A comprehensive, three-step approach to monetizing network assets

Sustaining the brand promise has never been more important in maturing markets, where customers have greater choice for devices, services and applications than ever before and are consequently more discerning in their selection of mobile service providers. A comprehensive and transformative approach to customer experience management can unlock value across operator networks and product offerings, as well positively transform customer relationships.
Sustaining the brand promise has never been more important in maturing markets, where customers have greater choice for devices, services and applications than ever before and are consequently more discerning in their selection of mobile service providers. A comprehensive and transformative approach to customer experience management can unlock value across operator networks and product offerings, as well positively transform customer relationships.

Every year in South East Asia, mobile service providers experience churn of 30% to 50% of their subscriber base [1], when millions of customers change from one provider to another. Adding to the operators’ challenge are the saturation of voice services, with voice subscriptions reaching 100% penetration, and increased competition from alternative voice and messaging communication platforms via over-the-top (OTT) players, such as Whatsapp, Facebook and Google. Clearly, this is having a significant impact on mobile service providers’ profitability and cost structures, and has been the focus of many telecom executives.

Various network and system modernization and transformation programs have been implemented by the region’s service providers to capitalize on the mobile broadband opportunity, whilst attempting to balance improvement of service levels and at the same time maintain profitability.

To gain a better understanding of operators’ current strategies regarding customer experience management, Ericsson recently interviewed over 100 C-suite executives from tier-one operators across South East Asia [2]. Three key insights derived from this research are:

1. 81% of executives believed that customer experience is key to improved financial performance. (This is due to extended customer lifetime value due to increased customer retention, which is far less costly than customer acquisition).

2. 77% of executives indicated that customer experience is a key driver for differentiation within the marketplace; and

3. Nevertheless, 72% of executives evaluated their current customer experience as being average or poor. (According to the interviewees, the three key reasons holding back operators from delivering a superior customer experience were due to a lack of consistency across multiple channels, the time taken to resolve customer issues and finally the ability to do things right, first time around).

The results clearly indicate the high level of strategic importance placed on meeting customer expectations, yet the challenge of actually focusing on improving customer experience remains largely unaddressed.
Furthermore, senior executives clearly acknowledged that their organization's silo-based operations, coupled with an overall lack of customer-centric perspective, is a major barrier to addressing customer experience issues.

"Parity in the market creates the need for service distinction…"

"There are many fundamental areas in Customer Experience that we need to improve and strengthen…"

Throughout this paper, Customer Experience is defined as the sum of all experiences a customer has with a company, over the duration of their relationship. From awareness, discovery, attraction, interaction, purchase, use, through to cultivation and advocacy.

Customer Experience Management (CEM) is defined as a holistic approach taken to monitor, measure and improve all aspects of customer interactions between the operator and the customer.

### Customer Experience Management Initiatives

**Figure 1 – Telecom Executive View: Key Obstacles to Implementing Customer Experience Initiatives**

<table>
<thead>
<tr>
<th>Obstacle Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational process silos in your company</td>
<td>77%</td>
</tr>
<tr>
<td>Lack of complete view of customer to better understand needs</td>
<td>71%</td>
</tr>
<tr>
<td>Lack of coordination across channels to ensure consistency</td>
<td>68%</td>
</tr>
<tr>
<td>Lack of customer driven measures to understand real satisfaction</td>
<td>58%</td>
</tr>
<tr>
<td>Large number of disconnected tools, technologies and apps</td>
<td>52%</td>
</tr>
</tbody>
</table>

"Main draw back is the Divisions and organizational processes which are silo based; we need more team effort within Divisions and Processes"

"CEM needs to be institutionalized across all functions of the company with the engagement of all staff"

Q: What are the Key Obstacles to implementing Customer Experience initiatives

Source: Customer Experience Telco Business Insights, Ericsson
A recent Ericsson end-user study \cite{3} shows that almost 40% of subscriber churn can be attributed to perceived poor levels of experience from service providers. In extreme cases, such as in the Indonesian, Malaysian and Sri Lankan markets, nine out of the top ten reasons for churn are related to poor levels of customer experience.

The study also reveals that not only are subscribers concerned about network service performance; they also want a better experience across their entire service lifecycle. Experiences such as coverage and service reliability, billing accuracy, ease of recharging/reloading of prepaid credit and flexible service bundling have become increasingly important to subscribers, as illustrated in the figure below.

When considering selected markets in South East Asia including Malaysia, Indonesia, Bangladesh and Sri Lanka, pricing ranks the highest amongst reasons given for churn and there is little or no differentiation across other areas of customer experience. This leaves customers with few options other than price to make a churn decision. In other words, while price is a key determinant of churn, in the absence of customer experience differentiation, customers have no other relevant benchmarks for comparing services.

Figure 2 - Customer View: Main Reasons for Telecom Services Churn

Q: What is the main reason to change your mobile data provider?
Source: Customer Experience Consumer Business Insights, Ericsson
Besides mobile service providers and market dynamics, we also see a major shift in customer behavior towards communication services. The customer’s world is changing and we are now part of a Networked Society. From social networks to business websites, a growing part of our personal and business lives now has a digital face. This trend not only influences the ways customers see and interact with the world – it also ultimately transforms the world itself.

An Ericsson ConsumerLab study \(^4\) shows that almost 40% of US smartphone owners use the Internet before getting out of bed. This reflects habitual behavior where users always have their smartphones close at hand. Over 50% use their devices before getting out of bed and leaving home in the morning, and 74% of the time spent on the smartphone is for non-voice related services, such as browsing, email, and social networking.

We are also observing that customers have a high preference to communicate with their service providers via online channels. Around 87% of the respondents mentioned their preferences for using online channels in total, rather than going to branches or calling a call center. \(^3\)

Figure 3 - Customer View: Customer Interest in Using Social Media as a Contact Channel

Source: Customer Experience Consumer Business Insights, Ericsson
THREE STEPS TO CAPITALIZING ON CUSTOMER EXPERIENCE

Given the changing market dynamics and evolving customer behavior described earlier, what is the best way to enhance customer experience in order to increase loyalty and drive revenues?

Ericsson recommends three fundamental steps to capitalize on customer experience:

1. Identifying what is important in your relationship with the customer;
2. Monitoring those interactions and define a clear transformation journey to improve; and
3. Enhancing the experience.

Understanding what is important to your customers depends very much upon two dimensions: customer segment and related expectations, as well as where an individual customer might be in the overall relationship lifecycle. Ericsson ConsumerLab research [5] proposes five distinct stages in the customer lifecycle, these being:

1. **Initial experience** – relating to product selection and signup
2. **Billing and payment process** – including the related terms and conditions
3. **Account management** – and the ease of which information can be accessed
4. **Service and support** – the ability to rapidly resolve any performance or technical issues
5. **Loyalty building** – ensuring regular personalized rewards for ongoing loyalty

In other words, identifying what is important in your customer relationship requires careful consideration of each step of the lifecycle in order to be able to address any planned improvements.

The remainder of this paper will specifically focus on how to identify specific areas of measurement, how to monitor these and how to ultimately ensure that any necessary process or organizational changes are implemented to achieve the desired improvement in CEM.

Figure 4 - Key questions mobile service providers need to answer, in order to focus on CE
STEP 1: IDENTIFY KEY INTERACTIONS

Ericsson research [2] shows that less than 30% of South East Asian operators have a clear understanding of the key interactions that most adversely affect their customers and impact their business.

In fact, identifying key touch points is a complex task. In an average customer lifecycle, end-users will experience more than 600 interactions with their service provider(s).

Naturally, this overwhelming number of interactions over time has a significant and lasting impact on the customer perception of the service provider. It also strongly influences the customer's ongoing and future actions, such as whether or not to churn, purchase more or less services from the same or different provider.

The figure below shows key interactions ranked by customers as the most important ones affecting their experience, from highest to lowest. The Index 100 used in this case, is calculated as a normalized average of importance for all interactions in order to provide a relevant comparison base for the drivers of customer experience.

For this first step, we recommend service providers consider three actions to identify key interactions with their subscribers:

Firstly, service providers need to have a clear understanding of their competitive strategy and what their value propositions are. Secondly, they need to take a holistic view when identifying key interactions; in other words, customer experiences are not limited to merely the times when customers actually use a service. There are many more drivers of customer experience, such as service discovery, sign-up, payment or service modification and/or termination. On this point, when operators determine the relevancy of each interaction they must also correlate satisfaction with importance. Thirdly, service providers need to develop quality indicators that can span from customer interactions to specific network and IT indicators, allowing operators to drill down from the customer plane to the infrastructure level for troubleshooting.

Figure 5 - Customer View: Most Important Drivers for Customer Experience

Q: What are the most important drivers of a successful Customer Experience?
Source: Customer Experience Consumer Business Insights, Ericsson
OPERATOR EXAMPLE - CUSTOMER EXPERIENCE MANAGEMENT IN ACTION

During a recent engagement with an operator, Ericsson identified 23 different customer interactions and prioritized them based on subscriber / service provider importance and current satisfaction levels subscribers expressed. As shown in Figure 6 these interactions are broadly classified into low, medium and high influence customer priorities.

It is also important to notice that in this particular case, we have identified two classes of interactions:

1. **Hygiene interactions** – which create a highly negative impact on customer satisfaction if the expectations are not met (e.g. easiness to reload).
2. **Differentiator interactions** – which will clearly differentiate a service provider in the market, when it comes to up-selling or choosing a network provider (e.g. data connection reliability)

![Figure 6 - Customer View: Customer Importance vs. Satisfaction of Interactions in Their Lifecycle](image-url)
Both types of interactions are equally important; however, they can each have significantly different impacts on a service provider’s strategy. On the one hand, hygiene interactions have a strong impact on churn as they provide higher dissatisfaction and users will take immediate actions. Differentiator interactions, on the other hand, may not have an immediate impact on churn, but will directly affect the ability of the service provider to ‘upsell’ additional services to a customer in the longer-term.

Based on key customer experience drivers, this service provider designed several customer-centric key quality indicators, specifically for voice experience, data experience and data connection failure rate. Some examples and use cases are shown in the figure below.

Figure 7 - Examples of Customer-driven Quality Indicators by a South East Asian Operator

Customer Experience Index for voice

“An enterprise customer is showing a low level of Customer Experience in Voice. After analysis, we detected that there is an issue with the indoor coverage at a specific enterprise office location.”

Customer Experience Index for data

“Data Customer Experience Index (CEI) trend is showing a lower performance (i.e. throughput) in a important residential area. After analyzing the case, the capacity management team discovers a bottleneck in backhaul transmission.”

Percentage of unsuccessful data connections

“We measure the number of users having a bad experience when establishing a data connection. This dial helps to detect errors in device configuration or any degradation of data activation experience.”
Possibly the largest barrier to consider when monitoring key interactions is the disconnect between aggregate – or element network performance indicators – and what subscribers are actually experiencing. As subscribers rapidly adopt smartphones and new applications, they become more demanding of their network experience. Unfortunately, many previous indicators set by service providers cater for monitoring of specific network elements rather than the specific measurement of current end user experience.

Network operation centers of leading operators are being enhanced with customer experience assurance centers, enabling the accurate correlation of customer experience with network performance.

Additionally, there is a need for other stakeholders within or across the organization to have visibility and predictability of service performance. A good example is customer care, where monitoring customer experience enables and enhances customer care with the visibility to effectively troubleshoot and resolve issues based on actual customer experience data.

In order to enable a drill-down into user experience-quality problems, service providers must develop an architecture that can map each system service session with the network resources that contribute to delivering the system service. The function must be able to reconstruct signaling flows across the network to identify the reasons behind problems experienced by users.

To identify the root cause of user-plane quality degradation, the monitoring function must be designed to collect information from network elements on packet-data handling, with user-session granularity. Granularity is essential, since each subscription or service may have different bottlenecks. Accordingly, the monitoring function must rely on detailed event reporting from network resources. Event reports can record a signaling action, the allocation of a particular resource to a user session, a quality measurement or other information relevant to understanding the cause of degraded system service quality. Each event should involve a time stamp, user and session identifier and other parameters allowing the management system to correlate different events and follow service sessions across the network. As network nodes generate a massive number of events, it is impractical to collect all event data in a central database for future correlation and analysis.

At the same time, service performance problems cannot typically be attributed to a specific resource of the service. Intelligent filtering and aggregation must be applied to reduce the amount of data, while still allowing for a drill-down. Events streamed from network nodes can be sent through sophisticated event-processing engines, which enable the processing of very large numbers of events and the creation of abstract, higher-level events, in real time. This allows data drill-down to focus on a smaller number of complex events.

Additionally, there is a need for other stakeholders within or across the organization to have visibility and predictability of service performance. A good example is customer care, where monitoring customer experience enables and enhances customer care with the visibility to effectively troubleshoot and resolve issues based on actual customer experience data.
The above figure describes three levels of Key Performance Indicators (KPIs) that should be considered when establishing relevant key customer interactions that are to be monitored:

1. The resource management layer includes metrics such as handset performance, network performance, network fault management, billing/charging events and passive monitoring of critical resources.

2. The service management layer models service behavior, including acceptable service thresholds and scope of service performance.

3. The product / customer management layer aggregates the resource and service management data and KPIs into supervisory performance indicators which can be used by product managers and management teams to monitor underlying service performance. This may include, but is not limited to, Quality of Experience, Quality of Service, product service level agreements and business analytics.
Defining and executing a business transformation program across the organization to address key areas of improvement is a critical step. In the case of customer experience, a transformation program takes an even more important role.

As depicted in the figure below, a customer experience improvement program must be driven across the whole organization and involves multiple different stakeholders, processes, systems and domains. Based on our research, one of the key barriers for service providers to improve customer experience is related to the lack of governance and competence of managing this complexity.

To help illustrate this, a service provider in South East Asia embarked upon a customer experience improvement program, with over 220 improvement projects running in parallel and involving several hundred people across 20 different organizational divisions.

To manage this level of complexity, the service provider defined a structured improvement program with senior executive involvement, strong empowerment for each focus area driver, strong project teams, and smooth coordination across different joint initiatives.

Figure 9 – Customer Experience Transformation Framework – it’s all about managing complexity
This resulted in an estimated two-point increase in EBITDA margin in a five-year period, mainly from operational efficiency (e.g. reduced customer complaints and inquiries), churn reduction and new subscriber acquisition due to improved brand perception.

Lastly, financial visibility on improvement programs tends to be commonly overlooked as most service providers lack a clear understanding of customer experience improvement return on investment. This usually creates a challenge when justifying investments. We found that only 10% of senior executives indicated that they have financial visibility and understanding of the return on investment from their customer experience programs, compared to an overwhelming majority of 68% who do not.

Figure 10 - Telecom Executive View: Financial Visibility on Customer Experience Benefits

Q: Do you have financial visibility and understanding on the CEM return on investment?
Source: Customer Experience Telco Business Insights, Ericsson
CONCLUSION

Telecom senior executives are making experience management a key priority as they understand the importance of delivering the brand promise to retain and manage their customer base.

Defining the most relevant performance indicators and determining how to measure these will depend entirely upon what is considered as being most important by your customers. Importantly, customer expectations also vary according to their particular position in the relationship cycle, which requires a holistic perspective when addressing the definition and measurement of KPIs.

Measuring and monitoring customer experience in real- or near real-time requires operators to know what they want to measure and what actions are to be taken. Based on this understanding, data is collected and aggregated to achieve the desired outcomes within the defined response time. When compared to the traditional approach of collecting vast amounts of system logs and data points, and then attempting to derive meaningful insights from this vast amount of data, carefully defined measurement and monitoring enables operators to take remedial action before customers even notice.

Service providers need to build their customer experience foundations based on a genuine understanding of the most valuable customer interactions, and the ability to monitor those interactions and to proactively address potential issues.

Monitoring of indicators needs to be complemented with a strong transformation program that addresses key areas for development in a structured and systematic way with a financially-driven mentality and a high level of empowerment and visibility in the organization. Customer experience management can be a complex transformation journey for service providers and will become increasingly so, as markets continue to mature and users increasingly adopt smartphones, tablets and a variety of new mobile broadband services.
In the telecom industry, things are moving fast. Your customers drive change, and business models that once promised commercial success are being challenged.

So, is your business positioned to create value, enhance the user experience and capitalize on opportunities? Fortunately, you don’t have to have all the answers.

Ericsson’s Operations and Business Support Solutions have led change and created value through four generations of telecoms evolution.

**CEM Research Background**

Between March 2011 and May 2012, Ericsson conducted more than 100 face-to-face interviews with C-suite executives of South East Asian telecom companies to better understand their current strategy regarding customer experience management. We also discussed future plans and their main concerns when transforming the organization to provide an enhanced customer experience.

We have complemented the gathered data with a set of more than 1,000 senior executive online responses to provide an end-to-end view across the main customer experience stakeholders, from sales and marketing to customer support organizations.

The C-suite executives we spoke with lead organizations of different sizes in several countries in South East Asia. They are from a varying level of market maturity, from emerging markets like Bangladesh to saturated markets like Malaysia.
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