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Interest in Cross-Selling Offers of Mobile Network Operators – An Exploratory Survey of Residential Customers –

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für die Telekommunikations- und Medienwirtschaft

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Abstract

Although mobile network operators (MNO) discuss opportunities to sell additional items beyond plain voice and short message services to their customer base (i.e., cross-selling [CS] activities) for quite a while, there are few empirical studies on customer interest in various categories of MNO CS offers. Therefore, this study investigates consumer interest in (1) new handset/PDA, (2) mobile content, (3) wireline service, and (4) non-telco offerings using survey data gathered from 233 residential users of MNO services in Germany. Respondents were moderately interested in CS offers including a new mobile device or wireline services (e.g., Internet access). Further, it explored customer attitudes (e.g., satisfaction with MNO) and personal characteristics (e.g., level of income) as potential correlates (= drivers) of the level of interest in CS offers from one's present MNO. Average interest in additional mobile content and non-telco services/products supplied by one's MNO was low. Less satisfied mobile users were more open to CS offers than their more satisfied counterparts. Contrary to expectations, mobile customers' budget constraints or level of income displayed no significant negative relationship to their interest in various categories of CS items. Findings are discussed in terms of their implications for CS mobile content services in 3G/ UMTS networks and for reviving earlier ideas of supplying bundles of (converging) fixed and mobile network access and transmission services.

Abbreviations

3G	Third Generation (of mobile networks)
ARPO	Average Revenue for User
CS	Cross-Selling
EDGE	Enhanced Data Rates for GSM Evolution
GPRS	General Packet Radio System/Service
GSM	Global System for Mobile Communications
HSCSD	High Speed Circuit Switched Data
MNO	Mobile Network Operator
PDA	Personal Digital Assistant
SMS	Short Message Service
UMTS	Universal Mobile Telecommunication System

The exploitation of a company's established business relationships to its customers to sell additional, other products and services to the same customers (= cross-selling [CS]) is a common marketing strategy across a wide range of industries. Mobile network operators (MNO) in particular try to improve their profitability by CS new wireless non-voice and wireline service and even products with little direct relationships to telecommunications services to their customer base. The present investigation provides empirical data obtained from residential customers of MNO in Germany on the interest in buying various categories of CS items from one's current MNO.

1. Introduction

1.1. Cross-Selling: Conceptual Clarification and Relevance for MNO

Since the late 1990s call price decreases and diffusion of prepaid mobile telecommunication service contracts exert a negative influence on the average revenues per user (ARPU) of mobile network operators (MNO). For instance, in Germany the price index for mobile telecommunication services dropped from 235 in 1995 to 105.4 in June 2003, according to the official German office of statistics. Further, while the mean monthly ARPU of MNO across thirteen European countries amounted to Euro 55.6 in the fourth quarter of 1997 the corresponding figure decreased to 29.8 in the third quarter of 2002 (CSFB 2003, p. 103). To battle against this development, MNO are in the process of selecting, promoting and selling additional services beyond simple mobile voice connections (cf. Mooney 2001, p. 20).

This ARPU enhancement approach is generally referred to as "cross-selling". More precisely, cross-selling (CS) can be characterized as the use of a company's existing business relationship with a customer who has already bought from that firm to sell additional other services and products to the same customer (cf. Bergheimer 1991, p. 226, Homburg & Schäfer 2002, pp. 7-10; Knott et al. 2002, p. 60). This definition implies that the additional goods supplied by a company do not completely substitute the main items which this firm has sold earlier to a specific buyer. For instance, a MNO may sell a handset to an individual who already has a long-lasting contractual relationship with the MNO. While this handset is likely to substitute the mobile device, which the subscriber has used in the past, it has little impact on this customer's demand for mobile voice connections. Thus, the preceding sales example falls under

the rubric of CS. However, if a MNO sells a UMTS subscription contract to one of its GSM customers, this transaction is not a CS event but a migration sale carrying over a customer to a new service/product generation substituting an earlier one.

In addition, CS implies that the additional services/ products sold to a company's customer may, but do not necessarily have to, complement the items obtained earlier by this buyer from the seller. To wit, CS also includes a case where power utility offers household appliances to the customer whom it already supplies with electricity (cf. Zinnbauer 2001). Finally, CS frequently entails several buying acts at *different* points in time. However, CS also refers to incidents, where several products and services of a firm are bought *simultaneously* by a customer. An example of this sales bundling approach is the joint offer of a mobile phone and network subscription contract.

To date, the only profitable CS service extension in mobile networks beyond plain voice connections is SMS. For instance, in Germany in 2002 about 15-20% of the revenues generated by the four operators holding a GSM-licence in this country stem from SMS. Despite the limited success of other previous CS efforts of MNO they still appear to be strongly convinced that CS is a promising approach to growth and profitability improvements. This assumption is reflected, among others, in the promotion of mobile data transport and content services based on various bearer technologies such as HSCSD, GPRS and EDGE (cf. Gerpott 2002, pp. 47-60).

1.2. Purpose of the Present Study

Unfortunately, the validity of MNO beliefs in the advantages of CS strategies is rarely tested in scholarly research. There is a dearth of empirical work investigating mobile residential or business customers' interest in various categories of CS offers to MNO. Further, little evidence is available on factors that amplify or dilute customer interest in a specific MNO offer. Therefore, the purpose of the present study is to contribute toward closing these research gaps by providing empirical survey data on residential mobile network customers' level of interest in different categories of MNO CS offers. In addition, we strive to identify characteristics of MNO CS offers and mobile communication related attitudes of potential buyers which help to understand variations in customer interest in purchasing additional services/products from one's current MNO.