Balancing the Mobile Broadband Equation

A towering billboard for a major U.S. Communication Service Provider (CSP) along I-95 in South Florida shouts, “Fewest Dropped Calls!” Without a hint of irony, my driving companion says, “What if airlines advertised, ‘Fewest Plane Crashes!’… bet it’d *really* draw in the customers, wouldn’t it?”

That telling remark speaks volumes about the sad state of the customer experience among CSPs today. According to Nokia Siemens Networks’ 2011 Customer Acquisition & Retention Study of nearly 15,000 mobile users across 17 nations, customer dissatisfaction is on the rise globally: *Nearly half are heavy users, and a third of them are likely to churn in the coming year.*

Why? In a word, quality. The annual study started in 2005 and, since 2009, the number of people who cite service quality as the reason for staying with their CSP has doubled.

Exploding traffic. Of course, for CSPs, it’s been a huge challenge to keep providing service quality given the exponential growth in mobile broadband traffic. Turbocharged 3G and new LTE network deployments are spurring ever greater demand for data-intensive applications such as streaming music like Pandora and, comprising 40 percent of all data traffic, video like YouTube and Skype. But revenues are hardly growing as fast. Simply put, revenue per bit has fallen far behind cost per bit.

This stark imbalance in the CSP business model has forced many providers to charge more for their data packages. While doing so might generate more revenue in the short term, it also can alienate many customers and provoke even more customer churn in the long term. This practice, in effect, is a classic test of pricing versus demand elasticity. As it plays out, CSPs are learning the hard way that new customers cost much more to acquire than keeping the ones they have and maximizing wallet share.

Turning tables. The flip side of customer churn is that mobile users don’t give up their communications services; they just change providers. So, one CSP’s customer losses are another’s gain.

With users worldwide expressing general dissatisfaction with their CSPs, forward-thinking operators can capitalize on this phenomenon as a tremendous opportunity to differentiate themselves with consistently high quality service—and a large payoff.

For example, when Nokia Siemens Networks analyzed one prominent UK CSP, we found that just by raising its customer satisfaction rates to meet average levels in Europe, it could cut its churn rates by seven percent. That alone would generate a cumulative, four-year increase in gross profits of nearly $325 million.

Premium services. At the same time, CSPs can boost revenues with premium-priced advanced services for heavy users. In fact, results from the 2011 user study indicated that 53 percent of heavy users of advanced services are willing to pay more for excellent network quality. What’s more, 36 percent said they would pay extra for personalized mobile services.

To gain the benefits of greater competitive differentiation, customer loyalty and profitability, CSPs need to focus on pursuing a broad, cross-functional strategy called Customer Experience Management (CEM).

This approach seeks to optimize the entire lifecycle experience of individual users, from their initial awareness of a CSP’s brand and offerings, to their evaluation of those against competitive alternatives, to their purchase and use of the CPS services, and ultimately, their advocacy of the CSP’s brand to other prospective customers.

Roots of a strategy. CEM isn’t new. Apple pioneered the strategy back in the 1990s with user-centricity that went beyond the design of its products. Not only did it employ ergonomic experts in developing its Macintosh GUIs, but it would also videotape new customers opening the boxes and packaging of its PCs to learn how to simplify the steps required to plug them in and boot them up.

Apple's focus on users extended to the opening of its first Apple store in 2001, which has since revolutionized retailing. Today Apple has the largest market capitalization of any company on Earth and over $100 billion in cash on its balance sheet—both are indisputable testimony to its embrace of CEM.

For CSPs, the CEM strategy is much newer, making it that much more of a potential competitive differentiator—and advantage—for early adopters. Many CSPs have taken steps towards it by stratifying their bandwidth pricing options, but there's much more they can do to ensure greater network quality and provide more personalized advanced services to users.

Customer insights. The wellspring for implementing and operationalizing CEM in a CSP is data-driven customer insights drawn from many sources that include the network, service and device performance, plus real-time subscriber experience and service use. These insights are vital to learning how to best focus improvements in a CSP's network and services to realize the best return on an enhanced customer experience.

CEM also requires best-in-class business processes across all of a CSP's functions, from network and service quality assurance to pricing and charging to fulfillment, campaign management, customer care and billing.

With the combination of data-driven customer insights and optimized, CEM-driven business processes that are automated, holistic and personalized, a CSP can scale almost infinitely its ability to monitor the customer experience in real-time across a range of parameters.

Avoiding hiccups. Should network "hiccups" occur, for example, the CSP can proactively respond, even before the subscriber might suffer a decline in service quality. If the problem is less latent, it can be escalated for priority attention and an easy-to-understand explanation sent to the subscriber. Should the problem persist, the CSP's customer care center can be alerted and, if the subscriber calls in, it can make accommodations such as a refund, a coupon or some other amenity to offset their trouble.

Another scenario—this one revenue-producing—could be providing enhanced, on-demand bandwidth for real-time and multi-party videoconferencing. For heavy users, perhaps businesspeople or medical professionals who must frequently engage a number of other users with video, a CSP could charge a monthly or per-use premium for which the subscriber would be happy to pay.

In the subscriber's view, the CSP resolves service quality issues, no matter the source, quickly and responsively. Even more, CEM lets a CSP address individual subscribers with a high degree of personalized service, thanks to the subscriber-specific data that informs otherwise generic business processes.

Breaking through obstacles. Of course, among the biggest obstacles to implementing CEM-directed processes across a large CSP are the silos of systems and accountabilities that insulate each of these areas. This means business re-engineering, the fear of which can stop many CSPs' aspirations dead in their tracks.

But for CSPs willing to move ahead and deliver a superior customer experience, CEM doesn't have to be so daunting. Many of the major telecom vendors have extensive experience and portfolios to help. Nokia Siemens Networks, for example, draws its CEM competencies from Subscriber Data Management deployments that total more than 2.2 billion subscribers worldwide. Other major vendors offer experience of a similar scale.

CSPs can take several approaches to CEM deployments, too. Solutions are available as CSP-driven turnkey projects involving a selected vendor or vendors; as platforms using best-in-class, third-party components and built by qualified systems integrators; and, the simplest and least capital-intensive, as a hosted or cloud-based service.

Do it now. In any case, CSPs need to be developing their CEM strategies now. The sooner they are to implement CEM, the sooner they'll rebalance revenues with costs—and the sooner they will find it a competitive advantage. If they wait, they'll fall behind, as more and more CSPs will do so. Eventually CEM will no longer be a competitive advantage; it will be competitive imperative, just to stay in the game.

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