Fostering Customer Intimacy for Communications Service Providers in Europe and the Middle East

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FOREWORD & CONTENTS

In March 2008, Oracle released exhaustive research into customer service delivery across Europe. The research, which surveyed 1,500 consumers and 250 contact centre managers in the UK, France, Germany, Benelux & the Nordics, revealed a huge gap between consumers' expectations of customer service and the way businesses were equipped to meet them.

Despite unanimous acknowledgement from contact centre managers of the importance of keeping customers happy, more than half of European consumers judged customer service operations to be ineffective. Asked to compare their experiences with firms from various sectors, the public perceived the telecoms industry to be providing the worst level of customer service.

Since the research was released, industry discussion around customer management strategy has increasingly focused on the impact of Web 2.0 on service delivery. Widespread adoption of broadband and the rise of phenomena such as social networks and user generated content have led to a change in the relationship between brands and their customers. Consumers have become resistant to a one-way dialogue with brands broadcasting messages at them – rather, the internet allows them to seek out like-minded individuals for peer reviews on the products and services on offer.

For brands to succeed in this environment they need to engage with their audiences on the customer's terms. Irrespective of how it's achieved, brands now need to demonstrate that they are actively listening and responding to their customers' wishes, and tailor their marketing, products and services to the requirements of each individual.

As you'd expect, with technology and communications being at the heart of their businesses, communications service providers want to be adept at capitalising on new modes of delivering personalised service.

We at Oracle wanted to understand how much progress the telecoms industry had made in this direction and where we might be able to support them in their efforts. So, we decided to commission some new research.

This report contains the findings from this exhaustive research and sheds a lot of light on the challenges telcos face in fostering deeper, more lucrative relationships with their customers.

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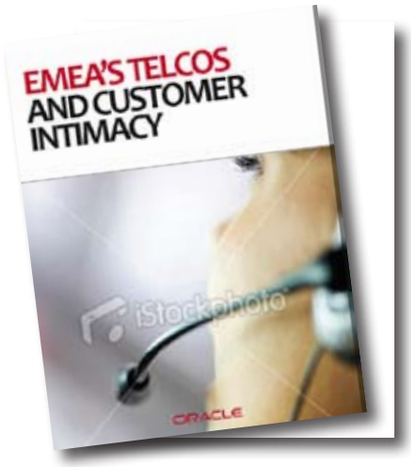

AN OVERVIEW OF THE FINDINGS

This report will consider in detail each set of research results and their implications for telecoms firms seeking to deliver an outstanding customer service experience. However, looking at the findings in their entirety, the over-arching theme that resonates through the report is how customer service strategies are hampered by a lack of integration between customer-facing departments and their systems.

The research highlights a number of key areas where the processes and systems in place mean that telecoms firms across Europe and the Middle East struggle to deliver a consistent and satisfying customer experience across all service channels:

- Two-thirds of telcos (65%) admitted that customers are unable to resolve queries by calling just one number
- Four-fifths of telcos currently don't have the systems and processes to identify and retain customers reaching the end of their contracts
- Only a third of telcos are able to make context-based recommendations to customers both online and in call centres
- Telcos are failing to capitalise on an overwhelming consumer preference for web-based customer service. Asked to rank the various service channels in order of preference, 83% of the 3,750 consumers surveyed chose the internet as their first or second choice, 62% chose email, while just 32% selected a call centre.

Along with the implications for the customer service experience, these findings also have a considerable financial impact. For instance, if we assumed ARPU of €20 each month, the total cost to European telcos in lost revenue from an inability to retain customers could be as much as €46bn per year. Furthermore, significant cost savings are available for companies able to deflect queries from the call centre to the web – Gartner estimates that the cost of a single a single customer interaction can be reduced from $4.50 on the phone to $0.10 online[2].

The Oracle perspective:

Today's consumers have extremely high expectations of customer service. Thanks to the internet, a range of competitors for any given service are available at the click of a mouse while dissatisfied customers can quickly vent their spleen to a worldwide audience. These high expectations apply across all industries – a positive experience with one supplier, whether in retail or banking, becomes the standard by which all other firms are judged. And a central part of these expectations is for a consistent experience across all service channels. Whether customers research online before buying in-store or browse in the shop before ordering from a call centre, they expect to be able to pick up where they left off.

In order to serve the customer effectively across multiple channels, the whole business – and particularly sales, marketing, and customer service departments – needs to be coordinated and structured around addressing the customers' needs. Organisations across all industries should view the customer from a total life cycle perspective, rather than as separate interactions in sales, service or marketing.

Telcos, and indeed businesses across other sectors, will certainly already have in place technology to manage relationships with their customers, containing details on an individual's interactions with a business, billing history with perhaps some insight into demographic data. What is needed is to make these systems work harder and smarter by integrating customer data and systems across the organisation and using the wealth of customer data to provide genuine insight into customer behaviour and how the business can profit from it.

The entire organisation, and the systems supporting it, needs to be connected in their focus on the customer. All areas of the company play a part; those that do not serve a customer should serve another part of the organisation that does. As the report will demonstrate, there are considerable commercial benefits to be enjoyed by those companies that can get this right.

[1] 768.3m customers in Europe (http://www.cellular-news.com/story/35415.php) and an average churn rate circa 25% (http://www.analysysmason.com/About-Us/News/Newsletter/Previous-news-articles/Reducing-churn-means-millions-for-mobile-operators/) = 768.3m x 25% x €240p.a. = €46bn

[2] Gartner - The big payoff of web billing and Online Customer Service, March, 2003

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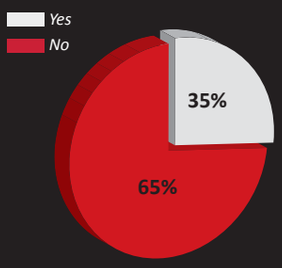
FRAGMENTED SYSTEMS AND PROCESSES

Looking at the findings in more detail, we see the extent to which the customer-facing teams and operations of many telcos are operating, if not entirely independently of one another, then at the very least out of sync.

At its most basic level, this lack of integration makes itself manifest in the inability of many telcos to provide one service number for customers to address their queries:

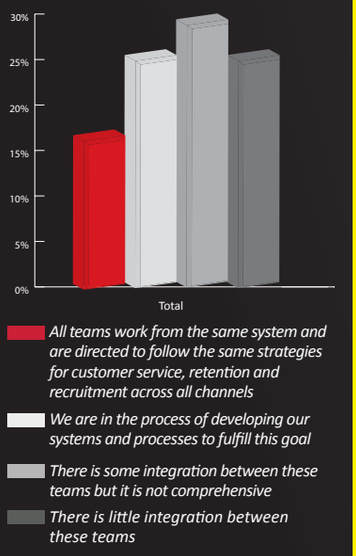
Can your customers resolve all their queries on the phone by calling just one number?



Almost two-thirds of telcos surveyed (65%) admit that they're unable to satisfy customer queries with one customer service number. Of all the organisations one would expect this level of functionality from, communications providers would arguably be near the top of the list.

The research investigates how closely the customer-facing teams are integrated and finds less than a fifth of telcos surveyed have the necessary alignment of strategy, processes and systems and processes to deliver a consistent experience across all service channels:

How closely do your customer-facing teams (e.g. Contact centre, web team, sales staff, retail, etc) work together to provide a consistent customer experience across all channels?



Just one in six respondents (17%) states that all teams work from the same system and are directed to follow the same strategies for customer service, retention and recruitment across all channels.

The Oracle perspective:

We outlined in the previous section how organisations need to structure themselves around the needs of the customer, rather than the requirements of their own internal operations.

Becoming truly responsive to customers' needs adheres to three principles:

1. **Customer experience – provide a seamless and consistent experience for all customer interactions**
2. **Business processes – extend customer understanding throughout the enterprise, allowing all functional areas to make informed customer-based decisions**
3. **Business intelligence – transform customer data into actionable information, getting the right information to the right person at the right time**

For that vision to be realised, workers need the tools that can support the business working in this integrated fashion. The business needs to have a single view of the customer which can track and analyse all customer engagements whether at a point of sale, through email marketing or loyalty applications on a mobile phone. Technology of course will already underpin the processes governing the handling of customer queries and accounts and will in the main be delivering on the organisation's expectations. However, the research shows that there is more to play for here in striving to deliver a genuinely consistent multi-channel customer experience.

If customer information flows effectively across the business, new avenues for customer engagement can be created. The development of new customer service points – such as focus groups and communities – can allow customers even more choice in how they deal with the business and feed yet more customer intelligence into the organisation

Staff need customisable portals that can pull the information needed for their role from disparate internal and external sources. Dashboard mash-ups can bring together details from places such as the CRM database, product catalogues, news feeds and professional social networks.

That's just the starting point though. Our vision for Social CRM enables businesses to draw their customers even closer by facilitating a richer experience, based around knowledge of customers' interests and habits as well as the business's priorities.

However, before they can consider engaging with customers in this way, organisations need to ensure that they have the right foundations in place and that entails connecting the strategy, processes and systems governing customer management across the entire organisation.

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INABILITY TO RETAIN CUSTOMERS

Across the globe and irrespective of the particular market's maturity, the telco industry is a fiercely competitive industry with operators constantly introducing new deals, handsets, tariffs and services with the aim of consolidating and grabbing market share. Furthermore, with the availability of pre-configured billing and service delivery systems it is now possible for new operators, whether MVNOs or firms running their own networks, to enter a market within months.

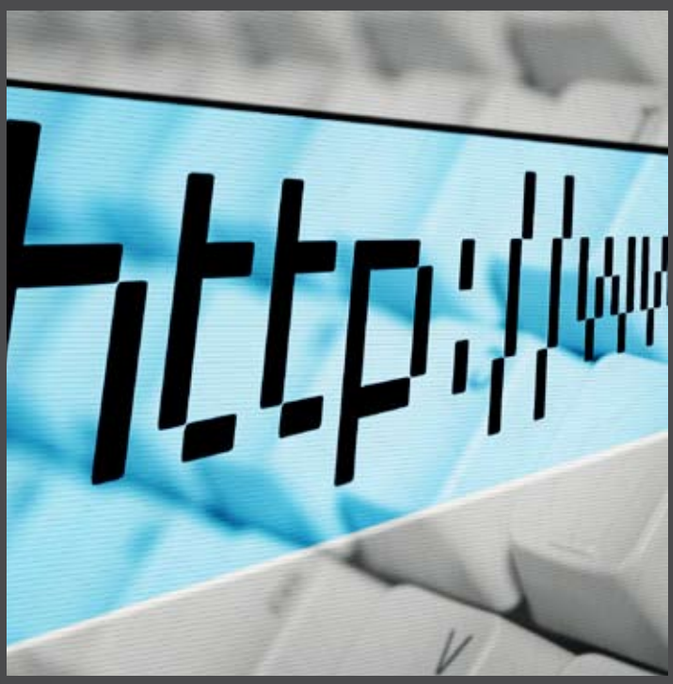
Building loyalty and retaining existing customers is frequently cited as the core focus for operators – it is held up as the essential basis for operators to grow operations and customer ARPU. This perspective certainly makes sense given that numerous studies show the cost of attracting a new customer to be five to seven times more than that of retaining an existing one[3]. However, the research shows that the vast majority of telcos have yet to put in place the procedures required to support customer retention objectives.

The graph below shows that just a fifth of telcos surveyed actively monitor customers reaching the end of contracts and have in place the systems and processes to try and retain them.

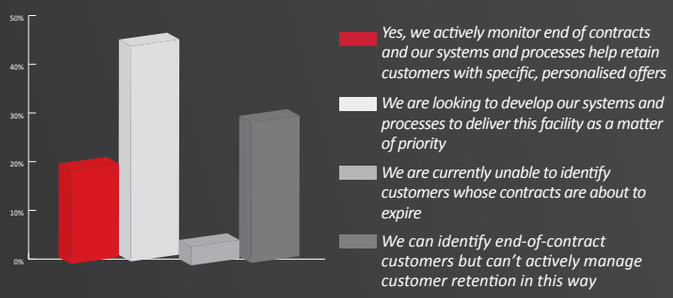
This neglect was borne out by the public. More than half (53%) of the 2,673 respondents with contracts stated that their mobile providers had never contacted them at the end of their contract to entice them into a new one. Assuming ARPU of €20 each month, the total cost to European telcos in lost revenue from customer churn could be as much as €46bn per year[4].

[3] "Companies Don't Succeed - People Do!", Graham Roberts-Phelps

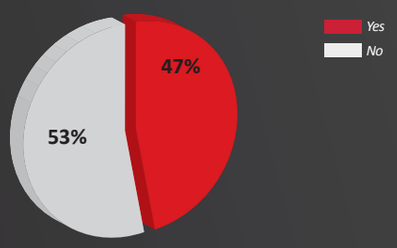
[4] 768.3m customers in Europe (http://www.cellular-news.com/story/35415.php) and an average churn rate circa 25% (http://www.analysysmason.com/About-Us/News/Newsletter/Previous-news-articles/Reducing-churn-means-millions-for-mobile-operators/) = 768.3m x 25% x



Do you have systems and processes in place to identify and retain customers before they reach the end of their contracts?



Has your mobile provider ever contacted you before your contract expires to entice you into a new one?



The Oracle perspective:

Operators across the globe spend millions each year on marketing in a bid to attract new customers, yet all this investment is fruitless if they're simply allowing existing customers to walk away when they reach the end of their contracts.

There are numerous options available to help telcos reduce customer churn. One of the most elementary functions of CRM technology is the ability to flag events in the lifecycle of a customer – such as reaching the end of a contract. It can also recommend the course of action that gives the business best chance of continuing the relationship with the customer.

The smallest piece of customer information, such as a change of address, could be the trigger for a whole new set of revenue generating services – such as home broadband – and the business should be capitalising on them. To take advantage of these opportunities, organisations must turn data into knowledge and capitalise on the information they hold on customers.

Turning information on customer behaviour and their life events into actionable intelligence enables the business to sense and respond to their needs and improve customer retention.

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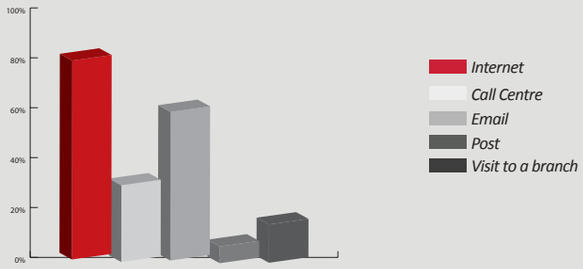
INABILITY TO MEET DEMA
FOR PERSONALISED INTE

The survey revealed an overwhelming preference among consumers across Europe and the Middle East for customer service delivered over the web.

When asked the service channels they preferred for communicating with their service providers, 83% chose the internet as their first or second choice, 62% chose email, while just 32% opted for a call centre and 16% a visit to a store.

Combination grid combining the totals of those who rated '1 - Most preferred' and '2'



However, the research also revealed that consumers don't only want a static web page; they want their internet experience to be personalised and interactive. Asked what would encourage them to use the internet rather than calling a call centre:

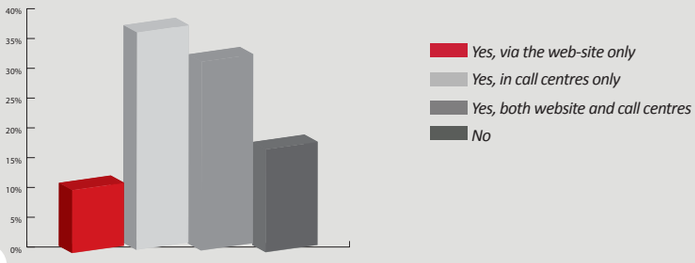
- 47% identified the ability to view account trends and ways of saving money
- 45% selected a personalised online service with tailored offers
- 44% were keen on access to support services, such as live chats with agents

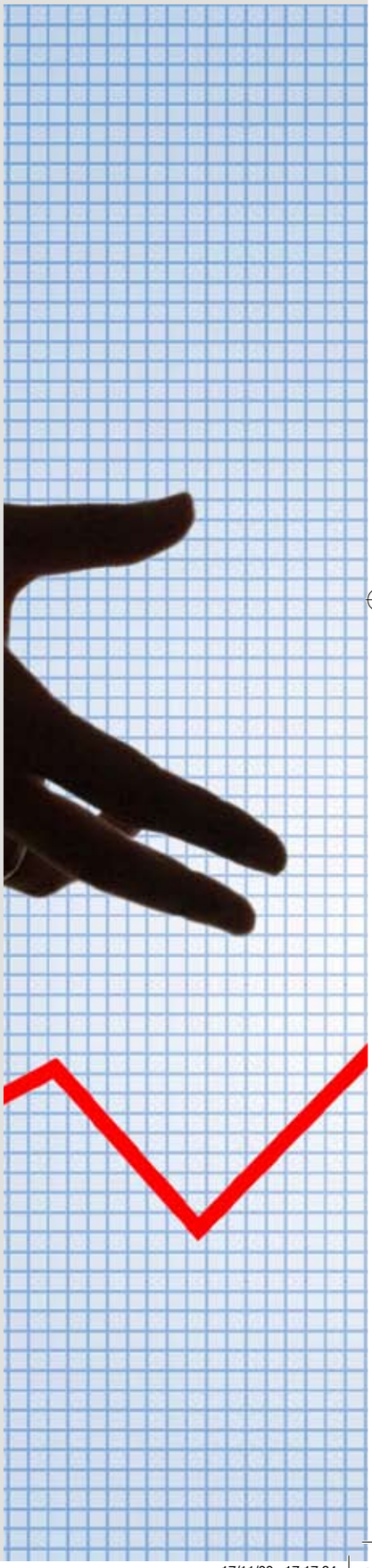
What would encourage you to use the internet instead of the telephone to communicate with your service provider?

In comparison, only just under half of telcos (46%) offered the ability to view account trends and ways of saving money online, while a mere 13% provided online support agents with instant messaging facilities.

More fundamental than these points however, was the inability of telcos to meet customer demands for a personalised service due to the limitations of their systems: just a third of telcos surveyed were able to make recommendations to customers based on the context of each interaction both online and in call centres; 38% could only offer this in call centres, 11% only on the web while almost a fifth (18%) were unable to provide this through either channel.

Does your IT system enable your organisation to make recommendations to your customers, via your website and/or call centre, based on the context of each interaction?





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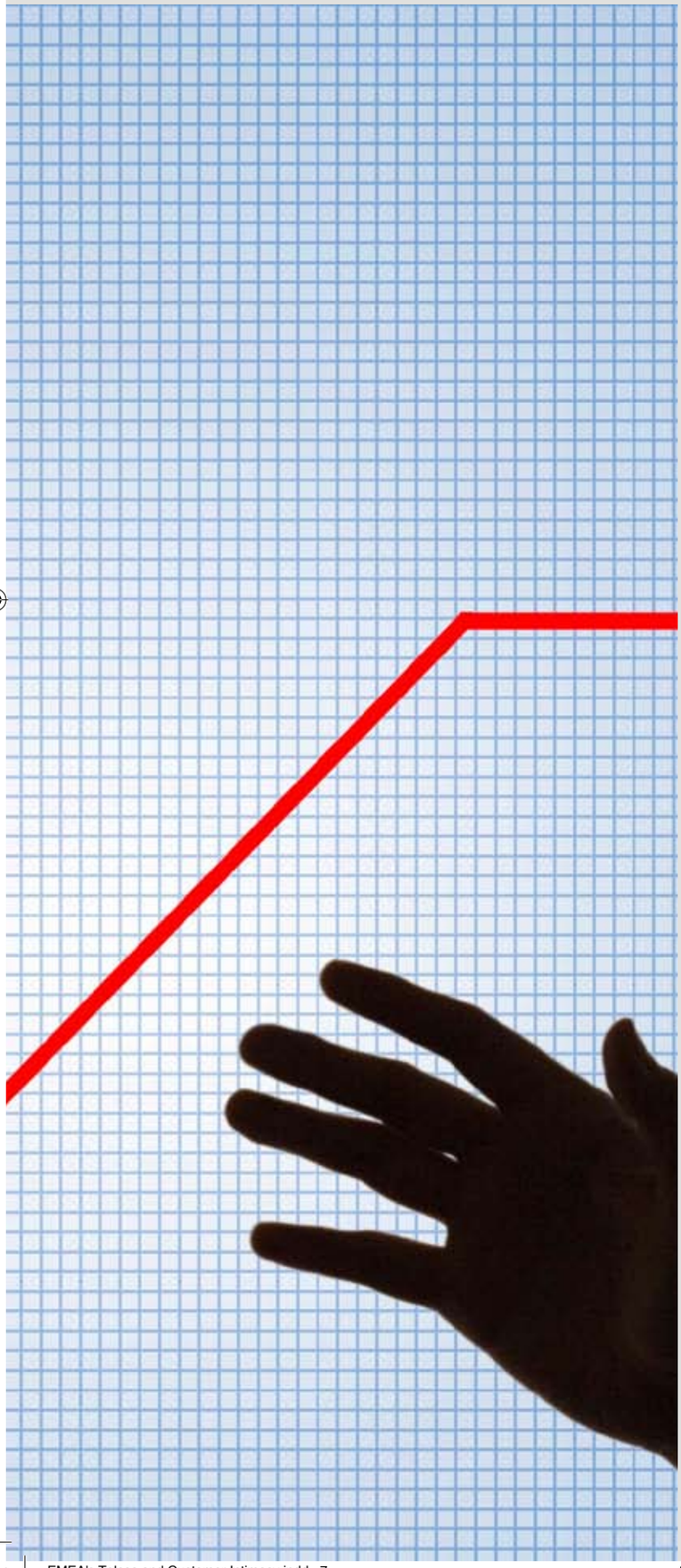
AND
ERACTIVE SERVICES



The Oracle perspective:

Operators are missing a trick here. There is a clear appetite among consumers for using the internet in preference to all other channels to fulfil customer service requirements. And telecoms firms can enjoy significant cost savings by satisfying this appetite – for example a single customer interaction can be reduced from $4.50 on the phone to $0.10 online[5].

However, the survey also shows that consumer expectations of online experiences have become considerably more sophisticated. It's no longer sufficient for a corporation's web presence to be little more than a digitised brochure. Technologies such as Facebook and YouTube mean that consumers have come to expect a degree of personalisation, interaction and control when navigating the web.

The technology exists for telecoms firms to provide offers and experiences specifically tailored to each customer. Telcos can strengthen customer engagement and retention through Real Time Decisions (RTD), which enables real-time enterprise decision management.

RTD does this by instilling real-time intelligence into any type of business process or customer interaction. For instance, when a customer logs in to their account online the CRM system is able to swiftly and effectively make targeted product and service offers which relate directly to the customer's issue. Ideally, customer service staff working in call centres should have access to the same system, supporting the delivery of a consistent experience across multiple channels.

When the offer is both timely and clearly relevant to the customer, he or she is far more receptive to listening and accepting these offers than if the individual received a direct mail piece describing the product.

As we've noted, organisations spend millions on marketing to get the attention of consumers. When an individual gets in touch with its service provider, organisations should make the most of this window of opportunity in having the customer's attention. RTD can help organisations reap maximum value from inbound customer interactions by combining predictive analytics technology with business and treatment rules to recommend the most appropriate recommendation based on the context of the customer interaction.

The technology also fine tunes its offers based on the way customers have responded to previous recommendations.

RTD enables business to drive incremental revenues through improved cross-selling and up-selling and reduces acquisition costs and improves profitability through improved customer retention. Moreover, it reduces operating costs through more intelligent and streamlined business processes.

[5] Gartner - The big payoff of web billing and Online Customer Service, March, 2003

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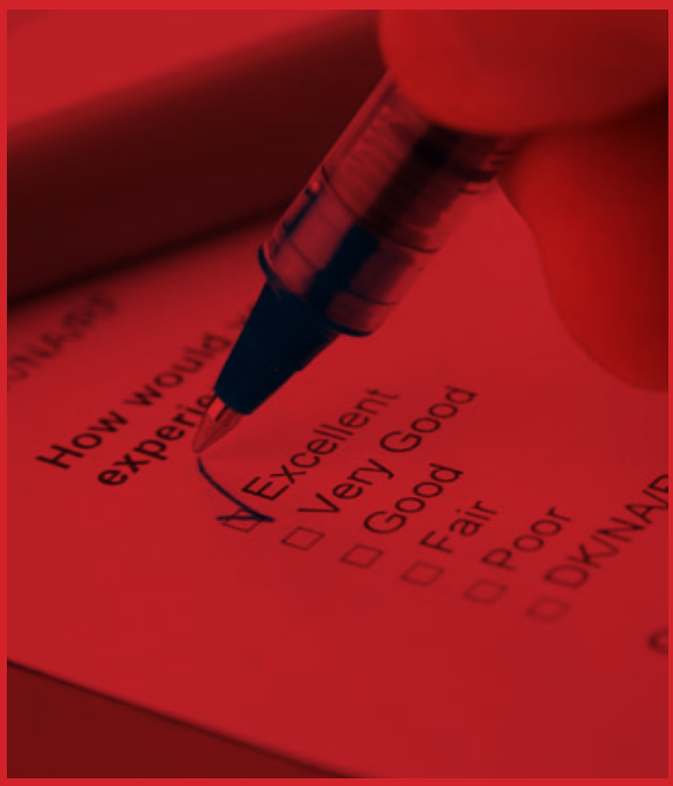
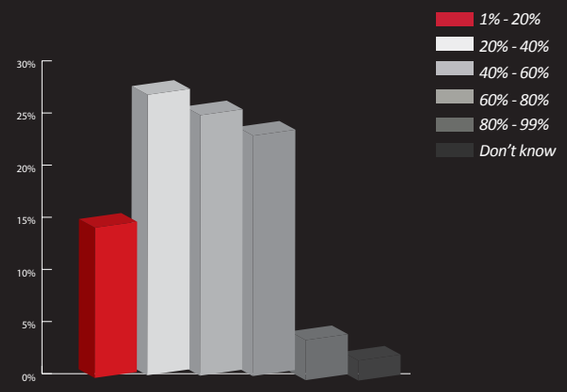
EXCESSIVE CALL CENTRE F
SPEND ON LOW VALUE QU



We mentioned previously how the cost of dealing with customer queries can be reduced significantly if dealt with online rather than by call centre staff.

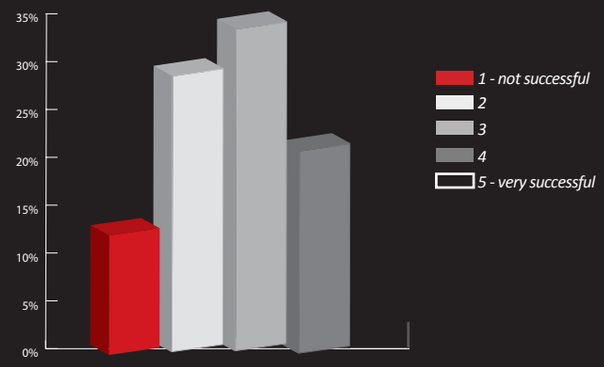
However, the survey found that a disproportionate amount of call centre time was spent dealing with queries, which bought little value to the business and could easily and more cost effectively be dealt with online. Half of the customer management professionals questioned stated that between 40% and 80% of inbound calls concern billing queries.

Approximately, what percentage of inbound calls to your call centre are taken up with billing queries:



However, although telcos have attempted to drive these calls to the web, with 96% stating that answers to common billing, product and service questions were available online, when they were asked to rate the level of success of their online self-service functionality (1 being unsuccessful and 5 very successful), the average score was 2.65 – demonstrating the relative failure of online self-service initiatives until now.

How successful have your web-based initiatives been in reducing the level of low-value calls to your call centre?



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RESOURCE QUERIES

The Oracle perspective:

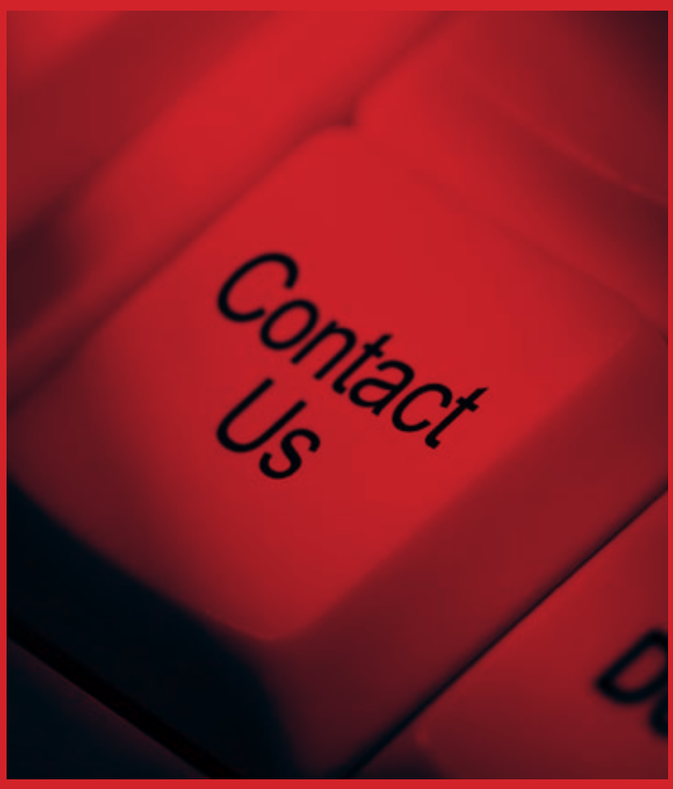
Deflecting high-volume low-value calls to a website frees agents to handle low-volume, high-value calls such as queries about new services or products. As the research demonstrates, customers value being able to resolve queries around their own availability and respond with increased loyalty.

Despite their best efforts though, telecoms firms have enjoyed little success so far with the self-service initiatives they've deployed so far. The key here is to ensuring that customers feel confident that the self-service tools online are able to address and solve their queries appropriately. We highlighted above the capabilities of Real Time Decisions in being able to offer tailored, personalised offers and recommendations to customers, based on the context of each interaction.

Along with this customised experience, encouraging adoption of self-service tools is also a matter of creating a compelling online experience.

Self-service can be the platform for creating the personalised, interactive, engaging websites that customers desire. For instance, it can provide customers with the tools to access support information online, including forums, wikis, feedback forms, support communities, demos and downloads – all at the click of a mouse. Instant messenger tools for live web chats with agents alongside discussion forums with engineers stepping in to resolve queries provides a powerful scenario where customers can channel ideas for product improvements, and gain immediate guidance from technicians on complex issues. A dashboard to compare products, services and tariffs also adds to the customer experience, allowing them to find the most appropriate service that meets their individual needs. Furthermore, providing customers with an interactive billing dashboard empowers them with the information they need to make immediate savings, with for example, the ability to amend service plans.

The research has shown that the public are amenable to accessible, enjoyable and intuitive ways of interacting with a business. Those businesses able to capitalise on this appetite and excite consumers with new ways of interacting with them, will be the ones that will prosper. Getting the right systems in place to distribute information across the business to staff and customers as appropriate is the prerequisite for this scenario.



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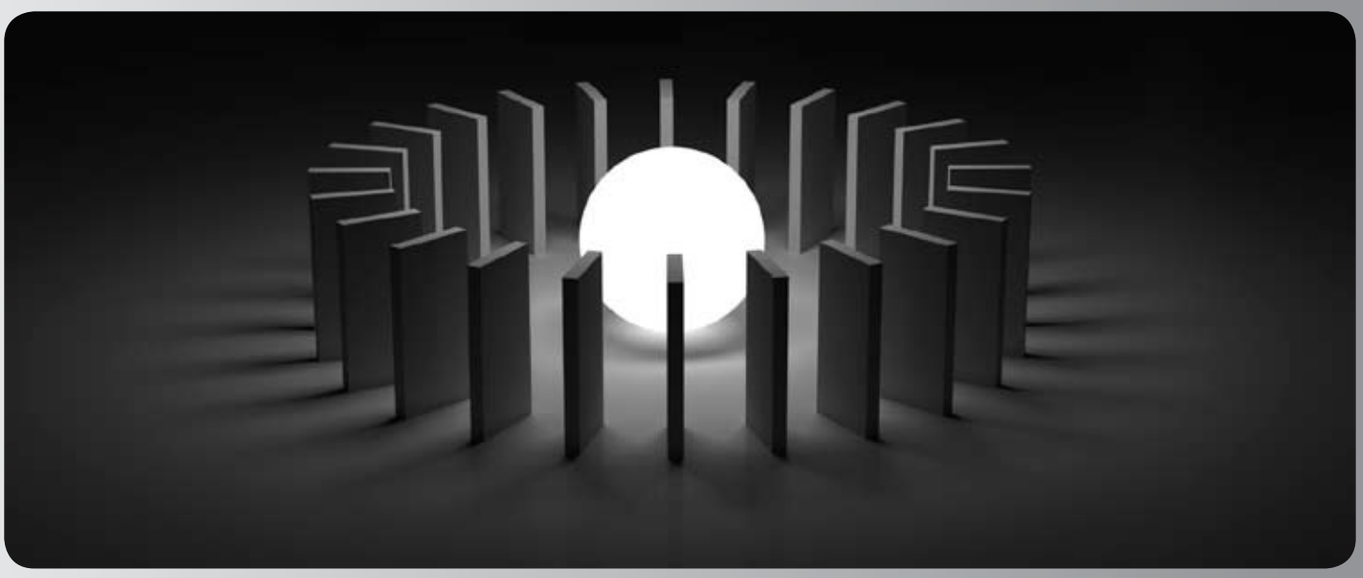
CONCLUSION



In our introduction to this report, we said that we wanted to understand how much progress communication service providers had made towards the delivery of engaging, personalised and interactive customer service. Taken as a whole, the report shows that many telecoms firms across Europe and the Middle East have some work to do in this regard.

However, turning the figures on their head for a moment, we also see that some carriers already have in place the foundations necessary to deliver a consistent experience to their customers across all channels: a fifth of operators do have the processes and systems to support customer retention at the end of contracts; a third of telecoms firms are able to make context-based recommendations both online and in call centres; customer-facing teams at one in six telcos do work from the same system and follow the same strategies for customer service, retention and recruitment.

In an extremely competitive sector, companies that have already succeeded in uniting customer-facing departments and systems around a core focus on the needs of the customer have a very real advantage. We highlighted that the cost to European telcos in lost revenue from customer churn could be as much as €46bn per year[6]. For those operators actively seeking to reduce churn by enticing customers into new contracts, there is a huge windfall up for grabs. Not only can they minimise the impact of reduced revenues from churning customers, their marketing efforts to attract new ones are far more likely to have the desired impact in increasing customer numbers.

What is also clear from the research is that many operators who currently face challenges in integrating teams and systems or in providing particular functionality understand the urgency of remedying the situation. For instance, a large proportion of respondents acknowledge the need for better processes to manage customer churn and to have all customer-facing teams following the same strategies.

Ensuring that the activities of all customer-facing teams – whether in the web team, sales, marketing or the call centre – are governed by a common set of principles and objectives is the essential first step in delivering a consistent customer experience. There should be clear lines of integration and communication across all of these teams and agreed processes for fine-tuning and developing strategies.

Underpinning this single organisational approach to customer service will be the management system. Of course, operators will already have in place systems to deliver on basic customer service requirements, such as processing and storing billing and contact information and managing call centre queues and queries. However, customer-facing teams should all be working from a system that provides the same view of each individual customer.

With the appropriate organisational and system structures in place, operators can then begin to assess how their current capabilities can be extended. How can basic self-service functionality be enhanced to deliver a more compelling online experience? How can the business ensure that customers are presented with recommendations and offers in line with their behaviour and preferences? What intelligence can be gained from the usage patterns of the customer base and the various segments within it? How can this intelligence help to improve products and services? These are the questions operators should be asking about what their systems can deliver.

Changes taking place now in consumer behaviour and advances in technology could have a huge impact on telcos' future business models. The explosion in content, the rise of the creative citizen and emergence of advertising based on an individual's location all mean that consumers will need assistance in navigating the plethora of digital options available to them. With the very nature of their business allowing them to know much more about the consumer – for instance, where they are, what they spend money on, what content or applications they download – operators have an inherent advantage for tailoring future digital experiences to the individual.

Telecoms firms should be looking now at the steps they need to take to begin establishing and building this level of trust with their customers.

[6]768.3m customers in Europe (http://www.cellular-news.com/story/35415.php) and an average churn rate circa 25% (http://www.analysysmason.com/About-Us/News/Newsletter/Previous-news-articles/Reducing-churn-means-millions-for-mobile-operators/) = 768.3m x 25% x €240p.a. = €46bn

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