
NEXT BEST ACTIONS - A TARIFF SIMULATION ENGINE TO OPTIMISE RECOMMENDATIONS FOR CUSTOMERS



Abstract:

Globally, mobile network operators tend to launch complex products that few subscribers can fully understand. Having a holistic understanding of what you pay for can be challenging with different peak / off-peak rates, differentiated on-net / off-net pricing, integrated service offerings and carry-over considerations from month to month. These complexities inhibit the ability of a subscriber to make an informed decisions at renewal stage, which ultimately could result in dissatisfied subscribers post-renewal, which could decrease customer lifetime value as the likelihood of churn increases.

Having the ability to rerate a subscriber based not only on their past usage profile but also forecast likely future behaviour, enables the business to identify which subscribers are over- or under-paying. This knowledge adds significant benefits for the Customer Value Management (CVM) department as, typically, subscribers who over-pay are at higher risk of eventually feeling disgruntled and, more often than not, churn.

Through the introduction of a simulation engine that is configured to be dynamic and adaptable, we are able to drive business strategy by recommending suitable tariffs to subscribers i.e. the Next Best Action (NBA). In addition to past and future usage behaviour, NBA recommendations are based on factors such churn profile and credit risk to assess whether or a not a subscriber can be *stretched, maintained or optimised*. Ultimately, this helps manage and improve client relationships whilst

simultaneously achieving business objectives such as churn reduction or revenue growth.

Client challenge:

A leading South African Mobile Operator required assistance in being able to provide realistic and optimised recommendations to their subscribers in order to:

- Reduce churn and
- Maximise revenue impact.

The key challenge resided in the fact that the current solution was not scalable in that it was not automated and required a large degree of human intervention, making it a timely process. Added to this, the market had been facing increased competition and downward pressure on prices for some time, resulting in constant changes to effective rates as well as the launch of a host of reactive products, all of which would need to be taken into account when making subscriber recommendations.

Because the current solution lacked the ability of a robust rating engine, many subscribers at upgrade stage would either have limited or no recommendations. This caused incentive and commission issues amongst sales agents who could not provide credible recommendations which resulted in erratic upgrade patterns.

The client needed a scalable and automated solution that could easily calculate the effect of subscribers taking up specific offers, and to understand, based on the subscriber profile, which offers could be recommended to both satisfy the subscriber and the operator simultaneously. The aim of the recommendations was to enable the CVM department to better manage the subscriber

base by ensuring a seamless and improved customer experience at upgrade stage, in line with the objectives of churn reduction and revenue uplift.

How we helped:

Business Science Corporation (BSC) main directive was to create robust and strategically driven recommendations based on a set of business rules centred around:

- Past and current usage
- Expected future usage
- Churn risk profile
- Credit profile
- Business strategy

The primary objectives would be to mitigate churn or increase revenue, depending on the particular subscriber profile.



This would be achieved through the implementation of a system that would allow for management to be able to set revenue/churn/usage criteria to direct recommendations.

The approach we used considered the following:

1. **Usage Profile** – Taking all historical data over 6 months, we were able to determine a subscriber’s usage profile for voice/data/messaging. By doing so, we could infer whether a subscriber had growing usage trends or a stable pattern.

2. **Behavioural Profile** – Taking qualitative subscriber attributes (such as churn risk, credit rating, tenure) we were able to understand how the business strategy should align to each particular subscriber. This allowed us to create inputs for management to customise the parameters that drive recommendations.
3. **Database Engine** – This step required the actual construction of the engine to interface with the live database, in order to create recommendations quickly and efficiently. This engine would need to incorporate all the user-defined business rules based on each subscriber’s profile.

The end result was a fully customisable engine that recommended as many recommendations as was required by the operator, with the ranking of results being driven by actual business strategy and desired outcome.

Results & Value:

The engine was built to spec, being able to tackle the two main shortfalls of the current system, i.e. the lack of scalability and ineffective recommendations.

The value this added to the business was to provide logical and well-structured subscriber recommendations in line with business objectives, which helped to retain subscribers at renewal stage and in addition mitigated churn whilst maximising revenue.

Contact Us:

BSC provides leading analytical and modelling services to help organisations grow their revenues with deliberate precision.

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