Customer care for Telecom operators: from management headache to source of competitive advantage

As fixed and mobile markets mature and approach saturation, customer care is rapidly becoming a strategic priority for telecom operators: customer satisfaction and loyalty are critical to enhance the top line, while maximum efficiency in cost-to-serve is imperative to sustain the bottom line. Traditional models are however ill equipped to deal with the present challenge as they hinge on the perennial trade-off between quality and efficiency, thus forcing management in deadlock. Over the past 18-24 months Value Partners has supported operators to design and deliver paradigm shifts in their customer care models, generating consistently higher customer satisfaction while achieving substantial cost efficiencies. In one example, our client shot from being a distant #3 to a clear #1 in independent quality ratings and concurrently reduced costs by 17% in the first year.

Customer care is rapidly becoming a key success factor for telecom operators

As fixed and mobile markets mature and approach saturation, telecom operators’ strategies are rapidly evolving. Revenue growth is increasingly sought by maximizing the value of the existing customer base, complementing (or even substituting) gross addition strategies. At the same time, continuous improvements in operating efficiency underpin bottom line enhancements (and shareholder returns). In this context, customer care – traditionally perceived as a “necessary cost” – is rapidly becoming a key success factor. On the one hand, customer satisfaction is the critical enabler for upselling, cross-selling and retention strategies, and customer service their key sales channel. On the other hand, effective channel shifting strategies and continuous productivity improvements in call center operations are essential building blocks of efficiency programs.

At the same time, customer care must face unprecedented challenges. Product/service offerings are rapidly evolving (prepaid vs. postpaid, mobile broadband & smartphones, …), increasing the complexity of customer queries. At the same time, consumers have become more demanding, expecting always-available support services and prompt solutions over a range of different channels. The design of the optimal customer care model thus requires difficult decisions to balance the trade-off between quality of service, sales effectiveness and cost efficiency: do you adopt more flexible customer-centric approaches or focus on designing and monitoring formal processes? In what circumstances are multiskill agents more effective and efficient than specialist teams? What is the most appropriate make vs. buy strategy, and are offshoring opportunities worthwhile?

The customer care dilemma in 2010

The mixed and rapidly evolving offer
• Mix of prepaid & postpaid propositions
• Increasing penetration of broadband & smartphones
• Commercial campaigns, time-limited offers, …

Quality vs. efficiency vs. sales?
- Customers vs. processes?
- Make vs. buy?
- Multiskill vs. specialist agents?

- “Millions” of calls per month
- Variability and unpredictability on an hourly basis (e.g. network failures)

Massive, and unpredictable, customer enquiry volumes

Increasingly sophisticated customers
• Services are “vital” to the customer and issues must be solved “anywhere”
• Always-on (ASR) and fast (SL 20”) access to the solution (OCS)
• Multichannel support
Traditional approaches are failing both customers and operators

Traditional approaches have focused on striking a balance between investment in resources (usually more call centre staff) and the satisfaction of customers using the service, by using Interactive Voice Response (IVRs) as a “filter” between customer and operator and differentiating this between high-value and low-value customers. In parallel, substantial investment is ploughed in web caring, hoping to attract queries from costly operators.

However, telecom operators have become increasingly dissatisfied with this approach as incremental resources generate diminishing returns and, most importantly, do not produce sustainable competitive advantage. Value Partners, we have worked with companies which have seen customer care budgets increase by 15% per year over 2-3 year periods, without any corresponding increase in customer satisfaction relative to competitors.

Radically innovative models are emerging, achieving considerable success in short timeframes

However, we are now observing and advising on a shift to radically innovative and smarter models which enrich the customer experience whilst simultaneously achieving greater cost efficiencies. In one example, within one year, our client shot from being a distant #3 to a clear #1 in independent quality ratings, increased sales by customer care agents by 70%, while concurrently reducing costs by 17%. The cornerstones of these extremely successful customer care models can be summarized under three headlines: a “needs-based” and truly personalized approach to channel shifting, a customer-centric redesign of call center operations and managing “competitive auctions” between suppliers (internal and/or outsourcers) to achieve highest-quality and lowest-cost sourcing.
The blueprint for designing innovative caring models that deliver tangible and substantial results

While the ‘correct answer’ for the second and third element will vary depending on the specific circumstances of each telecom operator, all effective channel shifting strategies follow similar criteria. First: build a truly multichannel caring model, with all channels available to all customers, and specialize channels by customer need, focusing self caring (IVR and Web) on simpler queries leaving agents to focus on more complex, mission-critical ones. Second: invest in real-time customer profiling, to truly personalize the customer experience on all channels. Third: seek “One Call Solution” when possible, but be obsessed in delivering “solution without recall” always by actively managing the customer experience and resulting expectations. Based on Value Partners’ experience with major telecom operators both in mature and emerging markets, we provide a blueprint for successful deployment of these guidelines.

The three critical elements of successful needs-based channel shifting

Building an effective channel shifting strategy: phone-based channels

While phone-based channels remain the most heavily-used, consumers are often dissatisfied with IVR systems commonly used to filter and ideally resolve customer queries. However, our work with clients suggests that this is not structurally tied to the channel but rather due to poor design features such as confusing menu structures and poor navigation.
Our engagement with one operator revealed that less than 15% of incoming calls are related to issues that definitely required contact with a customer care operator from a customer viewpoint (e.g. complaints) or from the operator’s perspective (e.g. upselling opportunities). On the other hand, as many as 45% of callers had requests which could be resolved by automated response systems (balance and billing requests, changes to price plans, VAS activation/deactivation, etc), but that many customers would actually prefer to solve quickly by themselves rather than talk to an agent. The challenge for operators is to leverage technology to make the IVR customer experience simpler and faster than agent interaction. Based on our experience, this can be done quickly and without multi-million dollar investments.

The first step in developing an IVR that efficiently executes real solutions for customers is advanced customer profiling. Most existing customer profiling methods are based on static parameters (such as whether the subscriber is a pre-pay or post-pay customer, average spend per month, …), but the truly effective systems are those that predict in real-time the potential issues faced by the individual customer, by referencing recent usage profiles, billing information, open issues with customer care, and other updated records. For example, a customer with an overdue bill is likely to be calling to enquire about the bill or to settle the balance. Using this information, IVR menus can be adapted and simplified to individual callers to quickly present options which are likely to be relevant to the caller. Similarly, callers of particular strategic value or high upselling potential can be identified and transferred to dedicated call centre agents. Finally, if a call is ultimately transferred to an agent, the IVR navigation information can be used to further personalize the customer experience, resulting in shorter call times and higher customer satisfaction. Personalized IVR menus reduce the redundancy of IVR menu trees, increase customer satisfaction, and reduce the number of calls handled by customer service agents.

Results from a VP case study: improving customer satisfaction simultaneously on IVR and agent channels

| Customer Satisfaction: Human Touch & IVR |
|-----------------------------------------|------------------------------------------|
| Scale 1-10 (independently measured)     |                                          |
| Human Touch                             | IVR                                      |
| Dec 2008                                | Dec 2008                                 |
| +0.41                                   | +0.29                                    |
Reducing call centre traffic must also involve reducing the need for customers to make support calls in the first place. “Recallers”, customers calling back shortly after having spoken to an agent, or having visited the website, often account for up to 35% of calls. Proactive expectation management, for example with clearer scripts for call closing and corresponding agent incentives, has reduced this in several cases to as little as 15%. Another often-cited example is represented by sales made with little regard to customers’ post-sale needs: sales agents do not always explain billing or provisioning details to customers, resulting in inbound calls to resolve issues like scheduling of deliveries or tariff changes. Through intelligent mapping of the customer journey from pre-sale to ongoing post-sale needs, operators can reduce the number of issues the customer needs to raise. In both cases, proactive reporting via email or SMS of the status of outstanding support queries will reduce the need for customers to make follow-up calls themselves.

Building an effective channel shifting strategy: web-based channels

Operators are also reducing reliance on call centers by encouraging greater customer self-care through alternative media platforms, principally online and mobile portals. However, customers expect web-based support services to be as equally comprehensive as telephone channels - static information such as Frequently Asked Question pages may still be the most common form of online support, but these pages are usually inadequate to resolve many issues. To create a more responsive feel to online support, some leading operators have employed Human Digital Assistant technology. Customers with support queries are greeted by an animated human face which responds to questions and prompts actions in a conversational manner, increasing the personal engagement of the customer with the automated support channel. The resulting increased propensity of subscribers to use online support enabled one of our national telco clients to save ~€10m per year in costs, based on a 6% reduction in inbound support calls (roughly 300,000 calls per month). The use of such avatars may be compelling, particularly in markets such as Asia where visual technologies via mobile devices are popular: Ovum/Genesys’ recent survey indicated that 55% of Indian subscribers and 80% of Chinese subscribers view avatar-based support services as valuable.

The efficiency of online support, like telephone IVRs, is directly related to the ability to clearly and quickly present support options tailored to the individual customer. However, only around 40% of support departments in the communications industry currently offer access to personal accounts online. More advanced operators have introduced personalized support homepages, which incorporate online widgets that display personalized information such as current credit balances, relevant tariff details, cross-promotions, and so on, together with relevant calls to action for the customer. Some systems even enable the customer themselves to choose and edit which widgets appear (in a manner similar to an iGoogle homepage).

Social networking is also increasingly being used to fulfill customer contact needs online. 3 Italy’s community site, ‘Le Sai Tutte’, was launched in early 2007 as a support platform for 3 Italy subscribers. Any subscriber can post a question on the site, but only ‘expert’ users from the subscriber community – who are vetted with a set of tests examining technical and commercial knowledge – can respond to queries. Experts are encouraged to register and contribute by a reward system that provides them with airtime credits when positive feedback on their contributions is received from the ‘Le Sai Tutte’ user community. The site now has over 100,000 registered users and around 5,000 registered experts. Again, this innovation could become more extensively used in Asian markets with a high user uptake of social networking: for example, of 32 Australia & New Zealand call centres surveyed by Ovum in 2009, a third were already using social networking to interact with customers. As telcos increasingly move towards converged product offerings, we expect to see increasing numbers of operators differentiate their service through these emerging customer care methods on mobile, fixed and web platforms, particularly given the cost efficiencies which can be achieved as a result.
About Value Partners

Value Partners telecommunications practice draws on over 200 professionals worldwide and assists 13 of the top 20 telecoms operators in Europe, Asia, Middle East and Latin America, as well as a number of smaller and start up operations in our markets. Over the last 15 years, we have delivered real benefits for our clients, building on our deep industry insights into the key issues for the sector. Major telecom clients in China include China Unicom and other international players.

Founded in 1993, Value Partners is a global management consulting firm that works with multinational corporations and high-potential entrepreneurial businesses to identify and pursue value enhancement initiatives across innovation, international expansion, and operational effectiveness. It comprises two sister companies: Value Partners Management Consulting and Value Team IT Consulting & Solutions.

With 14 offices across Europe, Asia, South America and MENA, Value Partners expertise spans corporate strategy and financial business planning, cost transformation and organizational development, commercial planning, technology decisions, and change management. Its 3,100 professionals, from 25 nations, combine a methodological approach and analytical framework with a hands-on attitude and practical industry experience developed in an executive capacity within their sectors of focus: media, telecoms and IT, luxury goods, financial services, energy, manufacturing and hi-tech.

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