

VESTA CORPORATION CASE STUDY

TELEFONICA
O2 IRELAND

HOW VESTA HELPED
TELEFONICA O2 IRELAND
GROW REVENUE AND
REDUCE COST THROUGH
CONSOLIDATING
DIRECT TOP UP
CHANNELS.



A T A G L A N C E

With 1.05 million prepaid subscribers, Telefonica O2 is the second largest of Ireland's intensely competitive "Big Three" prepaid mobile operators. Like many other operators, O2 is experiencing declining average revenue per user (ARPU) as a result of the economic downturn. The current climate has forced O2 to make many operational improvements and implement new efficiencies to increase cash flow. Customer retention and cost reduction remain paramount to O2.

T H E C H A L L E N G E

O2 sought to reduce the channel costs, fraud, and operational costs associated with providing top up services for their customers. The company also wanted to increase retention by improving the customer experience. O2 chose a phased approach, tackling one top up channel as a trial before making changes to all channels. O2's credit and debit IVR top up service proved to be especially cumbersome as customers were required to register their payment details with a live agent and then wait for approval before topping up. Their goal was to enable a real-time channel so that customers could top up anywhere, at any time of day.

T H E S O L U T I O N

For Phase 1 of their top up channel improvements, O2 sourced an IVR top up service to Vesta, a third party that built the IVR channel, provided live agent processing support and provided full fraud indemnification. The new service called "Top Up Express" allowed O2 customers to complete a top up transaction over the phone, and have the credit appear in their account in real time. Using a short code and stored payment details, subsequent top up transactions through the IVR literally take seconds.



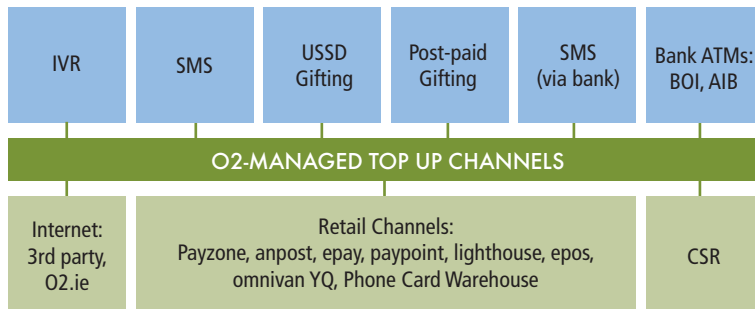
THE RESULTS

O2 found that the new IVR managed service not only improved the customer experience, but reduced costs and increased revenue as well. With the new channels implemented, overall channel costs decreased 22% and ARPU for customers using Express Top Up grew to 23% over retail. Additionally, the average revenue per order (ARPO) for Express Top Up users was 86% higher than retail. New features such as gifting, scheduled top up and the acceptance of international credit cards were also possible.

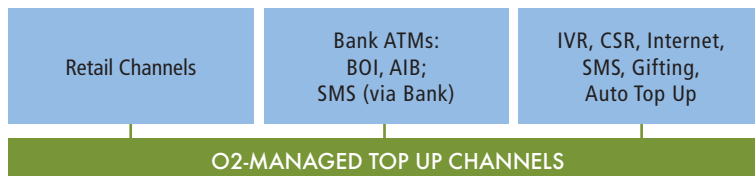
A SUMMARY OF RESULTS:

CHANNEL COSTS REDUCED.....	↓	22%
EXPRESS TOP UP ARPU HIGHER THAN NORMAL.....	↑	23%
EXPRESS TOP UP ARPO HIGHER THAN RETAIL.....	↑	86%
EXPRESS TOP UP MARKET SHARE INCREASED.....	↑	8.4%

BEFORE VESTA: NINE TOP UP CHANNELS



AFTER VESTA: THREE TOP UP CHANNELS



As Eoghan Patton, Recharge Business Manager, explained, "O2 chose to outsource our direct top up channels because we wanted a fully managed service in relation to processing top-ups. Now all credit/debit cards are accepted and O2 is indemnified against fraud. The commission rates are lower than equivalent commission payments to our retail distributors."

After the successful IVR trial, O2 conducted an in-depth analysis of all top up channels and found O2's the complicated network of top up channels to be expensive to manage and confusing to customers. O2 had nine different channels including retail, which had multiple distributors. Realizing that consolidation and simplification were needed, O2 decided to source the management of its entire network of "direct operator" top up channels to Vesta. In addition to the IVR and live agent channels, this also includes the Internet channel, SMS channel and a handset application. O2 expects significant cost reduction as they now manage only three main channels instead of the multiple channels and distributors. Customer retention and lifetime value is expected to increase even more as customers have a more streamlined and unified experience.



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