

DEVELOPING AFFINITY IN MOBILE TELECOMS

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The logo for ThoughtBreak, featuring the word "ThoughtBreak" in a stylized, orange, sans-serif font. The background of the entire page is a light blue gradient, and the bottom portion features a stylized landscape with blue mountains and a yellow sun reflecting on a body of water.

ThoughtBreak

clear thinking

Table of Contents

<i>Developing Affinity in Mobile Telecoms</i>	1
Executive summary	3
The affinity model	4
Understanding the customer bond.....	4
Models of Co-operation.....	4
Benefits.....	5
Challenges.....	6
Partner selection.....	6
Execution.....	6
Affinity in telecoms	7
Current market trends.....	7
Driving online sales through a tailored experience.....	7
Affiliate versus affinity.....	7
The affinity opportunity.....	8
Potential Affinity Partnerships for telecoms companies.....	8
Stepping up to affinity	9
Effective Communication.....	9
Flexible Relationships.....	9
Effective Content Management.....	10
Targeted Delivery.....	10
Engaging Presentation.....	10
Lead conversion.....	10
Tracking and Reporting.....	10
Conclusion	11

EXECUTIVE SUMMARY

There is a constant pressure on marketing managers to spend their marketing budgets “smartly” and improve their return on marketing investment. This is forcing marketing professionals to seek new and under-exploited communication channels where they can engage with customers in a more personal and relevant conversation.

The affinity model, where two or more companies exchange brand value or assets to acquire, develop or retain customers, is widely seen as a powerful means to develop exclusive channels, relatively free from the noise of competition.

People often have a strong affinity for organisations such as their favourite charity or airline and are more likely to take up offers from such organisations. Through affinity marketing, the supplier of a product takes advantage of the bond between a partner and their customer or member base. By collaborating in this way, costs are reduced, new channels to the consumer are opened and complementary brands can have an impact that neither could achieve alone.

The Mobile Telecoms market is fiercely competitive in the UK with rivals struggling to overcome the similarity of their propositions. Traditional, non-targeted, mass-marketing campaigns tend to rely on low price to achieve a target response which drives a relentless squeeze on margins. Affinity marketing offers a wealth of lucrative channels to mobile companies who recognise the benefits and can rise to the challenge of modelling their offerings to suit the targeted audiences.

The credit card industry, where affinity marketing is relatively mature, has demonstrated, for example, that charities can provide rich marketing channels. By donating a percentage of sale or usage revenue to a charity a Network could reach a large but targeted audience with tailored product and service offerings, whilst complimenting corporate social responsibility initiatives.

With their large customer bases and strong brands the Networks can also reverse the roles and sell third party services, an attractive prospect in a world where communications are becoming a commodity and the Networks will increasingly vie to offer the vertical service propositions.

Affinity marketing is not easy to get right. The initial challenge is to identify truly complementary brand partnerships. Success then depends on close collaboration between the partners to craft the right propositions; it is crucial that both parties be fully engaged in bringing together their respective assets: the supplier knows their product and the affinity partner their customer. Finally, to draw ongoing value from each customer relationship, partners must work together to deepen the customer's sense of affinity by delivering exclusive and engaging offers and services.

The gulf between tactical brand marketing, commonplace in the telecoms market today, and the strategic brand partnerships that will shape the market of tomorrow will be bridged by stronger collaboration between partners.

THE AFFINITY MODEL

UNDERSTANDING THE CUSTOMER BOND

Affinity marketing is targeted to an audience where it is anticipated that a particular affinity exists. A campaign may be designed to elicit one or more of the following types of response from the consumer:

- **Cause related:** sympathy for a deserving cause.
- **Relational:** identifying with something, somewhere or someone and wanting to enhance that bond or to display more prominently that badge of affiliation.
- **Aspirational:** wanting to belong to a group of different social standing (perhaps ego-driven).
- **Self interest:** desire to benefit personally from buying a product or service; perhaps getting a better price, a more focused product or other benefits.
- **Trust:** desire for the advocacy of a trusted knowledgeable brand.

MODELS OF CO-OPERATION

Partners may brand Affinity propositions in different ways:

- **Affinity Branded:** The proposition is marketed under the affinity partner's brand and the customer is unaware of the provider (except insofar as regulation might demand). This is commonly known as "White labelling."
- **Co-Branded:** The joint offering is marketed using both brands.

A supplier-branded offering amounts to little more than a sharing of the partner's customer database and not considered here as a true affinity partnership.

Rewards for Affinity collaboration can follow more than one model:

- **Affinity Commission:** The service provider rewards the affinity partner with a percentage of sales or service revenue.
- **Shared Service Revenue:** Both parties co-operate in service provision and share the revenue.
- **Added Affinity Value:** The provider generates service revenue; the affinity partner is rewarded by an enriched customer proposition.

Other types of Brand marketing which are not directly sales focussed and result in less tangible rewards, such as changes in Brand Perception are generally considered beyond the realm of affinity marketing.

BENEFITS

The benefits of successful affinity marketing are compelling:

- Higher return on marketing investment
- Higher customer lifetime value through longer retention and / or higher purchase levels
- Increased likelihood of favourable consumer response; half of UK consumers surveyed view marketing offers as less intrusive if they are from a company with close ties to a company they are already affiliated to¹.
- More accurate targeting of marketing communications
- Improved brand awareness and brand perception; affinity with a deserving cause or another premium brand can enhance the brand image of the affinity partner
- Shared marketing costs between the affinity partners
- Private marketing channels not crowded with competitive messages
- Acceleration of market entry

Affinity partnerships can develop a more relational exchange with the consumer. The consumer's existing bond with the affinity partner is a medium for promoting communications beyond the original sale such as relevant new products or information updates on how the consumer's purchases have benefited the affinity organisation.

Affinity marketing helps to build trust in selling to consumers. Establishing trust and credibility with the customer, always important in selling, is particularly critical with the shift to online where there is a lack of face-to-face interaction.

¹ Based on market research by the Future Foundation

CHALLENGES

These benefits do not come easily; building effective and commercially productive affinity partnerships is a complex process.

PARTNER SELECTION

Identifying a complementary band partner involves a detailed analysis and comparison of both company's assets. These include the tangible, such as volume and value of customers, channel distribution and reach, depth and breadth of customer data held, market penetration and the intangible such as the depth of brand loyalty which, at best, can overcome other competitive forces. The growing sophistication of brand matching, using lifestyle, geo-demographic and psychographic tools in order to profile existing customers is enabling the increasingly productive relationships to develop. This early diligence does, however, demand a lead time and investment.

EXECUTION

The next major challenge is execution. A successful partnership requires the collaboration of staff in a variety of different roles spread across different organisations.

The partners must agree shared objectives and common culture; both must manage internal marketing, implementation and ongoing operation. Staff from both organisations should be able to contribute to, review, approve and track the progress of a campaign.

No two affinity relationships are exactly the same and the roles performed by each party will vary. For example the role of identifying products to include in the campaign may lie with the product supplier, the role of identifying the audience to target the communication to may lie with the affinity partner and the role of authoring and approving the communication may be a joint activity. What's crucial is that the process and the tools which enable it must be sufficiently flexible to empower the people behind the partnership.

AFFINITY IN TELECOMS

CURRENT MARKET TRENDS

The UK mobile industry suffers from high levels of customer defection - churn. This has caused a downward pressure on prices and therefore on revenues. However, with the rise in mobile information services the market is arguably commencing a new growth phase.

Mobile brands are now starting to acquire different personae, appealing to different groups. As different mobile brands identify the key segments in their customer base they are well positioned to identify and partner with brands with customers of a similar profile.

Mobile companies have established large customer bases which they contact frequently (for billing etc). These are highly prized assets which could be exploited for access to suitable partner's customer bases or monetised by affinity marketing of products from partner organisations.

Moreover as the general public's lust for mobile information and services continues to increase, so does the potential for more creative affinity tie-ups – such as partnerships between real time news services and mobile providers.

DRIVING ONLINE SALES THROUGH A TAILORED EXPERIENCE

As mobile companies push to increase online sales they will need to have more targeted conversations with consumers. Today's online consumer is bombarded with advertisements and is increasingly particular about where they will click. The context in which marketing communications occur is thus a key factor in generating and converting leads. For example a marketing campaign targeting the high-end consumer may be more successfully converted if it is fielded in a high-end experience. A recent mould breaking example of this in the UK is the Orange "Boutique" micro-site which is aiming to capitalise on high-end phone users.

The affinity model can take this approach even further by generating a lead in a trusted "affinity" context and following through with a sales experience that complements the audience to maximise the likelihood of closing the sale.

Mobile companies will need to develop these diverse and audience centric elements to their online presence to meet future online sales objectives.

AFFILIATE VERSUS AFFINITY

'Affiliate' marketing, using one website to drive traffic to another, is widely adopted in the UK mobile telecoms market today. It has proven to be a highly cost effective channel for driving volume. One of the key attractions is that marketers only pay for activity that generates genuine sales; it works on a cost-per-acquisition (CPA) basis.

Affiliate and affinity marketing should be regarded as complementary tools but affinity has some additional strategic benefits: it is generally more targeted, uses the strong customer bond to drive a higher quality of acquisition, opens private channels to the consumer and provides the product supplier with a greater level of control and understanding of the context in which marketing communications will occur.

THE AFFINITY OPPORTUNITY

There are a wide variety of affinity opportunities that mobile telecoms companies might exploit. More creative tie-ups can incorporate the promotion of relevant mobile services to the affinity group, encouraging usage revenue beyond the initial sale.

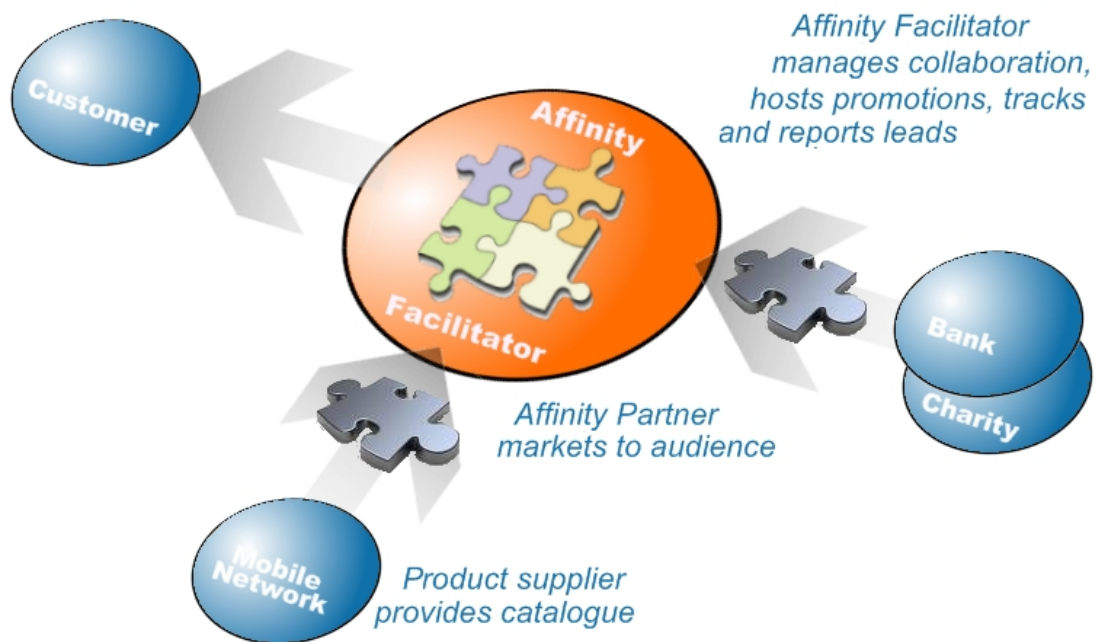
POTENTIAL AFFINITY PARTNERSHIPS FOR TELECOMS COMPANIES

Charity sector	<p>Charitable groups are already major players in the affinity market. For example in the credit card market they make up ~ 2/3 of the affinity cards (and over half of all UK affinity products generally).</p> <p>The affinity group is sympathetic to the deserving cause. Promotions could for include an up-front and / or on-going contribution to the charity; incentivising both the sale and retention.</p>
Financial sector	<p>Banks, with the breadth and depth of their customer bases, make attractive affinity partners. Moreover, there is already a synergy with telecoms in terms of the rapid growth in mobile banking. Barclays for example recently released a new mobile site, Barclays.mobi which has experienced 100% growth in usage this year. An affinity partnership with a bank could promote mobile banking, perhaps combined with brokerage functionality and financial information (encouraging mobile service usage) and potentially lead in future to mobile commerce.</p>
Membership organisations	<p>Membership organisations, particularly football clubs, are also significant participants in affinity marketing. Partnerships could emphasise aspects of the product and / or services relevant to the group, for example:</p> <ul style="list-style-type: none">• RAC: promoting mobile packages with built in satellite navigation and software• Sky TV: promotion mobile packages including Mobile-TV subscriptions
Events, celebrities etc	<p>Mobile telecom companies already engage in significant brand advertising, for example Vodafone's association with McLaren Mercedes F1 and Lewis Hamilton. This brand advertising could be extended into affinity marketing by directly promoting offers for products and services aligned with the affinity group.</p>
Retail	<p>Partnerships with sympathetic retail brands could be used to target particular affinity groups based on their affiliation or aspiration for the brand. For example www.handbag.com to target fashion conscious women, www.golf.com to target golf interested predominantly male audience.</p>
Transport	<p>Mobile telecom companies could partner transport organisations to promote offers to customers incorporating up-to-date travel information. Vodafone, for example, recently partnered Northern Rail to provide such services over the Blackberry.</p>
Publishing	<p>Mobile companies are already partnering with publishing firms to offer content services to their customers such as downloading of e-books or audio books. Bi-directional relationships could be established to target the consumer base of online book sites with relevant mobile products and services.</p>

STEPPING UP TO AFFINITY

Success in affinity marketing requires the co-ordination of input from a range of different skill sets and vested interests. As with any complex collaboration, affinity marketing can be much more effective when facilitated by experts in the discipline using tools designed to support the process and encourage good practice.

The Affinity Collaboration



EFFECTIVE COMMUNICATION

Marketers often focus only on communicating with the customer, neglecting to develop good communications with stakeholders. An affinity partnership depends on fluent stakeholder communication throughout; players must co-operate in setting objectives, preparing campaigns, co-ordinating fulfilment and so on.

A tool can help engender a culture of good communication - even in a geographically dispersed team – through messaging, workflow and resource sharing.

FLEXIBLE RELATIONSHIPS

To this point we have tended to characterise an affinity relationship as one between one product supplier and one affinity partner. In reality a product supplier may well establish a network of affinity partners and even engage in bi-directional relationships where both parties market one another's products.

Effective collaboration in a complex relationship depends on clear agreement on the roles and responsibilities of each participant. Tools must allow a user's roles to be configured and should aggregate corresponding tasks in a single view.

EFFECTIVE CONTENT MANAGEMENT

Effective content management is often important to marketers. The distributed and collaborative nature of affinity relationships mean that it is especially so in affinity marketing.

Publishers must be equipped to assemble and preview content from assets such as copy, images and flash files. Interconnected content should be managed as a unit to ensure that the approval process is efficient and that it guarantees integral, self-consistent publication.

Tools should allow a change to be withdrawn just as easily as it was deployed in order to retract mistakes or react to sudden changes in market conditions.

TARGETED DELIVERY

The Affinity customer base should not be treated as homogeneous: careful thought must be given to targeting a campaign to the correct customer segment.

If the affinity partner's Web site is not sufficiently sophisticated to support customisation by segment, a third party may host sympathetically branded pages that are customised based on offline segmentation feeds.

ENGAGING PRESENTATION

Rich Internet Applications (RIA) can deliver content with greater impact than traditional web sites.

Web “widgets” are already well established in affiliate marketing as a means of pulling live content, links, images etc into third party sites without the site owner having to update or control it.

Desktop gadgets, from Google and Microsoft provide further opportunities to establish a presence on some of the most valuable real estate in the home – the PC desktop. For example a widget branded for the affinity organisation, perhaps providing real-time news and updates, could include selective affinity promotions and increase the reach of marketing communications.

LEAD CONVERSION

A good lead can be wasted in a poor conversion process. An easy checkout or well-managed assisted sales processes are vital. Support for deep linking into the sales process on the product supplier website will jump-start a sale. This can be further streamlined by sharing of customer information (with customer consent) to pre-populate the customer's details within the product supplier website.

TRACKING AND REPORTING

Opaque or error prone sales tracking will erode the trust between affinity partners and jeopardise long-term relationships.

The affinity partner needs real-time visibility of progress against volume targets and projected commission; the product supplier needs a simple mechanism to record lead conversions.

A transparent and shared view of customer activity incentivises sales growth and minimises administration overheads.

CONCLUSION

Affinity marketing offers significant opportunities for the UK mobile telecoms industry.

The stream of partnership promotions involving music downloads, e-books, and television and information services demonstrates the importance that the Networks are now placing on strategic tie-ups to drive sales.

Stepping up to affinity presents an unusual “collaboration challenge” – requiring organisations to cooperate at a deeper level than they are accustomed to. Underestimating the importance of a strong and perpetual partner relationship risks wasted investment and worst case scenario alienation of the consumer and damage to the brands involved.

Successful and enduring affinity partnerships demand collaboration throughout the campaign life-cycle; the definition of goals, development of the proposition, delivery of the communication and tracking of success are activities in which all partners should be closely engaged. Even after a sale is complete partners can collaborate to reinforce the affinity and encourage consumer retention by providing exclusive service or affinity related content.

Ultimately this collaboration challenge is a cultural one with marketing staff needing to adjust to a partnership approach to business. Supporting this process with technology that understands and promotes the best practices will pave the road to affinity success.