

Alltel Sees Promise in Integrating Data Services with Flexible Voice Plans

By S. Searls



Whether it's a voice mail platform or providing the highest quality radio frequency and switch network or migration to an IP Multimedia Subsystem (IMS) core and then leading the evolution to the next generation network – Alltel builds a large part of its business in partnership with Alcatel-Lucent.



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As wireless penetration increases, the wireless industry as a whole is coming under increasing competitive pressure to offer more and more minutes for lower and lower subscription pricing. The United States market in particular is saturated with calling schemes, networks and devices, making it difficult for wireless operators to stand out from the crowd.

Alltel, one of the top five wireless providers in the US – and operator of the nation's largest network – put more pressure on the industry this year as it offered more options for users seeking flexible calling plans. Even as the company moved in this direction, it also introduced new initiatives to add value – and generate revenues – on both the voice and data services sides of the equation. In so doing, Alltel demonstrated that the need to offer more minutes

at less cost can be offset if service providers explore the opportunities that are created when innovative technologies are leveraged – innovative technologies that offer choice, control and convenience.

Network, Device and Service – It All has to Come Together for the Customer

Customers expect ubiquitous coverage and “always-on” availability; just test either one of those variables and you learn how sensitive and demanding customers can be. At the same time, customers expect to be able to make calling-plan choices that fit their lifestyles and needs. Some customers want to carefully manage their usage, whereas others see mobility services as their primary way to communicate and are drawn to plans that support unlimited communications. And the mobile device, the most personal part of the customer experience, is chosen for a wide range of reasons – from utility to fashion to self-expression. Although essential, the device is still only one piece of the total customer-care experience. Last, and perhaps the fastest growing area of opportunity, lifestyle-enabling applications and technologies are providing the most intriguing variable in the equation.

In looking across the new landscape of market opportunity, it became clear to Alltel that sustained long-term customer satisfaction would come from helping the customer discover value and use the products and services that best fit their needs. It's about adding value to the total customer experience and being able to do that in a way that matches what customers are looking for across

the entire spectrum of demand – from the user who wants a mobile phone for emergencies, to the small business owner who requires a mixture of data and voice features, to the young adult who has an almost insatiable need to stay connected to a circle of friends and acquaintances. Creating a platform to seamlessly cater to all of those needs is critical.

Interestingly, our primary user research highlighted a shift in customer attitudes. Whereas, at the start of the mobile phone revolution, users would scramble to get their hands on the latest mobile device with the latest functionality – color screen, polyphonic ringtones and so forth – we are now seeing that, for some customers, what the phone can do is becoming less important than what the user does with the phone. In other words, rather than segmenting our customers by rate plan or device, we believe it is more important to look at how they actually use their phones and analyze the corresponding behavior.

Segment Your Customers and Answer Their Needs

A large proportion of wireless customers simply use their phones to talk – and many of them talk a lot. Many of them simply require the convenience of a phone that accompanies them wherever they go. These customers can be described as voice-centric. The convenience of keeping in touch with family and friends anytime and anywhere is the hallmark of the voice-centric customer.

Additionally, the research clearly revealed a second type of customer – the media-centric customer. In this group, customers actively use a number of applications to maintain connectivity and enable communications. Messaging, whether it's instant, text, picture or video, is the application they use. But it's not the application that defines the customer; it's their "social messaging" behavior and how they use applications to hook up with other platforms – such as YouTube, Facebook, MySpace or the simple ability to communicate without having to talk. For these customers, the device is the access point, and the carrier's applications become a lifestyle-enabling platform.

Alltel's approach to customers reflects this new reality. Customers are segmented by usage and behavior instead of by rate plan and device. Rather than trying to sell users services and applications they don't need, Alltel is defining market services and applications that align with the way each segment behaves.

The strategy that was developed to answer customers' real-world needs has three main thrusts.

- For voice-centric users, Alltel needed to stand out from the crowd. This was achieved in two ways: by creating a brand image that is accessible, cheeky and fun; and by creating competitive calling plans tailored to keeping in touch with the user's close community – their family and friends.
- In addition, Alltel developed applications aimed at drawing voice-centric users into the data world, by offering them integrated services that add value to their communications experience in very concrete ways.
- For data-centric users, Alltel offered competitive calling plans and new applications that set it apart from the competition by making the process of accessing data applications simple and easy.

Attracting and Retaining the Voice-centric Crowd

This year, Alltel announced a major expansion of its My Circle® calling feature with the introduction of My Circle 5 and My Circle 20. These two new options build on the original My Circle 10, which offers customers unlimited calling to 10 numbers of their choice regardless of what network the numbers are on. New and existing customers on any rate plan over a certain threshold receive My Circle 5 and the ability to choose any five numbers on any network. Customers on higher rate plans will benefit from My Circle 20, which allows unlimited calling to the 20 numbers of their choice.



Changing Voice Users into Data Users

While Alltel believes that moves like these are necessary, given that even high-quality voice services are moving in the direction of commoditization, there are significant opportunities to leverage the relationship we have with customers to offer new, value-added data services that improve their lives and increase their usage of data services.

As voice and data become commoditized, it is important to help the customer derive incremental value from additional data products and services. By packaging offerings like My Circle with other data products and services, Alltel demonstrated that it can enhance the perceived value of its service, thereby reducing churn and increasing ARPU.



From an application standpoint, offerings like Alltel's Voice2TXT service illustrates how merging data and voice services adds value and drives new revenues. Voice2TXT uses voice-recognition technology to allow customers to read their voice mail messages as text messages. Imagine never having to listen to voice mails again and being able to save, recover or answer back with a text message. Alltel believes services such as these will have broad customer appeal, especially to people who are frequently in meetings and can't take phone calls.

Alltel is finding that offerings like these have a chain-reaction effect; customers who engage with something they are very familiar with – for example, voice mail – can then be inspired to do something completely new with it when it is converted to text, triggering the use of data services. Alltel is seeing that one valuable service can enable another as customers become more familiar with new applications.

As voice plans migrate toward unlimited packages, offering data-based revenues becomes a critical element of the wireless business model. Inspiring and enabling customers to experiment, innovate and adopt lifestyle-enabling – or enhancing – applications is central to driving new data revenues.

Data Services Access Made Simple

In order to optimize data services to drive new revenues in the mobile communications arena, it is important to make the mobile device more data-friendly. That is why Alltel developed a new technology called Celltop.¹ Launched in early 2007, the award-winning service uses patent-pending technology to offer customers an easier way to access, manage and organize the applications, games, downloads and web sites of their choice. Celltop is a mobile phone interface that gives customers more control and convenience over their wireless experience, using a unique and fully customizable technology that is similar to the desktop people see on their personal computers.



Celltop is free of charge and features 10 cells that come pre-installed. Additional cells may also be purchased from Alltel's web site. Each cell is a category-specific half-screen comprised of graphics and text that provide shortcuts for wireless users to navigate through information and applications. These include things like call logging, weather, news, baseball, basketball, football, stock prices, text messaging inbox, ringtone downloads and so on.

The concept is similar to widgets on a personal computer. Celltop is open to the developer community and provides unlimited user expandability for new and unique cells.

Wireless carriers have been trying to solve the content discovery and navigation problem for years. Alltel worked closely with a creative consultancy to conceptualize, style and implement the Celltop technology to optimize the user experience across mobile devices. Alltel has also established key partnerships to provide content from established and respected names in the industry. For example:

- The news cell allows users to view top news stories and breaking news from the Associated Press;
- The weather cell, with content provided by AccuWeather, displays the latest conditions in the user's location of choice, including current readings and five-day forecasts;
- The football, basketball and baseball cells, with information provided by STATS Inc., deliver live scores and stats from the teams and players that are of most importance;
- The stock market cell provides information on stocks that are of interest to the customer.

Additionally, Celltop features an innovative ringtone management cell that allows users to scroll seamlessly through ringtones they've already purchased, or browse and buy new tones, all on the same screen. The ringtone cell also provides the ability to toggle through ringtones with a single tap – making it easier than ever for customers to personalize, update or change their mobile phone experience. One of the results is that it increases retail revenues for Alltel.

Alltel has found that, by providing interfaces to make data services accessible and easier to use, customers become actively experimental with more data services and are typically happier. As a result, we are seeing reductions in churn. Higher revenue and reduced churn – that's a pretty unbeatable package.

The Numbers Speak for Themselves

In 2007, Alltel achieved record customer growth in the fourth quarter and for the full year. The company added more than one million gross customers for the first time in a single quarter. Alltel also achieved records in total net customer additions and post-pay "net adds" in the fourth quarter. This was boosted by reductions in customer churn for the eighth consecutive quarter.

¹ Celltop is now owned by Aricent, Inc.

Competition is heating up in the effort to attract the next generation of mobile phone users. By next generation Alltel isn't just thinking about new customers, but more importantly is targeting families acquiring second, third and fourth phones as the need to be connected rises. Alltel also looks at e-mail-centric devices and data cards as a significant factor in what happens next.

Offering unlimited calling and a subsidized phone will no longer be enough to create the total customer care environment customers expect. Perhaps it never has. As voice and data services are commoditized and rate plans become similar, Alltel expects to differentiate itself by providing the customer experience platform that enables the choices and convenience that allows each customer to be uniquely serviced.

Those providers that listen to their customers will come to view themselves as platforms for the customer experience. Armed with this perspective to guide the new services and applications they develop, service providers will be able to more effectively address user needs and preferences. It's all about servicing the customer. ☒

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