

# NEXT-LEVEL CUSTOMER EXPERIENCE IN TELECOMMUNICATIONS

AVOIDING HASSLES IS NOT ENOUGH



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*The importance of great customer experience is unquestioned in the telecommunications and cable industry. However, the provision of customer service in practice has so far been dominated by firefighting customers' day-to-day frustrations and concerns – their "hassles". A long list of improvement opportunities has often led traditional telecoms operators and cable companies to follow a tried-and-tested approach. They collect "pain points", map customer feedback along the customer journey, and draw "customer hassle heat maps". Then they put forward initiatives like simplifying customer communications and the layout of bills, reducing the amount of small print, and improving self-installation procedures. But will this be enough to win tomorrow's customers?*

Various customer experience-related key performance indicators (KPIs) have been developed and applied. Focusing on measures that reduce customer effort seems the right thing to do, but this will not take telecom operators and cable companies to the next level of customer experience. There are two reasons:

1. They get bogged down in fixing existing business models to solve the problems of today's customers. This prevents them from structurally reinventing themselves to meet the expectations of tomorrow's customers. For example, the 14-year-olds of today who already spend considerable time on social media will expect even more as adults.
2. They are addressing only one driver (namely customer effort) of customer experience.

In contrast, advanced firms are starting to apply a broader definition of customer experience. To capture this trend, we developed a customer experience equation (see Exhibit 1) for a more comprehensive approach.

Exhibit 1: The customer experience equation



We have observed that the value perceived by a customer can't be increased merely by reducing perceived effort. As well as the perceived price, companies could focus on increasing the perceived benefits gained from using the product and satisfying emotional needs. So far, only a few companies are addressing the latter driver systematically (see Case Study 1, page six).

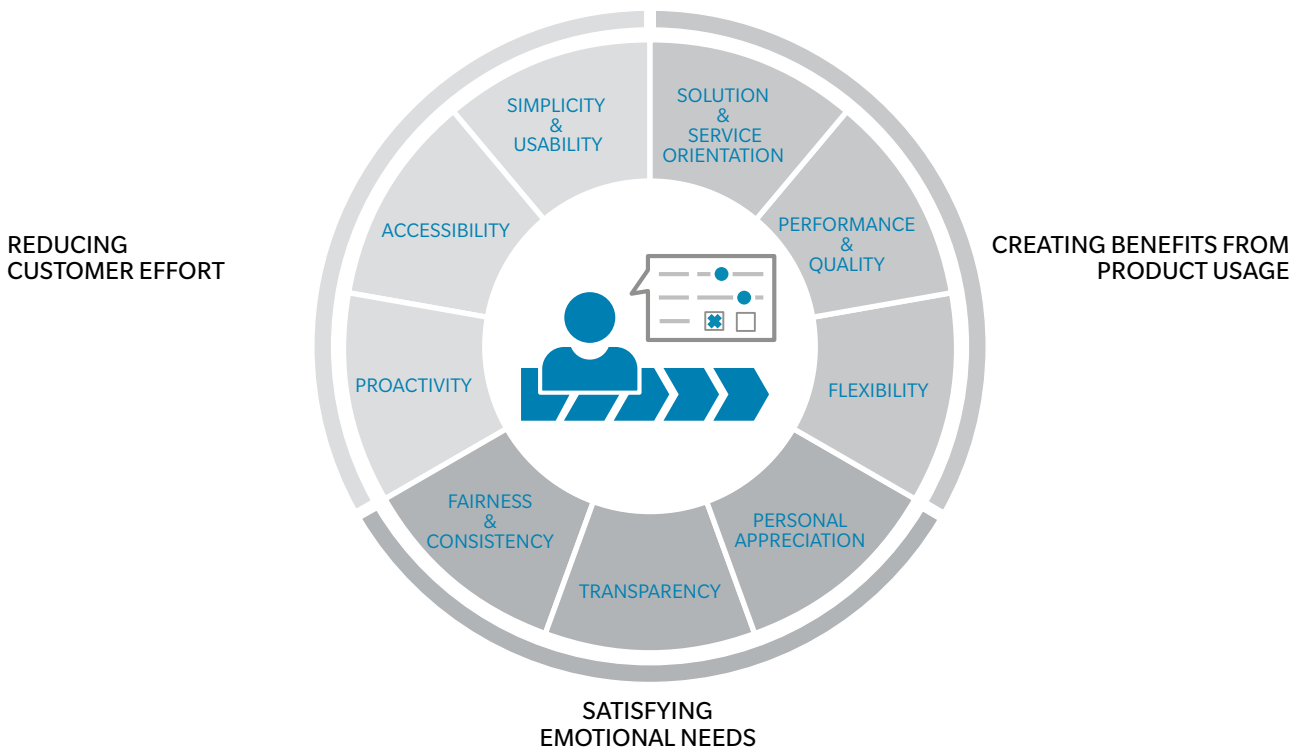
## LINKING THE CUSTOMER EXPERIENCE EQUATION TO ACTIONS AND CUSTOMER PREFERENCES

To turn the three performance (or non-price) variables of the customer experience equation into possible actions, they need to be related to some underlying dimensions (see Exhibit 2). Telecoms operators and cable companies can only improve customer experience in a sustainable way if they improve performance in all these dimensions. We should acknowledge that, in each dimension, customer preferences vary. For instance, a middle-aged “offliner” might perceive a 24/7 hotline as providing great customer service access; a 14-year-old “digital natural” might prefer a searchable internet community or WhatsApp interaction with an agent. Specialist players like GiffGaff (see Case Study 2, page six) have tailored their business models to address the preferences of very specific customer segments.

Established players will have to find new ways to individualise customer experience, or risk losing out to these segment specialists. In a world where we increasingly expect individualisation, classic segmentation that lacks data about customer preferences will no longer be sufficient. One approach is to start asking (prospective) customers explicitly for their preferences: “Which would you prefer: a 24/7 hotline; or our community/app, and pay less?” This will require flexible, streamlined, and integrated back-end processes and systems<sup>1</sup>.

<sup>1</sup> Read more about this in our report “90 percent of an iceberg is underwater: for breakthrough customer experience, start with back-end simplification”.

Exhibit 2: Dimensions in the customer experience equation



# PROGRESSING TO THE NEXT LEVEL OF CUSTOMER EXPERIENCE

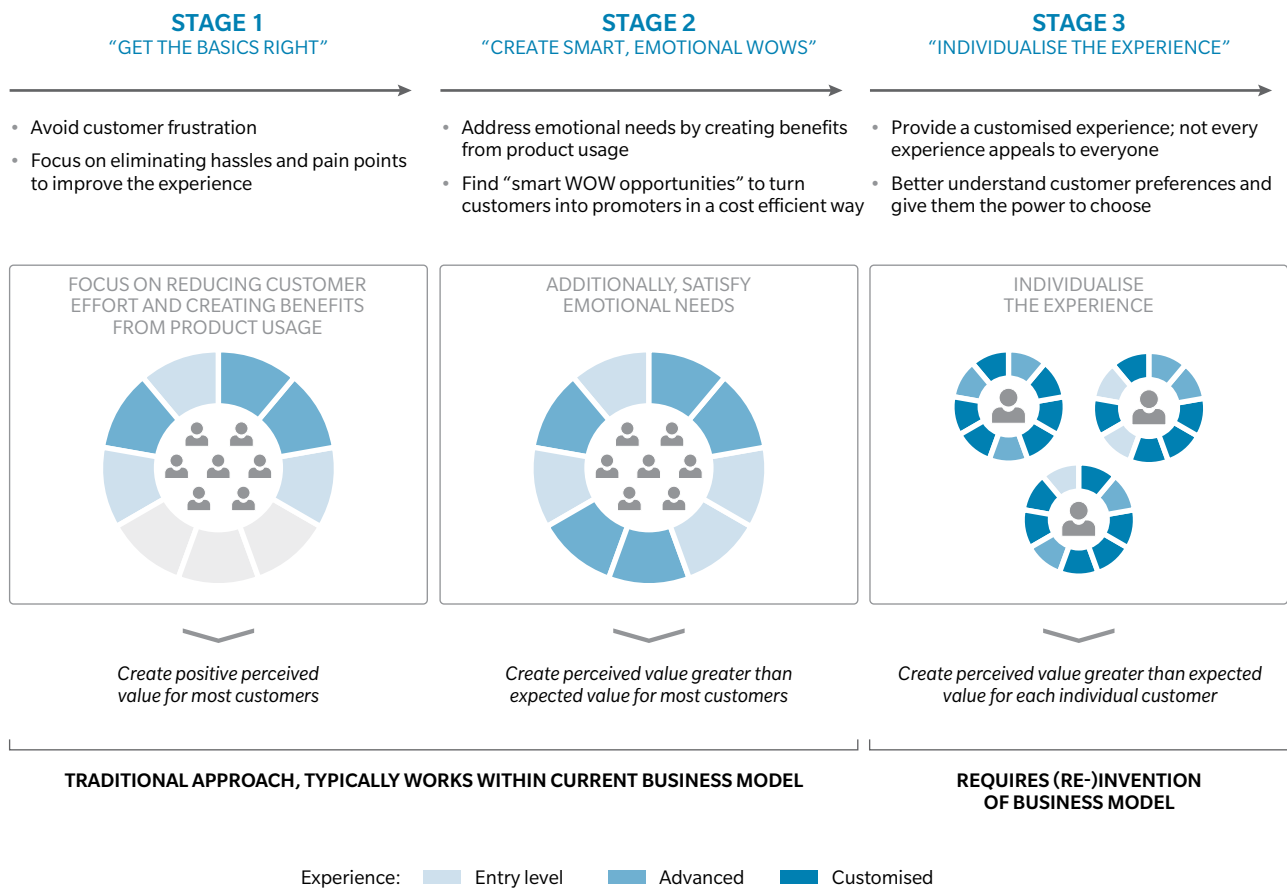
For success with tomorrow’s customers, operators typically develop along three stages. In doing so, operators should gradually broaden their focus and level of sophistication regarding the customer experience equation’s drivers (see Exhibit 3).

## STAGE 1: GET THE BASICS RIGHT

This stage will be possible largely by focusing on reducing customer effort. Corresponding initiatives will have a positive impact on effort scores and hopefully limit the number of detractors. Returning to the customer experience equation, the outcome of mastering Stage 1 will be an actual value perceived by the customer to be greater than zero, commonly called “good customer experience”.

Staying at this level typically yields a higher return on investment than going beyond it, as the incremental costs of increasing average customer loyalty by better customer experience rise with the loyalty level (see the left-hand chart in Exhibit 4). Many companies have

Exhibit 3: Three stages to the next level of customer experience



achieved this stage, and our experience reveals cost-reduction opportunities of up to 50 percent for specific areas, such as complaint management.

## STAGE 2: CREATE SMART, EMOTIONAL “WOW” OPPORTUNITIES

This will require not only a “hassle-free” but also a “wow” customer experience. Referring to the customer experience equation, this means an actual perceived value to the customer greater than the expected perceived value.

The “wow” should not come at any cost but be achieved in an economically sustainable way. This means looking for “smart wow opportunities” in which the classic cost-benefit relationship in customer experience design does not apply as marginal costs are low (see the right-hand chart in Exhibit 4). These opportunities might, for example, arise from the creative actions of customer-facing employees. They can be easily replicated and tend to create attention in social media but don’t last long. A continuous search for such ideas plus the creation of a climate that incubates them present a challenge for companies that want to reach Stage 2.

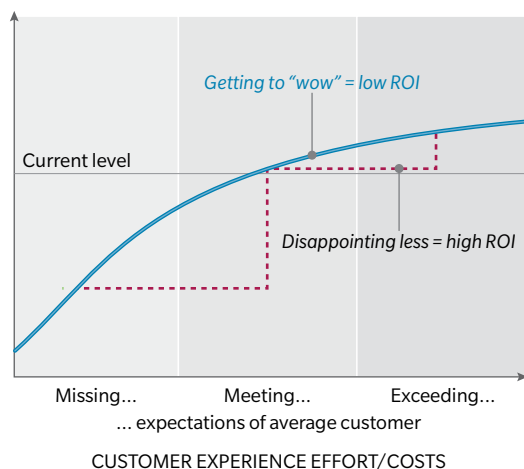
## STAGE 3: INDIVIDUALISE THE EXPERIENCE

Customer experience design at this stage should be able to address the preferences of individual customers and, at the same time, create a win-win situation for customers and the operator vs today’s business model. While established players can reach stages 1 and 2 by fixing or modifying their current business models, Stage 3 will need serious (re)invention. As models like GiffGaff’s only work for customers with very specific preferences, established players will need to emphasise customer experience individualisation, which could lead to a segment-of-one approach.

### Exhibit 4: Cost-benefit relationships in customer experience design

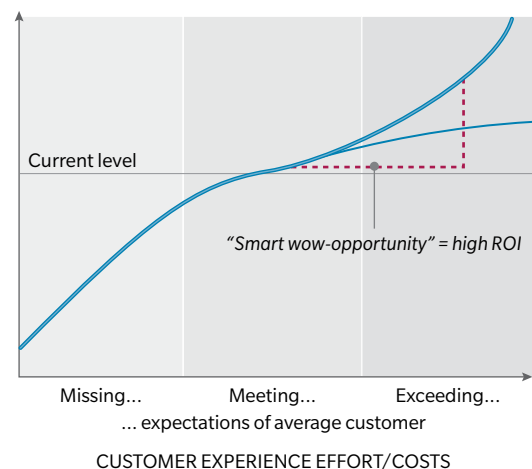
CLASSIC COST-BENEFIT RELATIONSHIP..

AVERAGE CUSTOMER LOYALTY



... TURNED AROUND WHEN FINDING “SMART WOW-OPPORTUNITIES”

AVERAGE CUSTOMER LOYALTY



Let's look at a typical GiffGaff subscriber. The subscriber's increased loyalty resulting from GiffGaff's extra effort in customer experience (for example, longer helpline opening hours) is near zero, given that an online community is available to offer help. This implies that, at Stage 3, operators should allow users to customise their experience according to their preferences and should reflect lower customer requirements in lower prices (for example, by allowing a digital natural to deselect the free 24/7 hotline in return for a reduced monthly bill). The potential complexity could be partially offset by self-service options. If, for instance, a customer chooses the online community, this eliminates a call to the hotline but requires flexible pricing so that part of the cost benefit can be given back to the customer.

## CASE STUDY 1: NETFLIX CREATES EMOTIONAL BONDS WITH CUSTOMERS

Some Business-to-Consumer (B2C) companies have mastered the art of addressing basic emotional needs, like personal appreciation, to create exceptional customer delight and emotional bonding in interactions that customers would normally regard as commonplace.

Customer experience leader Netflix is a good example, with a net promoter score (NPS) of +54 and a history of *"engaging with people like people"*, as in the following anecdote:

When Netflix subscriber, Norm, used online chat to contact customer service about his problem with a video, the service rep responded by introducing himself as *"Captain Mike of the good ship Netflix"*.

*"Lieutenant Norm"* got into the role, replying as an officer from sci-fi series Star Trek. The conversation not only solved the technical issue but also continued in Star Trek style. Norm then shared a screenshot on social media, which created a considerable buzz and certainly didn't harm Netflix' NPS.

## CASE STUDY 2: A CROWD-SOURCED MOBILE PROVIDER AND "TRADITIONAL RADICAL"

GiffGaff in the UK is known as the first Mobile Virtual Network Operator (MVNO) that not only relies fully on an online community for customer service but also established the community as a central part of the company, being *"the mobile network run by you"*.

To incentivise community participation, GiffGaff credits members with points if they make valuable contributions. Points can be converted into Airtime Credit (for calls and texts), cash, or charity donations.

GiffGaff also crowd-sources marketing, PR, sales, and product development. As the company has no distribution

channels or significant advertising budget, it relies on community users to promote its products. It discusses product ideas from the community in weekly management meetings and gives feedback to the community. Community members engage in (and get points for) viral marketing, advertising video production, and app development.

GiffGaff consistently achieves customer satisfaction ratings of 85–90 percent and an NPS in the mid-70s, on a par with Apple (albeit limited to a smaller customer segment).

## CASE STUDY 3: CUSTOMER EXPERIENCE VISION FOR A CABLE COMPANY

Based on the conviction that a pain-point-by-pain-point elimination initiative would not generate the required customer experience uplift, Oliver Wyman worked with a US client to develop a customer experience vision that serves as a *"target corridor"* for all ongoing and upcoming efforts.

Key themes like *"relationships within the household"*, *"multi-device self-installation"*, *"proactive content recommendations"*, and so on have been underpinned by target processes and illustrated to convey the vision across

the organisation. Based on this, the underlying enablers, such as a modular product catalogue, and a flexible customer data model have been derived and planned for realisation.

The ingredients required to deliver future customer experience span a broad range of domains, from system enhancements (like revised customer or household data models) to product and offer design (such as invitation-only product trial offers).

## REDUCING CUSTOMER EFFORT

### INTRODUCE SIMPLICITY AND USABILITY AT EVERY STEP

What more can be done to reduce customer effort? Operators who are getting the basics right in simplicity and usability have drastically reduced the number of tariffs and options and removed one-off fees. They have also removed one-month terms, bearing in mind that unhappy customers locked in to long contracts can become detractors on Twitter. Some operators have shortened their small print, rewritten in plain language. Fewer have achieved a simple, combined fixed – mobile bill showing a single total (monthly charges, plus VAT, minus discounts). Still too many customers are confused by billing, random credits, loyalty schemes, and lack of clarity. More calls to customer service centres and long queues in retail outlets – which do not add value – are the result.

While most of these aspects only help to achieve an entry-level experience, there are some wow opportunities. Many of today's customers can still be surprised with a zero-configuration experience. And even tech-savvy members of Generation Y can be delighted by a mobile app guiding them through a video-based troubleshooting process connecting them live to an informed agent.

### BE PROACTIVE IN SOLVING CUSTOMERS' HASSLES

Being proactive benefits both sides. For example, telling customers about planned maintenance means reduced effort for businesses (fewer calls to helplines) and less dissatisfaction for customers (less time spent in call queues or troubleshooting the problem themselves). A Latin American operator decided to remotely reboot its set-top boxes in the early morning to avoid accumulating errors, degrading TV video quality, and calls from customers.

Progressing to an advanced experience requires operators to go further than giving information. They should solve issues in ways that are convenient, friendly, and proactive, for instance: *"We noticed your internet connection is down. While we fix it, please use mobile phone tethering, which you can find in our service app. As you frequently use VoD, we activated our mobile VoD service for you, free of charge, to watch your favourite series for the next 30 days."* Some operators already take the first steps to implement such proactivity, as in the case of a European operator who monitors effective broadband throughput and opens a ticket internally as soon as it drops below 80 percent of the customer promise.

Another strategy might include predicting upcoming customer questions (for example, if there is likely to be an abnormally high bill) and preparing agents to reach out directly to customers. A revolutionary approach would be to offer automatic migration to the latest tariffs, eliminating the customer hassle (switching) while also reducing operator effort (maintaining legacy portfolios). This would be an ambitious objective requiring regulatory compliance, especially in markets where the regulator closely monitors pricing evolution.

## IMPROVE ACCESSIBILITY THROUGH SEAMLESS INTERACTION ACROSS PREFERRED CHANNELS

Accessibility has great potential to offer advanced and personalised customer experiences, using a model based on seamless omnichannel customer interaction. Operators who want to coax a wow out of tomorrow's customers need to make switching between channels trouble-free. The whole interaction history should be available at every touch point (so, for example, an in-store sales rep can see what a call centre agent has promised) and interaction continuity is important (for instance, allowing a customer to talk to the same agent after a dropped call to a hotline).

Omnichannel experience means not only seamless switching but also smart channel integration, such as using interactive voice response (IVR) in a mobile app when customers are unable to solve problems and proactive follow-up when promised response times are exceeded. Information should flow effortlessly, between the physical and digital world, for example by allowing customers to scan a QR code on a device or on printed communication.

A key to wowing customers while also delivering differentiated service levels according to customer lifetime value (CLV) is to identify the customer (perhaps by voice recognition) and their context. The family of a high-value business customer may have high expectations, so it is also important to recognise the customer as having a high household lifetime value. A customised experience in accessibility requires all of this but in an even more flexible way. Operators should guide customers into channels based on real-time usage of each channel and their preferences. For example, a service app could display expected waiting times and, after a certain time, recommend chat or a call-back.

Furthermore, operators need to prepare for a more diverse and changing channel landscape as social media platforms gain, then lose, popularity. Some advanced operators use Twitter (with about 300 million active users by July 2015) as an inbound service channel. However, WhatsApp is still quite untouched<sup>2</sup> even though it has more active users (about 800 million by April 2015) who use the service more frequently (70 percent return daily). Future interactions with customers could be managed by identifying those who are, in effect, subject matter experts responding to service requests on the operator's behalf.

## CREATING BENEFITS FROM PRODUCT USAGE

### START WITH THE CUSTOMER EXPERIENCE AND WORK BACK TO THE TECHNOLOGY

In the words of Steve Jobs: *"You've got to start with the customer experience and work back to the technology – not the other way around."* However, most telecoms operators are still making technology offers, for example 2GB of mobile data over a 4G/LTE connection at up to 50Mbit/s for €20 a month. This approach is problematic for two reasons.

Firstly, it does not reflect what customers consciously want or unconsciously need, namely things like *"be online on Facebook and WhatsApp 24/7"* or *"watch YouTube videos uninterrupted when I'm on the train"*. Technical specifications may seem important to operators but do they satisfy the wants and needs of customers?

<sup>2</sup> The Dutch airline KLM started a trial to use WhatsApp for customer service in March 2015.



Secondly, it limits operators' ability to use key assets, such as their fixed and mobile access network, to improve customer experience. For example, operators usually take steps to allow for predicted maximum load to avoid local congestion at peak times, so the network is often underused during off-peak periods. Mobile operators typically focus on data volume as their main differentiator regardless of when the data is used. Some operators limit data volumes or block applications (like file sharing) at times of heavy usage.

However, better use could be made of networks by tailoring their offer. For instance: *"Watch as many videos as you like; we'll set the optimal resolution."* This approach may also provide opportunities to offer a superior experience at minimal cost when there is spare network capacity: *"Make free mobile HD video calls for the next two hours."* To offer a customised experience, operators should not only make good use of current assets but also sell comprehensive services and solutions, including hardware and connectivity.

## FOCUS ON QUALITY AND PERFORMANCE MORE THAN TECHNICAL SPECIFICATIONS

Advanced operators already focus on customer service performance and quality. They closely monitor and manage possible degradations in customer experience (such as dropped calls and poor video or sound quality) by using Quality of Experience (QoE) features in their networks, Operational and Business Support Systems (OSS/BSS), and customer devices.

Most operators, however, need to do more to show they care about customers' perceptions. One example would be a mechanism to automatically compensate customers for bad experiences before they complain, turning potential dissatisfaction into a wow. Operators could also change their business model to selling a customer-specific QoE instead of data volume and bandwidth.

As network capacity is constrained, and customer usage (and consequently network congestion) is hard to predict, QoE-based pricing would need to be dynamic to achieve better use of the network and market equilibrium within it. The latest research proposes various pricing methods, such as real-time congestion-based pricing, automatic auction mechanisms, and lottery-based fixed rewards for users who are willing to shift their usage times. Day-ahead, time-dependent pricing has already been applied in electricity markets.

## PROVIDE FLEXIBLE SERVICES THAT DON'T LOCK CUSTOMERS IN

Customers increasingly expect to be able to adjust the services they purchase in a flexible and individualised way. Cloud or Software-as-a-Service (SaaS) providers like Amazon Web Services, Google, and Rackspace allow customers to change service features in real time and without the worry of fixed-term contracts, out-of-bundle costs, or unused quotas. Some companies offer products with greater flexibility than the usual tiered bundles.

For example, Virgin USA (in cooperation with Walmart) launched the Data Done Right plan allowing customers to share data volume among multiple lines, and they offer "one-touch" options to quickly and flexibly extend voice and data volume or exempt apps like Facebook or Spotify from data charges. The Australian provider Yatango Mobile offers a slider

configurator, giving customers flexibility to choose voice and data volumes (see Exhibit 5). Yatango Mobile also recommends beneficial changes that customers can make to their plan, based on actual usage, with no fixed term.

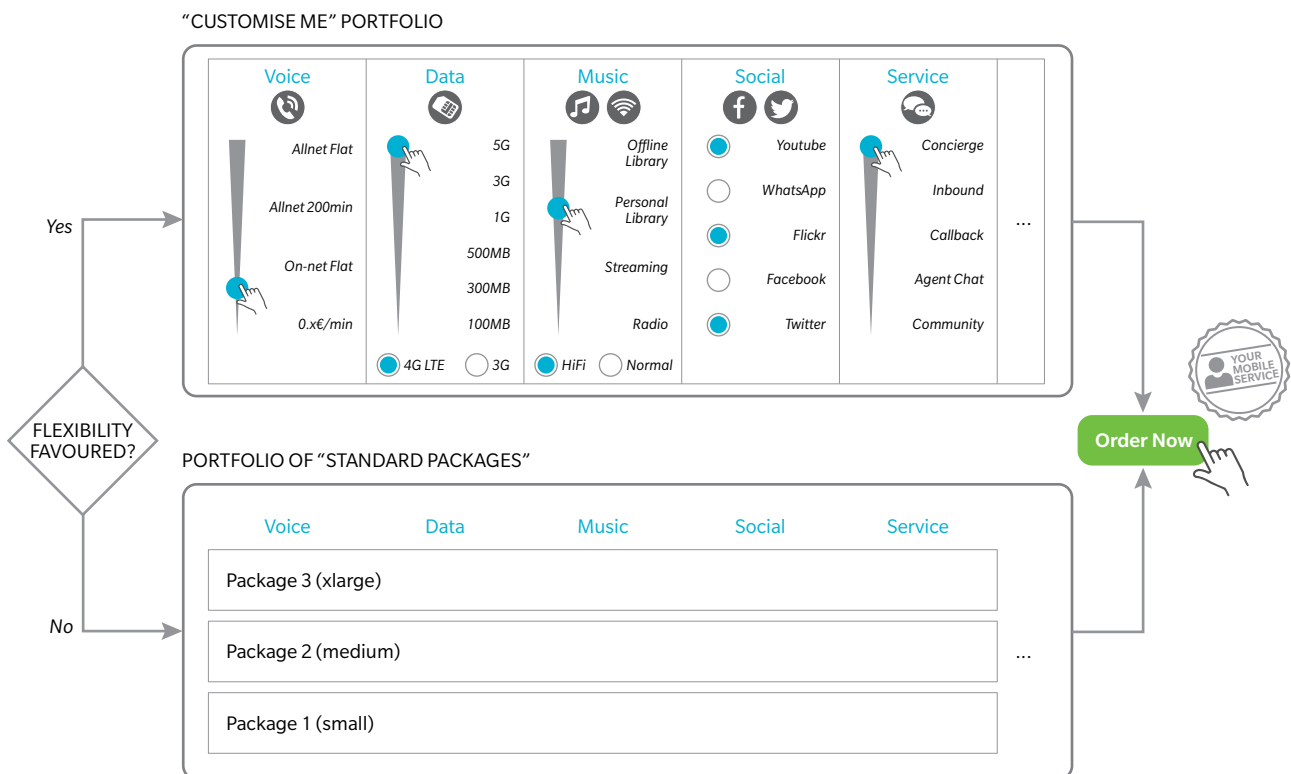
Allowing customers to configure their product or service means no legacy tariffs or marked-up out-of-bundle charges. By adjusting unit prices per service for all (not just new) customers, operators could minimise reconnections of existing customers, saving on Subscriber Acquisition Cost (SAC). To limit dilution of the base Average Revenue Per Unit (ARPU) in this scenario, operators need an upsell strategy to compensate. An example would be to adjust all sliders for existing customers to keep them on the same ARPU, then let them choose “pay less” or “get more”.

## SATISFYING EMOTIONAL NEEDS

### FAIRNESS AND CONSISTENCY ARE CRUCIAL HYGIENE FACTORS

Customers who feel they have been treated unequally are likely to leave; looking after such “hygiene” factors helps reduce customer churn. Things like making identical offers for existing and new customers, eliminating small print, and adhering to service promises should be a matter of course. An advanced experience, increasing the perception of fairness during the sales process, might include cash-back guarantees or a one-click “try before you buy” offer.

Exhibit 5: A service offer based on slider and checkbox options optimises network usage



Being consistent need not mean being narrow-minded. Service agents, for instance, should be able to take the initiative and make exceptions.

## TRANSPARENCY SATISFIES THE BASIC NEED FOR SAFETY AND BUILDS TRUST

Customer service divisions of leading telecoms operators and cable companies provide full transparency about the current state and expected processing time of service cases. A leading European operator, for instance, developed a mobile app to display the status of a customer's enquiry, greatly reducing inbound calls. BT, Google, and Skype display the technical status of services on their websites. Where an offer or service is highly customised, it is important for customers to see their own CLV-based status, the service level they can expect, and features or services they might have to pay for.

## PERSONAL APPRECIATION IS THE ULTIMATE CUSTOMER EXPERIENCE EMOTION

Netflix established a customer-centric culture and empowered its agents to interact with customers in a very appreciative and individual way. This led to a wow experience that has helped to deepen the customer relationship.

Operators will have to connect with and learn about their customers. For instance, by connecting with its customers on Facebook, an operator could enrich its own CRM data and enable its agents to relate to a customer's personal life (where appropriate) more accurately (with knowledge about hobbies and interests, reference to recent holiday photos, and so on). The hotel chain Starwood and the German curated shopping service Outfittery have specially trained agents who build real relationships and gradually create full personal profiles of customers.

To offer a customised experience, operators should be able to participate at any level on the personal appreciation scale – from zero percent in anonymous web communities run by customers to 100 percent in personal service models for high-value customers.

## CONCLUSION

Telecoms operators and cable companies have focused on reducing customer hassles. However, great customer experience is also driven by creating benefits from product usage and satisfying emotional needs. Operators who aim to win (with) tomorrow's customers need to exploit all these elements.

Moreover, customer experience is dependent on customers' individual expectations. Many experts claim that novel approaches only work in a specific segment. But tomorrow's challenge will be to provide a customised experience for all of your customers across all segments, lifetime value, and individual preferences. This level of advanced customer experience is desirable in itself, but it also yields immediately realisable and tangible benefits: by decreasing the number of calls or customer complaints, it reduces costs. Joining the ranks of companies recognised for exceptional customer experience requires much more than simply adding another project to the list. It calls for reinvention across many elements of the business model, driven by the belief that a superior experience is a key lever for future market success.

## ABOUT OLIVER WYMAN

Oliver Wyman is a global leader in management consulting. With offices in 50+ cities across 26 countries, Oliver Wyman combines deep industry knowledge with specialised expertise in strategy, operations, risk management, and organisation transformation. The firm's 3,700 professionals help clients optimise their business, improve their operations and risk profile, and accelerate their organisational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC].

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