SWITCHED ON CEO:
Mike Reynolds,
NZ Communications

FIELD OF DREAMS

Maori tribes... 3G wars... All Blacks... $100 million in private equity... the CEO of NZ Communications has a lot to contend with. But the boss of the revamped mobile player aims to level the playing field and is already anticipating kick-off...

By Johanna Bennett

He's a tourism industry dream. For Mike Reynolds, CEO of newly revamped third mobile provider NZ Communications, this is his second time in New Zealand. The long-time BellSouth company man first came here 12 years ago and says one of the reasons he's come back is because he likes it so much.

Originally from Tampa, in Florida, Reynolds has spent 20 years as an international telecommunications company executive roaming the globe. His last port of call – before moving to NZ eight months ago to head up NZ Communications – was Singapore, where he was president of StarHub. He was approached for the New Zealand job, he says, and is confident about his ability to ensure the company makes a mark, despite its entering a market with two strong incumbents.

He views NZ Communications as a start-up – just as StarHub was when he took it on, in 2000, he says. With a raft of new investors and a new management team, the old Econet Wireless, as the company used to be called, doesn't really exist any more, says Reynolds. The Maori Hautaki Trust, a Crown entity, still retains a major 20 percent stake. Company chairman, ex-All Black Bill Osborne, has also carried over from Econet. But over $100 million in private equity has also been pumped into the company by new international investors.

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Reynolds says during his seven-year tenure at StarHub, he took the start-up from being third mobile provider to second provider, and the company grew to become a NZ$2.5 billion company with 2,700 staff. Given this, he's unfazed by our 105 percent mobile penetration rate, a statistic which amuses him. This unusual penetration statistic is the result of some people having two phones, largely to take advantage of Telecom's and Vodafone's different deals.

Reynolds joined NZ Communications last July and although the company is still in set-up mode it is expanding fast. It's currently busy installing mobile towers in Auckland, Christchurch and Wellington, rolling out what will be our third 3G network. It will be nationwide, says Reynolds, as the company has a roaming agreement with Vodafone, which was brokered by the government under some pressure.

The company has installed 230 of the 400-500 cellsites it intends to set up in the three main centres and is targeting a launch date "in the next few months" if a few key resource management consents come through quickly, Reynolds says.

Staff numbers are already ballooning, from around 18 two years ago to 200-plus now, and the company now has six buildings to house all this growth. Having outgrown its original Auckland building, it now has four in the city, as well as local offices in Wellington and Christchurch. So, it's serious business. Reynolds had been busy in Wellington, as well as overseeing the installation of a complex back-end system, to ensure the new company can offer the right products to customers. There will be special deals, he says, in answer to a question about how NZ Communications can compete with incumbents offering an array of these. But he wouldn't be drawn on specifics, for fear of giving away information to his rivals.

His job at the moment is two-fold: ensuring the "playing field is a level one" and installing the back-end technology that allows for detailed customer analysis, so the right products can be developed to target opportunities.

Intense efforts to level the playing field have focused on lobbying the Commerce Commission to reduce the Mobile Termination Rate fees. These are fees telcos pay to each other when calls are switched through from one network to another. They favour incumbents, because they have more subscribers, and so tend to stifle competition.

Reynolds says he's impressed with the action the Commerce Commission is taking on this front. He's also impressed with the action the government is taking to make the Resource Management Act (RMA) quicker and cheaper to negotiate. He says getting this right, so the com-

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pany can roll its network out without too much trouble, is the second most important matter that needs attending to "to level the playing field".

"It is well-intentioned but the execution is very difficult and slow."

Reynolds' wrangling efforts around loosening up RMA demands relate directly to when the company can launch, as this can only happen when the correct number of mobile towers are in place, and the company is reliant on getting RMA permission to build them. But, he confirms, "we'll be in business this year."

Crossing The Fence

Reynolds says he's seen the telecoms industry change hugely since he first joined US telco giant BellSouth, in 1977, as a freshly minted MBA graduate. And a big part of that change has been the move to mobile communications. Reynolds well remembers the birth of mobile back in 1984, he says. It was originally a response to AT&T, another giant US telco, which refused to allow any change or innovation in telecommunications. "We used to joke that you could get any colour phone, so long as it was black or beige."

Reynolds spent 24 years with BellSouth, but his move to take on then start-up StarHub saw a shift to the other side of the fence.

"I've now been on both sides," he laughs, referring to the contrast between his Singapore StarHub job and his time as a BellSouth man. Of his move to NZ Communications, he says, "It's an interesting career choice. When I first looked at the market I thought it was an excellent opportunity."

It's comparable to Singapore, which has three successful operators in a country of four-and-a-half million, he says. The difference is that when he took on StarHub, mobile market penetration was 60-70 percent as against the much more mature market here now. He describes our 105 percent mobile penetration as "unique", but says it's one of the aspects of its appeal.

"You always have a challenge. That's the nature of the beast and it wouldn't be any fun if there wasn't one."

However, he is concerned that we don't have "a level playing field". But he's working on that and the sluggish regulatory tide does seem to be turning in the company's favour.

When he first came here, with BellSouth in the mid-1990s, in the wake of the deregulation of our telecoms industry, he was also pushing boundaries, but internal ones. He was only here for 18 months then, but during that time he persuaded the BellSouth board to expand the company's fledgling network beyond the three main centres. That was in 1995. BellSouth even-

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tually sold out to Vodafone in 1998, which, as we know, went on to compete very successfully with Telecom. By then Reynolds had moved on to Asia. But it seems his instincts were correct. He agrees, smiling, that maybe he does have some unfinished business here. He certainly hopes to make more of a mark this time.

"Returning to New Zealand was a choice, not a necessity. I left a great situation for a bit of an adventure and that's the way I like it" he says. "I love the country and the people – and the business proposition."

The focus of his international career has been the Asia-Pacific region – he has lived and worked in Hong Kong and China, as well as Singapore – and cites our quality of life as a big part of the appeal in choosing to come back here again.

And then there's the business challenge. Curiously, for someone in such a technology-based industry, Reynolds is not big on technical details – he leaves that to his technical people. "I am concerned about the execution of the technology. I have been embedded in the technology in the past, but we have a terrific team who are experienced in what they do."

His role now is more the big picture so he's interested in the services that technology can deliver, and tweaking these based on analysing information delivered by grunty back-end systems. This is probably a reflection of the fact that he comes from a business administration rather than a technical background; he's an MBA man, after all.

Discovering Customer Wants

Analysis is his strong suit and he likes to "keep it simple" to make this easier. We're swamped with data, he says, but it's not always the right data. He cites the fact that he finds it easier to get "quarterly information than what I need on a daily basis". It's timely access that's needed: five to six pieces of information every day, to track a few KPIs (key performance indicators) on a daily basis," he says.

Which is why Reynolds is focused on ensuring NZ Communication's

back-end systems can extract and deliver the right information to him and his management team.

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This understanding comes from what he calls "granular" information – information that's wide and deep. He gives the example of customer analysis undertaken while at StarHub.

"We were looking at customer data by segment. It's not always obvious what's actually happening with customers," he says. "For instance, there was a group of older Singaporeans who turned out to be heavy data users. Not at all what we were expecting, so then you go on to develop a product."

This is the kind of customer analysis and focus he is bringing to his New Zealand role. "When we launch, we'll feed in the usual information around ARPU (average revenue per user) and churn rates etc," he says. "This is part of building up a fine-grained picture of customers."

He sees the Hautaki Maori Trust investors being able to offer an extra contribution here. "There are special things that they bring from a values perspective, and from their perspective as customers. It comes back to really understanding your customer, how you layer that. It's not just age or ethnicity, as you learn more and more your segmentation starts to be built around how people use technology, what their habits are and then that particular segment will cut across all different segments. It's almost a 3D model.

"For instance, take texting. Everyone assumes it's the youth, but then you find there are others doing it. The more you understand this, the more granular you can get, so you can offer something that is of tremendous value to some people that other segments would yawn at."

This is exactly what happened in the Singapore example: older people aren't usually big data users, but granular analysis revealed this one group

CEO GADGET WATCH
Blackberry Early Adopter

Just as Reynolds stresses he's no longer geeky when it comes to the technology NZ Communications uses – he's more concerned with what it can deliver the customer – he says he's "getting old and boring", about his personal use of new technology.

"I'm not nearly as gadget-conscious as I used to be."

However, he is a big BlackBerry user. "I was one of the early users. In fact, I started using it back in 1997, when it was just basically a paging device and wasn't a phone at all. But it was a tremendous business tool and I have used it ever since."

It doesn't necessarily have to be a BlackBerry now, but to able to access your mail, your calendar and all of your communications while on-the-go is great, he says.

Beyond this mobile business tool, Reynolds says his main interest now is in what young people are doing with technology – especially as he thinks innovation is increasingly being centred around devices like the iPhone, with the network just providing the backbone.

He cites the example of his 24-year-old son and his friends, and what they are doing with their iPhones. The young man is Boston-based dental student, and Reynolds says he was impressed when, recently, he was trying to recall a local restaurant and his son did a quick geographic search on his iPhone and found it almost instantly. Reynolds had expected to have to go online.

Father and son then went on to discuss a movie and, while they were talking on the phone, his son's friend called up a trailer on his iPhone. "And we're just scraping the surface of what we can do with just a basic 3G service here," says Reynolds.

Devices, not networks, are starting to matter, he says. "Once you have the device the applications will follow."

Reynolds says he tries out new devices on his son and his friends, to see what they think of them – and what they do with them. "Fit the capability and the creativity follows. This is true of the iPhone and the net, in general."

Here, as with his emphasis on customer analysis, Reynolds strives to remain open-minded about the technology he so clearly enjoys – and, again, to take nothing at face value.

"The key is to put the capability out there, and the creativity will follow. Don't try to do it yourself. It'll never happen. The applications follow naturally."

was. "I don't like averages," says Reynolds. He quotes the example of the man with one foot on a block of ice, the other in a fire. "On average, he should be comfortable, but clearly he's not."

In relation to telecoms, he says that ARPU can be misleading. "While ARPU is an important measurement, it's important to go beyond that: 'Is the number of users on a day-to-day basis changing?' The ARPU may not have changed but there may be distinct changes as you peel the onion back."

Accordingly, the technology supporting both the company's network and the customer intelligence in the back-end is very much focused around integration, to ensure information is easily accessible. Oracle provides the ERP suite and was chosen not only because it has specific telecommunications components, which address billing and roaming, for example, but also because of its ease of integration with other systems.

To complement it, SAP Business Objects has been used to build the business intelligence capability and was chosen partly because the data warehouse part of the system was easy to build. The ERP system can also have modules bolted onto it, which allow for monitoring and analysis of telecoms-specific KPIs. SAP Business Objects also provides a uniform environment and having commonality around systems makes for ease-of-use for end-users.

For its customer management requirements, NZ Communications turned to Indian telecoms system specialist Lifetree, again because it integrates well – in this case, with customer accounts. This allows for, for example, good tracking of customer queries, where a particular query can be steadily escalated up the chain until it is either responded to, by a customer service rep, or actioned in some other way. Previous customer history can also be accessed easily, which makes providing a good service that much easier.

So, as Reynolds says, it does seem to be all about the customer – once a more level playing field has been created, of course. He explains that, in order to provide good service, the back-end has to lead the front-end. Without a good, integrated back-end, delivering proper front-end service is difficult. "If you've got the front-end right without the back-end you're still in deep trouble.

He says that while the company's CRM system is traditional in terms of its capability, the company has a unique opportunity, as a start-up, to optimise the system to deliver the timely information when it is needed, to whom and where it's needed, so managers have those five to six pieces of information they need. "To this end, how the system interfaces with data, and how you're able to pull the reports and information out, is important," says Reynolds.

Reynolds' "granular" approach takes this a step further into the customer area too, in allowing for very detailed analysis of what different customers want. That this may not always be what's expected – as his Singapore example illustrates. His comments around gadgets (see sidebar story) further support this view. He adds that, "Five years ago, if someone had described YouTube to you, you'd probably have thought it was a silly idea, now it's the norm.

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