



# FIGHT CHURN & GROW REVENUE

How telcos, ISPs and hosting providers  
can leverage brand loyalty for profits



The reason we actively sign 10,000 new email customers a month is that customers actively using our email tend to churn less and spend three times more across our portfolio than other customers.

**Large APAC telco  
(name available on request), 2018**

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# Introduction



In the race to digital transformation, telcos, ISPs and hosting providers are under intensive pressure to perform.

Telecommunications industry executives are scrambling to migrate their organisations to the cloud, convert to 5G, integrate AI, analyse big data, adopt blockchain and not get left behind.

At the same time, their organisations are under constant scrutiny to reduce

customer churn, attract new customers, cut costs and grow profit margins. It is not an easy industry to be in.

But there is some good news on the horizon, if CIOs, CMOs and Product Managers stop chasing mirages and instead look right in front of them to a product already (most likely) in their arsenal – **branded email hosting**.

# THE PROBLEM



New research finds [that]  
not valuing customers  
leads to [a] \$136 billion  
switching epidemic.

**CallMiner, 2018**

# Customer Churn



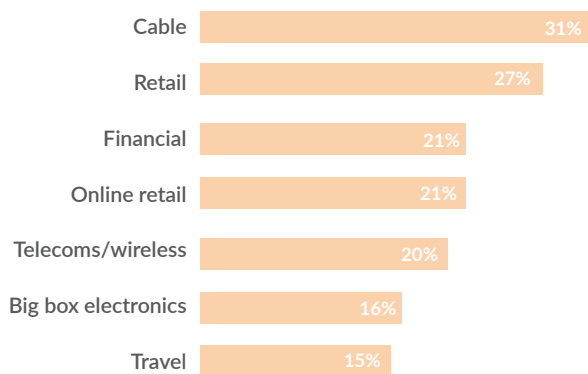
Today's savvy consumers know that if they do not like something or someone at a company, they can literally swipe left and leave.

This makes customer churn a genuine challenge in every industry, especially industries where deregulation has led to a surge in the number of competitors to which to defect.

Now, more than ever before, it is easy for unhappy customers to take their business elsewhere. So, unless customers feel either a strong brand loyalty or that their identity is so intertwined with a particular company that it is too difficult to leave, the same customers that they worked so hard to acquire are regularly walking out the door – and taking millions of potential company profits with them.

The sad part is that our broken system encourages it. From telcos to insurance companies and from home loan providers to utility suppliers, new customers are being schmoozed with joining discounts, whereas existing customers are being overcharged and their loyalty taken for granted. It is a cycle that fails to foster mutual happiness and subsequently only perpetuates the constant requirement to fight customer churn.

**Customer Churn Rate by Industry  
United States, 2017**



Aspect Consumer Experience Index, 2017

For every  
**100 million**  
customers...

**A 1.9%**  
customer churn



**= \$65 million**  
per month lost revenue

**& \$76 million**  
customer replacement costs

# The Hidden Costs of Customer Churn

The true extent and cost of customer churn in the telco industry is difficult to articulate. Whilst the [2017 Aspect Consumer Experience](#) Index reported that 20 percent of telco customers churn, the official figures released by the top four United States carriers (AT&T, Verizon, Sprint and T-Mobile) suggest the figure is more accurately 1.9 percent, according to [Arthur Middleton Hughes](#) (2008) and [Kapoor](#) (2017).

But even this is too high, because if the customer base across those carriers is 100 million, this could equate to a loss per carrier of **US\$65 million per month** of future revenue from those customers, says Kapoor.

## Calculations (US\$)

Monthly revenue per customer  
= \$62 (Gross profit \$34)

Customer lifetime value  
= \$1,782 (52 months)

Lost revenue from churned customer  
= \$1,117 (33 months x \$34)

Customer base  
= 100 million customers

Customer churn  
= 1.9%

Lost revenue per telco  
= \$65 million per month (1.9m customers x \$34)

Replacement customer acquisition costs  
= \$76 million (1.9m customers x \$400)

[Kapoor, 2017 and Financial Post, 2017](#)



Sadly, the haemorrhaging does not stop there because then there is the cost of acquiring replacement customers.

If we use the average customer acquisition cost of Bell and Telus (two of Canada's largest telcos), which was reported as US\$400 (CA\$521) in the [Financial Post](#) in 2017, this means that the top four US carriers are not only kissing goodbye to \$65 million per month in lost future revenue, but **another \$76 million** in customer replacement costs.

Considering it costs the same two companies US\$9 or less to retain a customer, this is an outrageously expensive business model and only reiterates the urgency of fighting customer churn.



Mobile operator core revenues to fall by \$50 billion over [the] next 5 years.

**Juniper Research, 2018**

# Falling Revenue

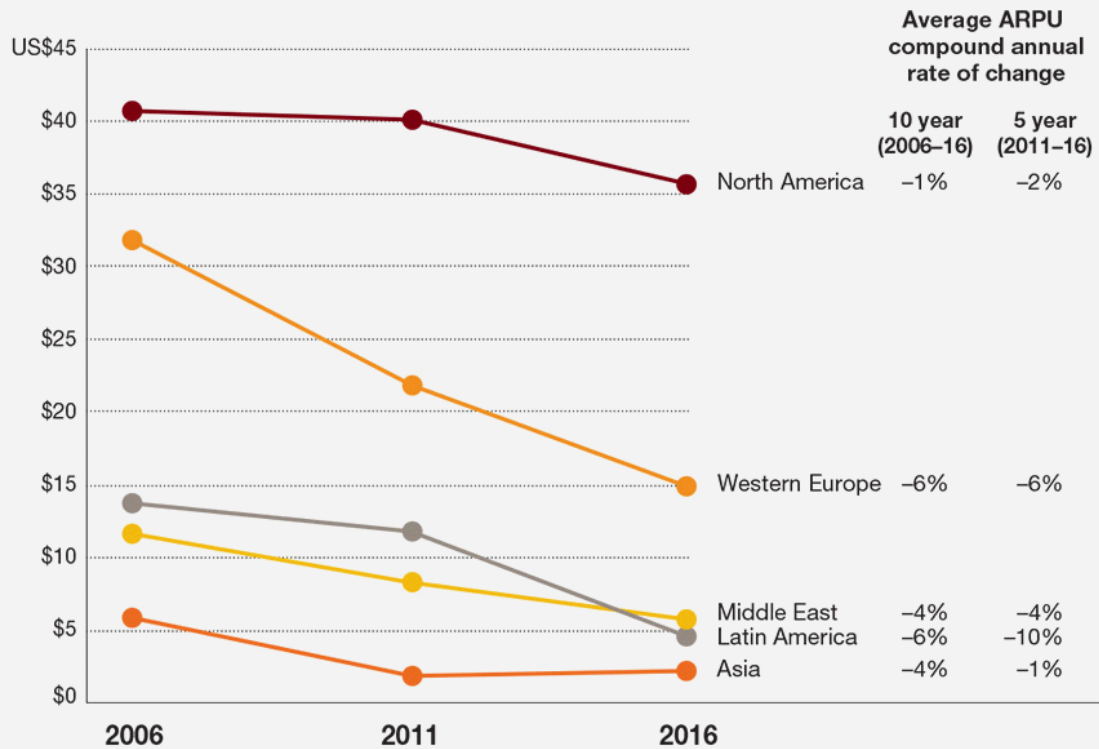
Traditional telco revenue is on a downward spiral. With Viber, WhatsApp and Apple’s iMessage now accounting for more than 80 percent of all messaging traffic and Skype being trusted with one third of all international voice traffic minutes, telecom operators worldwide are being hit with a significant decline in traditional service revenues.

A [study by Juniper Research](#) released in June 2018 found that annual global

operator-billed revenue from voice and data services is expected to **fall by over \$50 billion in five years** – from \$837 billion in 2017 to \$785 billion by 2022.

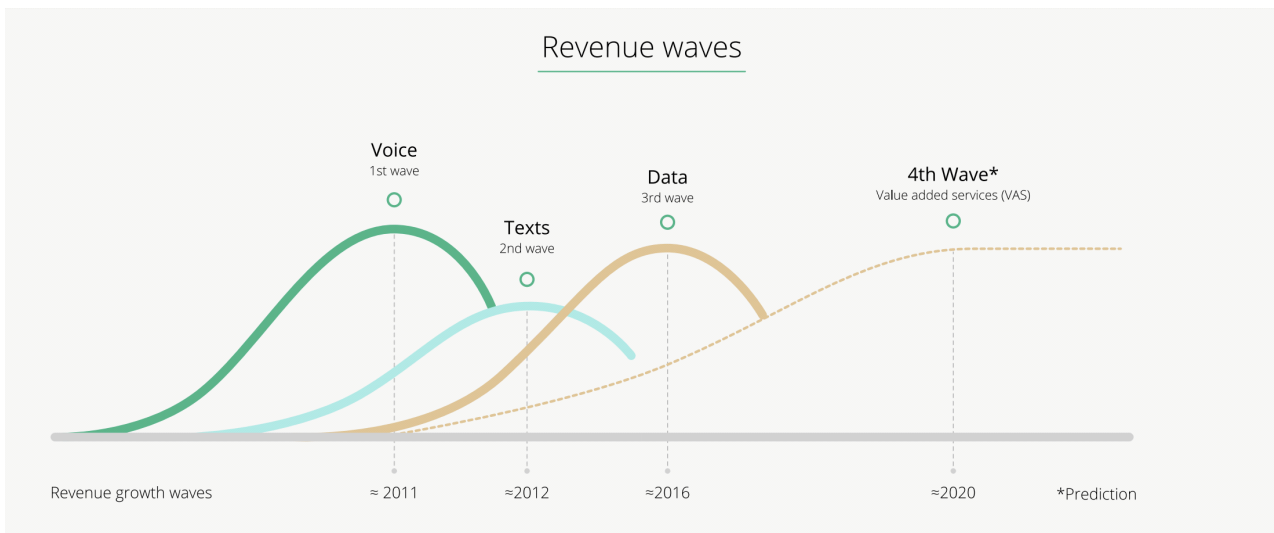
Data from PWC’s 2017 [Strategy& 2017 report](#) indicates drop-offs up to as much as 30 percent in SMS messaging, 20 percent in international voice, 15 percent in roaming, as well as falling telco revenue in virtually every region.

*Average revenue per user in the telecom industry is falling in virtually every region*



Source: Strategy& research and analysis

# The Search for Alternative Revenue



Source: [Dubber](#), 2017

To make up for falling revenues and to keep anxious investors at bay, telco executives – from the CEO and CMO, to the CFO and CIO – need alternative sources of revenue, fast.

Internet of Things (IoT), Application to Person (A2P) SMS messaging, Software-Defined Networking (SDN), OTT partnerships, upgraded infrastructure, revised carrier billing, digitisation and network automation are often spruiked in telco transformation circles as ways to increase revenues and/or reduce ongoing operating costs. But are there other possibilities in the search for alternative revenue?

In 2017, [Dubber](#), a company specialising in native cloud calling platforms, predicted that Value Added Services (VAS) will be the fourth big wave of telco revenue – overtaking voice, text and data – by as early as 2020.

So, this raises the question...

Should telcos gamble on IoT and expensive infrastructure projects in their rush to grow revenue and efficiencies? Or should they first look to tap into existing services and/or value-added services?

**THE SOLUTION**



We see companies who have improved engagement increase cross-sell by 22%, drive up-sell revenue from 13% to 51%, and also increase order sizes from 5% to 85%.

**R “Ray” Wang,  
Constellation Research, 2017**

# Branded Email Hosting

With [The Radicati Group](#) predicting in March 2018 that more than 333 billion emails will be sent per day by year-end 2022, email hosting represents a huge and expanding opportunity to astute telco, ISP and hosting providers.

But email hosting tends to be like that shiny jacket that has always been in the cupboard but no one really knows when to pull it out or how to use it to their best advantage.

Most telcos, ISPs and hosting providers have long been offering email hosting as part of their portfolio of services, but it has typically been misunderstood (by executives who have seen it as a liability rather than an asset) and/or poorly executed (by in-house tech teams who are not email experts and therefore provide only a very basic user experience).

In today's quest for brand dominance, branded email hosting has the power to boost brand recognition, increase customer engagement, reduce churn, cut costs and become a key source of alternative revenue – if companies are able to recognise and harness its true value.

A key part of this solution is to think like an OTT (Over the Top) media service aiming for an awesome customer experience, rather than a traditional telco content with offering basic webmail services.



**Email hosting** describes the service of operating email servers, so data can be sent and received via email. Providers run (or outsource) their email servers either on-premises or in the cloud. They then rent (or give away) space on those email servers via paid (or free) customer email accounts.

**Branded email hosting** refers to the ability to prominently display a company's branding on those hosted webmail accounts and secure mindshare. Branded email hosting is typically a premium email solution, which provides users with a dedicated server operating solely for a set number of accounts.

# 5 Benefits of Branded Email Hosting

In years gone by, branded email hosting often consisted only of pasting a company logo onto an existing email interface. But times have changed.

Today, brand customisation has not only become more sophisticated and all-encompassing, but best practice email hosting now takes a more holistic approach to the relationship between email hosting and overall brand revenue. Five key benefits include:

## 1. Boosting Brand Recognition

Email hosting presents a unique opportunity for telcos, ISPs and hosting providers to discreetly, or not so discreetly, promote their most valuable asset – multiple times a day.

If the [2017 Adobe Consumer Email Survey Report](#) figures are accurate, consumers are still so obsessed with email that they are giving their email provider 5.4 hours a day to keep their brand top of mind.

## 2. Increasing Customer Engagement

If an email hosting provider can offer a positive branded email experience, their consumers might know, love and think about their brand more than ever before.



In fact, [The Temkin Group's 2016 study](#) of 10,000 American consumers showed that customers who enjoyed a positive experience “are 5 times as likely to repurchase, 5 times as likely to forgive, 4 times as likely to refer[, ] 7 times as likely to try a new offering and up to 14 times more likely to buy than potential new customers.”

## 3. Reducing Churn

“Email hosting is important to us because we know some of our power and gas customers would leave if we did not offer email,” says Gavin Sanders, ISP Systems Engineer at Trustpower – a leading power, gas and broadband company in New Zealand.

This sentiment underlies comments by [Arthur Middleton Hughes](#), Vice President of The Database Marketing Institute in 2008:

“Statistics in dozens of industries have proved conclusively that the retention rate is a function of the number of products that a customer is buying from your company. The higher retention rate of multiple product purchasers is the reason why telecom companies are trying to sell “The Triple Play” of phone, broadband and TV. By selling a landline customer broadband, you make a profit from the broadband, but you also reduce the likelihood of churn by this particular customer. If you can also sell him TV service, you may have him for life. You make it [a] nuisance to switch.”

#### 4. Cutting Costs

If the lost revenue from a churned telco customer is US\$1,117 and the average customer acquisition cost for a new customer is US\$400, telcos need to be careful not to lose more customers than they can afford.

“In the current downturn, many companies are tightening [their] belt. But too many are missing their biggest opportunity to keep costs down: building loyal relationships with customers...” says [Fred Reichheld](#), fellow at Bain & Company and the inventor of the Net Promoter Score (NPS).

“Return customers tend to buy more from a company over time. As they do, your operating costs to serve them decline. What’s more, return customers refer others to your company. And they’ll often pay a premium to continue to do business with you rather than switch to a competitor with whom they’re neither familiar nor comfortable.”

#### 5. Growing Revenue

Despite the rise of messaging platforms as alternative advertising channels (for example, Facebook, Twitter, Instagram, LinkedIn and Snapchat), email is still the only digital channel that gives direct access to a customer’s inbox.

This means that branded email hosting is a CMO’s dream, because it offers an unencumbered route to advertising, upsell, cross-sell and increasing overall brand revenue. No complicated, mystery algorithms to stonewall marketing efforts. Just advance to GO and collect \$200.

# Loyal customers are...



**5X**  
as likely to repurchase



**5X**  
as likely to forgive



**4X**  
as likely to refer



**7X**  
as likely to try a new offering



**up to 14X**  
more likely to buy than  
potential new customers

# 5 Ways to Monetise Branded Email Hosting

Branded email hosting offers a wide range of monetisation options designed to suit the unique goals of each telco, ISP and hosting provider. Typical scenarios include:

## 1. Paid Email

This option typically sees a customer pay a monthly email service fee. Customers of this option might be willing to pay for email because:

- Identity – their email is their identity and they do not want to change it;
- User experience – they enjoy the email experience of a particular company and are happy to pay for the value they believe they receive;
- Convenience – it is easier for them to keep all their services with one provider and they are happy to pay for the convenience;
- Trust – they trust their provider to convey and store their messages securely; and/or
- Privacy – they value privacy and want to avoid the big data algorithms that other companies use to ‘read’ personal emails.

## 2. Upsell

Email subscribers are often seeking premium add-ons to their service. If customers value their email service and the data stored in their email service, they may be happy to pay for ancillary email services, including:

- Extra cloud storage;
- Additional email addresses;
- Premium antispam and antivirus solutions; and/or
- Ad-free environments.

## 3. Cross-Sell

When a provider enjoys a captive audience, they can cross-sell complementary services, such as:

- Home phone and internet
- Business phone and internet
- Mobile phone plans
- Website hosting
- Website backup and security
- SSL certificates
- Domain names and management
- Website building
- Internet marketing
- Search Engine Optimisation
- And more

### 4. In-App Advertising

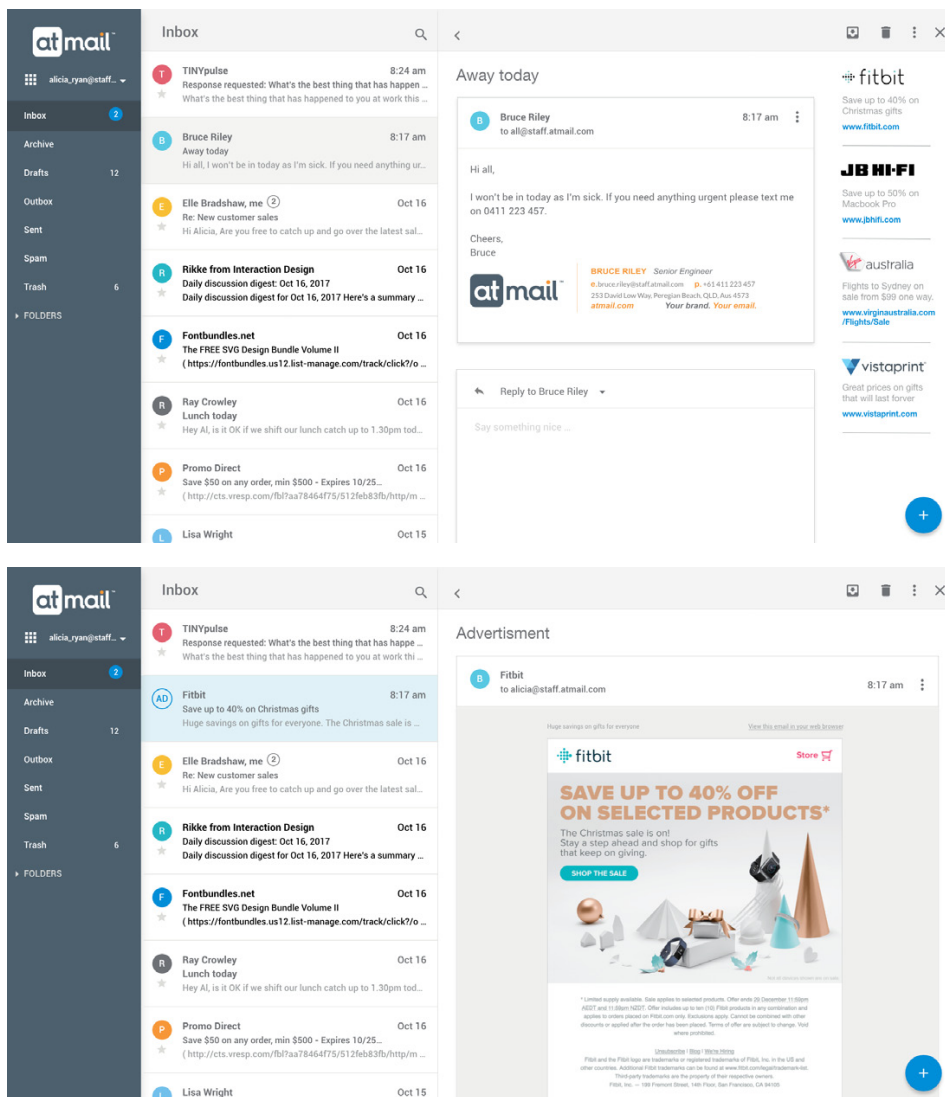
Gone are the days of ugly, flashing advertisements sending shivers down customers' spines. Today's premium email options offer sleek and discreet in-app advertising, attractive to both customers and third-party advertisers.

### 5. Indirect Monetisation

Some providers choose to give email to their customers for free, in

exchange for brand loyalty and a likely 3x spend across their portfolio.

Maddison Selleck, Chief Business Development Officer at VentralP, Australia's largest, privately-owned web host and domain registrar says, "Our premium email customers are also the ones who pay for SSL certificates, premium VPS hosting and so on. We estimate that these customers spend around three times more across our entire service portfolio and are therefore important for growing revenue."



Examples of in-app advertising within premium email

# THE CATALYST



86 percent of consumers  
will pay more for a better  
customer experience.

**Oracle, Customer Experience  
Impact Report, 2011**

# Customer Experience



The success of branded email hosting, as a strategy to fight churn and grow revenue, is highly dependent upon an enjoyable customer experience. Telcos need to win customers over as their email 'provider of choice'. The goal is for consumers to redirect their OTT emails to their telco, not the other way around.

If telcos, ISPs and hosting providers deliver a slow, basic, old-style, unreliable, confusing and frustrating email experience, their customers will walk and talk.

Alternatively, if they deliver a fast, modern, reliable, intuitive, premium, user-friendly email experience, their customers will not only stay, but potentially both spend more and bring others to their platform.

In a 2018 study of 10,000 United States consumers by the [Temkin Group](#), it was estimated that a moderate improvement in customer experience by wireless carriers and TV/internet service providers with \$1 billion in annual revenues could lead to three-year **revenue growth of \$847 million and \$633 million** respectively.

These figures demonstrate the significance of customer experience as a catalyst to revenue growth.

They also highlight the importance of choosing an email solution which inspires love, loyalty and profits.

# THE FINAL WORD

# Fight Churn & Grow Revenue



Branded email hosting can help telcos, ISPs and hosting providers to fight churn and grow revenue.

That is why companies such as BT, Singtel, Telstra, Optus, SoftBank and VentrailP offer an email service to their customers and actively encourage customer sign-ups. It is also why astute CEOs, CIOs and CMOs are increasingly tapping into the unlocked potential of email hosting to attract customers who churn less and spend three times more across their portfolio.

Email hosting done right, with a modern and enjoyable customer experience, can boost brand recognition, increase customer engagement, reduce churn, cut costs and grow revenue – via paid email fees, upsell, cross-sell, in-app advertising and an overall 3x boost to brand revenue.

After all, despite the rise of alternative messaging solutions, email is still the only digital channel gives you direct access to your customer's inbox.

“There isn't really an alternative [to email]. Sometimes people will have Facebook messenger turned on, but 99 percent of the time if you're sending a message to a human you don't know well, you're using email,” said Slack's co-founder Stewart Butterfield in [The Verge](#) in 2014.

**So, if telcos, ISPs and hosting providers want to stay close to their customers...**

**They should stay close to their email.**

# About Us

With **20 years of global email expertise**, we help telcos, ISPs and hosting providers tap into the power of **branded email hosting** to fight customer churn and grow revenue.

We offer modern, user-friendly, white label, cloud-hosted email with 99.99% uptime and your choice of US or GDPR-compliant, EU data centres. For companies wanting to stay in-house, we offer on-premises webmail and/or mail server options.

Based in Australia, we power **170 million** mailboxes worldwide, with the help of our team members in Europe, Asia Pacific and the United States.

With 24/7\* support, you can rely on our professional services team for a smooth transition and an email platform that is secure, stable and highly scalable.

To learn more, [contact us today](#).

# Testimonials

"It was a great opportunity for Optus and atmail to work together to enhance customer experience for webmail. I have been impressed with the delivery of your commitments on time and your swift actions. It has been my pleasure to work with the great team at atmail."

**Scott Park,**  
Project Manager, PEI  
Technical Delivery,  
Singtel Optus

"Working with the atmail team has been a true pleasure for DreamHost. They understood our needs and worked closely with us to deliver an incredible email solution for our customer base. We can't say enough good things about their product and their talented team."

**Micah Sachs,**  
VP Systems Engineering,  
DreamHost

"atmail's enthusiastic performance throughout the last six months was unprecedented. We would have no hesitation in recommending atmail products and services."

**Mohammad Al-Sharafi,**  
Cloud Product  
Development Manager,  
Saudi Telecom Company



Global Headquarters: atmail Pty Ltd, 3/253 David Low Way, Peregian Beach, QLD 4573, Australia

 **AU:** +61 7 5357 6604 **UK:** +44 203 858 7074 **IN:** +91 9999 068 680 **US:** +1 406 565 4426  [atmail.com](https://atmail.com)