

IBM Institute for Business Value

Building advocacy in telecommunications

How CSPs can improve customer loyalty in a connected world



Overview

In the battle for customer loyalty, the “customer first” slogan has been strongly promoted by communications service provider (CSP) executives for years. So how is the industry really doing today in terms of securing loyalty? Based on the results of the recent IBM global telecommunications consumer survey, there is much room for improvement. In fact, globally, fewer than one fifth of consumers were identified as advocates for their CSPs. So, why is “customer first” not delivering? And what should CSPs do differently?

Customer advocacy in the telecommunications industry

Using IBM’s advocacy metric, the Customer-Focused Insight Quotient, we segmented study participants – approximately 13,000 consumers in 24 countries – into three profiles:

- **Advocates:** Loyal clients who refer new business, tend to subscribe to more services, resist competitive offers, and embrace and promote the company.
- **Antagonists:** Clients who harbor negative opinions and possibly talk negatively about the company.
- **Apathetics:** Clients who show no strong feelings either way or are passive.

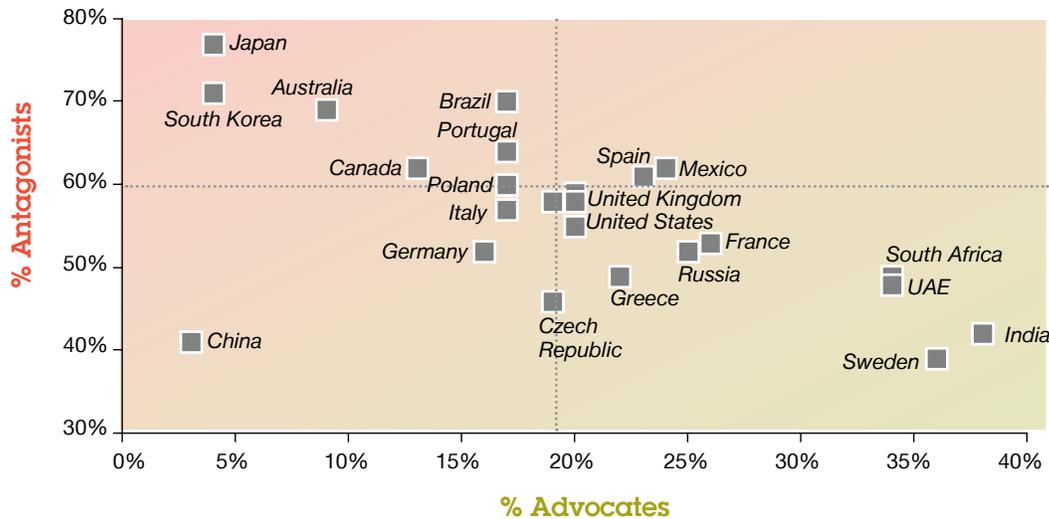
We found that globally, there are more than three times as many antagonists as there are advocates. Only 18 percent of customers are advocates, while some 60 percent are antagonistic toward their CSP. The low advocacy level contrasts with, for instance, the retail industry, where it is close to twice that of the telecommunications industry. We also looked at advocacy levels by country (see Figure 1).

The value of advocates – and cost of antagonists

Advocates tend to drive higher positive impact on shareholder value, while antagonists can adversely influence business economics and other customers. We discovered, for example, that globally, 32 percent more antagonists than advocates had switched providers in the last one to two years.



Percentage of advocates and antagonists by country



Source: IBM Institute for Business Value Global Communications Consumer Survey 2011.

Figure 1: Advocacy levels vary by country, with a global average of 18 percent.

In addition, 55 percent of advocates have been customers five years or longer, compared to 46 percent of antagonists. Globally, 12 percent more advocates than antagonists subscribe to more than one service from their primary provider.

We also determined that antagonists are more likely to talk negatively about their CSPs. When asked whether they tell friends and family about bad experiences, 10 percent more of the antagonists answered affirmatively than did the advocates. In addition, advocates have more trust in their CSP. For instance, 92 percent believe their bill is accurate always or most of the time, compared to only 64 percent of antagonists.

The power of today's consumers

Today, customer attitudes and behavior patterns are changing faster than CSPs can adapt their responses. Rather than traditional CSP channels, consumers' preferred sources of information include Internet searches, comparison sites, recommendations from friends and family, and social media sites. In addition, we discovered that key drivers of advocacy are emotive in nature, again contrasting with current CSP practices that target rational factors.

We also discovered that more than 75 percent of consumers are likely to tell friends and family about poor experiences but only 60 percent would potentially call customer service. So, although consumers do not always let providers know about problems, they are quite likely to share their story with others!

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Driving customer advocacy

How can CSPs better connect with their customers? We suggest four key strategies to help build new capabilities and a deeper understanding of customers:

- *Improve nontraditional customer experience insight:* Better understanding advocacy and antagonism triggers will help CSPs predict and affect the situations where customers are likely to move toward advocacy.
- *Apply a social behavior “outside-in” perspective:* Consumers have unprecedented power to build and demolish brand strength as they blog, text and comment via social media about their consumer experiences. CSPs need to become part of the digital dialogue and be prepared to proactively respond to negative chatter.
- *Profile and target advocacy segments:* Focus on the relationship rather than transactions in an attempt to move customers up in the advocacy scale. The large number of apathetics could be prime candidates to sway into advocacy. At the very least, target them to help ensure they don’t become antagonists.
- *Build multilevel capabilities:* The new approach requires transformations in strategy, processes and analytical capabilities. Invest in nontraditional analytical capabilities to mine digital channels and help generate intelligence about customers.

Conclusion

One clear message from this survey is that despite investments in customer experience initiatives, the industry has not achieved its customer-related goals. New approaches are required. While it will be a challenge to both increase advocacy and diminish antagonism, we believe CSPs can succeed by deepening their understanding of consumers to enhance their experience and, in doing so, increase the value of the relationship.

How can IBM help?

- **Customer-centric strategies and processes** – Helping CSPs formulate, implement and operationalize programs to respond to changing customer buying behaviors, align organizational structure and metrics, and transform customer-centric processes
- **Customer experience management** – Using advanced analytics, data mining and statistical models to drive deeper customer and network insights to help enable differentiated customer experiences and improve customer advocacy and value
- **Multilevel capabilities** – Helping CSPs effectively utilize social network-focused analytics, apply customer experience metrics and tools, leverage next-generation multichannel capabilities and more.

To request a full version of this IBM Institute for Business Value study, please contact us at iibv@us.ibm.com. For a full catalog of our research, visit: ibm.com/iibv



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