BenchmarkInsights@IBV

# Digital and profitable

Early victories on the road to full digital customer
engagement in telecommunications

IBM Institute for Business Value

# Satisfying customers and the bottom line

The services provided by communications service providers (CSPs) are at the heart of our digital world. With more than 4 billion mobile broadband subscriptions globally, nearly 1 billion fixed broadband subscriptions, billions of connected devices and all these numbers rising every year,[1] CSPs are central to business and consumer engagement. Yet, under tough competition and pressure on margins, CSPs are trying to uncover whether transforming their own digital customer engagement can improve key financial indicators, not just customer satisfaction. A new benchmarking study performed by the IBM Institute for Business Value (IBV) suggests they can.

# The power of personalization

An overwhelming majority of CSP leaders globally forecast that the ultimate differentiator for a CSP in 2020 will be customer experience.[2] The importance of a great personal experience is nothing new to individual customers, but the technologies that underpin personalization at scale are changing. CSPs no longer have to choose between personalization and automation. The race for bottom-line impact is intensifying and the link between personalization at scale and profitability is becoming clearer.

On average, one frustrated customer will tell 13 other people about a bad experience,[3] and in most markets, social media magnifies the impact. A November 2017 IBM benchmarking study conducted with 83 CSPs shows that on average, the CSPs most heavily monitoring social media reported churn rates half those of respondents making little use of social media. The benefits of social media engagement are already clear to CSPs.

A large majority reported making heavy use of personal engagement with customers through social media:

– 75 percent of B2C operations (80 percent for B2B) actively respond to all direct and indirect social media communications

– 72 percent of B2C operations (50 percent for B2B) make strong use of social media to glean ideas and suggestions from customers

– 65 percent of B2C operations (80 percent for B2B) very actively monitor social media for competitive insights, and to identify sales and servicing opportunities.

However, technology now enables personalization at scale with ever-improving segmentation. Next-best actions can be informed from real-time data about experience, location, weather and other data such as sports results.

In the IBM study, 48 percent of all respondents ranked themselves as "above moderate maturity" for extensive personalization of the customer experience. Self-reported maturity varied by region, with the most mature being US and Canada at 58 percent, followed by Europe at 53 percent, then Asia Pacific at 44 percent. Africa and the Middle East were the least mature at 36 percent. Personalization varied across the CSPs in our study (see Figure 1).
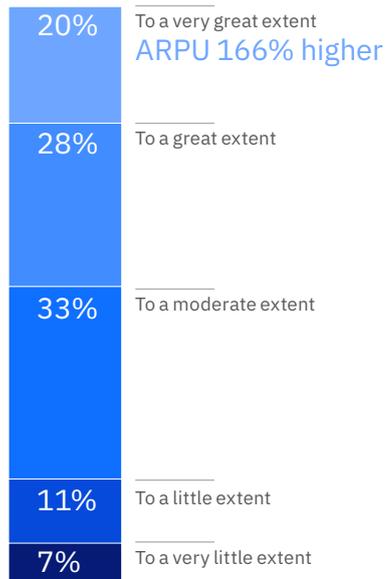
Deploying extensive personalization at scale strongly correlated with higher average revenue per user (ARPU). There was a 166 percent higher ARPU across CSPs that are "to a very great extent" achieving extensive automated personalization of the customer experience, compared to those organizations with lower maturity. Moreover, the pattern of higher ARPU with higher maturity held up across B2B, B2C and CSPs that serve both markets.

# The bottom line for digital transformation

**Figure 1**
Variation in personalization

*To what extent is this true for your organization: There is extensive personalization of the experience, using a rich set of customer data and rules-based Next Best Action solutions.*

| | |
|---|---|
| **20%** | To a very great extent<br>**ARPU 166% higher** |
| **28%** | To a great extent |
| **33%** | To a moderate extent |
| **11%** | To a little extent |
| **7%** | To a very little extent |

The number-one driver behind CSP digital transformation is developing stronger customer relationships, but other important drivers are cost reduction, the potential provided by new technologies and opportunities for growth.[4] The challenge has been set for CSPs to become digital service providers (DSPs) that unleash the power of new technologies and put digital first within a consistent omnichannel experience.[5] The latest data provides encouraging early indications of bottom-line value for CSPs from their digital transformation investments.
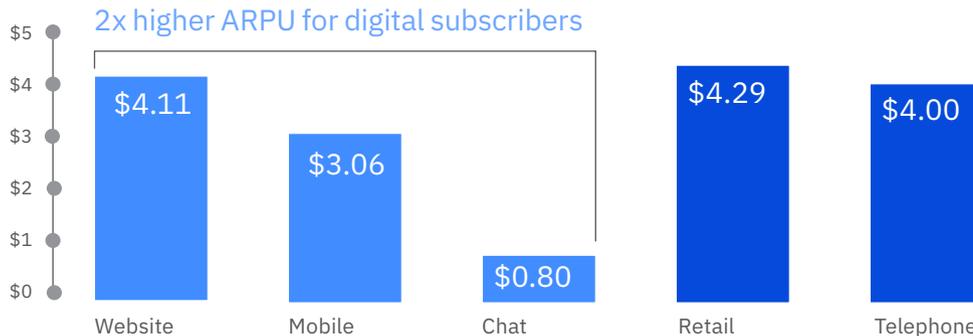
Digital subscribers are bigger spenders according to the latest data. The IBM study asked CSPs to report overall ARPU and ARPU that was specific to customers who purchased their products using digital channels, which were defined as websites and apps. This digital subscriber ARPU exceeded overall ARPU for every grouping, including by type of product offered (pre-paid and post-paid mobile, fixed line, broadband, TV), by type of customer and by region. Across all respondents, the median digital subscriber ARPU was more than twice that of median overall ARPU.

The cost to serve customers through digital channels is generally lower than traditional channels. The average cost per channel reported by CSPs in the same study showed chat transactions were overwhelmingly the least expensive (see Figure 2) and 78 percent of respondents had introduced a chat service. More than 90 percent of these respondents also reported reduced complaints as a result. Indeed, nearly a third said complaint volumes fell by 50-100 percent.

Omnichannel engagement also has reached a tipping point:

– 80 percent of respondents had implemented an omnichannel strategy

– 52 percent placed themselves on the high side of the maturity curve for achieving seamless interactions with customers over multiple channels
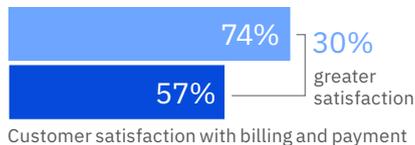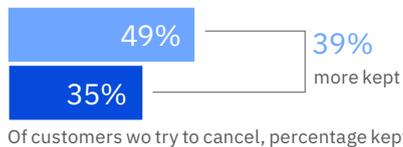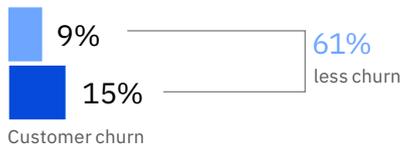
– 50 percent also said they are measuring the omnichannel experience from the customer's perspective and proactively managing it in real time.

It can be tied to improved business results:

– 84 percent of respondents that had implemented an omnichannel strategy reported customer churn decreased after implementation

– 94 percent reported that net promoter score (NPS) increased

– Respondents that had enabled seamless switching between channels and had integrated physical and digital experiences also reported three to four times the market share growth of respondents with little maturity in these areas.

**Figure 2**
Higher revenue and lower cost

*Average cost per transaction*



2x higher ARPU for digital subscribers

| Website | Mobile | Chat | Retail | Telephone |
|---------|--------|------|--------|-----------|
| $4.11 | $3.06 | $0.80 | $4.29 | $4.00 |

# Keeping quality in focus

*First contact resolution rate*

9%
15%          **61%**
less churn

Customer churn

49%
35%          **39%**
more kept

Of customers wo try to cancel, percentage kept

74%
57%          **30%**
greater
satisfaction

Customer satisfaction with billing and payment

73%
65%          **13%**
greater
satisfaction

Customer satisfaction with tech support
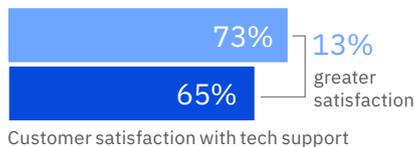
■ Above average
■ Below average

At the same time as new technologies are changing how CSPs and customers engage with each other, the quality of these engagements remains critical. CSPs need to be able to track and influence their progress in resolving customer issues, but it can be challenging when the nature and volumes of queries are changing.

First Call Resolution is now referred to as First Contact Resolution (FCR) because there are multiple channels in play. The study found those CSPs performing above average for FCR were also doing better than the rest for other key metrics and reported (see Figure 3):

– 61 percent less churn

– 39 percent higher retention of customers who wanted to cancel

– 30 percent greater customer satisfaction with billing and payment

– 13 percent greater customer satisfaction with technical support.

Staying ahead in FCR isn't easy for human call center agents now that simple queries are being resolved by self-service and chatbots. Half of respondents in the IBM study reported high maturity for fully integrated chat services and full digital self-service availability integrated with other channels. The result of these early successes in digital transformation means that chats and calls routed to human agents are increasing in complexity. The traditional issue of agent turnover faced by call center managers also still exists. The next wave in digital trans-formation of the customer experience will be dependent on the digital transformation of the call center.

# Where to go from here?

To remain digital leaders and keep customer satisfaction high, CSPs need to continue to drive digitizing processes, functions and activities. As you look for new ways to engage customers digitally, consider these questions:

– How do I build digital channels and experi- ences for our customers in a way that has substantial impact on our business, while serving their overall experiences? How can our systems be enabled to respond in real time to their needs and interests?

– How do I enable our workforce to meet the immediate demands and needs of my digital customer?

– How much is transformation of our digital customer experience moving the needle on our business results, and in what ways?

Whether they are businesses or individual consumers, subscribers are enjoying CSP innovations — everything from self-service to omnichannel experiences to personalization. Fortunately, the latest data suggests that those CSPs that invest in transforming their digital customer experience can also look forward to lower costs, less churn and higher market share, ARPU and NPS.

**About BenchmarkInsights@IBV reports**

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## Experts on this topic

### Christine T. Dee, PhD

Global Solution Executive,
Digital Customer Engagement
Telecom, Media and Entertainment Industry
ctwifor@us.ibm.com
https://www.linkedin.com/in/
christine-twiford-dee-phd-b739522
http://twitter.com/SmarterInsight

### John Daley

Director, Digital Transformation
IBM Global Markets, Communications
Sector Global Staff
jmdaley@us.ibm.com
https://www.linkedin.com/in/jdaleyva

### Ken Kralick

Global Solution Executive,
Digital Customer Engagement
IBM Global Industries, GBS Center of
Competence for Telecommunications,
Media and Entertainment
ken.kralick@us.ibm.com
http://www.linkedin.com/in/kralick
http://twitter.com/KennethCKralick

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