



**AZƏRBAYCAN RESPUBLİKASI TƏHSİL NAZİRLİYİ
AZƏRBAYCAN DÖVLƏT İQTİSAD UNIVERSİTETİ**

BEYNƏLXALQ İQTİSADIYYAT MƏKTƏBİ

***Kafedra: Beynəlxalq İqtisad Məktəbi
İxtisas: Biznesin İdarə olunması***

BURAXILIŞ İŞİ

Mövzu: Telekommunikasiya sektorunda müştəri bazlı marketing strategiyası. Bakcell.

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BAKI – 2019



**The Ministry of Education of Azerbaijan Republic
Azerbaijan State Economic University**

International School of Economics

BACHELOR THESIS

*Theme: Customer-Driven Marketing Strategy in the
Telecommunication Industry. The case of Bakcell*

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BAKU-2019

Abstract

Marketing knowledge is needed wherever there are consumption and consumer. Nowadays, enterprises have to be customer oriented in order to maintain their existence or grow in intense competition environments. Therefore, they should determine the wants and needs of the consumers and offer them the products that are suitable for them at the right time, at reasonable prices, in sufficient quantity and in the reach of the consumers.

GSM (global system for mobile communication) as the competitive market have become one of the most important sectors for Azerbaijan. Through the campaigns carried out by GSM operators, factors such as the cost of replacing existing operators by customers, the coverage area problems of the operators' are getting more and more quickly resolved, changing the line and facilitating the new lines have made it easier for consumers to change their operators. Under these conditions, telecommunication companies have to perform intensive marketing activities in order to retain and satisfy their customers.

The study analyzes the customer-driven marketing strategy of one of the leading telecom companies of Azerbaijan – Bakcell. However, it took years for Bakcell to develop in many directions at the same time reaching out to different customer segments and made changes to its marketing strategies. The company enhanced customer-oriented marketing policies by revising its marketing-mix, segmentation, targeting, and positioning strategies. As a result, Bakcell has successfully managed to attract and keep customers from new market segments, create sustainable retention of customers. Bakcell keeps increasing its market share by offering good quality and innovative products at a fair price.

Acknowledgement

First of all, I would like to express my gratitude to Mr. Turan Suleymanov for supervising me during my bachelor thesis writing period and giving me valuable guidelines, encouragement and endless support. Thank you for your suggestions and patient help.

I am also thankful to Mr. Aydin Ismayilov, Head of Targeted Marketing Sub-unit of Bakcell and Mr. Mustafa Huseynov, Head of Customer Value Management Department of Bakcell for their expert advice and encouragement. Their guidance and immense knowledge helped me to carry out the research and to present this thesis as clearly as possible.

I would also like to thank all my professors who have taught me at the Azerbaijan State University of Economics for giving me unique knowledge and helping me to improve my competence to be successful in my future career.

Last but not least, I would like to thank my family for their endless support, motivation and encouragement.

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1. Introduction

In the markets where the competitiveness and product diversity is low and the means of communication are undeveloped, customers are focused more on the products. Due to the effect of globalization, in recent years, modern management approach has been adopted in marketing and customer oriented management has been adopted instead of product-oriented management. Especially in the service sector, businesses are in a competitive environment. In this intensely competitive market, enterprises aim to achieve customer satisfaction by meeting customer expectations in order to survive and to increase profit by increasing market share.

In order to survive in this intensely competitive environment and to increase their profitability, businesses are focused on the customer with two strategies, which are loyal customer acquisition and customer satisfaction. In this respect, a customer-oriented management approach has emerged in order to find out how the company will reach the customer, how to keep the customer and how to establish a sustainable relationship. Customer relationship management is an important application for profit by achieving a competitive advantage for businesses. With the development of this type of management, businesses have developed strategies and products for how to reach, and maintain a sustainable relationship with the customer.

In a respective comparison of GSM and other sectors' marketing approach researchers can underline that GSM operators contact and maintain a relationship with customers in a different way than other sectors as banks or retailers.

To be more specific GSM operators acquire big and trusted a set of data about customers and more importantly, they have contact points specified by unique users.

The aim of this study is to show how the customer-oriented management practices implemented by GSM operators worldwide and in Azerbaijan. Furthermore, the study will highlight the Bakcell strategy in the local and international market to make suggestions to the GSM operators in this respect.

1.1. Customer Concept

Customer is the person or organizations that purchase a certain product of the business for personal or commercial purposes. The current customer is the customer whom the business sells constantly and always buys the goods or services of the business (Tashkin, 2000). The customer is a dominant force that clearly tells the seller what he wants when he wants, how he wants it and when to pay (Demirel, 2006). Two types of customers can be mentioned according to customers' position. These customer types are the internal customer and external customer.

1.2. Internal and External Customer

The internal customer is employed in any department within the business. Since internal customers are employees of the enterprise, their thoughts should be respected and their full and voluntary participation should be ensured.

The external customer is the person who purchases the offered product or service. The external customer is directly and indirectly associated with the internal customer during this purchase. Customer orientation in terms of external customers means customer targeting in all managerial and organizational efforts. Customer orientation means that all employees in the organization work for the customer and that all employees are responsible for satisfying the expectations of outside customers. As a result of the purchase made by the external customer, the internal customer's fee is paid. For this reason, the priority of enterprises is to show the importance and attention to their relations with their customers. The definition and characteristics of

customer relationship management, which is an important strategy especially for the enterprises at the end of the 20th century and the beginning of the 21st century, are given below.

1.3. Customer Relationship Management

CRM (Customer Relationship Management) can be defined as the entire effort to manage business interactions with customers by combining business processes and technologies that try to understand customers (Kim, Suh, and Hwang, 2003). CRM is becoming one of the leading business strategies of the future. Companies take advantage of the benefits provided by CRM, such as increasing customer loyalty, high customer profitability, creating value for the customer, privatizing products and services, shortening processes, and higher quality products and services (Kim, Jung, Suh, and Hwang, 2006).

Understanding customer returns and protecting profitable customers are a key part of the activities of CRM. In order to improve the profit potential of its customers, many companies are currently working to measure the values of their customers, to segment their customers according to these values and to develop strategies to protect their profitable customer segments (Kim, Jung, Suh, and Hwang, 2006). Customer segmentation classifies each customer according to defined customer groups (Jansen, 2007).

According to Xu (2002), customer relationship management is a term that expresses the methods, software and internet activities that enable companies to manage customer relations on a regular basis. According to Brown and Gravely (2003), customer relationship management is a business strategy focused on maximizing the value of all stakeholders, and it is by winning, raising and protecting the right customer (Torabi, 2014).

Davenport, Harris and Kohli (2001) describe customer relationship management as a whole in terms of tools, technologies and processes that manage, improve

or simplify the existing and potential customers, employees and business partners and interactions, support services and sales. Customer relationship management can be defined as collecting the most detailed information about customers, segmenting them with very subtle distinctions, separating these segments according to their profitability, determining the level of the extra investment to profitable customers and applying a separate and special marketing strategy to each customer (Kirim, 2007). According to another definition, it is a substructure that makes it possible to use the right tools to increase customer value and enable the valued customers to remain loyal and aim to buy again (Dyche, 2002).

The developments in the global competition environment have lost the importance of the concept of market share and the concept of customer share has come to the fore. The strategies developed by enterprises in order to increase customer share by providing long-term customer loyalty necessitates the application of new management approaches and techniques. One of the most up-to-date approaches is customer relationship management, which takes the customer to the center and aims to go beyond customer satisfaction, but also reveals the level of marketing approach reached in the historical process (Gulech, 2004).

Customer relationship management focuses on customer service, sales, marketing, and direct customer relationships to support business process automation. Customer relationship management does not consist solely of a set of principles. In addition to these principles, it consists of software and technology. By reducing the sales cycle and costs, the profits and satisfaction of the customers are increased. Another aim of customer relationship management is to increase marketing production. Marketing production depends on market efficiency and market efficiency.

Thanks to customer relationship management practices, market efficiency increases with collaborative work, the interaction of firms and reducing other

costs (Parvatiyar, 2000). In this way, many special purposes of customer relationship management can be considered. General objectives of customer relationship management can be listed as follows (Swift, 2000):

1. **Customer Retention:** It is to increase the loyalty of the customers to the enterprise by focusing on the real needs of the customers and personalizing the relations with the consumers by open communication with the profitable customers who may contribute to the growth of the business.
2. **Customer Acquisition:** The aim is to provide profitable customers who will contribute to the growth of the enterprise by addressing the needs designed with the correct analysis of the information received from the target customers. In addition, customers who have been lost for any reason previously identified the loss of the elements that lead to the removal of the middle, to return these profitable customers to the business.
3. **Customer Profitability:** To increase customer profitability by offering different products to customers at different times by increasing the loyalty of the acquired customers to the business by offering the right product to the right customer at the right time, by obtaining profitable customers (Aktaran, Sakinch, 2014).

The main purpose of customer relationship management is to create loyal customers for businesses by providing customer satisfaction. In this way, businesses want to make a profit.

2. Theoretical Basis - Definition of Telecommunication Industry

Along with technological advances, there are very big and rapid changes in the world, and globalization is continuing at full speed. New information and communication technologies are moving in parallel with the global economy, while information and communication-based businesses are replacing traditional industrial areas, and the national income of the countries investing in communication increases faster and sectors such as IT, finance and education, which are the driving forces of development in these countries, are developing rapidly. The rapid development of technology has brought new dimensions to the needs of people in the field of communication. In order to overcome the problems faced by people who are constantly on the move, the developments in communication technology, which make the phones mobile, emerge as important developments marking the end of the 20th century. The provision of data communication via the mobile network has made this new system, called the Mobile Telephone System, one of the indispensable elements of life.

Based on the principle of the effective use of mobile radio frequencies for the first time in 1947 by engineers at Bell Laboratories, the system has built up the infrastructure of today's mobile telephone system and has succeeded in moving communication out of fixed links linking geographical units. Later on, with the adaptation of the said system to digital technology, GSM system which is the most common mobile system in the world is offered to the users.

The first mobile phone systems, called the first generation cellular mobile phone systems, have been implemented with different technical standards since the 1970s. First, analogue technology-based systems were implemented and in the 1990s, the first digital systems were designed and the existing analogue mobile telephone systems were commissioned to offer different options to the subscribers. Digital mobile systems, which emerged by adding digital systems

to analogue mobile systems in the world in the 2000s, were named as second-generation mobile phone systems and this system caused a large increase in the number of subscribers. The GSM - standard mobile phones currently in use represent an example of systems that use second-generation technology. However, people's needs are constantly increasing due to the development of technology and rising standards of living. For this reason, studies have been carried out on the new generation cellular telephone systems, called the third generation, and as a result, the opportunities such as video talk, interactive television and personal multimedia were offered to the benefit of mobile phone users.

2.1 Marketing Mix-the offer: Creating value for targeted customers

According to the marketing definition adopted by the American Marketing Association in 2013, marketing is the sum of activities, processes and processes based on creativity, communication, distribution, and purchase-sales, realized for customers, users, partners and the community in general. With its extended scope, marketing is seen as a system of activities that facilitates the dissemination and adoption of ideas and ideologies not only to goods and services but also to target audiences (Mucuk, 2010). When the academic literature is examined, it is seen that the focus is on traditional marketing in the first three-quarters of the twentieth century, and in the last quarter it focuses on modern marketing approaches, particularly in relation to relationship marketing (Alabay, 2008).

The fundamental factors affecting the radical changes in the marketing field from the 1950s to the present are the technological developments and the spread of the Internet, globalization and the increase in the level of education and communication of consumers (Kotler, Lane, 2006). The change in marketing is defined as a set of marketing tools that the enterprise uses to realize the marketing targets in the target market (Kotler, Lane, 2006).

The marketing mix is now regarded as the basic model of marketing. It is possible for an enterprise to reach its market target by establishing a consistent and realistic approach to marketing mix components (Alabay, 2008; Mucuk, 2010). First, the concept of the marketing mix used in the article "The Concept of The Marketing Mix" by Neil Borden in the Journal of Advertising Research in 1964 is one of the basic concepts of marketing theory. Borden has gathered the elements of marketing mix under twelve titles (Product Planning, Pricing, Branding, Distribution channels, Personal Sales, Advertising, Promotion, Packaging, Display, Service, Physical finding and analysis) (Borden, 1964). The concept of the marketing mix was introduced as a marketing model by E. Jerome McCarthy. McCarthy stated that modern marketing approaches in the 60s should be based on the product, price, place and promotion, which is called 4P of marketing.

As marketing concepts began to be consumer-based, the traditional marketing mix was reinterpreted in a consumer-oriented manner. In 1993; Robert Lauterborn put forward the 4C mix and put forward a new understanding. With the new perspective that emerged with 4C, customers have become the focal point. When the service sector is evaluated, the consumer-centered approach of 7P, which is an expanded marketing mix, emerges as 7C (Avcikurt, Demirkol and Zengin, 2009). In Table 1, customer-oriented marketing mix elements corresponding to each mix of the service marketing mix can be seen collectively.

Elements of Service Marketing Mix	Elements of Customer-Oriented Marketing Mix
1. Product	1. Customer Value
2. Place	2. Cost
3. Price	3. Communication

4. Promotion	4. Convenience
5. Process	5. Coordination
6. People	6. Consideration
7. Physical Evidence	7. Confirmation

Table 1. The transition from 7P to 7C

Source: Avcikurt, Demirkol and Zengin, 2009

2.2 Marketing Mix in the GSM sector

Market and competitive conditions for the GSM operators in Azerbaijan is oligopolistic market conditions. It is a difficult battle that is not easy to compete in the market. Oligopoly is a market where a small number of sellers are faced with an infinite number of buyers who can influence each other. GSM companies operating in the telecommunications sector in Azerbaijan compete in oligopolistic market conditions.

Therefore, the competition between the GSM operators is a competitive competition where the companies are closely followed by the steps in which the competitors' decisions affect their decisions.

The competitive strategies of GSM operators will be handled within the framework of service marketing mix elements.

1. Product

In the GSM sector, although SIM cards are the basis of physical products, the main products of GSM operators are abstract services such as communication, connection and technology. The marketing mix of GSM operators will be covered in terms of a quality policy, brand name, coverage area, technology, services and after-sales services.

Quality policy - The quality policies of the three GSM operators are shaped within the framework of providing service in line with the customer expectations based on the main purpose of ensuring customer satisfaction.

Technology - Telecommunication and IT sectors are one of the most important sectors that are affected by technological developments. As GSM operators are aware of the importance of technology for their sectors, they use technology as an important means of providing a competitive advantage by reflecting technological innovations to their services.

Services - The range of services is quite extensive in every GSM operator. Services that GSM operators offer to their subscribers in the field of technology are news, weather, finance, message, e-mail, search, music, sports, entertainment, games, information, internet, health, security etc. In addition, the services offered by the GSM operator are very similar in content. Some of the services are paid and some of them are offered to subscribers for free. Call centers have the lead role of after-sales customer service for GSM operators.

2. Pricing

When the pricing strategies applied by GSM Operators are examined, it is seen that they go to third-degree price differentiation.

The customer profiles of GSM Operators are divided into two main groups as individual and corporate customers, and these include postpaid and prepaid subscribers.

GSM Operators apply different tariffs and campaigns for these groups when pricing. In addition, different tariffs and campaigns are determined for students, young people and various occupational groups.

3. Promotion

Social responsibility projects - Within the scope of promotional activities, GSM operators are not only satisfied with advertising campaigns and they are also known for their social responsibility projects and sponsorships.

In addition to commercial activities, GSM enterprises are also responsible for social responsibility projects; education, culture and arts, sports, nature conservation and technology. Many GSM companies use public relations activities in marketing.

Awards - GSM operators prove their quality and performance when they receive and when they share their awards with the public, they strengthen their brand image and fulfil an important promotion and advertisement function.

4. Physical Evidence

The physical evidence of GSM operators is composed of customer care offices and call centers where GSM lines are offered for sale. Banners, paintings, brochures and video screenings in addition to the sections such as signage, decors, seating areas also form the physical evidence.

5. Process

It uses Radio Frequency fields for services such as mobile phones, voice calls, SMS, e-mail, MMS, web, TV and downloading programs. An RF signal is sent to the nearest base station for this. The base station directs this signal to the digital telephone exchange. The signal is transferred from here to the main telephone network. The home network again connects the signal to the receiving telephone via a base station.

2.3 Definitions of Market Segmentation

Markets consist of a large number of buyers and consumers of different characteristics and characteristics. These buyers and consumers have different demands, needs, and expectations that arise in different periods. They, therefore, exhibit different purchasing behaviours. Markets have a heterogeneous structure due to the different buying behaviours of consumers. The market of products of different types and characteristics is called heterogeneous market. Almost all of the markets are heterogeneous.

In order to achieve their goals, marketing managers must decide which market segment is the best. In doing so, it must first divide the market into segments and select one or more of these segments as the target market. Market segmentation is the process of separating a heterogeneous market into a number of smaller homogeneous sub-market segments (consumer groups). As a result of this process, the market segments consisting of consumers who exhibit homogeneous or similar characteristics in varying sizes emerge.

The following basic conditions must be established in order to make effective market segmentation:

- **Measurability:** Marketing opportunities in the segments should be measurable. In other words, the demand for the market segment should be estimated.
- **Availability:** It should be possible to distinguish certain market segments and to achieve only those goals through marketing efforts.
- **Proficiency (Competency):** The market segment should be large enough to allow the business to profit and grow in the long run.
- **Discriminability:** Each marketing segment should be significantly different from the other segments and must be developing a different marketing mix.
- **Mobility:** The market segments to be selected should respond to the differentiation of marketing communication variables.

Recently, the marketing approach has shifted towards a customer-oriented approach and the relations of companies with customers have changed considerably. With a successful customer analysis in enterprises, it is possible to create value for the customer, to provide loyalty to the customer and to achieve institutionalization in these issues in a global world and in increasingly competitive markets (Rud, 2001). For this reason, businesses have to face the need to understand consumer behaviour and to apply marketing strategies

accordingly. But there are consumer and consumer groups with many different needs and desires in the markets. It is very difficult and costly for an enterprise to determine such a wide variety of consumer profiles and satisfy the needs and desires of these profiles.

Nowadays, when markets are growing and even merging and forming global markets, enterprises are not suitable in terms of efficiency and effectiveness. Therefore, the concept of market segmentation, which is the first step of modern marketing strategies, has emerged. Data mining results are input to many consumer-oriented applications such as market segmentation, credit rating and market basket analysis.

These days, if businesses are active in what kind of markets they operate, marketing management must divide the markets into segments to select their target markets. Because the segmentation of the market is considered as a starting point in determining the target markets (Kotler, 1994). Within this framework, it should be tried to find the most suitable ways of reaching these consumers by examining these markets in detail (Mucuk, 1997).

In order to realize the purpose of the organization, market segmentation is to divide the heterogeneous market into homogeneous sections and to present the most effective service to these departments. The division should be based on the differences between the groups and the similarities within the group (Odabashi, 1994).

Market segmentation is the step before the target market selection and market positioning stages in determining the target market. As it is the first step towards the target, it has a great effect on the marketing strategy and the success of the marketing efforts. With the marketing division, businesses will have the opportunity to catch the most suitable market opportunities for themselves. Because different segments of the market according to consumption habits, they need different marketing mix. In this framework, achieving this also brings about the correct planning and correct use of the resources of the enterprise.

There is no simple and single method of partitioning a market. In order to make the best presentation of the market structure, the marketer needs to use different segmentation variables alone or in combination (Kotler, 2001).

Market segmentation is very important for businesses that want to succeed today. According to Kotler (1994), which is considered as one of the great veterans of marketing, marketing segmentation process consists of three parts, although it differs according to sources and authors.

- In the first phase of the market research phase, the researcher conducts researches to collect information about consumer preferences and behaviours of consumers and tries to reach information such as demographic, socio-economic and behaviour patterns of the consumer.
- In the second phase of the analysis, the researcher uses the analysis to find the related variables and then tries to reach the market segments that can be obtained by clustering analysis.
- In the third and final stage of profiling, each cluster is divided according to demographic and behavioural differences, and the profiles of each section are subtracted.

Each market segment is then given a name based on the most distinctive feature. In order to achieve the desired success in market segmentation and marketing, it is ensured that the main characteristics of the market are divided into different and homogeneous sections taking into consideration geographical, socioeconomic, demographic, psychographic and behavioural characteristics. Businesses that want to make market segmentation are trying to determine the target group. In this way, the enterprises take a position in accordance with the target markets and as a result, they meet the expectations of the customers (Mykletun, Crotts and Mykletun, 2001).

Socio-economic and demographic characteristics and social class concept are widely used in market segmentation activities. The main reason for this is; socio-economic, demographic (age, gender, income, occupation, education,

marital status etc.) and social class criteria are easily measurable, identifiable and easy to analyze. These reasons, which cause low costs, cause socio-economic, demographic and social class criteria to be the first criterion in segmentation studies. The first market segmentation studies have benefited from the concept of demographic characteristics and social class.

The diversity in the market, emerging technology, reveals new marketing approaches, large enterprises and their classical marketing approaches are questioned (Dalgic, Leeuw, 1994). In line with these inquiries, businesses need to put themselves in a process of change within the structure of both the competitors and the market. However, it is possible to maintain its place in this process of change and to make progress in the way of the competitors, but it is possible to say that the goals will be achieved by developing new targets and developing them in this direction (Semiz, 2008).

2.4 Purpose and Benefits of Market Segmentation

With the market segmentation, the companies find the most suitable market for themselves an aim for customer and customer satisfaction. In this direction, the purpose of market segmentation;

1. Identify the distinctive characteristics of existing market segments,
2. To determine market segments according to these qualifications,
3. To determine the size and value of each section,
4. To examine the market situation of competitors,
5. To identify market segments that are not adequately serviced.

Market segmentation is not an end in itself, it is the determination of the consumer group or the target market where the enterprise can provide the best service and providing the infrastructure that will enable the creation of marketing components suitable for the selected market or markets. In other

words, market segmentation is the starting point of the target market selection and subsequent positioning activities.

In the case of effective market segmentation, there will be significant benefits for the market segmentation. These benefits include;

- It provides the determination of attractive market segments.
- Ensures more effective promotional messages and tools
- It provides a better response to consumer wants and needs.
- It provides better monitoring of market changes and competitors.
- When entering the market, the objectives are determined more clearly.
- Enables more efficient use of resources

2.5 Profiling and Targeting Customer Segments

Part of the segmented market as a result of market segmentation will be determined as the target market that the entity chooses to market its goods and services. The identification of target markets will enable both the recognition of competitors and the discovery of high and unsatisfied needs in the market. Market segmentation prior to target market selection shows the market-slice opportunities that enterprises face. The work to be done after the market segmentation is to decide how many market segments will be targeted and how to determine the best market segment (Tek, 1999).

2.6 Target Market Selection Strategies

After the market segmentation, the target market selection will be started, which is the main reason for market segmentation. There are three important strategies used in target market selection. These are:

- Non-differentiated marketing (whole market) strategy,
- Differentiated marketing (multi-part) strategy,
- Intensive marketing (one part) strategy.

2.6.1 Non-differentiated Marketing (Whole Market) Strategy: In this strategy where the entire market is considered to be homogeneous (with the same characteristics), the enterprise does not need to choose a segment from within the market. In this sense, the strategy applied by the enterprises that plan the composition of the marketing mix elements in order to be effective in a single market. The whole market strategy will ensure that production, transportation, management, Research and Development and marketing expenses are lower due to the fact that the enterprise does not enter into different market segments and the product series are kept tight. In particular, non-differentiated marketing strategies applied in standard products where consumers do not perceive significant differences in their product characteristics (Altunisik, Özdemir, and Torlak, 2001).



Figure 1. Non-Differentiated Marketing

2.6.2 Differentiated Marketing (Multi-Division) Strategy: Companies that follow this strategy, by choosing more than one market segment as the target market, direct all marketing efforts to create a separate marketing mix for each of these segments. Businesses usually follow a single segment strategy at the beginning, and after they succeed in that segment, they take the other segments that are attractive to their target markets. Differentiated marketing or multi-segment market strategy provides more revenue to the business than a single segment strategy. The most important drawback of this strategy is the high cost of marketing because production costs, diversity, and distribution require a

variety of issues such as production processes, raw material and material, skills (Mucuk, 2001).

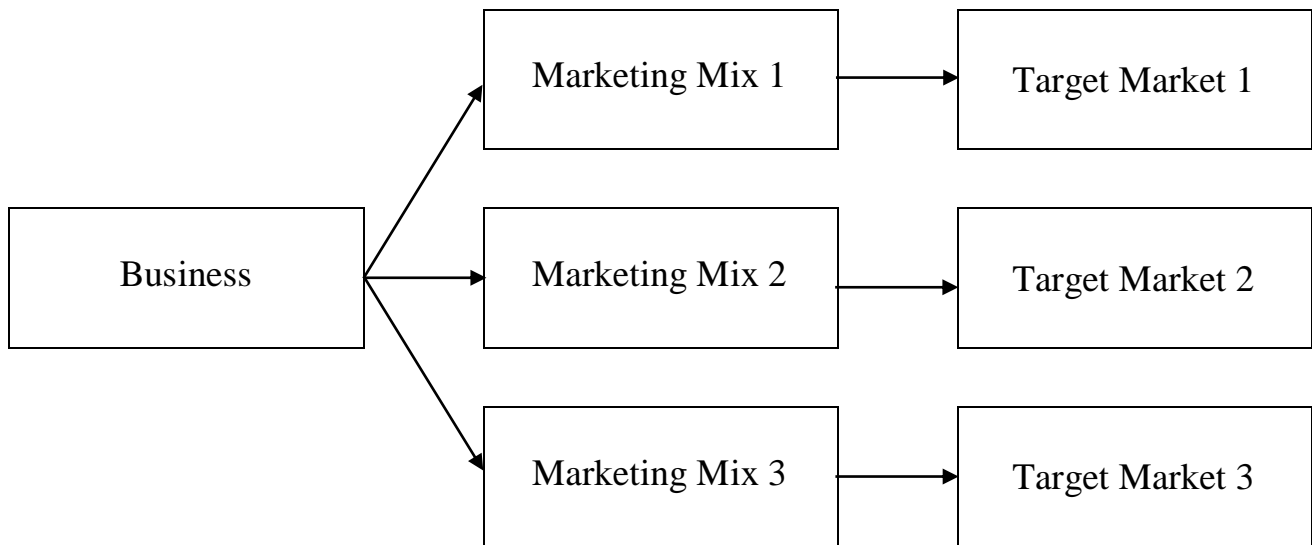


Figure 2. Differentiated Marketing

2.6.3 Intensive Marketing (One Part) Strategy: It is a strategy applied especially if the facilities and resources are limited. Instead of a large and complex market, the company focuses its power and capabilities on a specific market segment. For example, a garment company; men's, women's or children's clothing, a television channel; The fact that they tend to publish for a single market segment such as news, sports or documentary broadcasting shows that they have implemented this strategy.

Through this strategy, the business gains a strong market position in specific markets. Because they know the market requirements well. If the market segment is well selected, a good income can be obtained from the investment. However, this strategy has risky aspects. It is risky for the operator to link his future and growth to only a portion of the market. The introduction of new and strong competitors into the same market segment will cause the market share in

the already small market segment to be too low to satisfy the business (Tek, 1999).



Figure 3. Intensive Marketing

To summarize these three basic strategies; the non-differentiated marketing strategy considers the market as a whole; different market segments in differentiated marketing strategy, and a single segment of the market in the intensified marketing strategy are selected as the target market.

2.6.4 Factors Affecting Target Market Selection

At the beginning of the target market selection, businesses can immediately recognize which strategy is the most appropriate strategy for them. However, this is not very common. The choice of strategy may restrict the features of the product, the market and the vendor. Although some of these are variables that can be changed by the enterprise, it may be necessary to accept some of them as data.

The main factors that influence the choice of the target market are;

1. **Resources of the enterprise:** In the case of limited resources and resources (human resources, financial resources etc.) of the enterprise, intensified marketing strategy will be preferred. If there is a lot of opportunities, the non-differentiated marketing strategy will come to the fore.
2. **Product characteristics:** The target market of a homogenous product which all consumers can use is naturally the whole market. In this case,

the non-differentiated marketing strategy is appropriate. However, some products, such as computers, furniture and automobiles, can be offered to target markets with different characteristics according to their intended use. Although some of these heterogeneous products have an intensified strategy, in most cases, a differentiated marketing strategy is preferred.

3. ***The life cycle of the product:*** Since it is important to create a primary demand at the presentation stage and to introduce itself to the consumer, and because the properties of the goods are not suitable for differentiating at this stage, non-differentiated marketing is appropriate. As competition grows and matures, a differentiated strategy can be used to increase sales and satisfy unsaturated markets (Tek, 1999).
4. ***The structure and characteristics of the market:*** If the needs, wants and characteristics of the consumers in the market are similar (homogeneous market), non-differentiated marketing is preferred. In heterogeneous markets, differentiated or intensified marketing strategy comes to the fore.
5. ***Competitive status:*** Rivals' competitiveness in the market, the competitiveness of the business, knowledge of the strengths and weaknesses of the business will be effective in the target market selection. For example, if the competitors apply differentiated strategy, the enterprise will also benefit from differentiated or intensified strategy implementation.

2.7 Definition of Product Positioning

Positioning is the process of determining and applying consumer perceptions, attitudes and product habits in placing the product or organization in the most suitable place in terms of the selected market segments and

organization. The aim is to draw the attention of buyers to a certain product by the management and to differentiate the product in a positive way in favour of the company according to similar products.

Positioning is more successful if the target market is determined after market segmentation with data collected through good marketing research.

Once the target market has been determined, the entity has to determine its position in this target market. Therefore, the determination of the target market brings about the concept of product positioning. Although the concepts of product positioning and market segmentation have different meanings, as a result, both concepts are linked to consumer needs. Product positioning and market segmentation; focus on satisfying consumer need to provide superiority in a competition (Hooley, Saunders and Piercy, 1998).

Positioning is the arrangements for obtaining a specific, distinctive and desirable place of a product in the face of competing for products that have taken place in the minds of target consumers. As can be seen here, all products in a market focus on how consumers perceive the brand of products or products compared to each other (Zikmund, and d'Amico, 1995). Kotler (1997) described the positioning as "the place where the consumer product occupies the minds of the consumers compared to the competing products". The aim of positioning studies is to successfully guide what is in the minds of the consumer. Positioning decisions are strategic decisions. How the product will be considered by the target audience will play a major role in the long-term success (Hawkins, Best and Coney, 2001).

Businesses act from three basic approaches in product positioning. We can express these as being first in the market, being single and addressing emotions (Fill, 1995). Being the first in the market is to get the product's position for the first time and maintain it consistently. Being single is that consumers perceive

products as unique and different. Being able to address emotions is the position of the products in a way that consumers can address their feelings.

The position of the company's product or brand, whether it be the first or only one, should reveal the part of the market in which the product should be located compared to the competing products. The product should be positioned differently from its competitors. The position of the enterprise shows which distinguishing features of the product or brand and how consumers should perceive them (Sheinin, 1998).

The designated position must be correctly detected by the consumer. The important point here is to deliver the message correctly to the consumer. Therefore, efforts should be made to ensure that the product and brand positioning is perceived at the desired level by the consumer. Another point that should be considered is to monitor whether there is a change in consumers' perception, pleasure and needs related to the product in time. Following the market in this regard will play an important role in determining the position of the products (Goldston, 1992).

As a result of competition in the service sector, it is becoming more important for businesses to distinguish their products from their competitors. Service businesses need to position their products in a way different from their competitors in order to achieve market success. The enterprise should identify and retain product characteristics that are important to its target consumers.

Since the products of the mobile phone operators in the service sector are mainly abstract, it is difficult for consumers to make a purchase decision. Through product positioning; mobile operators will facilitate consumers' purchasing decisions. In addition, businesses will use a strategy for their own success. Positioning as a result; it is intended to provide a distinctive place in the market for a business and its products and to maintain it.

2.8 Loyalty

In recent years, increasing competition with globalization, increasing customer awareness, and sensitivity to the prices of the products necessitate the directing of the activities of the enterprises operating in the service industry in line with the changing customer demands and needs.

With this new customer-oriented approach, businesses have to offer their customers better quality, product and service as well as a lower price. The preference of the value produced by the customers is very important for the business. Likewise, it is important that the values created by the enterprises in terms of the customer are in accordance with the preference of the customer. Therefore, in order to be preferred by the customers, it is necessary to determine the needs of the customer correctly and to provide production or service accordingly.

The concept of customer loyalty includes every effort to achieve long-term profitability by creating personal loyalty with existing customers, customer loyalty programs and customer loyalty. In order to create customer loyalty, a long-term one-to-one relationship with customers is required (Bayuk, 2005). Customer loyalty is also important for the GSM sector as in other sectors. The main reason for this is that the acquisition of new subscribers as a result of the GSM sector's maturity stage is difficult and costly and the existing customers of GSM operators are potential customers of other operators.

The importance of customer loyalty in marketing is increasing. It can be seen from the research in the US. According to the 2005 Consumer Reports; in 2004, 35% of mobile phone users are considering changing their GSM operators (Kim, Widdows, and Park, 2006). Therefore, in the telecommunication sector, customer loyalty programs have begun to come up more frequently and different researches have been carried out on the variables that affect loyalty to GSM operators.

According to Goderis (1998), customer satisfaction should be at the highest level or even 100% in order to increase the level of loyalty. The customers who are fully satisfied in the enterprises have been observed to be more than 6 times more connected than the satisfied customers (Bowen and Shoemaker, 1998). In addition to the relationship between customer loyalty and customer satisfaction, there is a close relationship between customer satisfaction and customer engagement. In the new economic structure, the customer structure is observed to be changing. Today, a freer, more participatory and more demanding customer structure is encountered. Therefore, enterprises have had to develop marketing strategies for the new customer structure. In this context, businesses, beyond customer satisfaction, have turned to create value for their customers. Today, competitive superiority is based on providing value to the customer (Odabashi, 2000).

2.8.1 Customer Loyalty Programs

Companies create and implement a variety of programs to enable customers to choose themselves, to come back again, to ensure that they are more loyal to their purchases. The most commonly used approach to ensuring loyalty, the use of programs where monetary interests are the main factor in motivating customers. Customer loyalty programs are used to reward customers who continuously purchase their products. In today's competitive environment, companies need these programs to keep their relationships with customers constant.

One of the successful loyalty programs in the world is the project implemented by the French Bouygues. Bouygues Telecom saw that the mobile telecommunication sector in France could not maintain its new customer acquisition strategy in order to increase its share of 18% in this market. With the new strategy, Bouygues focuses on increasing the rate of use of mobile

communication for each customer, offering new services to customers, providing long-term customer value and directing customers to other Bouygues products and services that cannot be held in mobile services. In the CRM project for obtaining these goals, it first collected data on customer behaviour and trends and then defined a more focused market. At the next stage, it has directed marketing spending to real-time marketing activities that include the current needs of customers. Bouygues thus increased its customer contact rate 4.5 times reduced the creation and delivery time of a marketing campaign by 75% and set the ARPU (Average Revenue per User) rate to be the highest in the industry, while it was the lowest previously. (Full-year Results, 2017. Retrieved from <https://www.bouygues.com>).

3. Methodology

The approach towards research methodology defers based on the research area and desired outputs. But the main significant difference is based on researcher mindset and educational background as the researcher himself uses a different approach based on personal experience. Seth Godin mentioned in his innovative book "Purple Cow" that new trends in marketing and new approach in research field come from those who risk looking in things in different ways. This variety of different looks to the same problem created multiple research methodology (Godin, 2009).

Taking into consideration the above-mentioned methods there are different approaches, strategies, and data collection methods available for researchers based on what is needed and what is important. The general research process and choices used in this thesis underlined in the figure below:

Research Approaches	Research Strategies	Data Collection Methods
Inductive	Grounded Theory	<u>Interviews</u>
<u>Deductive</u>	Action Research	<u>Observations</u>
Quantitative	<u>Case Studies</u>	Questionnaires
<u>Qualitative</u>	Ethnography	<u>Secondary Data</u>
	Experiment	
	Survey	

Table 2. The General Research Process

3.1 Research Approach

This research is based on deductive methodology. Deduction itself considers as a process of step by step firstly knowledge acquisition and then the usage of acquired knowledge and creating outputs based on collected field data.

Since current research is based on empirical data, the deductive method is the best way to generate the desired output. As per the deductive method you don't need to create new theories but all you need is to acquire data and make an empirical analysis. The deductive methodology is based on existing theories that are applied to primary and secondary data to create research results.

Two groups of method classification are qualitative and quantitative according to Bryman (2002). Qualitative method is based on certain case studies and examples and does not require any numerical information and statistical proof. But mainly based on previous research and generation of new outputs from past experience.

As an example, it will be more relevant to consider the path of Bakcell in achieving customer-driven marketing rather than to focus on statistical information in order to create global or even more detailed way in moving

revenue based strategy to customer-driven one. Besides, the descriptive nature of the research highlights the applicability of qualitative research in this study.

3.2 Research Strategy

The strategy of this research is based on case studies, both local and international. International case studies include good and bad case studies, meanwhile local case study include Bakcell example that can be interpreted as a good case study.

If to go more deeply in research strategy selection it can vary from grounded theory to field tests or from survey method to experiments. The way of selection of research strategy is consisted of defining of desired outputs, selection of required data, selecting the right method to acquire this data. But data itself is a broad thesis and can be understood in multiple ways. Data can both numerical and common knowledge. And research strategy is chosen based on the required data.

3.3 Purpose and Objectives of Research

The purpose of this research is descriptive since the objective of this thesis is to describe the customer-driven marketing strategy of Bakcell in telecommunication sector of Azerbaijan. In order to structure the main objective of this research question, the company's strategies are analyzed according to the following sub-questions:

1. What is the market segmentation strategy of Bakcell?
2. How does Bakcell target its customers?
3. What is the positioning strategy of Bakcell?
4. What is the promotion strategy of Bakcell?

3.4 Data Collection Method

In order to understand the meaning of collected data, analysis should be carried out. As the aim of this thesis is to find out customer-oriented marketing strategy, interpretation of secondary data, observation and interview seemed to be the best way to get clear picture of the situation and reach aim of the research. (Zikmund and Carr, 2000). Business Research Methods. 7th.).

The data that particularly gathered for the research project at hand is called primary data (Zikmund and Carr, 2000). Primary data helps researchers to address research issues and objectives from own experiments and personal investigation based on the first hand data generated from an original resource. Therefore, to learn deeply about current situation of marketing process and customer-driven marketing strategies of Bakcell, company managers were interviewed and the information about the segmentation, targeting and positioning strategies based on the data conducted through these interviews.

There is a number of resources that most of the secondary data of this research came from. In order to formulate theoretical basis, methodology and part of empirical finding multiple books and journal articles have been reviewed and analyzed. Quality newspapers have also been chosen as one of the important resources of the secondary data. In addition, many online news and Webpages have been referred. In this regard, Bakcell homepage, social media accounts and different market research and forecast agency Webpages have been reviewed.

The source of the data, authority and reputation of source were assessed in order to ensure validity and reliability. Assessment of reliability and trustworthiness of resources have also been carried out. In addition, authors and institution reputation were also assessed in terms of validity and reliability.

4. Empirical Analysis

4.1 Bakcell background

Established in 1994, Bakcell is the first company to provide mobile communications services in Azerbaijan. Today, Bakcell network covers 97% of the country's territory (except for occupied territories) and 99% of the populations thanks to well-over 7000 base stations.

Bakcell provides 4G services all around the capital of Azerbaijan and Absheron peninsula to local and international SIM users. Moreover, 4G services can be used in main parts of 40 regions and cities of our country. Network coverage provided by Bakcell considered as the fastest one in Azerbaijan. The main reason is years of focus in high tech innovation in Bakcell strategy. Independent "Ookla" company, considers Bakcell's network coverage as the fastest one in Azerbaijan based on local tests ran in multiple districts of capital and regions ("The Fastest Mobile Network of Azerbaijan", 2018). Also, Bakcell was the first mobile operator to introduce 4G internet in Baku subway ("Bakcell introduces 4G service in Baku subway", 2018).

The company implements one of the largest-scale Corporate Social Responsibility programs in the country to support children with a need for special care, children and teenagers deprived of parental care and children from economically disadvantaged families, within the frames of cooperation with various local and international non-governmental organizations.

As Bakcell took the commitment of investing time and money to create a future for Azerbaijan start-ups, it created multiple educational and technological projects. In 2014 Bakcell has launched the "AppLab" one of the first startup incubations in Azerbaijan, thus allowing local startups, as well as hardware and software developers, to submit their ideas and get extensive support from the

company. Many innovative projects developed by Azerbaijani developers with support of AppLab are already available for download to devices running on Android and iOS (www.applab.bakcell.com, 2019). In 2018, Bakcell has signed a cooperation agreement with the INNOLAND Incubation and Acceleration Center of the State Agency for Public Service and Social Innovations under the President of Azerbaijan. INNOLAND is an incubation, acceleration and research center created to develop the private sector, promote innovation and expand the startup movement both in Azerbaijan and beyond its borders (“Cooperation between Bakcell and INNOLAND”, 2018).

Within Ulduzum project Bakcell provides multiple and innovative discounts, added values and extra services to its customers.

Bakcell currently serves thousands of business customers across different industries. Many sectors choose as main telecom provider - Bakcell. Bakcell created a great market need in its corporate offers.

4.2 Marketing strategy of Bakcell

Marketing strategy of one of the market leading company cannot be one-sided and it sure should not be underrated. It varies on company needs and market trends. As one of the leading companies that provide second biggest taxes in our country from the non-oil sector Bakcell created its marketing identity from day one.

Considering that Bakcell established in the late 90s as a marketing brand when market trends worked in a quite different way, this company came a long way to what it is now. In this hard way, Bakcell firstly switched from Pager operator system to GSM and path in creating brand awareness for GSM operator was hard. They used every possible trick to change the customer mindset.

In early 2000s Bakcell started promo campaign and rebranded itself to CIN (Genie). They have changed their USSD menu based on CIN brand. Each call proceeded by CIN voice and other branding strategies were applied.

In late 2000s Bakcell started broad acquisition of new users by diluting its revenue focusing on short-tenured customers who would bring short term value. Due to this price dilution and focusing on acquisition rather than customer retention Bakcell brand was considered as short term brand that benefits its customer through price but not service level. (M. Huseynov, personal communication, May 6, 2019).

Generally, the late 2000s shaped many market shares including Telco market. Some short term companies as Alcatel entered and could not survive in such low price market. The main strategy for Bakcell rival company – Azercell was focusing on the acquisition of customers with high ARPU (average revenue per user). Mainly it was corporate customers who valued service level over low prices, that's why mainly customer base of Azercell consisted from corporate customers who bring nearly 85% of annual revenue according to the annual financial report of Azercell for 2018.

Usually, corporate customers have 20% of company base but in case of early acquisition Azercell has more than 23% of customers that generate above mentioned 85% revenue from mobile numbers (Financial report of Azercell, 2017).

In the case of Bakcell in 2010-2012 years Bakcell focused on the acquisition of corporate partners and mainly tried to acquire oil sector partners. But to do so, they needed to change brand status from cheap and bad service mobile operator to mainly mobile operator of the bigger market. In the case of Bakcell they changed their previous slogan to ‘Dəyişək – inkişaf edək’ (Change and prosper).

Bakcell emphasized the fact that they are changing and innovating their mobile coverage and general approach towards service level and price strategy. It took nearly 6 years to change the whole marketing strategy.

In 2012 Bakcell started a partnership with the richest football club and highest revenue generator in the football market – Manchester United Football Club (“Partnership between Bakcell and Manchester United is announced”, 2012). This partnership helped incorporate partner acquisition as they presented some additional values to corporate partners based on their performance. It made easier to get the corporate market, but still, Azercell kept their loyal and biggest corporate partners.

Still, this partnership was quite profitable for Bakcell as it increased brand awareness of Bakcell in the local market starting from the first day of partnership with Manchester United tariff that focused on mass and ending additional value services for corporate partners.

But in 2017 Bakcell made another rebranding that changed whole Telco market of Azerbaijan by chaining their slogan from ‘Dəyişək – inkişaf edək’ (Change and prosper) to “Bax nələr mümkündür!” (Look what is possible). Promotion campaign started with a promo video that was filmed in Georgia and it was aimed to create new stereotypes about Bakcell. At the same time, Bakcell changed internal strategy by bringing new company values and goals.

Generally, marketing strategy as it can be observed from above mention historical information changed a lot during brand standing and forming period. Bakcell changed from new company to mass-based telecom company to low cost and then to attractive corporate partners direction.

Surely marketing strategy defined Bakcell structure and its action towards market acquisition strategy and customer retention models. Even in 2013 Bakcell created Ulduzum Loyalty program to give additional benefits to all customers. Then in 2015, this program created the first ever business platform in Azerbaijan for its partner base of more than 200 partners.

It was part of the marketing strategy aiming to obtain corporate partners through a big mass loyalty campaign that will create a win-win situation for partners and Bakcell.

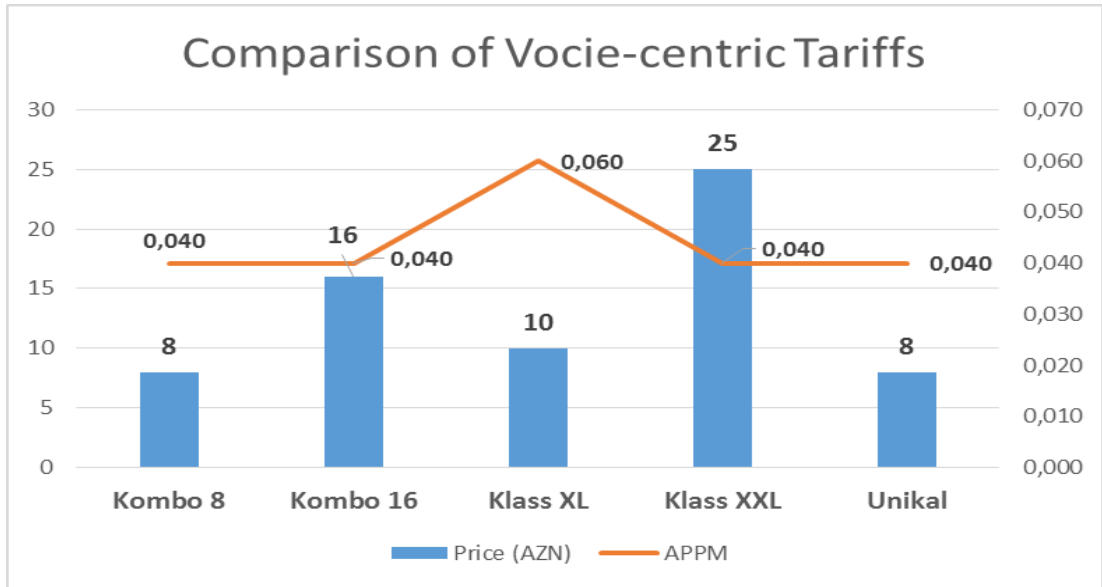
Another innovative incentive from Bakcell was the creation of AppLab start-up laboratory for new high-tech ideas. Bakcell created a separate budget for AppLab to bring more innovative ideas under its umbrella and create a market image of a supportive partner. It sure did its job in creating new perception regarding Bakcell (www.applab.bakcell.com, 2019).

These and many other innovations and differences in marketing strategy created new broad possibilities for Bakcell in both user acquisition and retention of existing customers. Throughout the whole period, Bakcell changed marketing strategy multiple times. And based on this transformation internal structure of Bakcell changed a few times. Mainly these changes touched marketing structure. These changes required agile decisions back in those transformation periods.

4.3 Bakcell Product Classification

Bakcell have 3 main directions in product classification: B2B, B2C and targeted marketing offers. These 3 products create the main revenue stream of Bakcell. Going deep into each of them we can highlight below information:

B2C – mass products that work mainly in the prepaid payment mechanism, mainly targeted towards the broad segment. It creates value based on whole customer needs and required to be completed with other small bundles as SMS, Voice and Data. As an example of great B2C tariffs study shows DaimOnline tariff. It is data-centric tariff that can be too costly in case of usage of voice tariff. B2C market is the main focus of Bakcell and must be considered as a key revenue stream.

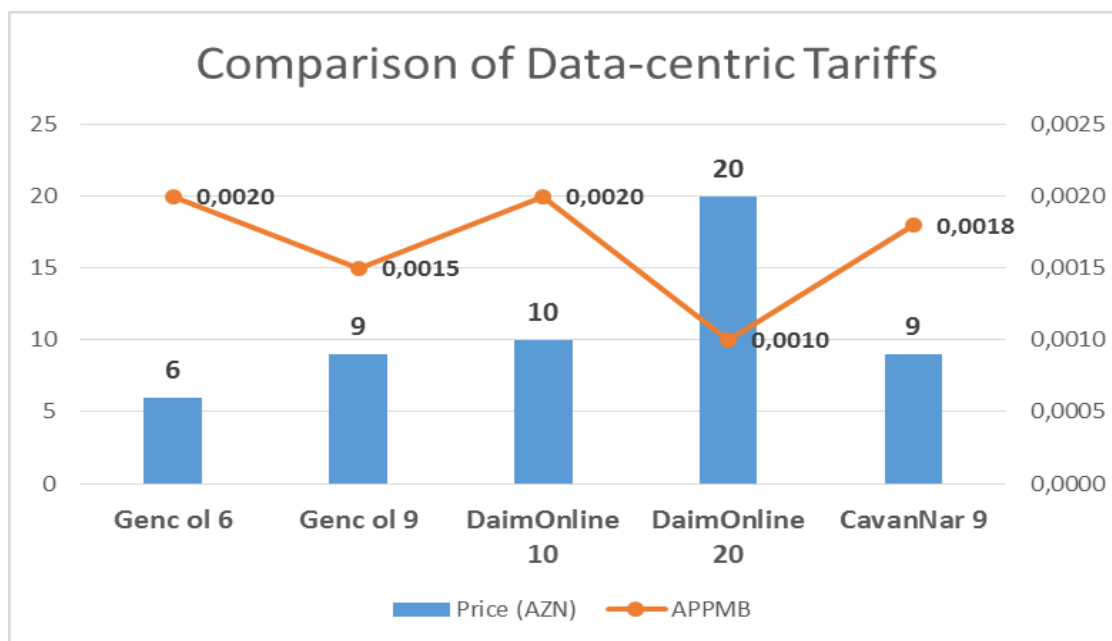


Voice -Centric Tariffs					
Company	Tariff	Price (AZN)	APPM	APPMB	APPS
Azercell	Kombo 8	8	0,040	0,0160	0
Azercell	Kombo 16	16	0,040	0,0107	0
Bakcell	Klass XL	10	0,060	0,0100	0,03
Bakcell	Klass XXL	25	0,040	0,0125	0,03
Nar	Unikal	8	0,040	0,2900	0,04

Table 3. Comparison of the Voice-centric tariffs in local Telecom Industry

Source: <https://www.bakcell.com>, <https://www.nar.az>, <https://www.azercell.com>

(APPM – Average Price per Minute, APPMB - Average Price per Megabyte, APPS - Average Price per SMS)



Data centric Tariffs					
Company	Tariff	Price (AZN)	APPM	APPMB	APPS
Azercell	Genc ol 6	6	0,060	0,0020	0,05
Azercell	Genc ol 9	9	0,060	0,0015	0,05
Bakcell	DaimOnline 10	10	0,080	0,0020	0,05
Bakcell	DaimOnline 20	20	0,080	0,0010	0,05
Nar	CavanNar 9	9	0,050	0,0018	0,05

Table 4. Comparison of the Data-centric tariffs in local Telecom Industry

Source: <https://www.bakcell.com>, <https://www.nar.az>, <https://www.azercell.com>

B2B – corporate offers for partners that work only on postpaid payment mechanism. These offers usually not communicated through social media and other information sources. Acquisition for B2B segment happens via the help of the corporate sales team or telesales.

Targeted marketing offers are focused on increasing customer lifetime value or affecting specific revenue direction. These offers are usually communicated throughout SMS or personal calls. They are not commercial and targeted towards specific segment that can be on the verge of leaving Bakcell

services or have potential in increasing any revenue behaviour (on-net, off-net, SMS or data).

There are other revenue streams that can be considered as secondary due to impact in Bakcell strategy and vision. Value-added services, churn reduction models and others. These revenue directions are non-traditional for a mobile operator but it has great potential underneath. For example in frames of partnership with Manchester United Bakcell gave extra minutes to its Manchester United tariff users (“Bakcell gives free bonus minutes to the members of Manchester United Club”, 2013).

Generally, Bakcell has simplified product classification as it is based on a key proposition and can be easy to get for customers. The main focus is on a price to value comparison when in Azercell they are focused on price to service level.

4.4 Bakcell Price Strategy

Bakcell base divided into 3 main tariff plans – CIN, Klass and Business based on product classification. Price strategy of Bakcell mainly comes from these tariffs. CIN products are low-cost ones with fair market prices and easy acquisition strategy. For example, customer can migrate to CIN directly from other mobile operators and CIN tariff is predefined for all new sold mobile numbers.

Klass tariffs have both prepaid and postpaid tariffs. Pricing of these tariffs is moderately high comparing to the main market rival of Bakcell but roaming bundles and selected free social network makes Klass more compatible with other mobile network operators (<https://www.bakcell.com>, 2019).

Business tariffs are the ones that targeted towards corporate customers and prices are high due to this reason. Mainly reconciliation of this tariff plans go through invoice system and it creates a great part of Bakcell annual revenue (<https://business.bakcell.com>, 2019).

4.5 Bakcell Place Strategy

Bakcell is leading mobile operator based on network coverage. To be specified in 4G network speed. Based on network covered area market leader in Azerbaijan is Azercell.

Based on the capacity of network coverage Bakcell focused on data provision features and increased its brand awareness through being the fastest internet provider services.

Recently Bakcell launched the innovative initiative – sending locations based notifications to its customers in real time. For example, customers approaching the biggest malls and shopping centers in Azerbaijan will receive promotional SMS about Ulduzum partners located nearby. This innovation increased Ulduzum awareness among customers and gave additional value to Bakcell customers.

Another analysis was conducted by Bakcell to create focus acquisition regions. It provided a detailed view of market penetration by cities and regions. Based on it Bakcell choose focus regions to increase acquisition and defined regions to focus on retention.

4.6 Bakcell – Customer Value Management

Customer value management and customer relationship management are usually being confused to due to similarities in approach to the problem of managing customer lifetime span within service or company. Meanwhile, there are major differences between them.

Customer relationship management is a combination of many software programs and methodologies aimed to organize true and right customer experience management.

On the other hand, customer value management is a list of activities that comes through advanced analytics in order to maximize value from a customer

using media, creative and innovative technology to create accurate measurement systems.

Customer relationship management comes from simple data analytics based on a few variables, but customer value management cannot be done without taking into consideration value that customer seeks.

Basically, Customer Value Management focuses on the provision of value that is being expected by a customer from a service provider. To detect such values service providers cannot simply focus numbers, they need to consider market tendencies, customer needs and current trends (M. Huseynov, personal communication, May 6, 2019).

Customer value management department has a versatile scope of work. Mainly this department focused on customer acquisition and customer retention. Structure of customer value management department consists of 3 units:

- Loyalty
- Targeted marketing
- Churn management

Loyalty department has the main focus on providing additional value to the customer throughout the whole customer lifetime, increase customer lifetime and tenure, create both B2B and B2C offers in order to increase Bakcell revenue.

Targeted marketing department offers special limited offers to selected customers based on advanced analytics tools and increases revenue per customer. Customers usually don't know the exact offers eligible for them. Targeted marketing offers mainly communicated through SMS and telesales.

Churn management unit must be an essential part of any business, especially in such a broad and competitive market as Azerbaijan telecom. Bakcell has churn management unit that calculates day to day churn percentage and builds predictive models to detect churn beforehand. Currently, churn management department is focused on creating a churn prediction model that

will work with more than 500 variables to estimate potential churners and offer special offers to decrease the churn rate among its customers. Churn model usually works with advanced machine learning mechanism in order to develop through a period of time. (M. Huseynov, personal communication, May 6, 2019).

4.7 Bakcell Market Segmentation

Bakcell currently has some segmentation layer in market targeting mechanism. Segmentation strategy of Bakcell changed and developed throughout the time period. Early in years of establishment of segmentation strategy, Bakcell used mainly simple one-sided models to determine customer segment. Mostly it was based on average revenue per user and average revenue per direction.

Later on, analysis moved forward as Bakcell started taking into consideration customer behaviour part. For example average voice duration, average usage of SMS, data bundle utilization. But as well as ARPU based analysis simple behavioural analytics would not help Bakcell to develop their customer profiling scheme.

As the telecom market grew fast Bakcell needed to adjust in such a competitive environment. Currently, many advanced analytics tools, machine learning mechanisms and predictive models operate within Bakcell. Each of the above-mentioned models provides measurable and sizeable impact on the performance of the company. For example, simple churn models were able to predict potential churners with approximately 70% error margin. Meanwhile new advanced and complex churn prediction models able to predict potential churners with less than 40%. It means the efficiency of the new churn model moved from 30% to 60%.

In current telecom, examples efficiency usually varies in 50%-70% due to factors that cannot be measured. Also, highly effective churn prediction models

usually use many variables that create over-fitting. 95% effective churn models usually take into consideration facts and numbers that lead to the wrong conclusion. (M. Huseynov, personal communication, May 6, 2019).

Another advanced metrics that currently being used by Bakcell is the cost of acquisition to customer lifetime value. Usually, companies consider this number as essential in acquisition campaigns prediction and business cases.

Average price per bundle and its utilization rate are other variables that must be considered in order to calculate profit and loss statement. Or as well as the competitiveness of product to other mobile number operators products or even to the internal product. Bakcell usually considers the factor of internal product competitiveness in order not to dilute revenue by moving customers from highly profitable bundles and tariffs to less profitable ones.

Diluted revenue may as well come from the bargaining power of users as they can overuse product and create new segment who use only one product by declining other revenue streams. As an example, such occasion occurred within ElaSaat tariff of Bakcell, where customers migrated from internal tariffs due to low on-net call prices (0.07 AZN per 60 minutes) with the addition of low-cost internet bundles. This tariff with added internet became so popular that Bakcell had to review the whole pricing strategy. These migrations cost Bakcell by changing whole internal segmentation and customer behaviour. So Bakcell in the further analysis had to compare customers' historical data in order to detect patterns in order to predict future lifetime value and general customers' profitability.

4.8 Bakcell Selection of Target Groups

Customer segmentation schemes may vary and considering Bakcell internal practice below are mention 4 main schemes:

- Customer Value Segmentation

- Customer Behavior Segmentation
- Customer Life cycle Segmentation
- Customer Migration Segmentation

But not get confused, these are not only segmentation models of Bakcell but can be considered as main ones.

Customer Value Segmentation scheme – concentrates on the value that customer seeks in service. Mainly can be done through "decile analysis".

It calculates the current value that is being brought by a customer to Bakcell based on current engagement level. For instance, the customer currently has a recurring bundle or tariff worth of 5 AZN monthly fee and on top of that customer use extra voice bundle with 2 AZN price. Then customer value segment calculated based on ARPU (average revenue per user) is 7 AZN on monthly basis. If to adjust this analysis to total Bakcell base, then the outcome of decile analysis will look approximately as shown in the table below:

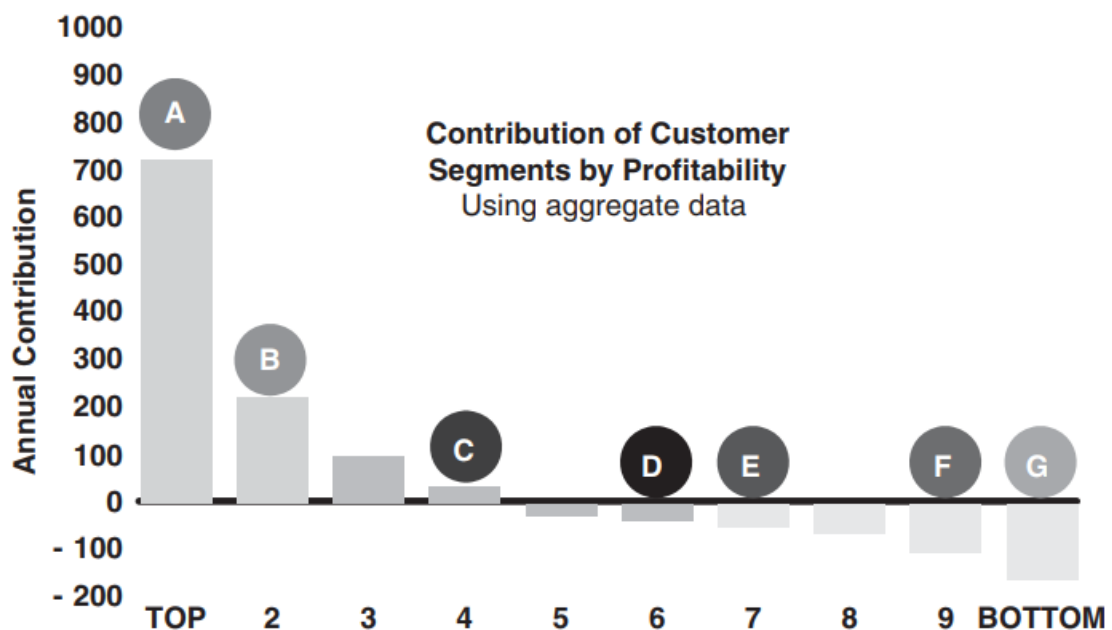


Figure 4. Customer Value Segmentation of Bakcell (by using aggregated cost data)

As you can already see from the table, it has focus divided by Pareto principles. So that 20% of customer bring 80% of revenue. This dependency

usual for the local market and can have some outliers as in Azercell case where they have more than 20% base that brings nearly full revenue of company due to strong corporate base. (A. Ismayilov, personal communication, May 3, 2019).

However, the table above may vary based on the selected value. And the selected value is something that depends on company strategy and the desired outcome from the analysis. For example, if Bakcell wants to analyze customers based on their retention level and consider lifetime value, the table will be as shown below:

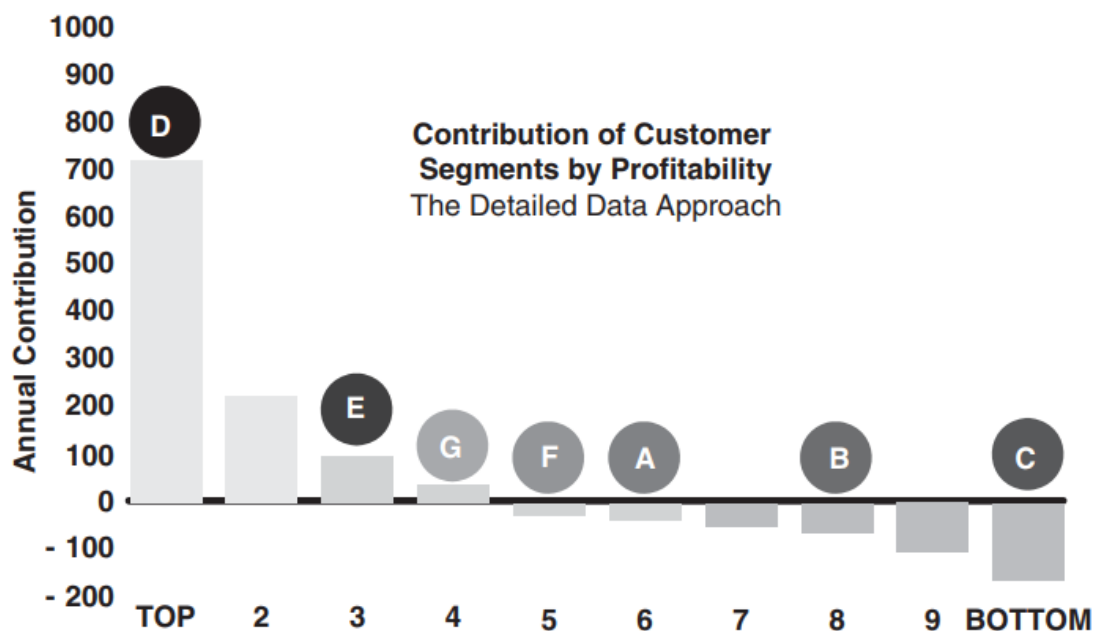


Figure 5. Customer Value Segmentation of Bakcell (by using detailed data approach)

In this case, we will need to consider 2 customers to have a clear picture of what is lifetime value and why is this metric considered more trusted than general average revenue per user (A. Ismayilov, personal communication, May 3, 2019).

Two customers have the same ARPU but one of them have potential churn possibility of 70%, has recently joined services of Bakcell and expected

to leave within 2-3 months, meanwhile other one has low churn probability as well as bigger tenure. Considering the above-stated differences, a customer with a lower probability of leaving services of Bakcell and with higher tenure will have better lifetime value. So after this analysis conducted we can conclude that customers are less likely to leave if they have higher tenure and tenure is a key point in customer loyalty level calculation (A. Ismayilov, personal communication, May 3, 2019).

But this analysis does not mean that calculating customer lifetime value is the key to creating the right value based offers. Many other factors can switch customers from one service to others and what is main is that usually, companies are unable to consider all these facts. For example, in the case of Bakcell, they might not be able to calculate customer competitive factors. Azercell may launch data campaign at the same time with Bakcell and it means, instead of customer acquisition from Azercell, both of these companies will dilute their own revenue by internal migration processes.

Another factor that needs to be considered is market trends that totally cannot be controlled but can be observed and analyzed on a high level. Late in 2015 Pokemon GO app that created big wave among all users entered the Azerbaijan market. These App was data-centric and was consuming a high volume of Internet package. Instead of waiting for customer complaints and rival actions, Bakcell launched special data bundle for Pokemon GO users.

Definitely, Bakcell could not control such big market wave, but all they could was adjusting resources based on customer needs and provision of the desired value.

Coming to customer lifetime value, there are as well many factors that can influence user behaviour and decrease customer lifetime value. For bigger markets with multiple suppliers, such variables might be rivals and timing of offering, but for the Azerbaijan market, with just 3 suppliers the main reason is a general approach to customer and satisfying customer needs.

For the prepaid base, customer lifetime in Azerbaijan due to the low competition is comparably lower than in the global market. But instead as these suppliers focus on B2B market recently, then the lifetime of the company drastically decreased comparing to the previous decade. Considering current market trends it is expected that in future customer lifetime will decrease even for a prepaid base due to customers' needs as it gets hard to calculate customer needs throughout a time period.

Customer Behavior Segmentation on other hand is based on customer actions that can be easier to track in real time and considering technical progress with advanced machine learning models and predictive models can be handy in the current market situation. (A. Ismayilov, personal communication, May 3, 2019).

Below you can find behavioural segmentation developed for Azerbaijan:

		Likelihood to Churn		
		Segment	Low	Medium
Customer Profitability	High Revenue/ High Margin	No Action Required	High Cost Incentive	High Cost Incentive
	High Revenue/ Low Margin	High Margin Incentive	High Margin Incentive	High Margin Incentive
	Low Revenue/ High Margin	No Action Required	Low Cost Incentive	Low or High Cost Incentive
	Low Revenue/ Low Margin	Re-Pricing	Re-Pricing	Re-Pricing

Figure 6. Offer optimization matrix of Bakcell

As an output of above table it is essential to mention that such marketing trend was quite different a decade ago. Coming from fact that social media takes 5-6 hours per day of average customers, offerings switched from voice-centric to data-centric (Fottrell, Q., 2018. "People spend most of their time staring at

screens”). But Azerbaijan market is slow on catching up with marketing trends and that is why it is essential to do so through the telecom sector. Cell phones and other devices are part of daily of the majority of customers. That is why in the global study even banks are calibrating with mobile operators in order to switch their customer behaviours from physical interaction to mobile and smart one.

As Western Europe market shows, Banks are becoming Mobile Virtual Number Operator. And so does Bakcell in current trends. In 2015 Bakcell had a co-branded card with one of the markets leading bank in Azerbaijan – Unibank, providing Ulduzum discount and other Bakcell values (“Unibank and Bakcell introduced ALBUKART”, 2016).

Other campaigns to stimulate internet usage and increase customer profitability was joined initiative with the biggest online payment of Azerbaijan – GoldenPay (“Hesab.az and Bakcell introduced auto-payment”, 2019). All Bakcell users could use Hesab.az web site even after internet pack full usage or even expiration. It was an initiative to stimulate online top-ups.

Within Behavior Segmentation any telecom company can create below model to analyze the current market and detect day to day needs. (Figure 4 - comparison of calling behaviour)

This table highlights the difference between quick talkers and mixed talkers (SMS plus voice traffic). Considering differences between to segments approach towards each segment must be shaped. You can contact very shortly with quick-talker and mainly through telesales but can communicate through SMS with mixed talkers.

But as it was already mentioned modern-day possibilities of analytic software programs give the possibility to create even combined and advanced analytic models and combine and mix models within one framework.

It is shown in the table below with a mix of customer value and behaviour segmentation. Even though Figure 4 and Figure 5 differ it has the logic behind

them. Telecom operator can divide its customers into 5 different segments based on the searched value parameter and 5 layers based on behavioural characteristics.

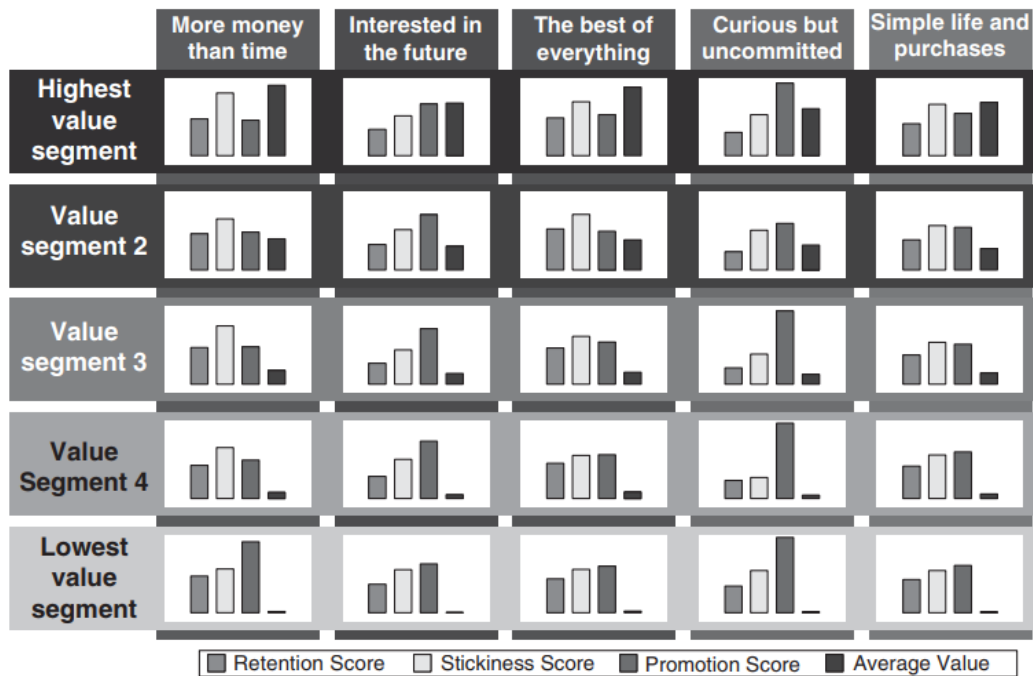


Figure 6. Bakcell – a combination of behavioural and value-based target groups

Each of these layers and segments can furthermore predict customer likelihood of retention or increasing its selected revenue stream. Bakcell has the experience that shows: it is easier to move a customer on the value level rather than move the customer of behaviour level. But it also must be noted that changed behaviour brings more value or revenue to the company (A. Ismayilov, personal communication, May 3, 2019).

4.9 Bakcell Loyalty

The loyalty program of Bakcell is Ulduzum. Through this program, Bakcell demonstrates a commitment to its subscribers. Within the framework of

the Ulduzum program, Bakcell offers its customers a wide range of privileges and valuable services in various fields. The program expands the list of domestic and foreign partners to provide more value to its regular customers.

Every Bakcell subscriber can get additional discounts from both foreign and local loyalty programs at selected luxury clothing, boutiques, restaurants, hotels, and electronics stores, as well as health, sports and entertainment centers, electronic and online payment points, and a number of service points.

With the Bakcell Ulduzum application, customers can get the opportunity to find the near-field Ulduzum partners according to their geographical location on the map, to know about existing partners, campaigns and updates, and learn the spent and discounted amount (www.ulduzum.az, 2019).

4.10 Bakcell Product Positioning (Communication and Promotion Strategy)

Promotion and product positioning is too close and related things in the telecom sector and generally service sector.

Bakcell uses below streams to place its product and services:

- Social media - external
- TV and radio - external
- SMS - internal
- Telesales - internal

From product placement perspective Bakcell mainly focused on digital marketing to focus on customers through social media. Bakcell has Facebook and Instagram profiles that are one of the most followed pages in social media. These pages won multiple local awards. Customers use social media to address complaints and give feedbacks regarding Bakcell services. Social media generally becomes driving tools for telecom companies from day to day. Consumers are eager to be online 24/7 and the best way to do so is mobile

internet. So as Bakcell envisions room for development in mobile internet, they switched focus from TV and Radio promotion to social media and internet ads. Currently, analytical tools of social media and google allow suppliers to see detailed behavioural analysis of their customer.

But it does not mean that Bakcell uses only social media for promotion needs. Another direction being used by Bakcell is on TV and Radio. These channels yet today prove to be desirable among any age and demographic groups. For instance, a bigger part of pension aged people trusts TV more than social media. And based on such tendencies Bakcell promotes voice-based tariffs throughout TV and Radio to more mature segment and data based tariffs via Social Media. Even a recent marketing campaign can be an example of this:

- DaimOnline – Social Media
- Klass XL – TV

Considering the above-mentioned trends Bakcell builds focus direction towards selected segments via external channels. And yet there internal channels that need to be managed.

In recent years many companies in Azerbaijan change their approach towards customers through internal channels. For example, they are referring to them as to piers. But Bakcell has not changed this policy and still contacts with customers as with superiors. The reason behind it is that Bakcell does not want to ruin the trust that was built for many years.

Also being a mobile operator Bakcell strives for improving its call center and service level. Addition of the USSD menu in a call center was one of the first steps towards increasing customer satisfaction level. Now after calls, customer can get all required information via predefined voice records and only in exceptional cases need to contact the service desk agent. This initiative surely decreased the average time of waiting on line while contacting a call center agent. This is a key variable in the calculation of customer happiness level or furthermore NPS (Net Promoter Score). And also this feature increases the

likelihood of customers to promote Bakcell through their connections because of easy customer service level.

Another customer contact point is telesales. Through these contact points, Bakcell usually upsells some products to a specific segmented group of users, as well as acquire new ones from competitors. Telesales usually focuses on VAS services to upsell as they are quite easy to promote.

Market positioning of Bakcell changed through the time period as well. Currently, Bakcell can be considered as the innovative mobile operator with fair prices, moderate connection level and good service. So based on this we can assume that Bakcell is currently on the development phase.

Conclusion

Telecom market of Azerbaijan is a quite unique marketplace. Even though there are 3 main companies that divided the market share between each other, competition among them is enormous. Nar, Azercell and Bakcell are in a mature market but yet they are changing in agile mode on a nearly daily basis adapting to modern marketing and behavior trends.

Telecom market globally has come a long way in segmenting its customers, so does Azerbaijan market. As per Bakcell example, they are using many different components in order to analyze and divide customers into the right segments. Bakcell increased data collection to a new level in recent years, coming from simple current value based analysis where they were analyzing only average revenue per user, to advanced metrics and analytics tool, prediction models and big data analysis.

Yet Bakcell has need and room for improvement. As per recent research by McKinsey & Company many market leading companies moving from touchpoint optimization to customer journey optimization (Maechler, N., Neher, K., and Park, R., 2017). In case if this model would be applied to Bakcell, then

it will be essential to analyze whole lifetime processes that happen to customer and create insight analysis on end to end usage. This is new trend in customer driven strategy.

By optimizing customer journey Bakcell may reduce churn probability and increase average tenure per customer and increased tenure will affect life time revenue of customer as all above mentioned variables are somehow connected.

It is highly recommended for Bakcell to switch from touchpoint based retention evaluation to journey based one. It will also increase acquisition due to better customer experience and better customer net promoter score (NPS).

Considering global benchmarks Bakcell can be considered as an advanced sector leader with its innovative ideas, agile decision-making processes, investment directions and internal data collection and analysis processes.

Starting its way in 1994 Bakcell improved in many directions and helped to form the telecom market of Azerbaijan, as well as created thousands of workplaces around Azerbaijan throughout 25 years to enable development opportunities to its employees.

Another difference that Bakcell brought to Azerbaijan market was international awards as best consumer service among 35 countries of the region. Surely this award gave price to Bakcell's hard work towards the creation of uniting customer value management platform. Main factors in winning this award were innovative data analytics and correctly done customer segmentation models.

Surely Bakcell was not such market differentiator years ago, it took years to develop in many directions at the same time reaching out to different customer segments, starting from young segments till the pension-aged segments, from voice-based customers to customers who desired data. Bakcell created uniquely in its own way CVM strategy in Azerbaijan that cannot be

reinvented by competitors. And the main thing that helped Bakcell on it is way, was the experience of many years and trials, till today Bakcell made many initiatives and this versatility in actions helped to understand the customer and correctly break them down into segments and give right offers.

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