IBM

Invincible

Executive Summary

Two in three telecom businesses will need to change their core drastically if they are to survive. This relates to the fact that the telecom industry changes ever more rapidly. Besides these changes, telecom businesses can no longer be "product-focused" organizations but now need to enable communities to communicate through a wide range of services, enforcing a "service-focused" marketing model.

To cope with the above, and to reveal your future core business, we identified five dimensions. Complementary, we outline five strategic elements that set to explain which strategic actions should be taken. United they provide a complete picture as to how this all reflects on your (marketing) strategy.

1. Expectations set to Direct: to guide based on helpful information (direct) one needs to address the underlying reasons as to why an action should be taken and anticipate on how the action will impact the business at large. More important is to comprehend that 'customer focused thinking' simply cannot happen without insight into expectations - the mental attitudes that enable us to anticipate and to reason.

2. Needs require Flexibility: "needs" are defined as inevitable requirements, indicating that they cannot be bypassed and sooner or later will have an impact on your business. Especially in the telecom industry new innovative products and services are rapidly becoming a part of our daily requirements. Therefore, we first need discover the source of these "needs" preceded by flexible solutions and thinking to turn them into advantages that will strengthen our core.

3. Desires reflect Details: desires are preferences to be obtained; they often overwrite the "basic needs", not in a sense that they replace them, more that they enjoy a higher priority in our mind. Details provide meaning to these hollow preferences and are therefore essential to integrate in your offerings. However, as most telecom operators are short on time this attention to detail is often suppressed – which leads to the loss of opportunities and loyalty.

4. Trust justifies Morality: trust relates to the market place at large, a vital brand such as any telecom brand needs to be perceived as trustworthy. Remarkably and increasingly more important the conduct of business demands morality. Here we refer to an experience as "trust" reflects the confidence and reliance of a company. Unfortunately, many telecom operators suffer from a lack

of trust as their conduct of business is perceived as immoral by its customers.

5. Reactivity vs. Adaptability: In less turbulent times, telecom executives had the luxury of assuming that business models were more or less immortal. Their businesses always had to work to get better, but they seldom had to get different - not at their core, not in their essence. Today, change is the imperative. Continued success no longer hinges on momentum. Rather, it rides on the force of your reactivity – a reaction as a consequence of a series of dependent events – and adaptability – the quality of your decisions to act.

Above we mentioned changes such as service innovations, an increased focus on customers, and the establishment of the future core business awareness. Fortunately, the five dimensions outlined above each endured the test of time and have been proven valuable and essential, not only in the telecom industry, but even beyond. As this thesis sets to help make your business invincible and more profitable, it clearly defines the five dimensions, demonstrates their impact on various (telecom) businesses and presents which actions should be taken to proceed.

Therefore we believe that this thesis will be of value to (marketing) executives and others active in the world of telecommunications.

What is inside?

Background: Why this thesis and its benefits?

Originally this project was intended to be a link between emerging (web) technologies and the telecom industry; however, as IBM published "Value 2.0" this year I adapted my strategy and decided to write about how telecom businesses need to change their (marketing) strategy and their business model from a marketing perspective. The notion on the impact of technology remained, albeit less obvious.

It was my purpose to demonstrate IBM's excellence in understanding how these changes affect telecom businesses and to offer new perspectives on how we can help. Ergo, this thesis should be used as a trigger to raise the interest of *telecom executives* in our services.

Notwithstanding the above, our integrity is just as important and therefore other examples but those of IBM have also been used.

My gratitude must go to the clients of IBM, who allow my partners and me to participate in their amazing adventures and I am deeply appreciative for the support and help of our clients in a myriad of ways. I also would like to thank Hans Nieuwenhuis for his contributed ideas, time, dedication and valuable feedback. Last but not least, I would like to thank my wife, May, for the many times she read my work and commented on it, her patience and care.

I sincerely hope that you will find this thesis to be helpful.

Invincible

Five essential dimensions and strategic elements

that make an invincible and profitable business

By: *C.P.A. Lemmens*

Introduction: Telecom businesses need to change.

"Something has changed fundamentally in the world of business. Although few people seem to have internalized this shift, the effect is startling and profound. Ten years from now, one in three companies will no longer be independent because of bankruptcy or takeover, and another one in three will be completely different at its core, maybe even having a different core. Only one in three will resemble what it looks like today" (Zook, 2007).

The research of Zook above involved a large number of large businesses including numerous telecom businesses. Within his work it becomes clear that the identified shift affects telecom just as boldly. Properly understood two in three telecom businesses will need to change their core drastically if they are to survive.

Therefore this thesis introduces five dimensions that set to identify which actions should be taken next to cope with market and customer demand shifts. Supplementary, together they will help you reveal your future core business and what needs to change. As a result you will be able to fine-tune your (marketing) strategy, better understand the impact of the changes on the business, and learn how IBM helped others before.

Defining the Core

In this paper we define "core business" as the central focus of an organization's capabilities and activities that differentiates it from others and is the foundation of sustained and profitable growth[1].

Defining the Core Capabilities

A capability is the skill to accomplish a specific task in a repeatable fashion. Additionally, we define a core capability by its property to create economic value (for customers) and by its ability to provide a source of differentiation

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[1]   Based on the Bnet dictionary (http://dictionary.bnet.com/) and Zook, 2008.

against competitors. This is not to say that other capabilities are not important but these usually are not core. Nor can they be used to fine tune a strategy (Zook, 2007).

Defining Invincibility

Invincibility is an organization's property to be difficult or impossible to defeat; hence, it reflects sustained growth, characterised as such that it does not have a negative affect on the organization's profits.

Defining the Telecom Business

The instability of the telecom industry makes understanding the core a challenging task and requires a thorough understanding of your business' function at large.

A business could be considered as a balanced economic collaboration - a place where people interact, have and share responsibilities, learn and initiate together (collaborate) and are managed efficiently to ultimately reduce costs and increase value. Once we rethink this we conclude that a business is in fact a "managed interactive community" that can only be invincible if it serves the purpose of another community. In other words, the people that enable a business 'to be' are in fact its customers and the people that enable a business 'to deliver' are its employees. A business therefore is driven by a differentiating and reinforcing set of activities that set ground for a unique and valuable position within the larger network of communities - the market place.

A telecommunications business serves the purpose of sharing messages (i.e. communication) which is the vital component of mainly any other community. Many assume that its core business is, simplified, the *products* it provides to communicate in a wireless or wired fashion for both types of communities, consumers and other businesses. This assumption is faulty.

Any telecom business is about *serving* communities to communicate; that is, to facilitate the interchange of thoughts, feelings, information, images, or the like, through the channel of telecommunication. Therefore, service providers can differ in their core as to how they apply communication as a service. Currently we witness the shift from product focused thinking to customer focused thinking for nearly all telecom businesses, nonetheless, as the telecom market changes continuously, an increasing variety of core businesses continue to arise. For instance, Vodafone's core is about 'enabling *wireless* communication for everyone' whereas Bharti Airtel set its core business to be '*facilitating* communications through excellent customer service'. One of the new kits in the telecom world went through a major core transformation in the period of 2001 to 2004 which resulted in January 2007

in a new name: Apple Inc. Now, thanks to the iPhone - a product designed to revolutionize the mobile phone business[2] - it is expected that another core transformation is about to happen. Shift happens with increasing speeds and therefore it is time to take action. So, how can we uncover your future core business and what can we do to become invincible?

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[2]   According to Steve Jobs at Macworld 2007 in San Francisco.

The five dimensions and strategic elements that set to refine your (marketing) strategy

Above we identified that businesses are "managed interactive communities" which operate within other communities and where telecom businesses make up the vital interactive component of any such community. Therefore, understanding what drives these communities is just as essential as optimizing your business to help them interact.

We identified five dimensions that will provide the needed insight to do just that, besides, combined they will reveal your current and future core. These five dimensions are: *expectations* - mental attitudes that enable us to anticipate and to reason, *needs* – inevitable requirements, *desires* – preferences to be obtained, *trust* – confident dependence, and these four dimensions ultimately result in *reactivity* – a reaction as a consequence of a series of dependent events.

Be aware that these five dimensions coexist and form an iterative cycle without a fixed beginning or ending. Notwithstanding, we consider "expectations" to be the origin of the iterative cycle, as our expectations reveal the root-cause of our behaviours and actions.

Complementary, we identified five strategic elements that set to explain which strategic actions should be taken. However, only if these five strategic elements are combined a complete picture can be drawn as to how it impacts your (marketing) strategy.

1	**2**	**3**	**4**	**5**
Expectations set to **Direct**	**Needs** require **Flexibility**	**Desires** reflect **Details**	**Trust** justifies **Morality**	**Reactivity** vs. **Adaptability**
Guide through reason and anticipation.	Shifts happen and requires early adoption.	Preferences can be used to drive the core.	Provide an experience never to be forgotten.	Prepare for the right action at any time.

Expectations set to Direct

To manage or guide based on helpful information (direct) one needs to address the underlying reasons as to why an action should be taken and anticipate on how the action will impact the business at large. More important is to comprehend that 'customer focused thinking' simply cannot happen without insight into expectations - the mental attitudes that enable us to anticipate and to reason - therefore they are ideal to establish such reason and anticipation.

Defining expectations

Expectations are cognitive processes as based on a complex set of premises and previous experiences. Each of these previous experiences - encounters that were stored in one's memory - can either be positive or negative. Respectively, any kind of reward we receive - either by ourselves or by others - drive our expectations.

Cognitive research has shown that money, for instance, changes the way we think and behave. What is more, at general, the prospect of any rewards influences our cognitive processes such as attention, decision making, and the configuration of mental "rules" that determine our responses to events (Rowe et al, 2008). Whilst considering this we came to conclude that a reward is the sum of our efforts that were intended to satisfy our needs and desires. Moreover, if this reward was perceived as more valuable than our initial investment in efforts, the experience is stored as a positive one, and *vice versa*. Hence, it is this interaction between cognition and reward expectation that has an important influence on everyday thought and behaviour, even when the reward is predictable or subliminal (Rowe et al, 2008).

The importance of expectations

In May 2004 John went to a European CD store to get a track his wife had heard on the radio. He physically had to drive to the store for 20 miles, park, walk to the store, search for the CD, check if the track was indeed on it, wait in a long queue to pay, return to his car, and drive home. Finally after almost two hours of bad traffic John arrived home. His wife is anxious to listen to the new CD puts it on and unfortunately they quickly discover that all except that single track are completely worthless.

Did you notice the growth of expectations? And what about the strong disappointment once confronted with their reward?

When in June 2004 Apple Inc. launched its iTunes Music Store in Europe John perceived it as a brilliant solution. He immediately downloaded the software as John realized that now he only needs to open his iTunes application, search for the specific track, and buy it. Whist downloading he and his wife can listen together to other tracks and CDs to decide which ones to purchase. Fortunately for Apple, John was not alone as this solution was ultimately responsible for the redefinition of Apple's core business.

Why is this a brilliant solution? First and foremost, it delivers beyond the actual customer's expectations which set the gained reward to be perceived as more valuable. Secondly, it lowers the overall level of expectations as the effort to get the needed item is minimal.

> **In business terms -** T*he amount of effort a person has to put into getting a service, product, job done or any combination of them, determines this person's rate of satisfaction in terms of the expected reward.*

The strategic element

Once our customer's expectations are identified, the mental attitudes toward our offerings, it is key to transform this information into directive actions. Directing refers here to the concept of guiding the organization towards its next major accomplishment in terms of "innovative offering design". This process is based on the discovery of the *reason* to act followed by the *anticipation* on how this reason successfully impacts our business.

What did Apple do? The "iPod phenomenon" began when Apple launched the iPod, a portable digital music player based on the MP3 compression standard, in November 2001. However, at that time the iPod was hardly any more popular then its rival music players. This changed when Apple launched the iTunes Music Store in 2004 where visitors could download legal music offerings for only 99 cents per song. The introduction of iTunes had a galvanic impact on iPod sales. Within only three days after its launch PC owners had downloaded 1 million copies of the free iTunes software and had paid for 1 million songs (Yoffie & Slind, 2008). Apple recognized that customers wanted to have a legal music offering for their music players that would set them free from the massively complex process of purchasing CD's, converting them, and uploading them onto their iPod (*reason*). Moreover, Apple realized that only integrating the two would make either a success (*anticipation*).

The impact of applied expectations can be devastating. It was this core transformation of Apple that contributed largely to its sales topping $24 billion in 2007, up to 24% from the previous year. More importantly, in April 2007, Apple passed the 100 million mark in the number of iPods that it had sold. While market share estimates varied, most analysts believed that the iPod commanded 70% or more of the U.S. market for portable music players. In 2008, rivals in the MP3 player market were few and growing fewer (Yoffie & Slind, 2008). Additionally, Apple's iPhone seems to have set way for it's the next revolution. Apple's 3G iPhone was the best-selling handset in the U.S. during the third quarter of 2008. In fact, it beat out Motorola's RZR V3 (all models), RIM's Blackberry Curve, the LG Rumor and the LG enV2, the Port Washington, according to data compiled by The NPD Group (Graham, 2008).

What's next?

There are six essential actions to take in order *to guide through reason and anticipation*:

I. Track the effort path your customers need to take in order for them to purchase your communication offerings (products and most of all services). Do this for both, online and in-store, offerings.
II. Evaluate which steps should be minimised.
III. Identify the expectation value implication – that is the answer to the question: How can our current and future customers receive more value for less effort? Think about how emerging technologies can help customers to do more with your website and stores.
IV. Investigate how that would impact the services and products you as a telecom business offer.
V. Verify the feasibility of your ideas.
VI. Communicate the accepted value benefits through inspiring marketing campaigns; all communities communicate and they need to know about your revolution, moreover, they need to know how they will benefit.

In practice - *Expectations are to be used as a powerful force to change your customers' mental attitudes, moreover, they help to anticipate what needs to be realized next and facilitate in accomplishing this.*

Needs require Flexibility

In this thesis "needs" are seen as inevitable requirements, indicating that they cannot be bypassed and sooner or later will have an impact on your business. Especially in the telecom industry new innovative products and services are rapidly becoming a part of our daily requirements. Therefore, we first need discover the source of these "needs" preceded by flexible solutions and thinking to turn them into advantages that will strengthen our core.

Defining needs

To narrow the scope of focus, we distinguish between two different types of "needs": the first is referred to as "basic needs" – they are part of our daily routines and their source is no longer relevant. The second relates to the evolution of needs, signified as "shifting-needs" – those we and our customers are yet to discover – hence, we are their source.

The importance of shifting-needs

Research indicated that most successful organizations evolve around a thorough understanding of how "shifting-needs" can be discovered and how they apply to them (Gardner and Laskin, 1995; Zenger and Folkman, 2002).

It is for that reason that we focus on the discovery of "shifting-needs". Consider Nintendo, a major game development company, developing both

video game consoles and game software. Nintendo came to understand through ingenious connecting – a topic we return to later in this section – that interface simplification would be key to their next success – now known as the *Nintendo Wii*.

Only a few years ago it was a daring theory to envision that the fastest-selling video game console would have a controller with only a few buttons whilst making up for it with motion sensing. However, Nintendo was early aware of this "need-shift"[3].

Nintendo established a real connection with her customers as they understood that connecting with people is key to come to understand their "needs". But what is more, while listening is a critical activity to establish a connection, successful connections demand an understanding on the individual situation of the "connected person". This individual situation enables us to put the discovered "needs" into perspective and to actually understand where these "needs" come from. Once we understand the source of the "needs", it is through inquiry that we find the special qualities of people that can make them become aware of "needs" that even they did not know they had. This is what is meant by uncovering "shifting-needs".

Meanwhile, mark that whereas a lot of businesses actually do connect with people and discover needs, they do not always act on what they learn, let alone to pursue the "shifting-needs". They are long on interest and short on effort to address the actual needs of these people. Consequently, the involved customers feel betrayed when they are lured into believing that their input matters, only to find out that their needs are ignored. It is essential to take immediate action on the gained input and to inform your customers on the process (Michelli, 2007).

In business terms - *"Shifting needs" can be a powerful tool to strengthen our core business. Hence, connecting with customers is an essential first step and requires to be followed up on by creating an understanding of the individual situation through the means of inquiry. Nevertheless, it is critical to inform your customers on the status of the implementations as they can make or break our business.*

The strategic element
The challenge of turning connection into valuable relations where customers feel free to share their individual situation requires flexible solutions and

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[3] Note that Nintendo was not alone, indeed Apple was the other company that had foreseen this shift in needs and included such interface simplification in their iPods and iPhones.

flexible thinking. Here flexibility refers to the concept of people's willingness to yield an open-mind as to what might be possible. People operate through the application of incomplete mental maps and associative barriers, reducing their openness to accept the unknown. Mental maps are representations we create to make sense of the world around us but always on the basis of a selected subset of all possible information (Bradbury, 2006). Additionally, associative barriers are the processes in our mind that unravels a chain of associations by simply hearing a word or seeing an image, the mind unlocks a whole string of associated ideas, each one connecting to another. These chains of associations tend to be clustered around domains related to our own, and therefore limited, experience (Johansson, 2004). In fact, the mind works this way because it follows the simplest path – a previous association within its map. Therefore, we can only be flexible to a certain extend and it requires either practice or immense pressure to become more flexible.

What did Nintendo do when it faced tremendous challenges during the mid-2000s as sales and market-share had dropped from 61 to 22 percent it? As a Japanese company opening the company up to customers required flexible thinking. Nintendo's executives understood that they needed to embrace their customers somehow and needed to learn how to reach new customer segments. Their goal was simple: yield a better understanding of our customers' "shifting-needs". This understanding led the company to launch an online customer community platform, offering incentives in exchange for product registration, feedback and profile information. All information they gained this way provided critical customer understanding, however, this was not enough. They needed to go one level further to reach the state of inquiry. Their flexibility allowed for a simple and ingenious solution - a loyalty program with a status aspect.

"Sages" are an elite group of experienced gamers, handpicked by Nintendo staff based on the value and frequency of their community posting. In return for leading forums and helping new users, they have access to exclusive game previews and other one-of-a-kind benefits. By embracing customers through a web-based community with crowd-sourced "Sage" support, Nintendo was able to reconnect with older, casual male gamers, as well as women – two atypical segments for console game devices (Porta et al., 2008).

The impact of bringing brand advocates inside its organizational boundaries to provide key customer support and product feedback in return for status, rewards, and recognition is staggering. Nintendo reinvented the way its entire industry works and put itself boldly back on the map. In fact, the *Nintendo Wii* was not only a direct result from their investment in customer relationship building, moreover it was revealed as the top seller, shifting over 10.4 million units in the U.S., followed by Sony's PlayStation 3 and, in last

place, Microsoft's Xbox 360. The Wii hit its peak in April with nearly 180.000 units sold, compared to its rivals sales of around 90.000 each. Nintendo led the race in handhelds sales too, revealing data that showed the DS took a significant lead over the PlayStation Portable for the entirety of the year.[4] In total Nintendo sold 24.5 million *Nintendo Wii* units in 2008 contributing to revenues of almost $17 billion and a net income of $2.5 billion[5].

What's next?

There are five vital actions to take in order *to early discover and adopt the "shifting needs"*:

I.   Act decisively and act now; select the most flexible people (*not per se the most talented*) for this endeavour to increase the odds of success.

II.   Connect with your customers in alluring ways; telecom customers are increasingly more willing to participate, notably when they receive an incentive in return as they invest an effort – think expectations.

III. Once you established a fairly large connected customer community it is time to select your most valuable participants (here information is key not revenues) and invite them to share more whilst you share with them; this sets foot for the process of valuable inquiry.

IV.   Communicate the status of adoption or rejection on the selected ideas toward the involved participants. They are not only valuable in terms of the information they provide, moreover, they represent your business to the entire customer community.

V.   Ensure that your creation remains as good a secret as possible in anticipation of the moment it is launched. Creating a sustainable competitive advantage in the telecom industry is nearly impossible. Therefore, responsibility is a key factor here – people need to feel that they are part of something big, something they are responsible for, something they will cherish - in order for your business to benefit most from its efforts and investments.

In practice - *Unfortunately most companies are only to discover that shift happens in times of a crisis. However, a select group of organizations prepares before such times occur, they master the art of flexibility as based on a thorough understanding of their communities' "shifting-needs". It is important to plan for flexible thinking and solutions since any business model*

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[4]   http://www.gamesindustry.biz/articles/nintendo-unveils-2008-european-console-sales-figures

[5]   Nintendo Annual Financial Report 2008 as downloaded from:
http://www.nintendo.co.jp/ir/pdf/2008/annual0803e.pdf

that is not flexible enough to early discover and adopt these "shifting-needs" will ultimately fail.

Desires reflect Details

Since desires are in fact preferences to be obtained they often overwrite the "basic needs", not in a sense that they replace them, more that they enjoy a higher priority in our mind. Details provide meaning to these hollow preferences and are therefore essential to integrate in your offerings. However, as most telecom businesses are short on time this attention to detail is often suppressed – which leads to the loss of opportunities and loyalty.

Defining desires

Whereas people generally plan ahead and seem to behave virtuously, theoretically, people first provide in their needs and thereafter in their desires, and yet practically this theory just does not apply. The desires people have often trumps their needs. In a neuroscientific research conducted by Berridge and Kringelbach it became clear that this has to do with the way our brain is triggered by the things we like, it gets a higher priority, overwriting our basic needs (2008).

The importance of desires

Seamlessly effortless integration of services that connect needs with desires set way for customers to perceive the delivered services as increasingly more valuable. FNAC, France's largest retailer, masters such seamless integration. FNAC sells in innovative ways cultural and consumer electronics in their stores and through its website. They distinguish themselves from discount stores by having highly competent employees who have extensive product knowledge and offer adequate independent information. FNAC understood the main difference between desires and needs, in that most desires are in fact unspoken preferences which are resembled through the care for details. However, do note that despite customer's sharp awareness of a service's deficiencies they yet cannot quite picture what might replace it.

When FNAC set to extend this high-quality and informative service to online customers they created a new website. Through this website customers interact with product information as never before, greatly enhancing the buying experience, moreover, this website replaces the often poorly offered online services by one that satisfies FNAC's customers. FNAC stores have also implemented the website as an application in their stores' kiosks[6].

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[6] http://whitepapers.techrepublic.com.com/abstract.aspx?docid=269256

Looking to the future, FNAC expects to deliver a more informative and consistent service experience - both in stores and online - and looks forward to increased online sales.

In business terms - *Flawless integration of customers' desires in your services and offerings require observation and imagination. And although customers need not to picture what they really want, we should. Desires are the hardest to comprehend and even harder to uncover – notwithstanding, they can shape the next major business transformation.*

The strategic element

Despite the obvious difficulty to uncover desires they add a truly remarkable advantage when understood properly. Desires encompasses all aspects of your business and are therefore an inamissible part of your core capabilities. Reflecting on the above, it are the many details that give customers the feeling that their desires are noted, establishing customer loyalty.

What did FNAC do besides improving its website? The French retailer understood the impact of details suitably. They enable customers to engage with their company through the means of physical forums where well-known authors, guest speakers, and management come together with (potential) customers to share information, discuss ideas, and to learn from each other. FNAC also houses a quality coffee shop in most of their stores where customers can relax while they evaluate products, browse through books, and listen to the store's music. Another experience that cannot go unnoticed are the many youngsters sitting on the floor while drifting away in their readings and oddly enough, after finishing their readings, they actually purchase it[7]. There is much more to FNAC then what meets the eye.

In fact, FNAC sets such high standards through their care for details that it is difficult to comprehend its full impact and philosophy. They provide their customers through simple means of their exact desires. Knowledge comes together with quality service in a perfectly drafted ambience as management realized early on that it is this care for details and ambience that makes people want to stay. For that reason FNAC enjoys a truly loyal customer base and it are these loyal customers that account for an unusually high proportion of their sales (4.6 billion euro in 2007), profits and growth.

What's next?

There are five critical actions to take in order *to use the unspoken preferences as to drive your core business:*

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[7]   Note here that their needs were just replaced by a desire.

I. Always wonder what you would (dis)like as a customer, communicate these findings internally and with customers. Remember the selected customers for inquiry? They are ideal to brainstorm these ideas with.

II. Document the spin-off and wonder how you could apply it. Here curiosity and imagination are key. Involve internal people early to create enthusiastic advocates.

III. View the impact from multiple perspectives, like a cube there are multiple sides to any potential improvement, markedly in such a dynamic world as telecommunications.

IV. Once the impact is covered a small trial should be conducted to fine-tune the improvement.

V. Develop re-usable formulas but do not forget about cultural influences. Obviously your core capabilities should remain the same but other capabilities that result from the improvement should not impose on a location's culture.

In practise - *Customers value the detailed attention. Service providers especially, need to understand that customer's desires are often reflected by small details. It is fundamental to find out what your customers really desire to make your business more sustainable and to train our internal people well enough to demonstrate that they genuinely care about our customers.*

Trust justifies Morality

Trust relates to the market place at large where a brand, such as any telecom brand, needs to be perceived as trustworthy. Remarkably and increasingly more important the conduct of business demands morality. Here we refer to an experience which differs from the above in that the above reflects customer's preferences and "trust" reflects the confidence and reliance of a company. Unfortunately, many telecom operators suffer from a lack of trust as their conduct of business is perceived as immoral by its customers.

Defining trust

Trust concerns changing concepts and perceptions, moreover, it strongly influences people's motivations. It is about reasoning that is not immediately obvious and hard to understand. Connecting with various communities at different levels and in different settings is required to improve the overall community insight. Although trust is critical it is also multidimensional, as it is not obvious on which aspects management needs to focus when dealing with any particular constituency. Additionally, your organization's core

capabilities need to include "establishing trust", this since trust is, in fact, a valuable competitive advantage.

The importance of trust

Anyone who has signed up recently for cell phone service has faced a stern test in trying to figure out the cost of carry-forward minutes versus free calls within a network and how it compares with the cost of such services as push-to-talk, roaming, and messaging (Meyer & Schwager, 2007). However, some time ago there was a small telecom operator in India, named Bharti Airtel. It is this small provider that changed the above and built up the largest mobile-services operation in India – and the fastest growing one in the world, in terms of subscribers – despite initially trailing better-funded competitors.

They realized their need for maximizing their future flexibility and growth potential and with help of IBM they adopted a business-driven framework for integration, allowing Bharti Airtel to implement and deliver new services rapidly. Moreover, they understood that this need would be accompanied by their set of capabilities to focus on developing new services that would set them apart from the intensifying competition and strengthen its customer relationships. Hence, Bharti Airtel decided to redefine the typical core business of telecom service providers. They understood that their core is all about delivering a truly differentiated experience and having the flexibility to continuously improve the customer experience and to be reliable (IBM, 2008).

Just like Bharti Airtel you should realize that all efforts go to waste once customers have an unsatisfying experience, sales hit rock bottom quickly as people talk about their experiences, and rebuilding that hard gained trust is incredibly difficult (Meyer & Schwager, 2007).

In business terms - *It is important to realize that trust encompasses every aspect of a company, especially its profitability since the trust of a community is hard earned and losing it, wastes not only all your hard work, moreover, regaining their trust is virtually impossible.*

The strategic element

The conduct of business is based on trust as without most of us will not even engage in any transaction. Therefore it is essential you conduct your business according to predefined moral guidelines. Being moral is complex and yet simple, it requires an in-depth understanding of the company's real values that reflect those of your customers.

What did Bharti Airtel do that enabled them to grow profitably at such speeds and while they had several challenges to cope with? When we focus at one specific challenge we find an unusual worldview being applied by a telecom

operator. Bharti Airtel needed to make major investments in its IT infrastructure required to service its rapidly growing base of subscribers. Notwithstanding the many risks involved with any large fixed investment as they were this time accompanied by a strong financial risk from a steady decline in India's average revenue per user (ARPU) for mobile telecom services - the result of government-mandated pricing changes. Fortunately, Bharti Airtel appreciated the principle of conducting moral business extremely well whilst they realized that outsourcing would be their key to success. Any of their outsourcing partners, be it Ericsson, Nokia, IBM, or Wal-Mart were carefully selected based on reliability and matching values, not costs.

Inline with its vision, Bharti Airtel's advanced integration capabilities have enabled the company to transform key aspects of the customer experience. Take for instance the capabilities for account creation. As Bharti Airtel signs up an average of 1.5 million customers per month, they transformed this capability in a core capability where activating new accounts with maximum efficiency is essential. By integrating the account activation process with such key back-end systems as billing, provisioning and order management, they were able to cut the time required to activate new mobile accounts by 90 percent. Bharti Airtel's integration framework has also led to stronger business intelligence capabilities, which have in turn enabled the company to maximize the value of its customer relationships through cross selling and market segmentation (IBM, 2008).

The impact of their customer focused strategy is easy to visualize once you realize that to date Bharti Airtel has more then 75 million subscribers and realized revenues of over $6 billion in 2008 whilst realizing a net income close to $1 billion. Moreover, they added the highest ever net addition of 5.3 million customers in a single quarter and also the highest ever net additional of 10 million total subscribers[8].

What's next?
There are eight actions required to *provide an experience never to be forgotten:*

I.   Launch an insightful survey with incentives to reveal the true
      customer experience.

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[8]   Bharti Airtel Annual Report 2007 as downloaded from:
       http://www.bhartiairtel.in/index.php?eID=tx_nawsecuredl&u=0&file=
       fileadmin/srijan/Results_Record/Bharti_F_Pages_March_07.pdf&t=12
       29004470&hash=cf15762a34f988c24a2ac0685e7316e9

II. Communicate and demonstrate the findings without interpretation. It is likely that the responsible executives become defensive and will try to explain away what the data is telling rather than understand the concerns behind them. Additionally, before communicating the findings it is valuable to realize that telecom businesses are often victim of their own past successes, providing the executives of ammunition – prepare to demonstrate that the past is better left in the past.

III. In parallel with the second step you will need to involve the information technology, human resources, service operations, and product/service development departments to take the same actions as outlined below. Only once it becomes a number one priority on their 'to-do lists' the customer experience will change.

IV. Capture the tastes and standards of ever one of the target market segments.

V. Circulate that knowledge within the company in the form of business guidelines and setup a simple customer experience dashboard.

VI. Identify the new opportunities in the neglected areas, especially the service areas.

VII. Act on these opportunities.

VIII. Install specialized account teams whom will regularly (e.g. monthly) survey the identified touch-points and schedule to present their findings as in action II.

In practice - *Customer dissatisfaction is widespread in the telecom industry and because of customer's empowerment, increasingly dangerous. Although many telecom operators know a lot about their customer's buying habits, incomes, and other characteristics used to classify them, they know little about the thoughts, emotions, and states of mind that customer's interaction with products, services, and brands induce. Yet unless you learn about these subjective experiences and the role every function plays in shaping them, customer trust will not be realized* (Meyer & Schwager, 2007).

Reactivity vs. Adaptability

In less turbulent times, telecom executives had the luxury of assuming that business models were more or less immortal. Their businesses always had to work to get better, but they seldom had to get different - not at their core,

not in their essence. Today, change is the imperative[9]. Continued success no longer hinges on momentum. Rather, it rides on the force of your reactivity – a reaction as a consequence of a series of dependent events – and adaptability – the quality of your decisions to act.

Defining reactivity

Telecom operators will have to overcome the cognitive challenge of eliminating denial, nostalgia, and arrogance. Reactivity here implies the strategic challenge of learning how to create the best response to your customers' expectations, needs, desires and trust issues. It is about establishing wealth through small tactical experiments, the challenge of reallocating resources to where they can earn the best returns, and most essential, the ideological challenge of learning that strategic renewal is as important as optimization.

The importance of reactivity

On the 7th of April 2003 a remarkable alliance was formed - FreeMove - an alliance between Telefónica Móviles, T-Mobile, and Telecom Italia Mobile, and was later joined by France's Orange. It was perceived as a challenge, if not a declaration of war on Vodafone Plc., the world's leading mobile operator with 122.5 million[10] customers worldwide at the time. FreeMove's prime objective was to establish creating value for each of the alliance members as well as their current and future customers. However, in competition with Vodafone and Starmap - an alliance launched by Europe's smaller operators after the foundation of FreeMove - chances for differentiation were slim.

What is more Vodafone had already prepared a reactivity approach, long before the alliance had officially been formed and they executed accordingly.

In business terms - *Our reaction toward our customer community needs to be spot on. It needs constant and consistent tuning to exceed customers' desires and expectations – establishing loyalty, profitability and growth. However, as competition gets fiercer and the ability of differentiation gets smaller - reactivity is no longer enough.*

The strategic element

As reactivity is not enough conventional wisdom holds that, in the absence of equilibrium, adaptability could well be your best strategic move. According to this view, executives will succeed if they can sense and respond quickly to

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[9] This finding is supported by IBM's CEO study of 2008 as based on conversations with more than 1.000 CEOs and public sector leaders worldwide; named: The enterprise of the future.

[10] The Herald, April, 8, 2003. "Europeans tot threaten Vodafone's dominance".

what is changing around them. However, often such insight is unavailable at these crucial moments and therefore we do *not* consider adaptability as a response to the changes surrounding us but as the quality of our decisions to act, making it a strategic element and not as a strategy on its own.

Adaptability versus reactivity; reactivity is about a response toward customer demands - adaptability on the other hand is about the decisions made to attack the competition. Adaptability is formed through series of well-timed decisions that are effective from the moment they are taken. Compare them to the well-timed swoop of a falcon which enables it to strike and destroy its victim. This in turn means that invincibility can only be achieved through the processes of joint manoeuvres and elimination.

Previously, Vodafone's reactivity approach targeted leading, or near-leading, positions in various European countries and in the United States through the acquisition of AirTouch, followed by the merger with Mannesmann, and with the U.S. business of Verizon, which provided them with leadership in over fifteen other markets. Gent, Former CEO: "We are now starting to see the real benefits of thinking internationally about scale". These were critical decisions for Vodafone (Zook, 2004). Remarkably, it were these decisions that introduced adaptability into the (marketing) strategy of Vodafone.

What was Vodafone's adaptability approach to the threatening alliance? As any alert business, Vodafone was made aware of the alliance as it had drawn much media attention and therefore Vodafone acted by further fine-tuning their (marketing) strategy and increasing the speed of execution. Consequently, they engaged in a number of strategic alliances in 2003 that exceeded the scope of its previous partnerships. With Orange, Telefónica Móviles, and T-Mobile it formed a new association to drive interoperable mobile payments[11]. With British Telecom it cooperated in the further development of the area of fixed-mobile conversation[12]. Together with Microsoft[13], Vodafone worked on the development of a proprietary operating system for mobile phones. This was a significant deviation form the industry consensus as it threatened the agreement reached on a technical standard for mobile phones established by the Symbian consortium (Riehl, 2004).

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[11]   Total telecom, June 23, 2003. "European operator alliance plans m-payment system".

[12]   Financial Times, June 8, 2004. "Telecom Group link up to push for combined mobile and fixed services".

[13]   Financial time, October 14, 2003. "Microsoft and Vodafone plan mobile venture".

Notwithstanding, Vodafone increased its pressure on handset developers to respond to its wishes in handset design and exclusivity deals, while for Microsoft it presented the opportunity to gain a foothold in the mobile market (Riehl, 2004).

As time passed Vodafone kept actively pursuing their reactive approach and ensured that its offerings would be effectively delivered to its customer communities in any country. They came to realize that categorizing its customers according to where they live, as most cellular providers do, would be a mistake. "Instead, it divided its immense marketplace into just a few, high-priority global segments" (Allen et al., 2005).

Vodafone created targeted and experience-focused value propositions for communities they had identified in truly unique ways. The community "young, active, fun" was served through the offer of *Vodafone live!*: a state-of-the-art service that provides everything from games and pop-song ring tones to news, sports, and information (Allen et al., 2005). Subsequently, the community that made up the group of occasional users were offered *Vodafone Simply*: an uncomplicated and straightforward mobile experience[14]. These simplistic offers provided such clearly delineated service platforms that allowed everyone in the organization to understand the strategic priorities and focus on the innovations that would better serve the segments (Allen et al., 2005).

Last but not least, the final adaptability move of Vodafone, for this case study, was when they agreed with Sony Music on the distribution of content through its *Vodafone Live!* Service. These content relationships were very profitable for Vodafone it managed to pay only 60% of revenues, compared to the 91% of revenues paid in *i-mode* relationships to content providers (Riehl, 2004).

The financial impact of these actions was astonishing, Vodafone realized revenues of nearly $62 billion in 2004, and respectively it booked a profit of more then $16.5 billion for the same financial year. Vodafone still executes according to the five dimensions and strategic elements outlined in this thesis which resulted in 2007 in record profits of over $19 billion.

What's next?
There are ten actions needed to *prepare for the right action at any time*

    I. Establish robust positions of leadership throughout the entire organization.

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[14]   Vodafone Group's 2005 annual report

II. Identify which steps drive the most value from the point of view of your customers.

III. Identify your most essential capabilities in each part of the value chain.

IV. Identify the capabilities that are significantly differentiated compared to your competitors and gain an understanding of why that is.

V. Gain awareness of the state of your core business in respect to the above.

VI. Obsess on the full potential of your future core business.

VII. Create a clear and timely point of view on the future as based on the insights gained from the previous dimensions.

VIII. Map which reactivity moves suit your customer demand as a predictor of latent value.

IX. Create world-class excellence and provide a delightful experience.

X. Do not underestimate the power of focus and act today – before it is too late.

In practice - *Only when you understand the expectations, needs, desires, and trust issues of the involved customer communities we can plan for the appropriate reactivity. Thereafter, this understanding can be followed up on by the strategic inclusion of adaptability – purposed to grow more profitable and become truly invincible.*

Conclusions

We set to deliver an answer on how to make your business become invincible and more profitable. We saw that two in three telecom businesses will need to change their core business and capabilities. These changes mainly involve service innovations, an increased focus on customers, improved customer understanding, simplification, and perhaps most important – the establishment of the future core business awareness.

The five dimensions each endured the test of time and have been proven valuable and essential, not only in the telecom industry, but even beyond. Additionally, we demonstrated that through application of the five dimensions combined with the matching strategic elements the required changes as identified above can benefit the organization, what is more, can increase your profits and make our business truly sustainable – invincible.

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