

IBM Institute for Business Value

Building advocacy in telecommunications

How CSPs can improve customer loyalty in a connected world



IBM Institute for Business Value

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By Bob Fox, Nick Gurney, Rob van den Dam and Ekow Nelson

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?

CSPs have invested heavily in loyalty and customer satisfaction programs to increase advocacy. Compared to customers with antagonistic attitudes, advocates tend to drive the highest positive impact on shareholder value. Because they tend to remain customers longer and buy more services, they tend to generate more profit. They also tell friends about their positive experiences. However, results from our most recent global telecommunications survey seem to indicate that CSPs’ customer satisfaction investments have not produced the positive results desired. Our survey of approximately 13,000 consumers in 24 countries reveals that customer advocacy levels are still quite low. And globally, there are more than three times as many antagonists than advocates. These antagonists cost more to support and are prone to speak negatively about their provider.

The low advocacy level contrasts with, for instance, the retail industry, where it is close to twice that of the telecommunications industry. In this industry, globally more than one third of customers are advocates.¹

So with all the emphasis on “customer first,” why are advocacy levels so low? Today, customer attitudes and behavior patterns are changing faster than CSPs can adapt their analytical and customer management responses. Rather than traditional CSP sites and channels, consumers’ preferred sources of informa-

tion 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.

The flipside of low advocacy rates are high numbers of antagonists who are actively promoting negative messages about their CSP. Our survey identified a surprising 60 percent of consumers as antagonists. These consumers are telling friends and families about their bad experiences and are typically not letting the providers know when they have problems or issues. The old adage of a typical unhappy customer telling 8 or more people pales to insignificance in today’s world, where the average Facebook user has 130 friends. And some influential users have many, many more connections on numerous social media sites (pop singers Lady Gaga and Justin Bieber have over 10 million Twitter followers!).²

CSPs have an opportunity to assess the effectiveness of current spending levels on traditional channels, marketing and analytics techniques. They can redirect investments toward efforts to grow advocacy levels and reduce antagonists or, at a minimum, convert antagonists into “apathetics” who have neutral feelings toward their CSP. Experience from other industries suggests this is achievable.³

We recommend CSPs initiate programs that target behavioral, emotional and rational aspects of the customer relationship to directly improve both bottom line and customer key performance indicators (KPIs). This includes revisiting customer satisfaction measures with a stronger correlation between customer experience and hard outcome metrics such as churn, average revenue per user (ARPU) and customer profitability than exists today.

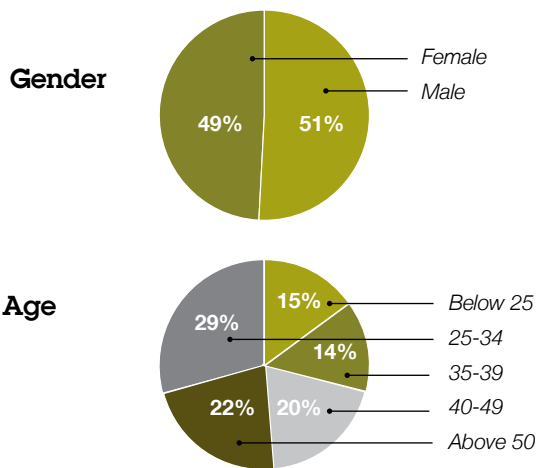
Our research suggests several key actions, which move beyond traditional techniques, to help CSPs strengthen advocacy and drive growth:

- Improve customer experience insight by focusing on attributes that drive customer advocacy
- Apply a social behavior-driven “outside-in” perspective and become part of a two-way dialogue with the consumer
- Profile and target customer advocacy segments to improve advocacy levels
- Build multilevel capabilities to support the new approach to customer advocacy.

Research methodology

IBM conducted a survey of close to 13,000 consumers in 24 countries in both mature and emerging markets: Australia, Belgium, Brazil, Canada, China, the Czech Republic, France, Germany, Greece, India, Italy, Japan, Mexico, the Netherlands, Poland, Portugal, Russia, South Africa, South Korea, Spain, Sweden, the United Arab Emirates, the United Kingdom and the United States.

Conducted via online questionnaire, the survey covered a wide variety of topics, including consumers’ spending priorities, experience with products and services, information sources for products and services, attitudes toward CSPs and purchasing values. Gender, age and income distributions were selected to be representative of each country.



Country

United States	9%	Greece	4%
France	7%	Italy	4%
South Africa	7%	Brazil	3%
Spain	6%	Australia	3%
United Kingdom	6%	Germany	3%
China	5%	Sweden	3%
India	4%	South Korea	3%
Mexico	4%	Belgium	3%
Japan	4%	Portugal	3%
Russia	4%	Czech Republic	3%
Canada	4%	Poland	3%
Netherlands	4%	UAE	2%

Note: Total number of respondents: 12,848. In the analysis, the survey results were weighted to achieve a geographical distribution representative of country population relative to population of all countries combined and consumer sample relative to country population.

Customer advocacy in the telecommunications industry

A holistic view of customer advocacy

Those who research consumer behavior have known for years that simply asking a consumer if he or she is loyal or has a preference for a given provider is not a reliable indicator of preferred consideration in the future.⁴ There are a number of reasons for this phenomenon – some are psychological and others cultural. But one of the most prominent reasons is that the consumer preference construct is far more complex than can be captured by a single response to a single item on a consumer questionnaire.

IBM's advocacy metric, the Customer-Focused Insight Quotient, and its market research counterparts are an attempt to circumvent the complexity by developing a reliable metric largely devoid of diagnostic insight (see sidebar: The Customer-Focused Insight Quotient). Reliability is gained by developing a weighted triangulation among three questions on satisfaction, recommendation and a willingness to switch, which allows us to segment consumers into the following three profiles:

- **Advocates** are loyal clients who refer new business, tend to subscribe to more services and resist competitive offers. Advocates embrace and promote the company and its products and services.
- **Antagonists** are clients who harbor negative opinions about their provider and possibly talk negatively about the company. Antagonists can adversely influence business economics and other customers.
- **Apathetics** are clients who show no strong feelings either way or are passive toward the company. They could be prime candidates to “sweeten” into advocacy. On the other hand, they may leave the provider if a more appealing option comes along.

The Customer-Focused Insight Quotient

Unlike other satisfaction or advocacy measures, the IBM Customer-Focused Insight Quotient (CFiq) goes beyond a single measure of satisfaction or a likelihood to recommend. The CFiq takes a more sophisticated approach that organizes key client perceptions in a manner that captures more than demographic or behavioral data. Using statistical analysis and multiple regression techniques with customer data across multiple industries, we have isolated predictive attributes that are highly correlated with positive commercial behavior patterns.

We use the CFiq to measure the level of advocacy of a customer by analyzing his or her responses to three key statements:

1. I would recommend my provider to friends and family (recommendation intent).
2. I would buy my next related product from my provider and/or increase my purchases if my primary provider expanded its assortment and offered products currently found only at other providers (purchase intent).
3. If another provider offered me a competitive product or service, I would remain with my current provider (staying intent).

CFiq has been used for years across a number of industries (retail, banking, wealth management, etc.) with accurate and viable outcomes.

Source: IBM Institute for Business Value

Telecommunications scores low in advocacy

Our survey results reveal that the average proportion of advocates in the telecommunications industry is low. Globally, only 18 percent – less than one in five – are advocates, and a majority of customers – some 60 percent – are antagonistic toward their CSP (see Figure 1). In other words, three out of every five customers have negative opinions about their communications providers.

As previously discussed, compared to some other industries, the telecommunications industry is behind in levels of advocacy. A 2010 IBM global survey of over 30,000 consumers

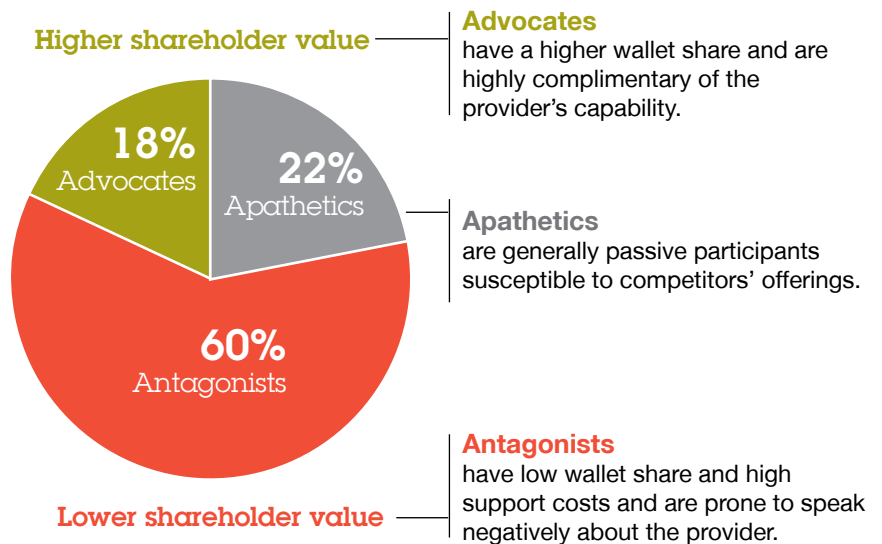
in 13 countries reveals that the retail industry has on average twice as many advocates as the telecommunications industry (see Figure 2)⁵.

“In the telecommunications market, we have dozens of competitors. It’s very hard to gain client loyalty.”

Marketing Director, CSP, Brazil

“I have recommended my provider to several people.”
“They have amazing customer service.”
“They are more expensive, but I hardly get disconnected or have calls dropped.”

“I think my provider overcharges me, but how can I prove it? My credit runs out too quickly after I top-up.”
“The promotions lack any relevance to me.”
“I am looking to switch to the new provider offering cheaper rates.”



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

Figure 1: Advocates have the highest wallet share and value, while antagonists have lower wallet share – but higher support costs.

	Mexico	Brazil	US	UK	Germany	Canada	Italy	France	China
Retail	52%	51%	39%	34%	33%	32%	25%	26%	20%
Telecom	24%	17%	20%	20%	16%	13%	17%	21%	3%

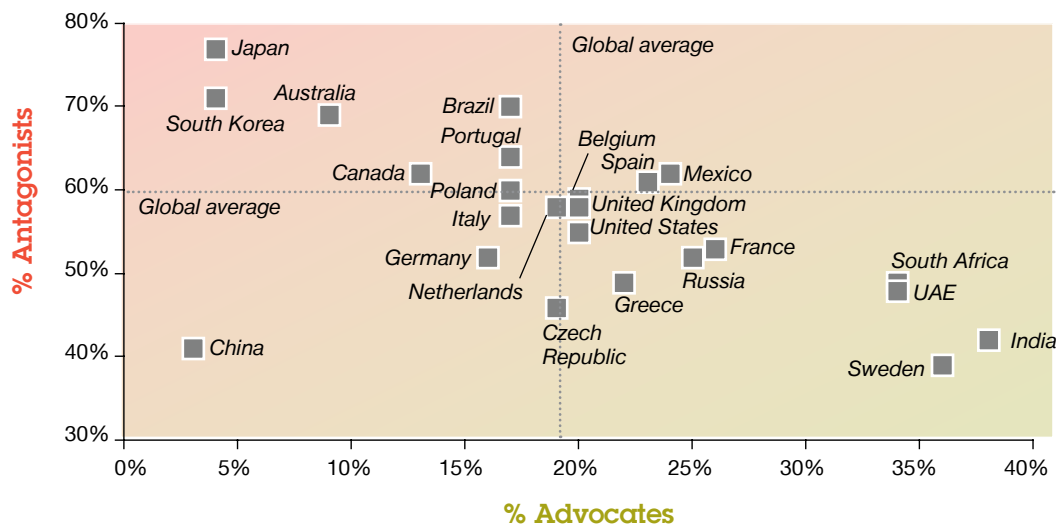
Sources: IBM Institute for Business Value Global Communications Consumer Survey 2011; Schaefer, Melissa and Laura VanTine. "Meeting the demands of the smarter consumer." IBM Institute for Business Value. January 2010.

Figure 2: Retail has a higher percentage of advocates than telecommunications.

The percentage of advocates and antagonists in telecommunications varies by country (see Figure 3). In countries such as Australia, Japan and South Korea, antagonists outnumber advocates by seven times or more. These countries, along with Brazil, have the highest number of antagonists (at 70 percent and higher). Japan, South Korea and China have the lowest percentage of advocates. While China is among those with the lowest percentage of advocates, it is also among those countries with the lowest number of antagonists.

These figures suggest that countries are at different levels of capabilities and maturity in terms of customer service. This signals a potential opportunity for CSPs willing to make targeted improvements in service differentiation. The variability of percentages of advocates and antagonists across countries and by operator within countries points to the need to dig deeper into the underlying root causes in order to positively affect these percentages.

Percentage of advocates and antagonists by country



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

Figure 3: Advocacy levels vary by country, with a global average of 18 percent.

Satisfaction versus advocacy

Over the past decades, CSP executives have become increasingly aware of the need for customer focus. Typical industry KPIs, based on customer satisfaction, have little to do with customer experience. Some research has found that 80 percent of customers who switched suppliers expressed satisfaction with their previous vendor. They left because they could get the same services with exciting extras.⁶

In the interviews we conducted for this study, many CSPs indicated they were shocked in the 1990s when they lost market share as new entrants came along – even though they had measured high customer satisfaction (CSAT) scores. And as their market share shrank, there was no correlation between CSAT and loyalty, repurchase patterns or willingness to promote to others.

For CSPs wishing to increase share of wallet, grow organically or improve margins, customer loyalty is critical. Although customer satisfaction is important, we believe competitive advantage takes a distinctive customer experience that goes beyond satisfaction and creates real value for the customer. CSPs should offer an experience that helps consumers form an emotional engagement with their CSP, compelling them to stay, increase spending and recommend their CSP to others.

An example of a quantum leap in improving the customer experience is Apple, whose customers have become passionate champions for the brand because of the unique experience Apple provides. Research has revealed that Apple advocates generate revenues about 45 percent higher than their competitors' best customers.⁷ Another example is USAA, a private U.S.-based provider of financial services to U.S. military consumers. USAA has consistently been ranked as number one or two in Bloomberg Business Week's annual ranking of Customer Service Champs, conducted in conjunction with research partner J.D. Power and Associates.⁸ No fewer than 87

percent of respondents to J.D. Power's syndicated surveys say they will definitely buy from the company again, far higher than the average, which is just 36 percent. And the company's client retention rate is a near-perfect 97.8 percent.⁹

In the highly competitive food retailing category, Wegmans, a U.S.-based grocer, stands out. Seventy-eight percent of its customers would definitely recommend the brand, while 62 percent would definitely repurchase.¹⁰

While the Bloomberg Business Week lists admittedly include only U.S.-based companies, no U.S.-based CSP made the top 25 list. There are no such examples of customer experience excellence listed for the communications industry.

The good news is that some CSPs are beginning to realize the importance of the customer experience and advocacy – and starting to take action. O2 in the United Kingdom, for instance, puts enormous emphasis on the customer experience to keep customers coming back (see sidebar: O2 UK: A European customer experience champion). It calls its customers “fans” and even has a “fandom” measure to track their loyalty. And indeed, according to our CFiq metrics, O2 has a significantly higher advocacy level compared to its competition (26 percent versus the United Kingdom average of 19 percent).

“We need to study measures that improve our customer points of contact and loyalty and enlarge our fan base.”

GM Marketing Communications Division, CSP, Japan

O2 UK: A European customer experience champion

In a poll of 24,000 European consumers regarding their customer care experiences, O2 UK was chosen number one in the mobile network category, gaining a rating eight times higher than the industry average.¹¹

O2, whose core strategy is all about satisfying existing customers to build their loyalty, refers to its customers as “fans.” According to the company’s internal communications manager, “Customers think – but fans feel. A customer will carry out a transaction that’s all logic: ‘I’ll choose this because it’s cheaper.’ It’s a process you go through because your head tells you to. A fan will trust you, forgive you and talk about you to their friends. They’ll try everything you’ve got to offer, and they’ll always choose you first. That’s why we want fans at O2.”¹²

O2 rewards its fans by giving them access to major music and art events at the O2 Arena and invitations to enjoy a beer with the players in its customer-only area at Twickenham Rugby ground.¹³ O2 Treats, a service for collective buying and group discounts, is another loyalty initiative. Customers pick what they are interested in by browsing through a menu on their mobile screens, and the system offers the best choices based on customer insight (e.g., restaurants nearby that cater to the user’s tastes). A discount coupon is then issued and can be redeemed through a number of methods, including a text message, printed voucher, Web site discount code or Internet voucher (via the user’s mobile phone).¹⁴

The value of advocates – and cost of antagonists

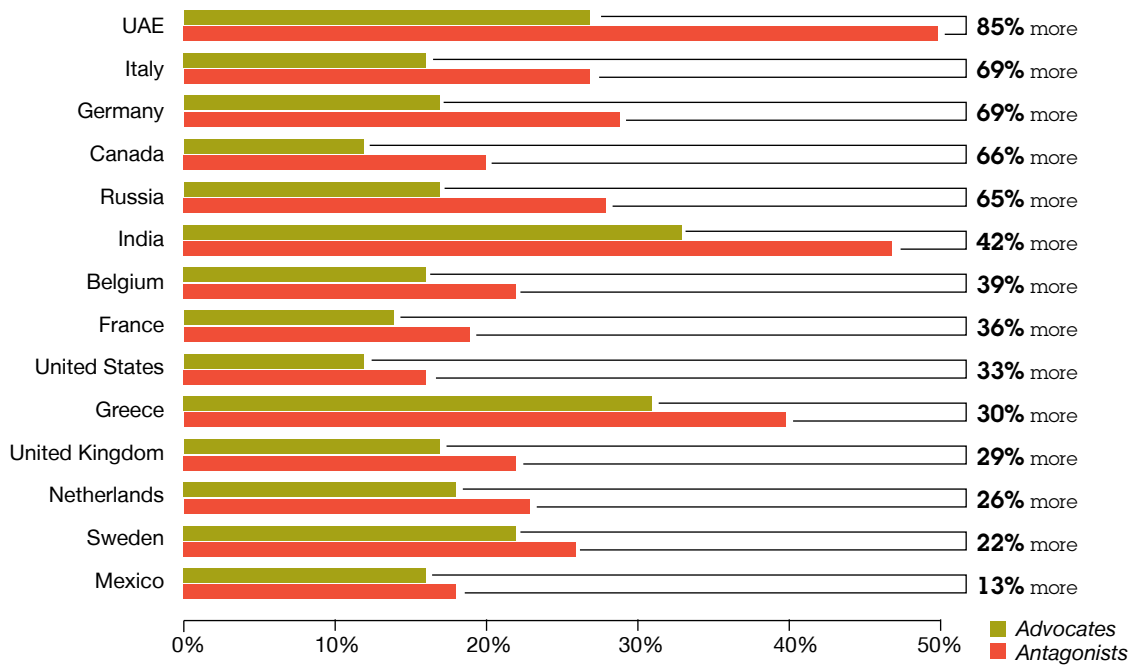
Advocates drive the highest positive impact on shareholder value, while antagonists cost more to support and are more prone to “bad-mouth” or speak negatively about the provider. Understanding who is an advocate and why can help a CSP improve customer satisfaction, loyalty and retention. It can also lead to strategies aimed at nudging apathetics – and possibly antagonists – to become advocates.

So, what are the differences in these groups’ behavior patterns? Using our survey research and the CFiq metrics, we discovered some interesting trends among the different advocacy levels:

Advocates churn less and are more loyal.

In general, advocates are less likely to switch providers. On a global basis, 32 percent more antagonists than advocates had switched providers in the last one to two years. This percentage varies across countries, with 13 percent more antagonists having switched in Mexico and over 50 percent more in Russia, Canada, Italy and the United Arab Emirates (see Figure 4).

Advocates are also more likely to remain long-term customers than antagonists, with a global average of 55 percent having been customers five years or longer, compared to 46 percent of antagonists. This percentage varies across countries, with 17 percent more advocates than antagonists being long-term customers in France and over 40 percent more in the Netherlands, Sweden and Italy.

Consumers who switched in the last 1 - 2 years

Note: Countries with a low and statistically less relevant advocacy sample have not been included.
Source: IBM Institute for Business Value Global Communications Consumer Survey 2011.

Figure 4: Antagonists are more likely to switch providers.

Advocates buy more services.

Advocates tend to subscribe to more services from their CSP. Globally, 12 percent more advocates than antagonists subscribe to more than one service from their primary provider. In the United Kingdom and the Netherlands, around 25 percent more advocates subscribe to more than one service, while in Canada the number is 33 percent. In addition, advocates are less likely to purchase communications services from another provider.

Advocates are more valuable.

Research has shown that advocates are more valuable than antagonists. For instance, IBM's 2009 retail industry report revealed that advocates spend 10 percent more on average per month than antagonists, spend 6 percent more during each shopping trip and spend 15 percent more of their total shopping budget at their primary retailer.¹⁵ Our research on CSP industry data, related to direct profit drivers such as number of services and reduced churn rates, from various clients shows this also to be true in the telecommunications industry.

Advocates are good for the bottom line.

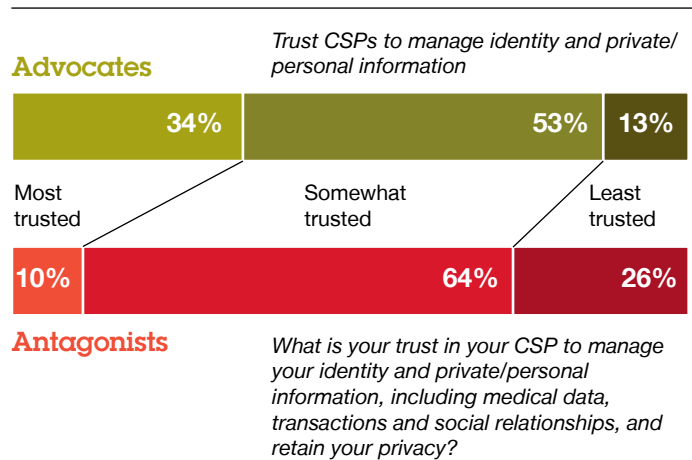
Obviously, in an increasingly saturated market with strong competition, long-term loyal customers – advocates – are important, particularly since it can cost five to ten times more to acquire a new customer than to retain an existing one.¹⁶ By investing in building advocacy, CSPs can help improve the *quality* of their overall customer portfolio.

Advocates can enhance brand reputation; antagonists can damage it.

When asked whether they tell friends and family about bad experiences, 10 percent more of the antagonists answered affirmatively than did the advocates – this was true in both mature and emerging markets. Across countries surveyed, this ranged from 4 percent more in Sweden to 28 percent more in Mexico. This indicates that antagonists are more likely to talk negatively about their CSP, which can be damaging to a CSP's reputation.

Advocacy is built on trust

Advocates are more likely than antagonists to trust their providers. For example, 92 percent believe their bill is accurate always or most of the time, while only 64 percent of antagonists share this view. Advocates also have more trust in their CSP's ability to manage identity and personal information (see Figure 5). More than 87 percent of advocates – compared to 74 percent of antagonists – indicated a comfortable level of trust in their CSP, with 34 percent identifying their CSP as “most trusted” and 53 selecting “somewhat trusted.” This issue of trust is of particular relevance to those CSPs looking to move into vertical markets (e.g., mobile payments and mobile healthcare), as customer confidence in the CSP's ability to manage additional information is key.



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

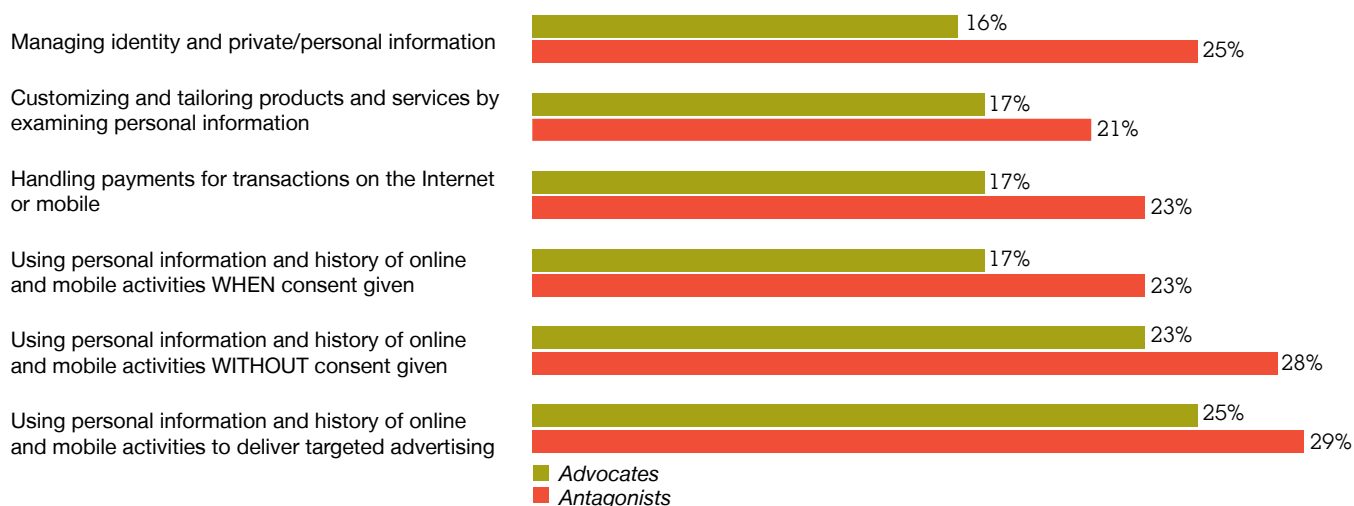
Figure 5: Advocates are more likely to trust their CSPs to manage personal information.

A larger percentage of antagonists also have concerns about how their providers might use their personal information (see Figure 6). Their greatest concerns relate to using the information without consent given and using it to deliver targeted advertising. Interestingly, these were also the top two concerns for advocates. Obviously, these are areas CSPs should consider in terms of building trust across the board.

“Looking ahead, I will spend more time with customers and customer data, including market research, customer care calls and focus groups.”

Telecommunications CEO, United States

Please indicate the extent to which you have concerns about your CSP's use of your personal/private information.



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

Figure 6: Antagonists are more concerned than advocates with how their CSPs use personal information.

The gap between advocates and antagonists

To help gauge differences in customer attitudes according to advocacy levels, we asked consumers to rate a series of statements about their primary communications provider (see Figure 7). Unsurprisingly, advocates typically responded positively to questions about their experiences with their CSP, while antagonists did not. What was surprising, however, was that the gaps between advocates' and antagonists' responses were rather large on a number of dimensions.

For instance, more than two and a half times more advocates than antagonists indicated their CSP promptly corrects errors when they occur and resolves problems fairly. On average, only one in four antagonists said the same about their CSP. Such large gaps in attitude illustrate that, in general, advocates tend to think their CSP "does things right," while the antagonists constantly find faults. The largest gaps between advocates and antagonists – 45 percent – were found for the statements "My CSP offers me relevant products and services" and "My CSP values me as a customer."

Advocates Percent strongly agree		Attributes: My provider...	Antagonists Percent strongly agree	
Customer insight	68%	Listens and collects information necessary to meet communication needs	25%	
	48%	Seeks input to develop new communication products/services	19%	
Convenience	70%	Allows me to customize products and services	29%	
Multichannel	81%	Allows multiple ways to interact with it	44%	
Customer service	72%	Does not request existing information repeatedly	42%	
	70%	Displays a consistent level of knowledge	29%	
	70%	Listens and proactively follows up on issues	30%	
	66%	Resolves problems fairly	24%	
Promotions	74%	Offers me relevant products and services	29%	*
Exceed customer expectations	73%	Provides prompt correction of errors when they occur	29%	
	71%	Values me as a customer	26%	*
	63%	Provides advice to improve my user experience	24%	

* Largest gaps (45 percent) between advocates and antagonists

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

Figure 7: There are large differences in how advocates and antagonists perceive their CSP.

In addition to differences in attitude among advocacy levels, we also looked at which attributes are most closely associated with advocacy. We discovered that the attributes most highly correlated with advocacy are *emotive* rather than rational. In other words, they are those less tangible, less measurable aspects – those more closely associated with feelings or opinions.

According to our research, the three statements most highly correlated with advocacy are “*My CSP offers me relevant products and services*,” “*My CSP values me as a customer*” and “*My CSP provides advice to improve my user experience*.” Overall, however, consumers did not rate CSPs extremely high on these

“emotive” attributes. Rather, they rated them higher on rational attributes, such as “*My CSP allows multiple ways to interact with it*.”

While we focus on the two ends of the spectrum here, the advocates and the antagonists, our survey revealed 22 percent of consumers as apathetics, i.e., the group in the middle. In some markets, the percentage of apathetics is much higher. Countries with the highest percentage of apathetics include Germany (31 percent), the Czech Republic (36 percent) and China (56 percent). There is an opportunity to both excite these apathetics and turn them into advocates and to nudge extreme antagonists to become apathetics.

Why creating loyalty is becoming so difficult

The growing importance of the consumer experience

Connected devices such as PCs, smartphones and tablets allow consumers to surf the Internet, check their e-mail, communicate via social media and more. Consumers expect to be connected – whether they are relaxing at home, busy at work, dining at a restaurant or taking a hike – and they expect increasingly integrated, enhanced experiences. As a result, the focus has shifted from technology to what the consumer can *do* with technology to enhance his or her experience. The network or technology has become more of an enabler than a driver.

The bar for service excellence has been raised higher than ever. And CSPs need to realize that the experience they offer can be a competitive differentiator. Today's consumers are in control – and they are driving changes across the industry.

CSPs are losing control

Consumers today use a variety of technologies to communicate. Electronic devices enable them to talk and text, send instant messages and e-mails, and post to blogs and social media sites. In fact, in 2010, there were approximately 2.9 billion e-mail accounts worldwide and more than 150 million blogs.¹⁷ In addition, as of May 2011, Facebook had more than 500 million active users, the average user had 130 friends and more than 70 percent of users resided outside the United States.¹⁸ In March 2010, Twitter marked a milestone when the 10 billionth tweet was sent. By July, the number of tweets had doubled to an amazing 20 billion.¹⁹

“Decreasing brand loyalty is a threat and an opportunity, as solid brands will attract disloyal customers from competitors. The challenge is driving loyalty in a market that is redefining itself.”

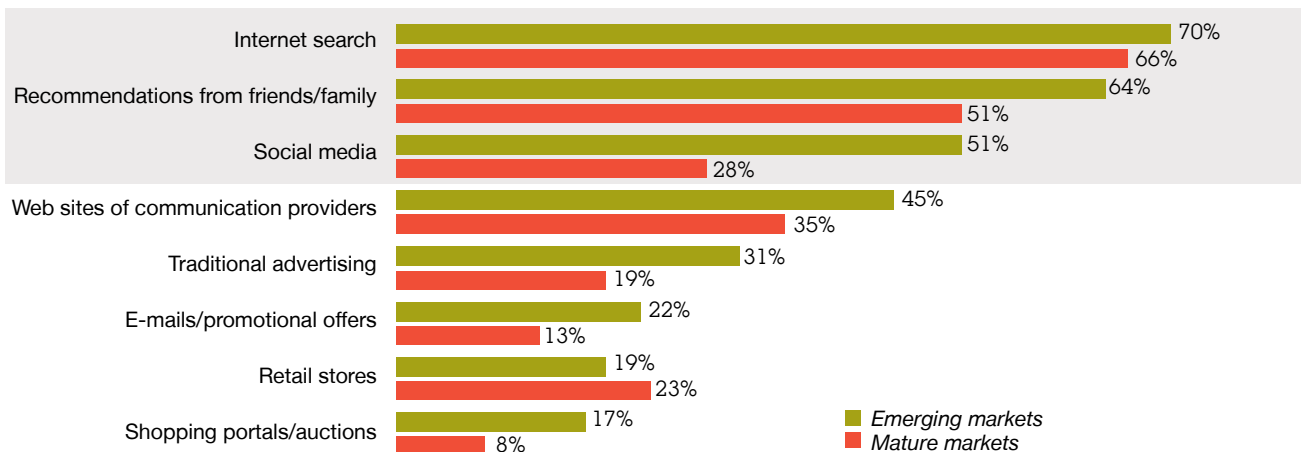
Marketing Director, CSP, Ireland

In today's “always on” environment, some CSPs feel their customers pulling away rather than getting closer. As they encounter new products, services and experiences on virtually a daily basis, many consumers feel less loyalty toward specific brands.²⁰ At the same time, consumers now wield unprecedented power over how brands are perceived. A brand can be strengthened or weakened in a fraction of the time it once took due to the proliferation of instant, viral feedback via social media and social networking tools. Now, more than ever, organizations must understand and communicate with their customers.

Customers less likely to rely on CSP for product and service information

Many consumers use social networking and online tools to discuss their experiences with and opinions of different providers. While the most preferred source for information relating to communications products and services is Internet search, recommendations from friends and family is next, with half of consumers in mature markets and close to two-thirds in emerging countries preferring this source (see Figure 8). The next most popular sources are social media and Web sites of communications providers, with social media being preferred above the CSP Web sites by consumers in emerging countries.

What are your preferred sources of information when you are looking for communications products and services?



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

Figure 8: Internet search, recommendations from friends and family, and social media have become the preferred sources of information for communications products and services.

In both mature and emerging markets, social media is ranked third in the “under 25” age group and even takes second place in this age group in 8 of the 24 countries surveyed.

“The new generation is focused on their own opinions. We should work on brand loyalty. We have started already monitoring brand via social media.”

Chief Marketing Officer, CSP, Russia

The implications of these results are profound. Consumers are increasingly less interested in traditional advertising, e-mails, promotional offers, retail stores and shopping portals. Rather, they prefer to proactively exchange information about CSPs with friends and family or gather it via Internet search or social media sites. As consumers read or contribute to online forums or discussion groups, read or post ratings and reviews of products and services, and visit social networking sites, it seems they increasingly trust consumers like themselves – and even strangers – more than providers.

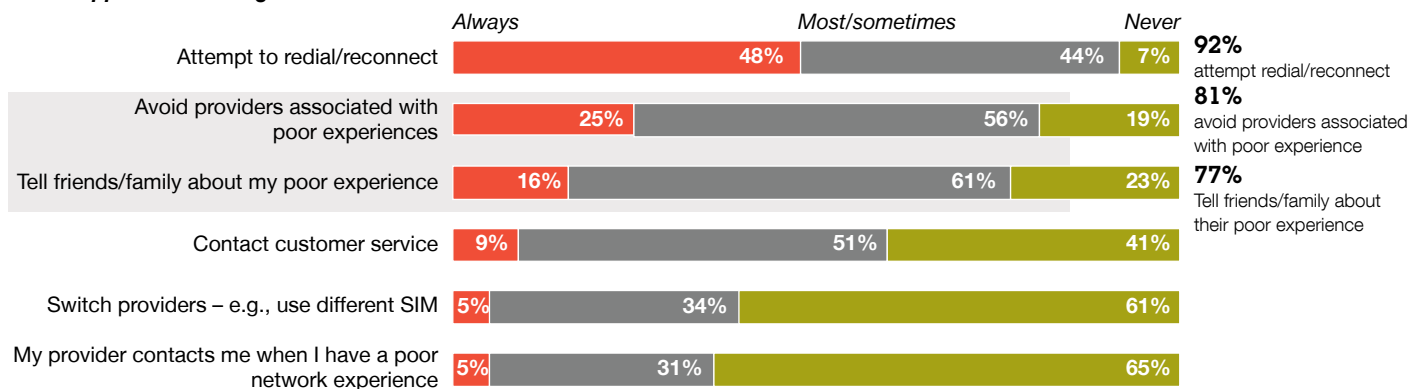
Customers complain – but not to their CSPs

While consumers might not be connecting with their CSPs, they are definitely connecting with other consumers. According to our survey, many consumers will tell their friends and family about a bad communications experience – but not contact their provider to discuss the problem. For example, when disconnected, more than three fourths of consumers surveyed are likely to tell friends and family about the experience and/or avoid providers associated with poor experiences. Only 60 percent would potentially call customer service (see Figure 9). In emerging countries, this trend is more pronounced, with 85 percent indicating they would tell friends and families and 87 percent avoiding providers associated with

poor experiences. So, although consumers do not always let providers know about problems, they are quite likely to share their story with others!

We also asked consumers if they ever complained to their CSP when disconnected, and more than half indicated they do not. Why would a consumer choose not to report a problem? The top two reasons are that consumers don't believe complaining will make any difference and that it is too much of a "hassle" to get through to the call center. Clearly, a number of consumers perceive their providers as unresponsive and difficult to reach. In fact, the third most popular reason for not complaining is the expectation that they will have to wait too long in a call-center queue.

What happens after being disconnected?



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

Figure 9: After being disconnected, consumers are more likely to tell friends and family about the experience than they are to contact customer service.

“We need to simplify our interactions with customers. People are becoming used to instantaneous interactions; they are not going to wait around for slow interactions from us.”

Senior Vice President Marketing, CSP, Canada

This unwillingness to report dissatisfaction should be very troubling for CSPs, since they obviously can't solve problems unless they are aware of them. One solution to this dilemma is to adopt a more proactive approach to service. For example, providers can seek ways to make it easier for consumers to interact with their call centers and investigate sources that might provide consumer feedback relating to service issues (such as social networking sites). Providers also have the ability to understand dropped calls and other disconnections through pattern recognition and redial habits. Why not use these insights to proactively reach out to customers who have these issues – the same customers who never call?

How can CSPs better connect with their customers? We believe the answer involves identifying and understanding customer attitudes about CSPs and their products and services. Armed with this customer insight, a CSP can better align its operations, customer experiences and growth investments.

Driving customer advocacy

Our research suggests that CSPs should focus on building new nontraditional capabilities, as well as a deeper understanding of customer preferences and attitudes. At the same time, CSPs should consider the trade offs associated with these investments and determine how to most effectively allocate funds to best address the changes in customers' needs and behavior

patterns. Clearly, some of the resources spent on traditional channels, which are seen by consumers as less and less effective, can be redirected toward emerging channels that better address some of the emotional connections consumers seek. We suggest four key recommendations to help CSPs become more customer focused:

- Improve customer experience insight by focusing on attributes that drive customer advocacy
- Apply a social behavior-driven “outside-in” perspective and become part of a two-way dialogue with the consumer
- Profile and target customer advocacy segments to improve advocacy levels
- Build multilevel capabilities to support the new approach to customer advocacy.

Improve nontraditional customer experience insight

The focus on customer experience insight is a top priority to enhance customer loyalty and encourage customers to become advocates. Improving the understanding of advocacy and antagonism triggers will help CSPs predict and affect the situations where customers are likely to move toward advocacy. Below are some specific actions to consider:

- Move from researching and analyzing only the rational drivers of customer behavior patterns to addressing both rational and emotive drivers.
- Identify the triggers and influences that create and those that destroy value for customers. Customers' experiences are based on their interactions with their CSPs, as well as with their network of influencers – which can be “make or break” moments. These can be better understood and more positively influenced. For example, analytics techniques can accurately identify and assess the power of influential consumers in CSP customer segments.

“The challenge is to establish customer insight thinking. We need to know our customer like we would in a small mom-and-pop grocery store.”

Vice President Consumer Division, CSP, Switzerland

Apply a social behavior “outside-in” perspective

In the connected world, consumers have unprecedented power to build and demolish brand strength as they blog, text and comment via social media about their various consumer experiences. CSPs need to recognize that consumers are in control and are conducting conversations in which providers may not be included. CSPs can take action and use this “chatter” to their advantage:

- Get in tune with today’s digital consumers by listening to the digital dialogue. Use new technology and tools to analyze social media sources and interpret what consumers are sharing via the Internet.
- Become part of the dialogue and be prepared to proactively respond to negative chatter. Align or integrate channels (including social media) to interact with customers in an effective way, delivering a consistent customer experience.
- Encourage a two-way dialogue and embrace customer input by building online and offline communities and offering new communication avenues and feedback methods.
- Find the influencers, e.g., by using social network-focused analytics, and target them with appropriate messaging, with the goal of becoming a topic of conversation for social groups of consumers.

Profile and target advocacy segments

CSPs have to find innovative ways to leverage advocates and to move apathetics and antagonists in the advocacy scale.

Converting antagonists to advocates may be unrealistic. But 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. We recommend the following:

- Identify the advocates, apathetics and antagonists among your subscribers, using a powerful advocacy analysis metric, such as CFiq.
- Assess the emotional and rational attributes most relevant for customer advocacy, which may be different across countries and regions, and select those gaps that are the best candidates for narrowing.
- Target the advocacy segments with the appropriate measures. Focus on the relationship rather than transactions, recognizing the customer’s multistage buying and service cycle: All phases in the customer lifecycle are becoming increasingly important as consumers connect with CSPs in totally new ways.
- Be more active by verifying that you offer what customers want, and deliver it in the ways they desire, considering both emotional and rational consumer behaviors.
- Collaborate with advocates in the development of products and services.
- Analyze the cost of serving antagonists and devise programs to neutralize their negative impact.

“We should combine social media with traditional media not because it’s new, but because it’s relevant. It’s fundamental for future customer interaction with the brand.”

Marketing Director, CSP, Ireland

Build multilevel capabilities

The new approach requires transformations at the executive level in strategy, processes and analytical capabilities:

- Consider a new set of KPIs and metrics that have a more direct linkage with customer advocacy and experience and through which revenue and profit outcomes are visible. This is now possible with both traditional and nontraditional insight and analytical techniques.
- Invest in understanding and measuring what matters most to customers and provide it better than the competition. Determine where customers are dissatisfied. Enable front-line employees to capture perceptions.
- Design processes based on how consumers like to interact with their CSP – not how the CSP wishes they would interact.
- Invest in nontraditional analytical capabilities to help generate intelligence about customers, as well as to provide insights on which a company can act. We recommend providers consider some specific actions with regard to analytics:
 - Build or repurpose customer research capabilities to capture and analyze customers' rational and emotive perspectives on key interactions across all contact channels.
 - Invest in advanced analytics to mine digital channels, such as blogs, tweets, social networks, peer reviews and consumer-generated content to access customers' honest, unmediated views, values and expectations.
 - Deploy social network-focused analytics to identify the major influencers – the hubs of formal and informal groups.
 - Embed customer experience metrics and tools (such as the CFiq) into the organization and correlate operational and financial factors to changes in customer advocacy scores.

“The telecommunication sector has many opportunities to gather data about its clients. In my opinion, capacity of the data is not the biggest issue. The biggest challenge is to interpret the data and be able to undertake business decisions based on it.”

Chief Marketing Officer, CSP, Poland

Are you prepared to augment advocacy?

Ten questions to consider

As CSP leaders contemplate new approaches for developing and applying customer insight to build advocacy, we suggest they ask themselves some strategic questions:

- Does your organization know who your advocates are and what attributes define them?
- Does your organization know who your antagonists are and what they might be saying about you?
- How valuable are your advocates? What might drive more business from them?
- Which elements of the customer experience are most important to your customers? How do you measure those?
- Does your organization address both the rational and emotive drivers of behavior?
- How are you leveraging customer and network analytics to improve the customer experience?
- Do you have the right information on your core customers? Do you have a single view of the customer across all channels?
- Do you exploit social network analysis to understand how your customers perceive your products and services?
- How well do customer experience measures correlate to hard outcome measures such as churn, ARPU and customer profitability?
- Does your current analytical capability support this challenge to improve advocacy?

Conclusion

One clear message from this survey is that despite investments in customer experience and customer relationship management initiatives, the industry has not achieved its customer-related goals. New approaches are required.

As competition increases and communications markets become saturated, deep customer insight beyond today's practices will become an even more important competitive advantage. To prepare for future success in this age of customer experience, we suggest CSPs begin focusing on customer advocacy today. Part of this involves effectively collecting customer data from a variety of sources, channeling it in the right direction, gleaning insights and taking action based on these insights.

Current industry advocacy is low. CSPs must find innovative ways to leverage the advocates they have – those loyal customers with higher than average ARPU, lower churn rates and lower service costs – as well as recruit new ones. But because so many customers have antagonistic feelings, it is equally important to be more in tune with what drives customers to become and stay antagonists.

It will be a challenge to both increase advocacy and diminish antagonism. However, 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.

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

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Appendix 1

A selection of results from the 2011 IBM Institute for Business Value Global Communications Consumer Survey follows.

Spending on communication services in mature countries in the next two to three years

The average spending on communication services in the next two to three years from the mature countries surveyed is not favorable for CSPs:

- In mature countries, 26 percent of people surveyed expect to decrease spending on mobile phone usage (voice, SMS, MMS, etc.) versus 12 percent who expect to increase spending; for mobile broadband usage, these figures are 13 and 23 percent, respectively.
- In Greece, 61 percent of people surveyed expect to decrease spending on mobile phone usage; for Italy, Portugal and Spain, the figures are 39, 39 and 32 percent respectively.
- Fifty-two percent of people surveyed in Greece expect to decrease spending on mobile broadband usage; for Italy, Portugal and Spain, these figures are 33, 40 and 26 percent respectively.

At a time of economic pressure, customer experience might become even more important, as many consumers might switch to cheaper alternatives such as mobile VoIP, instant messaging and social networks.

Spending on communication services in emerging countries in the next two to three years

The average spending on communication services in the next two to three years in the emerging countries surveyed is more favorable for CSPs than in mature countries. Thirty-five percent of consumers surveyed expect to increase spending on mobile phone usage, versus 14 percent who expect to decrease spending. For mobile broadband usage, these figures are 25 and 19 percent, respectively.

Social networking has become a key communication channel

Globally, 48 percent of consumers with Internet access said they use social networking sites daily. Social networking is even more popular in emerging countries, where 60 percent use it daily versus 45 percent in mature countries. In Sweden, the use of social networking as a means to communicate is ranked number two in the under 25 age group. Social networking sites are accepted as a key communication channel across all age groups.

Consumer perception of network availability and reliability

In the context of customer experience, it is more important to know about consumers' perception of network availability and reliability than what the internal measurements indicate. Survey results indicate that network availability and reliability as perceived by consumers are relatively poor and certainly less than might be expected. In the United Kingdom, for instance, only 79 percent of people surveyed said that they can make mobile voice calls most of the time, and 60 percent indicated that they can connect to the mobile Internet most of the time. Fifteen percent said that they have dropped calls or disconnections most of the time.

Billing transparency and accountability

Around one quarter of consumers surveyed indicate that they have problems in understanding the invoice or believe they do not get services for which they pay.

- Ninety-two percent of advocates said they believe the invoice is accurate most of the time versus 64 percent of antagonists.
- Japan, South Korea and Brazil have the lowest scores on billing transparency. Only 47, 59 and 59 percent, respectively, of consumers surveyed in these countries said that they understand the invoice most of the time. The highest score is for Sweden with 95 percent.
- The same countries also have the lowest scores for billing accountability. Only 48, 57 and 68 percent of consumers in Japan, Brazil and Korea, respectively, believe that the invoice is accurate most of the times. This figure for Sweden is 85 percent.

Complaining

Though consumers' perception of network quality is relatively poor, most consumers (54 percent) do not engage with CSPs on these issues. The lowest score is for the United States, where 71 percent do not complain to their CSP when disconnected from the network during a conversation, a voice call or Internet session. The highest score is for India, where only 25 percent do not complain.

Reasons for not complaining

As key reasons for not complaining, consumers said that it is too much hassle to get through to the call center (overall 45 percent) or that complaining will not make any difference (44 percent). The third reason consumers gave (29 percent) is the fact that they have to wait too long to reach someone in the call center. In emerging countries, 30 percent of consumers said they believe networks are unreliable and that they always expect the service to be variable.

Telling family and friends about poor experiences

Globally, 77 percent of consumers surveyed tell friends about poor experiences with their provider, with the highest rate in China (93 percent). Eighty-one percent said they avoid providers with whom their family and friends had a poor experience, with highest rate for Sweden (94 percent).

Social media as a source of information

In emerging countries, social media is ranked as the third source of information when looking for communications products and services. More than half (51 percent) of consumers surveyed use blogs, discussion groups, knowledge-sharing Web sites and the like to find information. Globally, social media is also ranked number three in the below 25 age group (47 percent). In India, China, the United Arab Emirates, South Korea, Japan, Brazil, Greece and Poland, social media is ranked as the number two source of information for this age group.

Trust in CSPs to manage consumer identity and private/personal information

We asked consumers to what extent they trust CSPs to manage their identity and private/personal information and to retain their privacy. We also asked this in comparison to other organizations with which they are regularly dealing, such as banks, insurance providers, healthcare organizations, Internet information providers (e.g., Google), social networking sites and government/local authorities. The results are very country specific. In the United Arab Emirates, CSPs are positioned as number one on the list of "most/moderately" trusted companies. In Russia, the Czech Republic, Greece, Mexico and China, CSPs are number two. In the Netherlands, CSPs are ranked number seven.

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October 2011
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