



Customer Experience Gets an Upgrade in Telecom

Emerging Practices, Improvements, and Approaches
That Add Up to Competitive Advantage in Telecom

TIME to Upgrade Customer Experience in the Telecom Industry

Emerging Practices, Improvements, and Approaches That Add Up to Competitive Advantage

Executive Summary

Yesterday, marketing efforts among most telecommunications, satellite, and cable television providers focused predominantly on new-customer acquisition. Today, the industry has transformed into the telecommunications, internet, media, and entertainment (TIME) industry thanks to disruptive entrances from a variety of innovative companies; and the focus on new-customer acquisition has also expanded to include more attention on customer retention.

Tomorrow, TIME companies will differentiate themselves based on the quality of the customer experience they create, continuously improve, and deliver to clients who are clamoring for a more personal connection.

Succeeding in the TIME industry of tomorrow requires companies to master a number of emerging practices, including:

- Getting psychic about retention;
- Moving beyond bundling;
- Meeting the needs of digital consumers – and households;
- Managing customer experience in the handset; and
- Providing lifestyle offerings.

Developing the capability to develop and perform these and other innovative customer-experience management practices requires significant changes within many TIME companies. First and foremost, a new customer-focused mindset must be instilled throughout the organization, which requires significant changes to existing:

- Leadership approaches;
- Organizational structures and business processes; and
- Technology systems.

Executing this transformation is only the beginning, however. Once TIME companies have created a customer experience management capability through these internal changes, they will need to execute this competence by:

- Continuously enhancing skill sets;
- Considering new business models; and
- Embracing experimentation.

Given the rapid change within the industry, no company quite knows (at least not yet) what the winning business model looks like. However, those enterprises that embrace customer experience practices by performing the necessary changes to unleash these practices will discover the winning formulas sooner than their competition. This white paper aims to give TIME companies a head start by examining the practices, improvements, and approaches that will enable them to conceive, design, and deliver an exceptional customer experience.



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Introduction

Forget the remarkable innovations the telecommunications, internet, media and entertainment (TIME) industry unleashes every few weeks or so. The killer app that will deliver the greatest competitive advantage in the near future has very little to do with technology—and everything to do with the level of humanity, convenience, and care customers experience in their relationships with TIME companies.

At a recent industry conference, Sprint CEO Dan Hesse exhorted his peers to work on forging more personal and honorable relationships with customers “because there has never been a device in human history more personal than the smartphone.”¹ Hesse said this while pointing to the Reputation Institute’s 2012 study of the world’s most reputable companies and industries, in which telecommunications was rated as the least reputable of 23 industries analyzed.²

The pressing need to strengthen the customer experience comes at a time when the industry has plunged into a period of dramatic technological change, a condition we’re reminded of almost every time we tap our smart phones. TIME companies also contend with competitive upheaval. Traditional telecommunications and cable providers now compete and/or partner with the likes of Apple, Google, Amazon, Facebook, garage-sized app developers, and other new sandbox playmates. Add rapidly changing customer expectations to the mix and it becomes crystal clear why Hesse and other industry leaders tout the strategic importance of enhancing the customer experience. Top-notch customer experiences can act as a safeguard against over-the-top (OTT), wireless-to-wireless, and other competitive incursions as well as serve as a key enabler of innovation and growth.

A 2011 Peppers & Rogers study of 2,400 U.S. wireless customers finds that these customers would be willing to pay approximately \$11 per month more to a mobile carrier that delivers an exceptional customer experience (i.e., those that “consistently demonstrates a higher level of trustability”).³ So, if Verizon Wireless, whose second-quarter 2012 report indicates that it has 94.2 million subscribers, increased the level of trust its customers experience, among, say, 10 percent of its customer base, it could generate another \$100 million in revenue.⁴

The need to treat customer experience management as a strategic priority exists among all TIME industry participants, although it remains crucially important to traditional telecommunications and television providers. Just as traditional industry participants can learn from the strengths of newcomers (e.g., imagine if customers felt as invested in their cable offerings service as they feel about Amazon’s speedy delivery or Apple’s next iPhone release), so can new industry entrants learn from some of the major challenges traditional entrants confront (e.g., transforming from customer acquisition and billing focus to a focus on retention and lifestyle segmentation, developing new data-services business models, and cementing relationships with “digital households,” among many other issues).

Besides, all participants, regardless of their tenure in the ever-changing TIME industry, confront the same risk: Standing pat in this environment can result in a company’s hasty demise. “We must act now to protect and preserve trust in mobility,” warns Nawaf Bitar, senior vice president, Security Business Unit, Juniper Networks.⁵

The existence of the trust Bitar describes hinges on the quality of customer experience. Companies can improve customer perceptions of their reputability by meeting table-stakes customer experience management requirements and then implementing the leading-edge practices that some of their competitors have already embraced.



TIME for a Change

Companies in the telecommunications, Internet, media, and entertainment (TIME) industry are rapidly shedding outdated approaches and replacing them with innovative practices in an effort to develop the capability to deliver an exceptional customer experience.

from	to
Current Practices	Future Practices
Customer acquisition	Customer retention
Soliciting customers	Serving customers
Bundling services	Providing convenience
Dumb or indifferent networks	Smart networks
Mining billing data	Harvesting lifestyle data
Managing service touchpoints	Managing the handset experience

5 Future Best Practices

Of course, the table stakes for customer experience management continually move thanks to rapidly changing customer expectations. These expectations are being reset by the interactions customers enjoy with new industry entrants (e.g., the delight of having experts address issues in an Apple retail store, or the gratifying ease of communicating with like-minded connections on Facebook) and new technologies (e.g., “There seems to be an app for everything, so why can’t my wireless company resolve this problem to my satisfaction in less than a week?”).

How and where and when consumers expect to be contacted and cared for also continues to change. If Amazon Prime membership guarantees the convenience of free, two-day delivery why can’t a wireless company demonstrate more customer convenience when, a valuable customer exceeds her data plan’s limits. In that case, rather than preventing the customer a photo via text, the carrier ought to transmit the offending text anyway with a polite reminder to the effect of: “You exceeded your data plan, but this one’s one us; and here’s a data plan you might want to consider.”

Better yet, why doesn’t the wireless provider automatically assign customers to the most economical data plans based on their usage, even crediting customers with refunds when appropriate? These and the following practices might seem leading-edge today, yet tomorrow they may simply be standard:

1. Getting psychic about retention: For years, traditional telecommunications and television providers concentrated the vast majority of their marketing investments on acquiring new customers. As penetration rates reach saturation (as they are quickly nearing in Europe and parts of Asia), companies need to transform their focus from acquisition to retention. Those companies that thrive at retention will “get psychic” about when customers—especially the most valuable customers—might leave; these psychic indicators will derive from sophisticated analyses of customer data. Effective retention capabilities in a zero-sum market also hinge on the degree to which providers can provide convenience, deliver relevant lifestyle offerings to customers, and build and price data offerings that resonate with different customer segments. Getting psychic represents a pressing, and formidable, challenge for traditional providers who have designed their organizational structures and incentive programs around acquisition.

2. Moving beyond bundling: TIME companies that simply bundle services as a way to lock in customers are missing a bet. Why? Because the rapidity of technological innovation transforms most, if not all, services into a commodity with increasing speed. TIME companies that will thrive in the future recognize that they must move beyond bundling by creating constellations of services designed to provide higher value to different segments of customers. “Value” does not necessarily require significant investments; most customer segments crave greater convenience. Think of how convenient it would be for a provider that bundles landline, television, and mobile service to make its customers’ speed-dial contacts available to these clients as soon as they identify themselves on any phone they use. Providing personal relevance to customers, through convenient services, will help counter the pressure of commoditization.

3. Meeting the needs of digital consumers—and households: Digital consumers currently comprise a relatively small but quickly growing portion (roughly 6 percent to 10 percent today) of the customer base. These data-thirsty customers, however, may produce up to 45 percent or more of a provider’s revenues. As a result, digital consumers need to become the focus of customer experience programs, which should be tailored to deliver relevant care, convenience, and lifestyle offerings to these extremely valuable customers. Providers face a related challenge: understanding the needs of digital consumers as well as “digital households” (including anticipating when a household becomes digital).



5 Future Best Practices

“If there’s an app for everything, why isn’t there an app for my customer service problem?” What experience managers will have to do better:

- Getting psychic about retention
- Moving beyond bundling
- Meeting the needs of digital consumers – and households
- Managing customer experience in the handset
- Providing lifestyle offerings

4. Managing customer experience in the handset: Smart phone users expect customer care to take place on their smart phones, in real time. Pre-smart phone customer experience touchpoints took place in the call center, in retail outlets, or online. Today, for a growing number of customers the smart phone is the only touchpoint they want to use. Managing the smart-phone customer experience requires smarter networks—to inform the carrier that the customer is trying to do something on the handset and has encountered a problem—as well as a different mindset and more sophisticated care capabilities. Carriers that master handset experience management will proactively nip potential customer care issues in the bud and resolve those issues that develop into problems within minutes (without human interactions whenever possible) as opposed to hours or days.

5. Providing lifestyle offerings: Today, many TIME companies consider themselves communications or content providers. TIME companies that lead the way in the future already have begun to behave as lifestyle providers. In the past, managing the customer relationship translated to managing the billing relationship, which many carriers viewed as their most important asset. Today, that view no longer computes as TIME providers are waking up to the fact that understanding the customer's lifestyle requirements, with respect to information and entertainment, is becoming a more valuable asset that strengthens the customer experience. This understanding also paves the way to lifestyle segmentation. For example, TurkCell, Turkey's leading wireless provider, has operated a youth club ("gnctrkcll") since 2005; the "long-term advantage package" now has more than 15 million subscribers who have access to relevant benefits, such as movie tickets (for special screenings), fast food discounts and much more.⁶ One of the most successful youth-segment programs in the world, gnctrkcll builds loyalty through relevant, lifestyle-specific benefits to a valuable (now and, even more so, in the future) customer segment.

Hanging Up Policies that Produce Negative Experiences

Untrustable policies proliferate at even the highest-quality mobile carriers. At one client of ours, for instance, an e-mail was circulated to employees and front-line staff asking them to help identify untrustable policies and practices. Some of the things identified:

- Customers often incur roaming or data charges from companies without knowing how or why, and there's no proactive initiative to inform customers regarding how these charges have been incurred.
- Poor network quality sometimes causes dropped calls and lost data, and while the carrier is working hard to improve quality, it also needs a better system for helping customers get either compensation or at least sympathy for bad experiences.
- Very few people at the company pay attention to the refund and return policy, because refunds and returns on new phones are obviously not a high-priority marketing transaction. As a result, however, no one understands the policy well, it's too complicated for customers, and it often becomes a source of conflict, all but invisible to the company's executive team.
- Marketing offers often imply a "free" service or a very low price when in fact there is a complicated mail-in rebate required, or the low price only applies under very special conditions.
- Customers like interacting with the carrier's call center reps (high satisfaction scores), but the reps regret that once they log a complaint or an issue, they never find out what eventually happens to the problem or the customer, because there's little or no follow-up

These were just a few of the ideas volunteered by more than five hundred employees at this client, to the great surprise of our consultants and the company's executives. The large number of participants and their sheer enthusiasm for the initiative indicated a deep interest in the idea of turning the company into a more trustable operator.

Note: This is an excerpt from "Extreme Trust: Honesty as a Competitive Advantage," (Portfolio Hardcover, 2012) by Don Peppers and Martha Rogers, Ph.D.



New processes and technological capabilities may be needed to enhance the customer experience; but a new customer-care mindset is the first step.

3 Structural Changes

Today, at least one mobile carrier will call customers to warn them when they incur high charges. For example, if a customer's family racks up extraordinary roaming charges because the customer's son is touring Europe and makes several calls from Bulgaria (where the provider does not have an agreement with a local carrier), the heads-up call is a useful practice to strengthen the customer relationship. That said, there is an opportunity for the company to do even more. What if the wireless provider texts the customer as soon as the son enters Bulgaria, informing the customer of the specific roaming charge rate, and a number to call (or a Web site to visit) for help?

That interaction would enhance the customer experience to a much greater degree; however, developing the capability to do so requires significant changes within many TIME companies: a new customer-care mindset must be in place, and new processes and technological capabilities are needed. Specifically, the organizations involve the following areas:

1. Leadership: The industry is witnessing a growing number of chief marketing office (CMO) moves as CMOs become more empowered to drive the transformation from communications and content providers to lifestyle providers. Many of these CMOs are investing more money in business intelligence and customer analytics talent and systems. The most forward-looking CMOs are also pushing down decision-making authority for marketing campaigns into their staffing ranks. A decade or so ago, a company might launch five or six marketing campaigns each year—and each campaign had to be thoroughly vetted and then approved by the CMO. Today, leading TIME CMOs empower their people to launch hundreds if not thousands of campaigns (many of which are slight variations adapted to appeal to micro-segments within the customer base). This agility enables companies to discover what works best for different segments much faster. Leading CMOs also take on the role of cultural change agents, instilling the importance of managing the customer experience in a holistic manner throughout the ranks.

2. Structure and Processes: To implement the processes necessary to strengthen customer relationships, companies will need to organize according to customer segments. Forward-looking companies are already doing this, assigning advocates for customer segments. Some of these



You may be surprised —your employees may enthusiastically help identify untrustable policies at your company.

From Good to Great

Interactions that enhance the customer experience to a much greater degree.



“segment champions” are event selecting product and service enhancements for their customers and essentially letting them vote via their budgets. These segment advocates guard the interests of their customers. At a corporate level, organizations will need to optimize the resources they deploy to meet the needs of different customer segments, and more resources will go toward developing and retaining the most valuable customers.

3. Technology: All TIME companies investing in customer experience programs need to strengthen the science of their marketing programs. Science requires facts, which are derived from data. Although traditional TIME companies have deep supplies of customer data, few can currently harvest the data and transform it into actionable insights. Theoretically, carriers could identify a triple- or quadruple-play customer’s location (Manhattan), web-surfing habits (www.yankees.com, ESPN, etc.), social network affiliations and then respond accordingly (for example, texting a discount for baseball tickets to the customer). In practice, however, this capability remains out of reach for many carriers—until they implement the necessary CRM technology and then operationalize the insights the system produces so that they can be used in day-to-day business decision-making. For many traditional TIME companies, this CRM journey represents a multi-year exercise.

3 Steps Forward

Once TIME companies have created a customer experience management capability through the internal changes described in the previous section, they must execute this competence; the following three approaches will help companies maximize this capability:

- 1. Continuously enhance skillsets.** Industry segments are blurring, and the pace of technological change is accelerating. Both of these dynamics place great pressure on industry participants to A) anticipate which skill sets they will need in the near future; B) acquire and or develop these skill sets to help keep pace with change; and C) leverage these skill sets to take advantage of the changes. These skill sets primarily relate to knowledge of the latest technology; software and hardware development; content development and application development.
- 2. Consider new business models.** Old media companies have displayed a tendency to charge for content—or at least to attempt to before reevaluating. New media companies tend to give away content for free while underwriting that cost through advertising sponsorships. Both old and new media companies have experimented with subscription models. Whatever the end result is, the willingness to conceive (or copy) and then launch new business models is crucial in the current environment and likely will remain so for the foreseeable future. Currently, there is a growing debate among traditional TIME providers as to whether the digital business should be separated from the legacy business, and if so, how this new business can be designed to serve high-value digital consumers and households. Standing pat, as noted earlier, can lead to a hasty demise.
- 3. Embrace experimentation.** The digital business model debate is growing because no company quite knows (at least not yet) what the winning business model looks like given the rapid pace of change within the industry. Companies that constantly strive to innovate with regard to products, services, relationships, organizational structures, and customer relationships are more likely to hit upon the winning approach (at least until further change and competitive upheaval inspires them to innovate new approaches).



Willingness to conceive and then launch new business models is crucial in the current environment

Conclusion

At times, the experimentation and change may qualify as intense.

Today, for example, some TIME CMOs are integrating new language which emphasizes the importance of cultivating an exceptional customer experience into corporate mission and vision statements.

Tomorrow, TIME companies will establish calling, texting, and data usage plans that are most economical to customers and automatically assign them to these customers based on their actual usage habits. Broadband providers will alert customers when they are in areas with connectivity problems, and offer discounts or other benefits until connectivity improves. And TIME companies who win in the marketplace on the strength of their customer experience will deploy unconditional money-back guarantees in response to customer complaints when appropriate, just as leading online retailers do today.⁸

Current levels of intensity and change are likely to pervade the TIME industry for the foreseeable future, or at least until TIME companies develop a reputation for providing unsurpassed customer experiences. ■

End Notes

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- ⁴ Gryta, Thomas. "Customer Growth Boosts Verizon's Net Profit," *The Wall Street Journal*, July 19, 2012: http://online.wsj.com/article/SB10000872396390444330904577536564224883388.html?mod=WSJ_hp_LEFTWhatsNewsCollection.
- ⁵ "Global Survey reveals Mobile Technology at Risk if Consumer Trust Not Addressed," Juniper Networks press release, May 9, 2012: <http://newsroom.juniper.net/press-releases/global-survey-reveals-mobile-technology-adoption-a-nyse-jnpr-0884830>.
- ⁶ <http://www.turkcell.com.tr/site/en/turkcellhakkinda/Sayfalar/genel-bakis/genel.aspx>.
- ⁷ Adapted from "Trustability from Verizon – And an Opportunity to Do More," Extreme Trust Blog entry, June 5, 2012 entry: <http://www.extremetrustbook.com/2012/06/05/trustability-from-verizon-and-an-opportunity-to-do-more/>.
- ⁸ Adapted from a passage in "Extreme Trust: Honesty as a Competitive Advantage" (Portfolio Hardcover, 2012).

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About Peppers & Rogers Group

Peppers & Rogers Group is a management consulting firm, recognized as the world's leading authority and acknowledged thought leader on customer-based strategies and underlying business initiatives. Founded in 1993 by Don Peppers and Martha Rogers, Ph.D., Peppers & Rogers Group invented the term 1to1[®] marketing to illustrate the importance of treating different customers differently, and transformed the concepts into practical methodologies driving financial results for companies.

By combining a global perspective with deep expertise in customer strategy, Peppers & Rogers Group helps clients create more successful businesses by building the value of their customer base. We construct methodologies through which clients can put the customer at the center of the enterprise strategy by designing the customer experience, implementing enabling systems, and realigning the organization. These elements not only serve as a guide to developing customer-centric capabilities, but also as a lens through which to evaluate progress during this transformation.

Peppers & Rogers Group's TIME Practice In an increasingly competitive market where customers have more diverse choices and where the cost of switching operators continues to decline, the customer will continue to be king. Operators will have to establish deeper and more granular understanding of each customer and use that insight to manage customer value, differentiate services and compete more effectively. At the same time, 2012 will be the year that data revenues overtake voice. As this happens, we usher in a new era for the industry where the Digital Customer rules.

Peppers & Rogers Group leverages its experience and expertise across four foundational pillars to help clients' best serve the Digital Customer while strengthening their own position in the marketplace: Customer Data Optimization; Customer Value Management; Customer Experience Differentiation; and Digital Customer Agenda. Through corporate strategy, business transformation, operational excellence, innovation, sales, marketing, customer experience, and implementation solutions, we guide companies through a complex and unpredictable marketplace.