3: Examples of Digital Brands and their Positioning

case study: Tuenti

Innovate

Tuenti is innovative in its business model with a very simple value proposition, easy to use and competitive. It has a digital focus with all services available via an app.

Regional Model

Tuenti uses Telefonica for radio access and some local support processes. The majority of services are delivered by 3rd party providers in the cloud.



5 Countries

Tuenti is Telefonica's digital brand live in Argentina, Perú, Ecuador, Guatemala and Spain.

Digital & Agile

Tuenti is an MVNO that operates as a digital niche brand, much more agile and flexible than the parent operator.

Countries where MS <33%

Tuenti is focusing on where Telefonica has a low market share in the youth segments.

Fig 4 : Tuenti Case Study and their Positioning



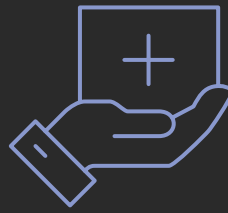
how does a digital brand work?



Segment

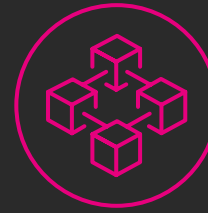
Rather than stretching the parent brand, digital brand is a carefully crafted new brand to appeal to customers in specific segments.

This allows the operator to develop a service and brand more focused on the needs and wishes of its target customers.



Proposition

A tailored value proposition that is relevant to its audience. Whether it's a data centric proposition or an unlimited voice calls bundle, the offer should be focused on the target customers.



Platform

Developed on a standalone platform, ring-fenced to obtain independence from the parent operator.

This provides enhanced flexibility and agility and avoids competing delivery priorities.



Model

A low-cost approach by way of a lean and highly skilled organization, a strong reliance on partners and the help of the parent organization for the various support functions.



foundations for a digital brand

digital BSS/OSS

Generally most digital brands are built on a separate, ring-fenced platform that enables you to simplify your operation. As per figure 5, you split your operations into 3 distinct sections, Support which is the day to day running of the digital brand. Functionality is how your customers engage with you and vice versa. Parent is the engagement between the customers and the network.

Market independence – The platform provide complete independence for the business allowing it to run as an independent entity. The digital brand will have minimal reliance on the parent brand

resources as the platform provider will deliver ring-fenced resources dedicated to the operation.

Time to market – In a green-field operation it's possible to launch a digital brand in 14 weeks.

Removes technical complexity – Dedicated team focused on delivery and managed service allowing the digital brand business to focus on core activities such as sales and distribution, brand marketing and customer retention/loyalty.

Greenfield – Flexible, no legacy hangovers and no migration.

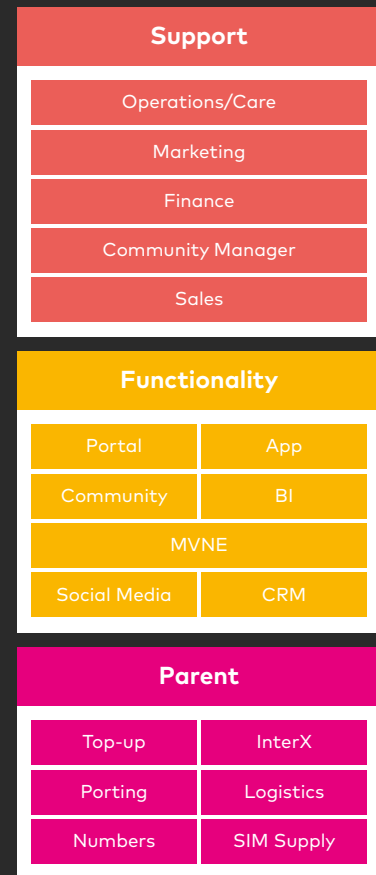


Fig 5: Digital BSS/OSS



multi-channel experience

When setting up a digital brand its important that you set out the stalls early to ensure that there is a consistency of care across all the customer touch points.

For digital brands to work, you need to ensure your digital experience is the preferred method chosen by your customers to ensure a seamless and cost effective method of delivering their needs. Some of these methods that work could also be implemented into the parent brand to drive your running costs down.

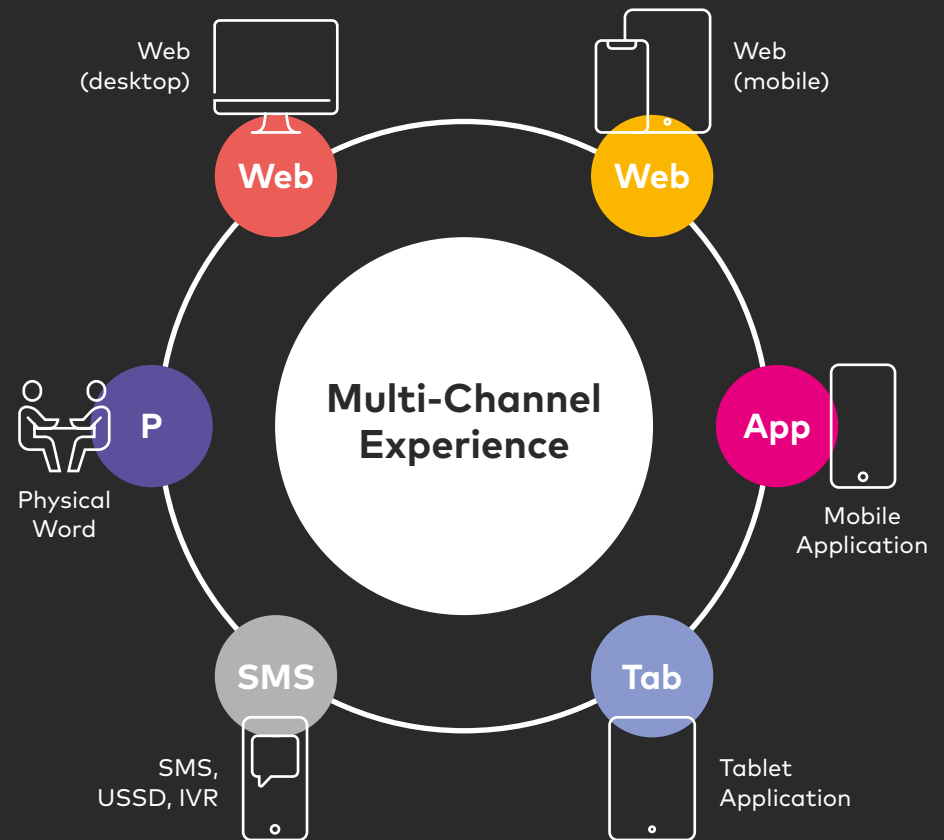


Fig 6: Multi-Channel Experience



customer care model

Customer care is a huge cost that burdens most service providers globally. Especially when you have a call centre of staff, be it outsourced or your own staff it's pretty costly from a cost per call point of view. Also the fact that there is generally a fairly high staff turnover so it's hard to keep the quality that your customers might expect from your parent brand.

For your new/second digital brand, this is an opportunity to create a customer care model that suits your business model/investment or what your customers are desperately looking out for.

Create a simple process to enable the customer to find an answer or solution with 3 steps:

- Look up for the answer
- Ask the Community
- Ask an expert

As per figure 7, there are 4 ways to develop a new seamless care approach that will help towards improving your NPS scores.

These are broken into two categories, 1 is using your own staff to help and secondly is a hands off approach. A hands off approach is one that you should put your initial focus on in order to keep your costs down.

Digital Brand Care Model

01 **Self-Care**
My Account | Wiki | FAQs

02 **Online Community**
Forum | Rewards Engine

03 **Ask an Expert**
Digital Agents | 24*7 | Emails | Chat

04 **Social Media**
Facebook | Twitter | Instagram | WhatsApp



Fig 7: Digital Brand Care Model



hands-off approach

Self-Care

Most problems or issues should be able to be resolved by the person doing some research on your website/app. Once you build this out initially perhaps using the data from the parent company to understand what the biggest pain points are that drives in calls. By having clear account explanations with clear real-time graphs of how the person has consumed their calls, texts or data for example will help put many queries at ease. Having a FAQs section that is also searchable will help towards driving down queries to your teams.

You need to be promoting self-care throughout your customer communication lifecycle especially as part of the welcome journey to ensure they understand that they should do the research themselves first to find the answer as this can get quicker results.

Online Community

This is where laying some solid foundations at the start of this new brand can have significant improvements to your cost and NPS scores. You build out a community based model where your customers become integral stakeholders in your brand; they eat, sleep

and drink the brand. You do this by creating a rewards engine where if you help another customer/member of the community you will be rewarded with some extra data, discount off your plan, or rewards from third party companies.

Then you build ranking systems to allow customers to become higher ranked "helpers" so that the more they help the better the rewards they get. You also use this approach for your sales cycle; you create a member-get-member model, again rewarding members for bringing new members to the brand.

hands-off approach

Example of Community Approach

giffgaff in the UK is probably one of the best examples of this. They focused on the member get member approach which meant that up to 50% of their acquisitions came from existing members. This has helped enormously towards churn reduction. If customers are getting rewarded from their service providers for doing simple tasks, then they are more likely to stick around and built up their rewards points.

Some amazing stats about their approach meant that 95% of their member questions got answered within 60 minutes and an average question answered within 3 minutes 24/7.



giffgaff



member get member – customer centric approach

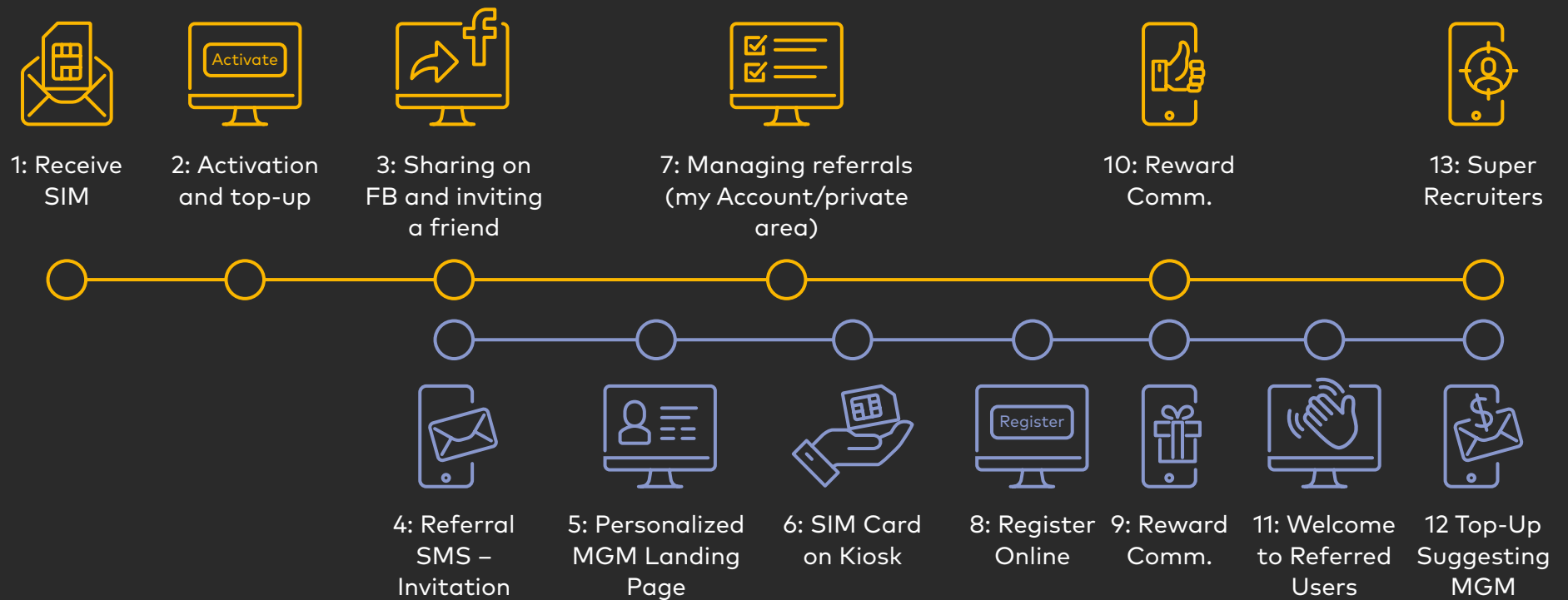


Fig 8: Member Get Member – Customer Centric Approach

Member get member is a customer acquisition tool that enables the digital brand business add new customers without expensive marketing campaigns and low overhead costs.



light touch approach

Social Media and Ask an Expert

If the hands-off approach does not work, then you have to have some form of digital channel for your customers to get in touch. There will always be an answer that is specific to that person's account that a member of your staff will have to help out with.

Social media is a great forum for people to get in touch, but you don't want too many people to air their dirty laundry with you as this is fully available for the public to see especially with regards to your response, how timely it was and how helpful your agent's response was.

Whereas directing them to the same agent via chat will have less negative implications for your brand and its reputation.

Personalization and Control

To encompass a winning digital strategy with your customers you have to be more flexible. You need to differentiate from the parent company that might not be as flexible in the plans they offer. If you are targeting the youth market for example, they are used to dealing with slick digital operations such as Netflix and Spotify.

They seek control, the ability to make changes on a whim and rarely be told that they can't do something. The traditional rigid telco approach doesn't work for this generation of digital savvy engagers.

Personalization is a no brainer, any company engaging with their customers should have a degree of personalization. However, the youth market, who have grown up with the internet and smartphones expect it just to be there. They want to have personalized messaging or offers that suit their needs, they want to have a sense of comfort that your brand has their needs as a priority.

what does a digital brand organization model look like?

Figure 9 gives a general overview of how a digital brand can be structured. As you can see, it's a streamlined structure with just the core business functions that you will require to service every part of the brand. Digital brand businesses normally depend on the parent organization and 3rd parties for support. This allows them to have a lean org structure focused on sales & marketing and customer support.

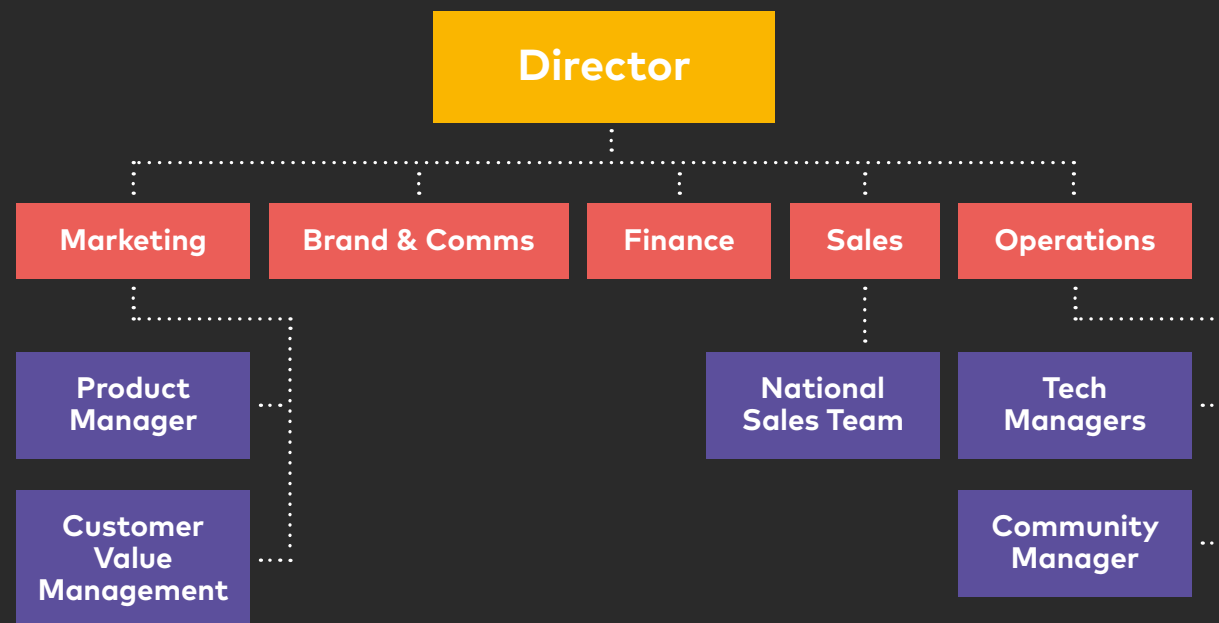


Fig 9: Digital Brand Organization Model



time to market

So you have decided you want to go ahead and create a new brand. See below in figure 10 a roll out plan for the launch of a digital brand. This is only for guidance purposes but you can see that it can be done quite quickly once you have justified the business case to the CEO/CFO.

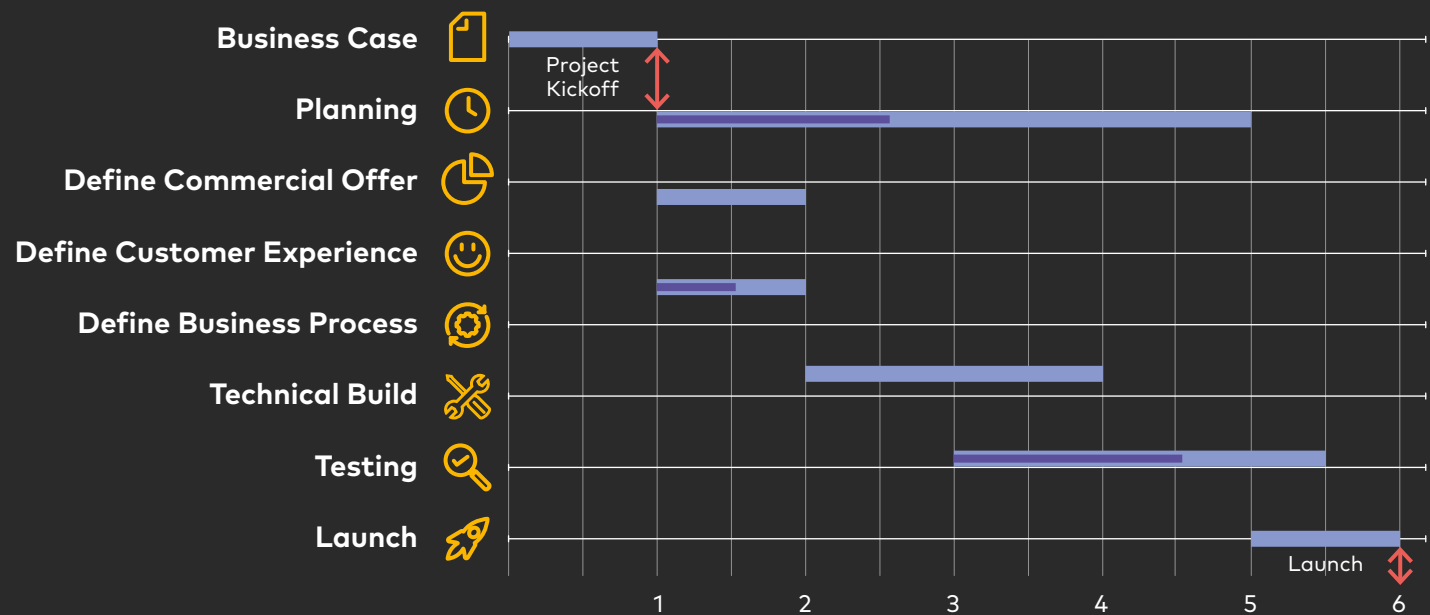


Fig 10: Digital Brand Time to Market

A black and white photograph of a man jumping into a waterfall. The man is in mid-air, with his arms outstretched, and water splashing around him. The waterfall is on the left side of the image, and the background is a dark, textured wall.

economics of a digital brand

A big advantage a digital brand business has over an MVNO is it does not have any wholesale airtime costs, as the parent company provides the network access. In addition, if a greenfield approach is taken then the opportunity to avoid large upfront and ongoing costs that traditional operators have can be avoided.

This is achieved by:

- Leveraging parent company agreements e.g. Interconnect, distribution, SIM manufacture, payment provider
- A pay as you go commercial model with a technology platform provider e.g. monthly recurring charge per active users

High marketing costs can also be avoided as investment is only needed to focus on a specific customer segment. Also if you focus most of your marketing activity either via

below the line or through digital/social media channels this will help keep the costs down. Create a bit of a buzz about the brand; be bold with the messaging so that it stands out from the crowd. Once it's established and you factor in a member get member model, the members will do a lot of your marketing for you.

Finally, if the business model is an online only one then significant savings can be realized by serving the customers via digital channels.



simplification and brand identity

At most telecom companies, reducing complexity in commercial offerings and market-facing activities is a haphazard and ill-conceived effort, chiefly reliant on targeted cost-cutting campaigns designed to support or improve profit margins. But although slashing expenditures is often vital, especially when traditional telecom products and services are commoditized, it is certainly not the endgame.

Instead of going after costs, take a more dynamic approach to simplification, one that could serve as a basic foundation for growth. The purpose of this drive should be to pare basic offerings down to a limited portfolio of products and digital services. But they should be essential enough to your customers that you can maintain a deep and loyal customer base, and they should allow your company to transition to the cloud for infrastructure needs. Depending on your own most distinctive capabilities, you could gain a

reputation as “the quality-of-service telecom company,” the “ultimate cybersecurity telecom company,” the “most innovative Internet telecom company,” or the avatar of some other powerfully charged strategic identity.

For this simplification program to work, however, you may have to address your organizational and structural complexity, flattening some aspects of your hierarchy and learning to move fast to experiment with innovative service offerings. That may require some culture change.



(Source: <https://www.strategyand.pwc.com/trend/2017-telecommunications-industry-trends>)



conclusion

Digital brands are one of the fastest growth areas in telecoms. They enable service providers to start afresh with a blank canvas and quickly build and launch a digital first service provider without being hindered by legacy systems, processes and culture.

The successful operators will be those that take action now. The development of a new, digitally focused and app-based digital brand with a fully automated experience, such as Telefonica's Tuenti brand, is how they grow market share and give customers what they really want.



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