

THE COMPUTERWORLD HONORS PROGRAM

CASE STUDY



LOCATION:
*Mandaluyong City,
Philippines*

YEAR:
2006

STATUS:
Laureate

CATEGORY:
Business and Related Services

NOMINATING COMPANY:
Sybase

ORGANIZATION:

Globe Telecom

PROJECT NAME:

AutoLoadMAX

Summary

The best summaries communicate clearly what the project is designed to do and how it changes and improves people's lives, situating the benefit within a specific business or institutional context.

Globe AutoloadMax is Globe Telecom's electronic loading service that allows thousands of retailers nationwide to automatically reload prepaid credits directly to a Globe or TM cellular phone. Globe AutoloadMax epitomized the company's pursuit for more innovative offering and proved Globe's understanding of its subscriber base. Globe AutoloadMax, a breakthrough in over-the-air reloading, was a success in all aspects of the business.

This product revolutionized the art of retail marketing by offering the prepaid cell phone credits in more affordable portions. Pushing the sachet-concept to the customer extreme, it created value by giving subscribers down-to-the-last-peso prepaid load options. From the traditional plastic call card distributed in only the key cities of the country, Globe AutoloadMax went beyond the boundaries of high capitalization and large inventories. Now with over 700,000 retailers carrying the service, Globe's 'prepaid credits' have certainly achieved vast distribution and pervasiveness. Globe AutoloadMax has become the primary and most convenient loading service for Globe.

Voucher based denominations originally sold in plastic cards were in peso equivalents of P100 (\$2.00), P300 (\$6.00) and P500 (\$10.00). The cost still seemed too steep for the majority of the Filipinos whose monthly average income is P5,500 (\$110). Globe AutoloadMax, however, created a more economical denomination offering of as low as P10.00 (\$0.20) to a maximum of P150.00 (\$3.00), in increments of P1.00 (\$0.02)! The minimum denomination of P10 (\$0.20) already allows a subscriber to send 10 SMS messages to friends and loved ones, or to make a one-minute call. Globe AutoloadMax appealed to a majority of subscribers who are budget-conscious and practical, those who are constrained by the limited resources available at their disposal. It allowed them to dictate the amount of load that they can purchase, a price that is convenient to their budget.

Further, the voucher-less top up technology allowed Globe to be flexible in its offerings to



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partners/distributors. Aside from flexible denominations, the AutoloadMax platform also offers various means of loading interfaces (thru the retailer SIM, thru the web and thru the partners' own applications) which enabled Globe to offer reload services to Filipinos abroad.

This technological breakthrough of sending prepaid credits over-the-air opened the doors for Globe to not only acquire new subscribers but it also allowed the company an opportunity to realize its social responsibility of nation building. Through the creation of Globe AutoloadMax, the company not only provided subscribers with an affordable means to communicate, it has also provided a large number of retailers a sustainable source of income.

Introductory Overview

Please provide a general overview of your organization's project. This overview should amplify the short summary by explaining the project's specific context, goals, methods, scope, and achievements.

In 2002, Telecommunication market pundits expected that the wireless Telco industry's growth in the Philippines will be limited to the few and affluent who could afford the services. Moreover, research studies confirmed that high cash outlay for prepaid credits, not to mention for cellular phone units, prevented majority of Filipinos from gaining from the wireless Telco services. Little or no market growth was seen to come.

"With this year expected to even be more difficult for business, the telecommunications industry sees no immediate hope... and with rates dropping fast as a result of cutthroat competition, the industry is beginning to have doubts whether the deregulation of the telecommunications sector was any good after all."

"Philippine telecoms: A bad connection"

By Mary Ann L Reyes

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"The government of the Philippines liberalized the telecom sector to mobilize private sector investment in the country... [the government] has made universal service one of its highest priorities, looking to achieve even higher teledensity levels than the country now enjoys. The government considers the right to communicate a basic human right. ...Yet the country's economic situation may not allow it to achieve its universal service goals by the end of 2000."

"TIA Organizes Asia-Pacific Emerging Markets Conference at SUPERCOMM 2000"

Telecommunications Industry Association (TIA) website

August 2000, Volume 1, Issue 11

<http://pulse.tiaonline.org/index.cfm?issue=11&volume=1>

Globe knew that its innovations should break open this misconception in order to truly serve Filipinos and continue growth in the highly competitive wireless telecommunication industry.

In April 2004, Globe AutoloadMax exploded the company's distribution network. It allowed customers to purchase load as low as P10 (\$0.20) for TM and P25 (\$0.50) for Globe. Globe AutoloadMax made it possible for more customers to benefit from:



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a.the affordability of the lowest credit denomination in the market; the lowest denomination of P10.00 (\$0.20) already allows subscribers to send 10 SMS messages or make a 1-minute phone call

b.the flexibility of P1.00 (\$0.02) credit increments available; and

c.the convenience of purchasing Globe prepaid credits from hundreds of thousands of retailers in the country.

With virtually every corner sari-sari (mom & pop) store and retail outlet selling Globe Auto-loadMax, mobile connectivity has indeed become supremely accessible and affordable to all Filipinos. It is even available in pawnshops, passenger terminals, and 24-hour convenience stores. This move empowered Filipinos all over the country. By making prepaid credits available practically anytime, anywhere, subscribers are able to sustain Globe services. Leap-frogging sales figures of prepaid credits proved that customer satisfaction had indeed been achieved.

AutoloadMax spurred an upswing in demand spelling out good news for retailers as well.

Opening up the distribution system to hundreds of thousands of retailers meant that they too were able to enjoy from profits trickling down the supply chain. They enjoyed increased income from selling credits with very minimal operational costs on their part.

The AutoloadMax platform likewise allowed for flexibility in consumer loading interfaces which made it more adaptable to the requirements of partners/distributors:

-AutoloadMax Retailer SIM – allows thousands of retailers to load prepaid credits straight to the subscribers' phone

-API via SOAP – an application interface that allows some distributors/developers to make their own application; This interface provides flexibility on the part of the developer since front-end application may be customized to each specific user's needs (eg Autoload via Credit Cards, International Share-A-Load)

-AutoloadMax Corporate Edition – this is a web portal that allows corporate clients to top-up their employees; it allows scheduled top-ups based on user's specification (1st of the month, every Mondays, etc.)

With the flexible features of the AutoloadMax platform, Globe was also able to offer various prepaid loading services to Filipinos stationed in various parts of the globe:

a.With International AutoloadMax, Filipinos abroad can send prepaid credits over-the-air to their loved ones in the Philippines thru the growing number of International AutoloadMax retailers in Hong Kong, Singapore, Taiwan, Japan, Saipan, Guam, USA, Canada, UK, Italy, Germany, Spain, Austria and Japan.

b.OFWs can also send load to their families through International Share-A-Load* which also uses the AutoloadMax platform. They can send load simply by texting, thru the web or thru rechargeable cards. International Share-A-Load is currently available in Japan and Hongkong.

c.OFWs can likewise send cash and prepaid credits at the same time to their loved ones in the Philippines thru Quick Remit and Load card, a service enabled as well by the AutoloadMax and G-Cash** platforms. Using his foreign cellphone or a Globe/TM phone on roaming mode, the OFW simply texts the card details and PIN, the mobile number he wishes to load plus a personal message to an access number and the recipient immediately receives G-Cash and load



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credits in his cellphone. Quick Remit and Load cards are available in Hong Kong, Singapore, Taiwan, UK and will soon be available in the US, Canada and Italy.

d. AutoloadMax likewise enabled the Bridge Mobile Alliance Reload Service. The Bridge Mobile Alliance is a joint venture company of seven (7) mobile phone operators in the Asia-Pacific Region, namely: Bharti (India), Globe Telecom (Philippines), Maxis (Malaysia), Optus (Australia), SingTel (Singapore), Taiwan Cellular Corporation (Taiwan) and Telkomsel (Indonesia). The Bridge Mobile Alliance Reload Service is one of the core services of the Bridge Mobile Alliance. This service allows a subscriber of any of the Bridge Mobile Operators (BMOs) to automatically reload his/her own or another mobile prepaid phone account while he/she travels to the country of another BMO. Subscribers can go to the BMO's business center or accredited distribution point to purchase prepaid credits. For example, a Globe Telecom subscriber who is in roaming mode and traveling in Singapore can visit any SingTel shop to buy Globe prepaid credits and load his own phone or to load another Globe prepaid subscriber who is in the Philippines.

The development of the electronic, voucher-less and flexible AutoloadMax system boiled down to one thing: availability of Globe's services to anyone, anywhere, anytime. Globe AutoloadMax is an innovation truly guided by the company's mission to transform and enrich people's lives through communications.

*Share-A-Load allows a Globe and TM subscriber to send load to their families and friends in the Globe network thru SMS.

**G-Cash is a service that allows Globe and TM subscribers to send and receive money and facilitate money remittance, donations, loan settlement, disbursement of salaries or commissions, payment of bills, products and services, with just a text message or SMS.

Benefits

Globe Telecom prides itself in being customer-centric and at the same time grounding its service innovations on the real-world needs and wants of its subscribers. In the Philippine setting, that meant overcoming the Telco industry's lack of confidence in the mass market and offering services with lower margins to the masses.

These foundations led to the development of Globe AutoloadMax which brought down socio-economic barriers and allowed all Filipinos to take part in the wireless Telco revolution. For the subscriber, AutoloadMax offered affordability, flexibility, and convenience; and for the retailer, the system provided low-cost livelihood opportunities.

A. Benefits to the Customer

"Lack of funds" was the biggest reason why customers did not purchase credits, according to surveys conducted in 2003. Although prepaid wireless subscribers wanted to buy credits, times were just too difficult. A big bulk of prepaid subscribers lives day-to-day (ie daily or weekly wage earners) and don't have P100.00 (\$2.00) in their pockets to buy a prepaid scratch card. Oftentimes, they had to save up for a week just to buy prepaid call cards. But they would most likely have P10.00 (\$0.20) in their pockets each day, and will spend it on mobile communication if possible.

a. Globe AutoloadMax solved a need; which was to lower credit denominations to affordable levels tailored around the customer's budget. For only P10.00 (\$0.20), Filipino's could stay in



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touch. This opened the door for customers as the cash-out for credits was reduced to an affordable level for day-to-day purchases. Now they did not have to scrimp for long periods of time before they could make a call/SMS.

b. Foreseeing an unstated customer need, Globe took another step ahead and innovated the Globe AutoloadMax system to allow incremental loading of P1.00 or \$0.02 (starting from the denomination of P10 up until P150 or \$0.20-\$3.00). With credit increments of P1.00, that meant that the system was flexible enough to accommodate any purchase level a customer may prefer with a wide range of denominations. AutoloadMax could cater to each and every Filipino's budget for credits, down to the level of the last peso.

c. To top it off, the system is electronically managed through Globe's wireless network available all 24 hours of the day; which meant AutoloadMax had the convenience of being available all over the country at any time of day. It is possible for customers to purchase credits from over 700,000 Globe AutoloadMax retailers virtually anywhere, anytime. Retailers are as diverse as they are numerous; there are the sari-sari stores (mom & pop stores), tiangges or market stalls, internet cafés, bakeries, fast-food outlets, gasoline stations, pawnshops, just to name a few. Even individuals can be AutoloadMax retailers and can sell load to their household members, friends, officemates, etc. Whatever walk of life you come from and wherever you may be in the Philippines, it is possible to purchase Globe Prepaid credits through AutoloadMax.

"...kahit konting barya lang dala ko, puede na ako bumili ng load d'yan sa kanto." (Even if I only have a few coins with me, I can already buy prepaid credits from the store at our street corner)

-Angelo Cruz, 22

d. For Filipinos working abroad, AutoloadMax provided convenience in sending prepaid credits to their loved ones in the Philippines, as well as a sense of well-being knowing that their families get to enjoy uninterrupted connectivity. AutoloadMax also ensured convenience to Globe roamers in that they enjoy the same uninterrupted connectivity when visiting countries where Globe prepaid credits are available.

B. Benefits to the Retailer

On the other hand, retailers benefit from the system as well. All they need to start is P1,460 (\$29.20) of capital which buys them an AutoloadMax retailer kit. Inside the kit are the following:

a. AutoloadMax SIM card and access code to use for tapping the network so that credits bought by customers could be sent directly to his/her phone.

b. P1,500 (\$30.00) worth of credits for initial retailing.

c. a user's manual and P100 (\$2.00) worth of credits for personal use

d. ability to track load purchases from sub-dealers/distributors and load sales to consumers thru OTA (eg "check balance" and "check issued reloads" features of AutoloadMax sim)

On average, retailers earn sales of P1,500 (\$30) in a week's time of selling. Running the actual business is as simple as texting the value of load purchased and sending it to the customer's phone. There is no inventory cost, no logistics cost, not even any marketing cost for retailers since Globe already provides them with AutoloadMax signages and above-the-line advertising



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support.

With AutoloadMax, the distribution channel need not stock up on inventories of scratch cards, thus eliminating issues like security, logistics/transportation, warehousing and accessibility of prepaid vouchers.

Comfortable margins, low operational costs, and high sales volume add up to sizable profits for Globe AutoloadMax retailers.

One sari-sari store (mom & pop store) owner comments that sales from prepaid load are sometimes the only thing that keeps her store afloat. There are days when a sari-sari store can't sell a bottle of Coke or a sachet of shampoo, but orders for credits swamp the store-keeper.

"AutoloadMax? Ok s'ya, pandagdag sa kita sa aming maliit na tindahan." (It's ok, adds income for our little store.)

-Rose , 22

Emerita Nario, a 52-year-old single parent, relies on her mom and pop store in the subdivision to get by, selling more than P1,500 worth of load a day. Of the total sales from the phone load, she gets P210, a profit of 14 percent. There are days when Nario can't sell a bottle of soda or a can of luncheon meat or even a sachet of shampoo. But orders for cell phone load, even when she went home to Bicol for a vacation, followed her and swamped her mobile phone inbox.

For retailers, simply put, Globe AutoloadMax represents additional income leading to increased spending power and, subsequently, improved standards of living. In a country where high unemployment and poverty rates are facts of life, AutoloadMax becomes a means to survive and supplement personal income. In the bigger picture, increased spending power from higher income means a possibility of raising one's standards of living and hope for a better life.

The Importance of Technology

AutoloadMax is mainly composed of the following IT and network infrastructure of Globe:

- The AutoloadMax application. A high-performance transaction engine that effectively delivered an electronic loading service.
- STK or SIM Tool Kit, which provided an intuitive interface to electronic loading. The user-friendly presentation of the service enabled virtually anyone to sell loads with ease. STK is also responsible for secure connections of retailer kits with the system.
- SMS, as the transport for retailer transactions. AutoloadMax banked on the pervasiveness of SMS, and allowed Globe to expand distribution automatically, as it builds coverage.
- Web Services using SOAP API technology, which enabled Globe's partners/distributors to seamlessly integrate with the AutoloadMax platform to offer it as another form of service and establish its own selling network. An example is cross-border Share-A-Load where a partner offered a load remittance service to Filipinos working abroad.

The technologies used in AutoloadMax satisfied key business requirements on flexibility, scalability and performance.

- The robust and flexible system design allowed for expansions and customizations without the need for core changes in the system.



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·The need to support rapid growth necessitated both horizontal and vertical scalability to enable Globe to maximize its resources and investments.

·The online, face-to-face nature of transactions required instantaneous response times and excellent performance.

AutoloadMax was able to fulfill these requirements with products provided by Globe's technology partners, namely Sybase, HP, EMC and its software partner Utiba of Australia.

AutoloadMax revolutionized the approach to prepaid mobile phone account loading. The traditional way of using vouchers (call cards) to top-up an account was replaced with the integration of Globe's Intelligent Networks (IN) to implement a voucher-less method of updating accounts real-time. This broke the limitation of being confined with a defined set of denominations/products, and allowed Globe to offer small increments of amounts that appeal to the subscribers' budget.

Originality

Globe AutoloadMax is the first to offer down-to-the-last-peso prepaid credits. It currently offers the widest range of load denominations to the customers, from P10.00 (\$0.20) to P150.00 (\$3.00) in P1.00 (\$0.02) increments. To date, it is still a unique feature competitors are yet to rival.

In terms of the distribution network, the retailers are grouped into "family trees" based on territories or geographic areas such that a retailer can only purchase load from his sub-distributor who in turn can only purchase from his distributor. Globe likewise implemented the pre-payment policy in that distributors down to retailers earn commissions upfront by pre-purchasing their prepaid credits. The commissions are deducted from the selling price at point of purchase.

The resulting benefits to the distribution partners can be summarized as follows:

·Distributors are protected from encroachment and can thus maximize the selling potential of their retailers. The family tree system ensures sustainability for retailers, especially with the upfront commission policy

·Allows for easier monitoring of load transfers from distributor down to retailers in that the transfers are confined to the family tree. Thus, settlement/reconciliation issues are minimized and sales tracking is simplified.

This "family tree" set-up and upfront commission scheme are yet to be duplicated by competitors.

Success

By making the purchase of prepaid credits available to anyone, anywhere, anytime Globe AutoloadMax has paved the way for more Filipinos to enjoy and benefit from wireless Telco services. Tailoring its features to customer needs paid off. The system enabled wireless electronic loading for 11.8 million Globe & TM prepaid subscribers by December 2005, from 8.2 million subscribers in Dec 2003 (before AutoloadMax was fully launched). That amounts to a massive growth of 3.6 million or 44% in customer base in just two years.



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Retailer growth ballooned as well. Because the system is conducted electronically over Globe's nationwide GSM network, there are hardly any physical logistics to limit the distribution of credits. In December 2005, there were over 700,000 Globe AutoloadMax retailers, a 367% growth from Dec 2003 (150K retailers).

Even when the economy dipped, customers' buying behavior for credits were hardly affected which meant that sales from prepaid load were keeping thousands of entrepreneurs and SME's (Small-Medium enterprises) alive and thriving. In effect, AutoloadMax was contributing its small share in nation-building.

"[AutoloadMax] fosters trust to both client and distributor. Collection is no problem because the [retailer] trusts the distributor to fulfill its obligation to load asap anytime of the day. Because of limited capital, small retailers order load with [when] very low inventory is left. Understanding this situation, distributors should load asap to avoid opportunity losses. AutoloadMax also fosters long term relationship because the price is consistent. Unlike with the call cards, stores often shop around for the lowest price and the relationship is just temporary."

Jojo gamboa, proprietor

Solutions Center Inc. (Globe distributor)

"Globe's AutoloadMax is the significant portion of Fonet's operations (70%), [AutoloadMax] provides ease of selling the prepaid business at the same time it is, for us, encroachment free. It also allows much better security for our operations. For our valued retailers, it provides them with better margins than call card[s]."

D.C. Salvador, Chairman

Fonet Inc. (Globe distributor)

With a satisfied and growing subscriber base and an all too willing distribution network, Globe was marrying high demand with a very sound supply chain, and reaping the benefits, to wit:

a. Active loaders increased from 67% of subscriber base prior to launch of Globe AutoloadMax in April 2004 to 80% of base by Dec 2004.

b. From April-Dec 2004, the combined Globe-TM daily top up average increased by 14% vs pre-AutoloadMax (Jan-Mar2004) and by 25% vs 2003 daily ave.

c. Globe AutoloadMax is currently the main loading service of Globe and TM, contributing 60% of total top up of Globe Prepaid and 85% of TM's top up value. 85% of active loaders are using Globe AutoloadMax as their main channel.

d. Loading transactions have increased by a whopping 263% vs 2003 levels, from average daily transactions of 378K in 2003 to 1.4M ave daily in 2004, indicative of a very robust AutoloadMax system. 2005 average shows higher transaction levels at 2.1M transactions daily. With smaller available denominations however, ave top up value per transaction has gone down by 65% in 2004 from an average top up of P207.00 in 2003, and has further gone down by 29% in 2005.



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Difficulty

The prepaid concept in mobile telephony has been introduced in the early 90s and the primary means of loading had always been the traditional pin-based, voucher-based scratch card. This was and still is the tangible product representation of prepaid credits. With both subscribers and retailers used to the concept of actual prepaid cards, Globe AutoloadMax experienced quite a few challenges in its launch year and can be summarized into 2 major issues.

a. System credibility of over-the-air loading (paradigm shift from voucher-based to voucher-less)

Subscribers were not keen in paying for prepaid credits without holding on to the actual card. They had to be convinced of the following benefits:

·Globe AutoloadMax is more convenient as there's no need for card-scratching and calling the hotline for IVR-loading

·Globe AutoloadMax is secure despite lack of tangible card as the transaction comes with a confirmation message that includes a trace number

·Globe AutoloadMax is superior in that the loading happens in 3 seconds

With the aforementioned benefits plus the affordable denominations and pervasive distribution, in just a short span of time, over-the-air loading became widely accepted and today, it is the main loading channel for Globe.

b. Settlement issues with partners/distributors

Because the system is voucher-less, the initial perception from distributors is that tracking of sales down to retailer level would be difficult to manage vs the then-current practice of inventory management. Thus, settlement for the load purchased from Globe and sold to their sub-dealers and retailers became a perceived issue.

This time, the trade partners had to be convinced of the following:

·Globe AutoloadMax is secure as the confirmation messages for retailer, sub-dealer and distributor transactions come with trace numbers. It also has several useful PIN-based features for tracking transactions such as "check balance" and "check issued reloads."

·Globe AutoloadMax's family tree system ensures profit sustainability.

·Pre-payment policy ensures that discounts/commissions are earned up front.

Now, Globe AutoloadMax is carried by over 700K retailers nationwide and even abroad, and this base is still growing.