



Nokia Siemens
Networks



Turning an enriched
customer experience
into a valuable asset

Solved.

Nokia Siemens Networks Consulting

Inspired thinking,
innovative solutions

To continue driving financial performance and growth, Communications Service Providers (CSPs) need to improve the customer experience they deliver.

To continue driving financial performance and growth, Communications Service Providers (CSPs) need to improve the customer experience they deliver. They should start by developing a deeper understanding of customer expectations and how their services are perceived.

Then they need to act on these new insights. Research commissioned by Nokia Siemens Networks identifies five dimensions that are critical to driving customer experience in telecommunications. Based on these we have formulated a simplified, three-step approach to help CSPs improve their customer experience.



Do you hear the voice of your customers?

The success of CSPs hinges on their ability to attract and retain subscribers. In emerging markets, it is the ability to attract new subscribers faster than your competitors. In mature markets, it is a matter of developing more loyal customers and of winning a larger share of high-value subscribers. In both cases the challenge boils down to churn. The cost of replacing lost subscribers cuts deeply into profitability. In comparison to customer experience champions in other industries, such as Harvey Davidson, BMW or Apple, the telecoms sector struggles for customer loyalty.

Common wisdom has it that customers leave because competitors offer them better prices or more attractive services. But our research and experience shows that dissatisfaction with a current service provider is the main driver for churn.

The best-performing CSPs appear to be niche players. We have come across virtual mobile operators (MVNOs) whose customers rate their network quality better than the customers of the host network operator. There is no difference in technical quality, but the better overall customer experience delivered by the niche player is reflected in all customer satisfaction scores.

To give an example, BMW has a better chance of creating the “Ultimate Driving Machine” for their selected segment than a player with a much wider customer base – such as Toyota. Similarly, a small CSP focusing on specific needs of its more narrowly defined target segment can deliver a more tailored experience.

However, larger CSPs with market shares from 30% to 60% and subscribers from all walks of life need not lose hope. Instead, they need to align themselves better with their customers through improved segmentation and more differentiated offerings – perhaps even sub-branding.

From satisfied to advocate customers

Historically, CSPs have used network quality metrics such as call completion and drop-out rates as a proxy for customer experience, but now having a high quality network has become a hygiene factor. As per Maslow's hierarchy of needs, when subscribers' more basic needs are satisfied, they quickly look for more sophisticated needs to be met. As the level of sophistication increases, the demands on the CSP grow, increasing the likelihood that a customer relationship may sour.

As global internet brands set different standards for customer experience, CSPs must also "up their game" to compete against a whole new wave of players who are driving their growth through innovation around giving their customers what they want. Because most CSPs have large customer bases of people with different expectations, they need to link customer experience management much more closely to

their segmentation. One cause of the low advocacy from subscribers comes from the "one size fits all" approach that many CSPs take for product and service delivery.

To become more customer-centric, CSPs must improve their customer satisfaction or customer advocacy measures. This can be done by focusing on smaller customer segments to understand what they expect and to improve the customer experience where it matters most to each individual group.

Front-line employees are traditionally well-positioned to capture and respond to events that impact a customer's experience: e.g. a complaint or a request for a new product or service. These events and their outcomes need to be systematically captured as part of a robust customer experience management system to further inform how a customer should be treated going forward.

Marginal improvements in network-quality metrics are becoming increasingly expensive. To improve the customer experience in more economical ways, CSPs need to embrace a wider set of relevant measures that are drawn from a greater variety of sources. These days, perceived improvements at non-technical customer touch points are likely to have a far higher impact on the overall customer experience.

After this experience, how likely is it that you would recommend us to a friend or colleague?

Measuring customer advocacy

A simple way to track overall satisfaction of your customers is to measure their advocacy – whether they are willing to recommend you to their friends or colleagues. While word of mouth may not be your primary marketing vehicle, high willingness to promote a brand is a strong sign of loyal customers that are happy with their customer experience. It is not a secret that our loyalty examples of Harley Davidson, BMW and Apple all command extremely high customer advocacy.

There are a number of trademarked customer advocacy measures – such as Net Promoter Score¹, Customer

Focused Insight Quotient¹ and Advocacy Index¹. In essence, they all measure customers' response to the question "How likely is it that you would recommend us to your friend or colleague?"

As a proxy for flawless customer experience these measures can also be used for overall diagnostics. Imagine the power of asking this question from your customers after key touch points with you and then mapping the scores by segment, product and region!

While the differences will tell you where you perform well and where

you don't, customer advocacy metrics don't provide answers on how to improve. Sub-par scores must be probed further to identify overlooked components of customer experience that matter to a given customer segment. A good approach for this is to invite low scoring customers to participate in an open ended dialog by asking a second question: "What could we do better to make you happier?"

¹Trademarks of their respective holders: Satmetrix Systems, International Business Machines and Smith & Jones

Mobile customers are satisfied, but not that loyal

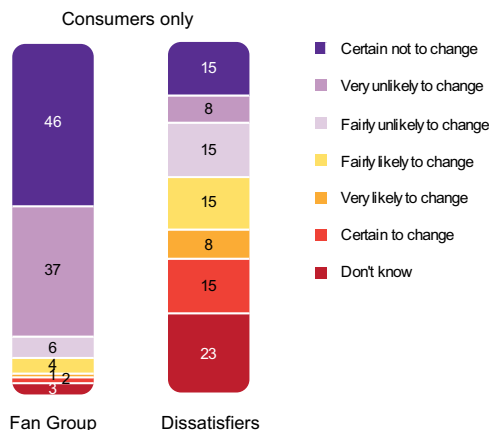
During the last few decades there have been several cross-industry studies claiming that only extreme customer satisfaction results in loyal customers. These findings are supported by our recent global survey on customer acquisition and retention (Customer Acquisition and Retention Study, Nokia Siemens Networks, 2009).

We found that mobile customers are fairly satisfied, with 73% of customers scoring 8-10 out of 10 for overall satisfaction towards their service provider. And only 3% scored 3 or less on the ten-point scale. However, these relatively comfortable satisfaction levels do not translate into loyal customers. The same study reports only 25% of customers staying with their communications service provider for more than five years, and churn still remains a major issue for most CSPs. Based on these results it is tempting to ask whether customer satisfaction matters at all? And should we really invest into improving it? The short answer to both of these questions is "yes". Findings from our earlier study from a mature market (Pulse Global Tracker: Great Britain, Nokia Siemens Networks, 2008) showed that

while fairly satisfied customers are not loyal, very satisfied customers are. Dissatisfied customers scoring 1-2 out of 5 on customer satisfaction were over five times more likely to churn than very satisfied customers scoring 5 on the five-point scale. Only the highest satisfaction levels translate into loyalty.

Customer experience is a moving target. In order to flourish, CSPs need to keep their fingers on the pulse of changing customer needs and expectations.

Likelihood of changing network operator/ provider within next three months - Fan Group & Dissatisfiers (2008) - %



Source: Pulse Group Tracker Wave 13, UK data, October 2008

It's not about competitors – it's about your customers

Another important finding from our research (Customer Acquisition and Retention Study, Nokia Siemens Networks, 2009) is that, contrary to the industry belief the main trigger for churn in most markets is not actions by competitors, but dissatisfaction towards current providers. This again highlights that there is a significant opportunity to drive business performance through improving customer experience. If you deliver a great experience to your customers, your competitors will have a tough time trying to attract them.

Measuring relative customer satisfaction vis-à-vis competition is commonly used for performance

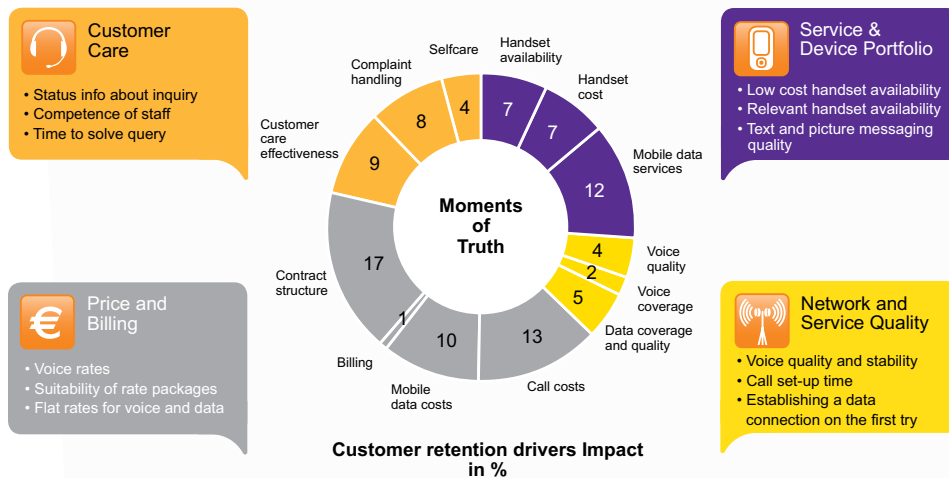
measurement and incentives, but how much does it really matter? We would argue that while understanding your relative performance is important, it is not as important as understanding your customers' expectations and how well you are delivering against them.

For CSPs, this requires new ways of looking at their customer base. Segmenting customers based on satisfaction and behavior, instead of demographics and ARPU will deliver new insights into what drives satisfaction and how to create extremely satisfied customers. What then, are the key elements of the telecom customer experience?

Elements of telecoms customer experience

Our extensive market research on mobile and fixed customer acquisition and retention has identified five key areas that define the customer experience. Success or failure to

meet any of the customers' needs associated with these areas has the power to make or break the relationship with a CSP. They are:



Service and Device Portfolio

Customers are looking for services that are attractive, easy to find, buy and start using. They want services that match their needs, as well as desirable devices and equipment.

Network and Service Quality

For mobile networks, service quality encompasses coverage, service availability and service retainability (e.g. call drop rates), service performance (such as service success rate or delays), usability and security. For fixed networks it includes network performance and coverage, characterised as usable data speed or bandwidth, stability and security.

Price and Billing

Include total monthly cost, device cost, perceived value, cost of same-network calls, tariff plans and billing clarity and accuracy.

Customer Care

Customers value after-sales service that is easy to contact, quick to respond and solve any problems (often referred to as “first call resolution”). Well-trained call centre staff play an important role here because effectiveness is just as important as friendliness. There are also significant operational benefits from dealing with a customer’s inquiry first time without call backs or handovers.

Brand image

Value here is the combined result of all the other good practices. It includes a reputation for individual service excellence and an understanding of customer needs, as well as the CSP’s wider corporate behavior and trustworthiness.

While we see some generic trends, the relative importance of these factors depends on the market and the customer segment at hand. And while a market matures and customers become more sophisticated, the target moves on. Understanding how these five areas play together and how they are likely to change in the future will help you to develop the right actions to drive long-term improvements.

Proposed actions

As communication markets mature, competition based on customer experience is mounting. CSPs who want to be successful must ensure that they take actions to beat their competition at this new game.

Below we have outlined some critical steps to get you started on driving customer experience improvements.

Step1. Develop a better understanding of the current customer experience

- Understand the customer experience across all of the five dimensions (service and device portfolio, network and service quality, price and billing, customer care and brand image).
- Do this for your market and selected customer segments: customer experience is not uniform across all customers and must be addressed with a segmented view.
- Identify key customer interactions, or “touch points”, that influence the overall customer experience. Start by focusing on the ones with the biggest impact on customer experience and where you are underperforming. And remember that while technical performance and KPIs are important hygiene factors, the customers’ perception of your service is even more important.
- Make sure that the view on customer expectations and your current performance is shared by the key stakeholders in your organization. Without a common view, there will be no common effort to improve.
- Understand who your best satisfied customers and advocates are, and why. What do they share – lifestyle, demographics, subscriptions, service usage profile or even a specific device. This helps you to understand your strengths and leverage them for other segments.
- But don’t stop there. Also understand who the least satisfied customers are and what are the main causes for poor satisfaction. This will reveal weaknesses you might have overlooked and point you in the right direction.

Step 2. Act to enrich the customer experience

- Develop a customer experience strategy with a segmented view. Remember that one size does not fit all and that customer expectations and experience will vary a great deal between segments and markets.
- Prioritize and focus on those things that will achieve the greatest impact in the short term, before moving on to more complex issues. A good approach is to use an importance-to-performance matrix to recognize issues and prioritize efforts.

Step 3. Measure the impact on customer experience

- Test and measure the effects of changes made. Continuously seek feedback such that it becomes part of the way of working.
- For example, you could build an early user community that provides direct feedback on new services. Use new technologies that enable you to view changes in customer satisfaction and service usage in real time. This will keep a pulse on what is really happening with your customer base.
- Try different things to get closer to your customers to measure the real customer experience in a way that works in your organization.

Meet the consultants



Akin Adamson

Akin has more than ten years' experience in sales and marketing. As a consultant he has worked globally with some of the world's biggest brands, helping them to compete and grow their top lines.

A partner in the Middle East and Africa consulting practice of Nokia Siemens Networks, Akin believes that CSPs have unique relationships with their customers, and these relationships give CSPs an opportunity to become trusted lifetime partners.

Before joining Nokia Siemens Networks he was a Director in Telstra's Marketing and Channels group where he played a leading role in their retail and customer service transformation.



Jari Salminen

Jari has more than ten years' experience from consulting, sales and business development in IT and telecommunications, including multinationals such as IBM and Nokia.

He currently works as a lead consultant and specializes in helping CSPs to drive value through developing new customer insights and managing their customer experience.

Jari believes that CSPs have a huge opportunity to create value from new customer insights, but he also acknowledges that there are challenges related to internal culture and organization alignment, that must be overcome to realize this potential value.



Seppo Väkevä

Seppo has been working as a consultant and business developer for over twenty years. His experience comes from working with leading strategy consulting firms as well as CSPs.

Seppo strongly believes in segmenting and de-averaging data. "Digging deeper in KPIs and identifying where and when they are high, medium or low feeds valuable insights in how to gain best return on your business," he says.

Since February 2008, Seppo has been responsible for developing Nokia Siemens Networks' consulting methods, as well as providing sales and delivery support for the regional consulting teams.

Let's talk

Nokia Siemens Networks Consulting can help you to understand the gaps in your customer experience. We leverage our global scope and experience to help CSPs like you to fill those gaps thereby creating a value adding enriched end customer experience. We can help you to get closer to your customers and drive business value from new customer insights. Let's talk.

Do you want to know more about
Customer experience?

Visit us at www.nokiasiemensnetworks.com/consulting

Nokia Siemens Networks Corporation
P.O. Box 1
FI-02022 NOKIA SIEMENS NETWORKS
Finland

Visiting address:
Karaportti 3, ESPOO, Finland

Switchboard +358 71 400 4000 (Finland)
Switchboard +49 89 5159 01 (Germany)

Copyright © 2010 Nokia Siemens Networks. All rights reserved.

Nokia Siemens Networks and the wave logo are registered trademarks of Nokia Siemens Networks.
Other company and product names mentioned herein may be trademarks or trade names of their respective owners.
Products and solutions herein are subject to change without notice.



Every effort is made to ensure that our communications materials have as little impact on the environment as possible

www.nokiasiemensnetworks.com