

Case 19: Direct Mail Campaign (I of II)

Deloitte, Round 2 – Mini Case

Problem statement narrative	Guidance for interviewer and information provided upon request⁽¹⁾
<p>Our client is a telecom fortune 50 company. One of its divisions (landline) is facing high churn (3% per yr). They have launched a direct mail campaign targeting their customers who have switched to other telecom service providers.</p> <p>How can they make their direct mail strategy more effective? They have kept all the information they had on our customers.</p>	<p>Candidate would want to know why customers switched to other providers:</p> <ul style="list-style-type: none">•There is no significant difference in the quality of service provided. It is standard landline service. The client also provides other services such as broadband, and wireless to meet diversified customer needs. Therefore, the main reason for customers to switch is price. <p>Candidate would also want to know the content of the direct mail campaign:</p> <ul style="list-style-type: none">•The direct mail is a standard mail that lists current promotions and offers. <p>Candidate can discuss the market, competition, products, customers, etc. Guide candidate to discuss customer segmentation.</p>

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Interviewer guide

Ask candidate what are the ways of segmenting customers.

-Income: Customers with higher income are less price sensitive and therefore won't switch for low prices. Also these customers place high value on peripheral services viz. voice mail, call waiting etc.

-Revenue generated by customers

-Brand loyalty - # of years of being our customer

Solution guide

The direct mail strategy should be more targeted. Target at the segment where

- The cost of serving the customer is low
- Revenue potential of the the customer is high
- Probability of conversion is high.

One important point is to realize that the cost of serving every customer is not the same. The client has all the data on each customer such as frequency of calling the service center, how often bills are not paid on time; etc. The client can use the data to compute cost of serving the customer. Hence, it's important to segment the customers based on "profitability" and not revenue.

Central Idea: One needs to understand the segmentation before analyzing the channels.