

Unlocking Customer Satisfaction: Why Digital Holds the Key for Telcos



Executive Summary

Telecommunications is at the heart of the digital economy, driving and enabling the changing consumer behaviors and demands that have transformed how people consume products and services across many sectors. However, the industry's central position in the digital revolution does not mean that operators do not struggle with digitization themselves. In fact, digitization is as much a struggle for Telcos as it is for traditional organizations in many industries.

Our research has found, for example, that consumers are discontented with their operators:

- The overall Net Promoter Score (NPS) is negative for the industry as well as for five of the nine countries we analyzed.
- More worryingly, 58% of consumers are willing to switch over to a digital-only operator that exclusively uses digital channels to interact with consumers and offers competitive data plans.
- A sizeable 44% of consumers are willing to switch to Google, Facebook or Apple, should they offer mobile services in future.

These are not encouraging signs. However, this generally gloomy picture hides some key nuances. A number of operators manage to outperform their peers and achieve a high NPS:

- These are smaller Telcos that have been in operation for less time than traditional incumbents.
- They generally adopt either a digital-only operating model, or hybrid, with a greater focus on digital channels.
- Their focus on customer experience and satisfaction appears to be paying off. We found that high-NPS Telcos garnered an average revenue growth of 33% over 2012-14 whereas the low-NPS Telcos suffered a revenue decline of -7% on average over the same period.
- Our research shows that there is a positive correlation between NPS and consumers' use of digital channels for making purchases and customer support. Mobile operators enjoy a high NPS when consumers perceive that they use digital technologies – such as mobile apps, web and social media – for enhancing the customer experience.

Taken together, these findings point to digital as key to improving customer satisfaction. Realizing the benefits will mean launching greenfield, digital-only operations over a time horizon of one to two years, while continuing with core transformation efforts in parallel. Digital-only operations offer mobile operators greater autonomy, increased agility, the latest technology and a focus on the digital customer experience. While the digital-only operations scale up, the larger, firm-wide transformation will follow a carefully planned approach for the longer term.

Are Mobile Operators Out-of-Sync with Consumers?

5700+
The number of mobile consumers we surveyed across the US and Europe

Telecom operators have largely remained unchanged since the days of the early mobile networks. They have mostly stuck to a standard playbook: lay out networks, expand cross-channel presence, offer a plethora of plans with limited differences, and when new generation technology goes mainstream, adopt it and repeat the cycle.

However, in following this cycle, they appear to have lost touch with their consumer base as our survey of over 5,700 mobile consumers across nine countries in the US and Europe indicates (see research methodology at the end of the paper)¹.

Mobile Operators are Failing to Meet Consumers' Expectations

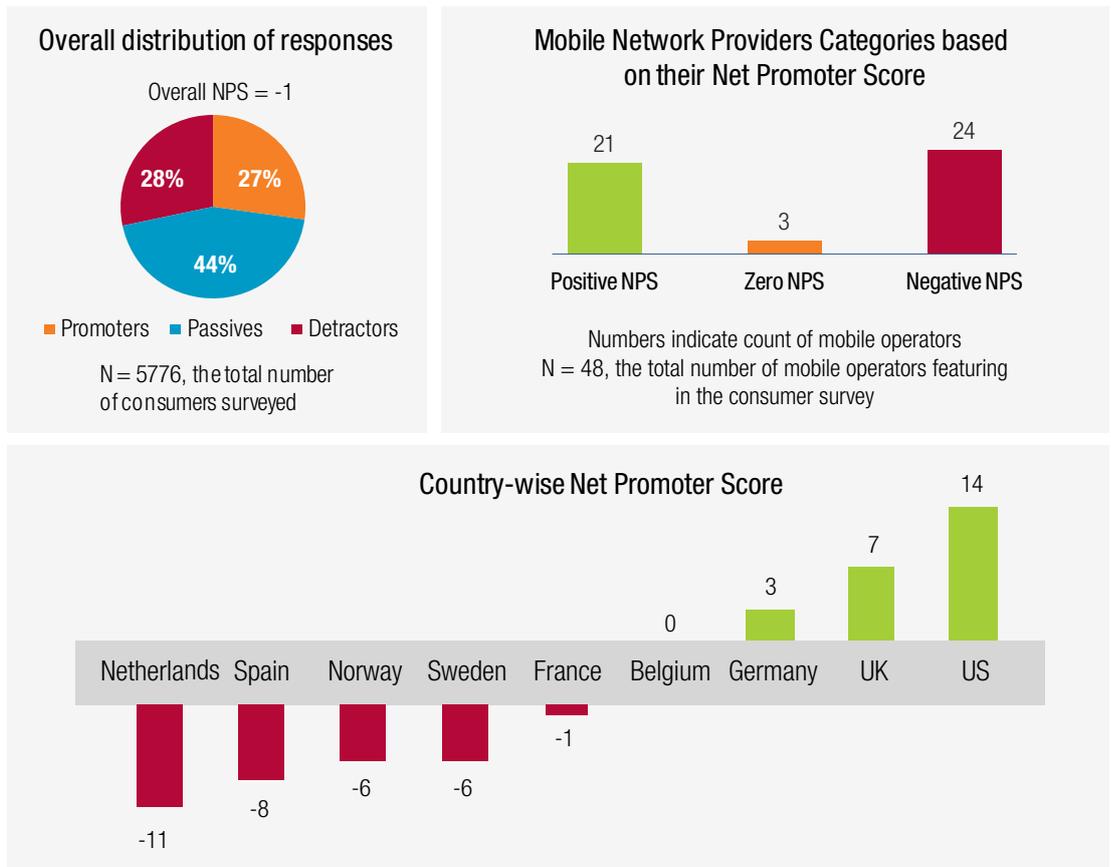
We found that the Net Promoter ScoreSM (NPS[®])² is negative for mobile network providers overall (see Figure 1), with dissatisfaction widespread across geographies and operators:

- Six of the nine countries we surveyed turned in a negative or zero NPS.
- Over half (27 out of 48) of the mobile operators in the study have zero or negative NPS.

Moreover, those countries with positive NPS have low positive scores.

Figure 1: The Net Promoter Score of Mobile Operators is Low and Negative

NPS Question: How likely is it that you would recommend your mobile network provider to a friend or a colleague? (On a scale of 0-10, with 10 being "extremely likely" and 0 being "not at all likely")



-1
The overall NPS of the mobile network providers in the nine countries we surveyed

Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

Net Promoter, NPS, and the NPS-related emoticons are registered service marks, and Net Promoter Score and Net Promoter System are service marks, of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld

8%

The share of consumers who consider the existence of stores as a must-have for mobile operators

This is troubling for an industry that is central to consumers in the digital age – over 73% of the world population uses mobile phones today, more than double the 34% of just ten years ago³. Yet cross-industry studies confirm that mobile operators lag behind other sectors in terms of customer satisfaction and experience. For example, a study of 22 industry sectors in the US found that industry leaders with superior customer experience, including – Costco, USAA, Amazon.com and Apple – have NPS as high as 79⁴. Another recent research of over 200 companies across industries in the UK, France and Germany found that the customer experience of mobile operators borders on being “Poor” or “OK”, lagging behind industries such as banking, insurance and digital-only retail⁵. This poor customer satisfaction has a very negative impact on loyalty; while just 14% of consumers belonging to high-NPS Telcos⁶ are planning to change their mobile operator within a year, this jumps to 32% for low-NPS Telcos⁷.

We believe that one of the key drivers of this situation is that mobile operators have not kept pace with changing consumer expectations. The rise of internet and mobile apps is driving a significant shift in what consumers want from their mobile operator. For example, physical channels are falling out of favor with consumers. Only 8% of consumers that we surveyed consider the existence of stores as a must-have for mobile operators. This is in sharp contrast to a 2013 research which found that 72% of telecom consumers preferred to speak to a live person while interacting with their operator⁸.

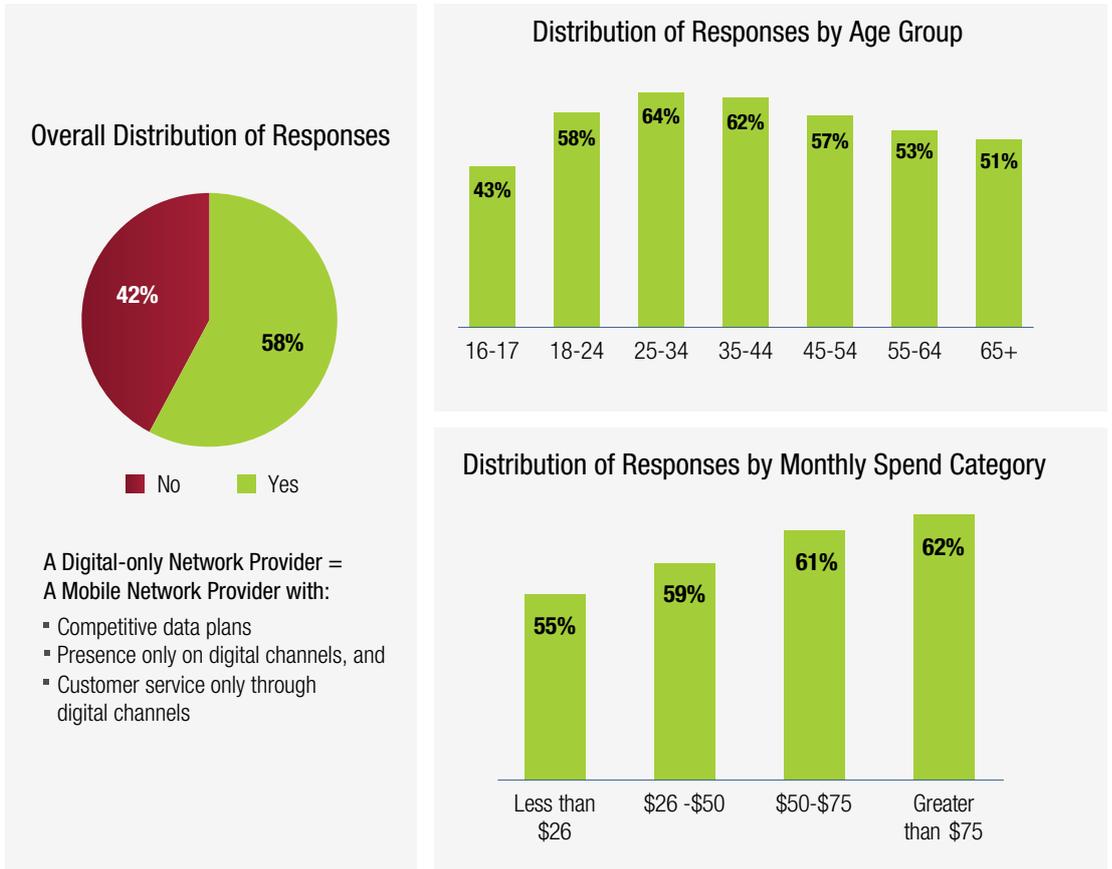
A Majority of Consumers Want a Different Telco – a Digital-Only Player that Offers Attractive Data Plans

As these changes take hold, consumers across countries and age groups are increasingly attracted by a different type of provider: a digital-only operator that exclusively uses digital channels to interact with consumers and offers competitive data plans. In our survey, 58% of consumers are willing to switch to such a digital-only mobile operator (see Figure 2), a finding that is true across nearly all of the age groups.

These changing consumer preferences could come at a heavy price for operators. The most attractive consumer segment – high-spenders – is the most likely to switch to a digital-only operator. Sixty-two percent of consumers who spend more than \$75 per month for mobile products and services are willing to shift to a digital-only operator.

Figure 2: A Majority of Consumers are Willing to Switch to a Digital-Only Mobile Operator Across Nearly all Consumer Segments

58%
Consumers
who are willing
to switch to
digital-only
mobile operator



Percentages indicate the share of consumers who are willing to switch to a digital-only operator
N = 5776, the total number of consumers surveyed

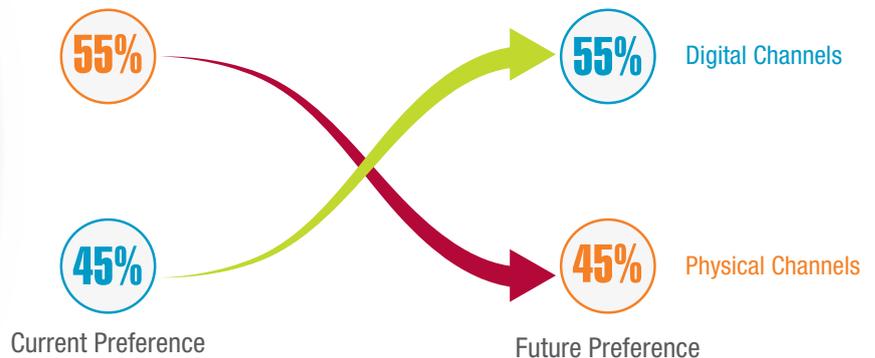
Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

The Rise of the Digital Consumer

Customer Preference is Rapidly Shifting Towards Digital Channels

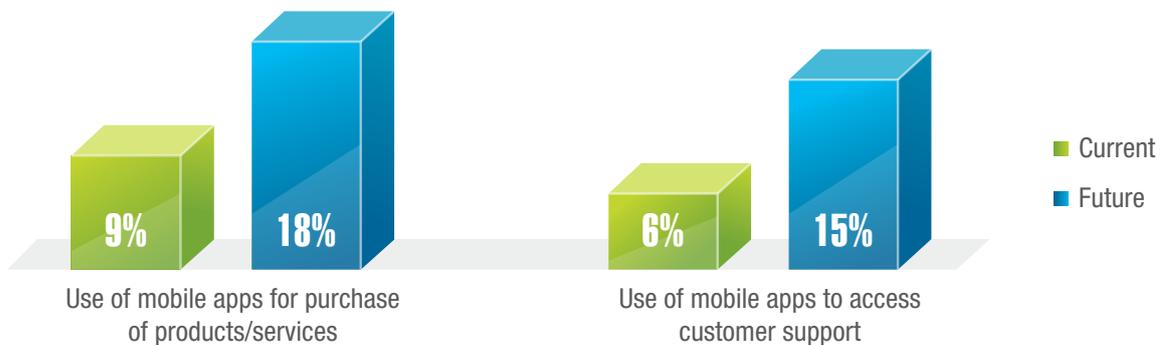
Only **8%** of customers believe that existence of stores is a **must-have** for a mobile operator

Consumer Channel Preference for Interaction with Provider



Use of Mobile Apps as a Preferred Channel of Interaction will Grow

Consumer Preference for Mobile Apps for Interactions with Provider



Norway Leads Other Countries in terms of Digital Interactions with Mobile Operators

65% of consumers in Norway currently use digital channels only to make purchases from their operator

as compared to

50% of consumers across all nine countries on average

72% Norwegian consumers expect to use digital channels only for making purchases in the future

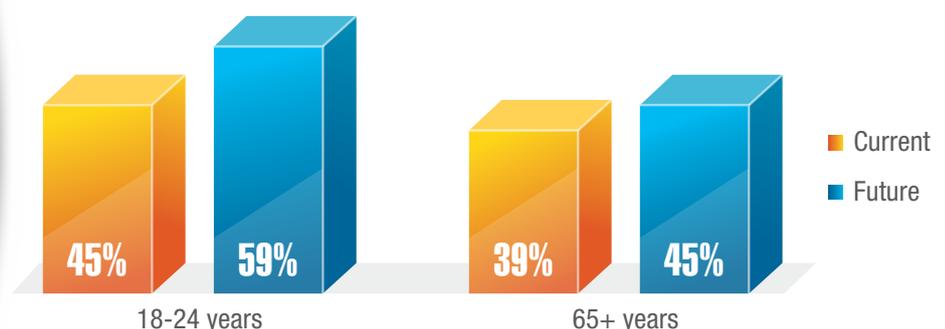
as compared to

58% of consumers across all nine countries on average

Consumer Preference for Digital is Increasing Among Older Age Groups as well

Only **9%** of customers in the **65 and above** age group believe that existence of stores is a **must-have** for a mobile operator

Consumer Preference for Mobile Apps for Interactions with Provider



The GAFA (Google-Apple-Facebook-Amazon) Threat is Real

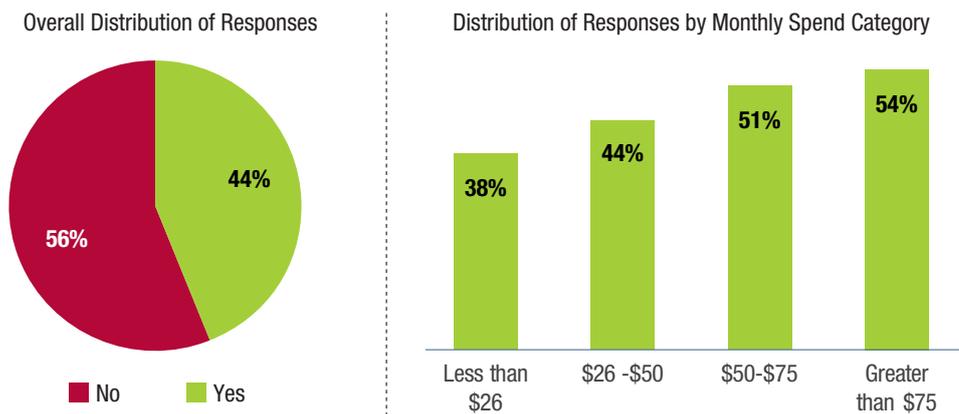
We found that almost half of consumers are willing to switch to Google, Apple, Facebook or Amazon (commonly known as GAFA), should they offer mobile services in the future (see Figure 3). Further, consumers with higher spend show a higher propensity to switch to the over-the-top players.

Mobile consumers are looking for the customer service and experience that GAFA provide. 48% of consumers cited “better service quality” and 23% cited “personalized experience” as main reasons to switch from traditional mobile network providers to GAFA.

Figure 3: Consumers Willing to Switch Over to Google, Facebook or Apple

44%
Consumers who are willing to switch to Google, Apple or Facebook, should they offer mobile services in the future

Percentage of respondents indicating whether they would switch to Google, Facebook or Apple should they start offering mobile services



N = 5776, the total number of consumers surveyed

Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

Mobile Operators' Digital Initiatives are Half-Hearted

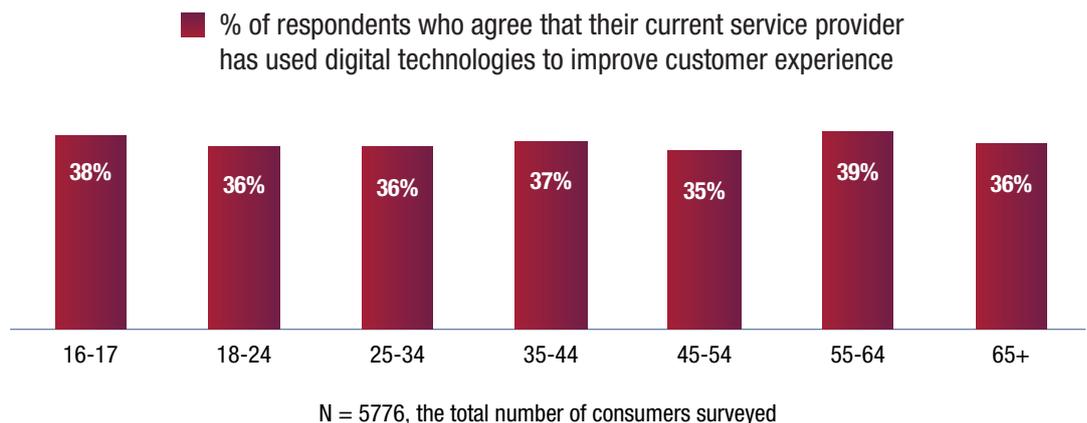
We wanted to understand how mobile operators have responded to these shifts in customer preferences. In addition to the consumer survey, we conducted secondary, web-based research to analyze 59 mobile operators in the US and Western Europe to assess their digital characteristics and value propositions. The results are surprising; few operators have launched concrete digital initiatives to stay relevant.

Telcos Have Not Used Digital Technologies to Improve the Customer Experience

Only about a third of consumers (36%) we surveyed believe that their mobile operator has used digital technologies (website, mobile apps or social media) to improve the customer experience (see Figure 4). The perception is uniform across age groups, countries and spending behavior.

Figure 4: Percentage of Respondents who Agree that Their Current Service Provider Has Used Digital Technologies to Improve Customer Experience

36%
Consumers who believe that their mobile operator has used digital technologies to improve customer experience



Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

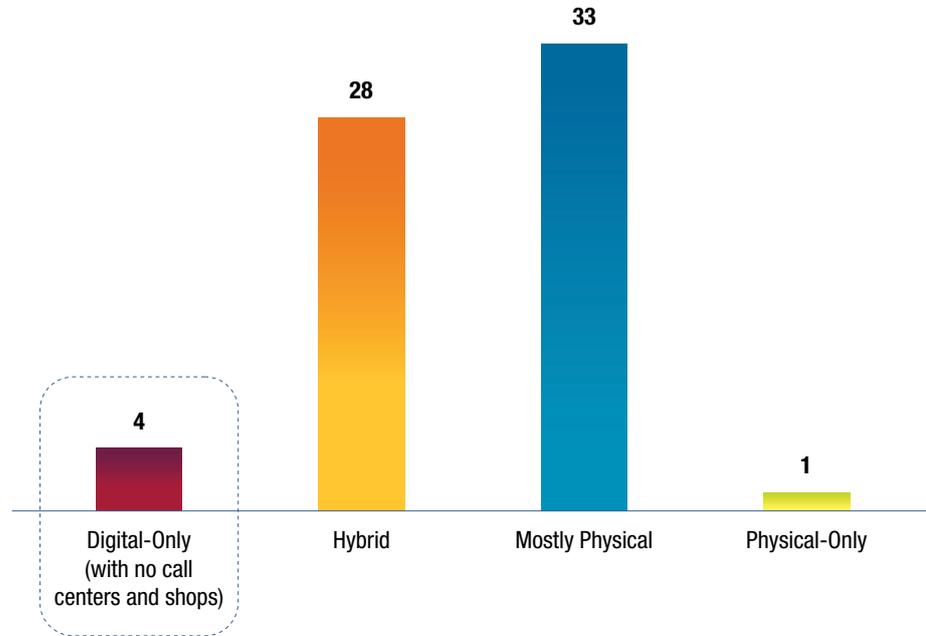
Operators Haven't Responded Positively to Consumer Preference for a Digital-Only Operator

We looked into 66 brands launched by 59 key mobile network providers in the US and Europe to investigate whether they have a digital-only operating model. We found that only four out of 66 brands we analyzed could be termed as digital-only mobile operator brands (see Figure 5). These brands interact with consumers

exclusively over digital channels such as websites, mobile apps and social media, offer competitive plans, and have no physical presence. The rest of the mobile operators seem to have adopted a hybrid approach – launching a mix of brands with varying degrees of digital and physical presence.

Figure 5: Only Four Brands Launched by Key Mobile Operators in the US and Europe are 'Digital-Only' Brands

Four
out of
66
brands we
analyzed could
be termed as
digital-only
mobile operator
brands



Digital-only Brands: Fully-digital sales, customer service and marketing; no physical stores or call centers

Hybrid: Brands that position themselves as digital while using physical channels in addition to digital ones; presence of physical stores and call centers for sales and customer support

Mostly Physical: Predominant use of physical channels for sales, service and marketing; minimal digital presence

N=66, the number of mobile brands launched by 59 key mobile operators in the US and Europe

Source: Capgemini Consulting Analysis

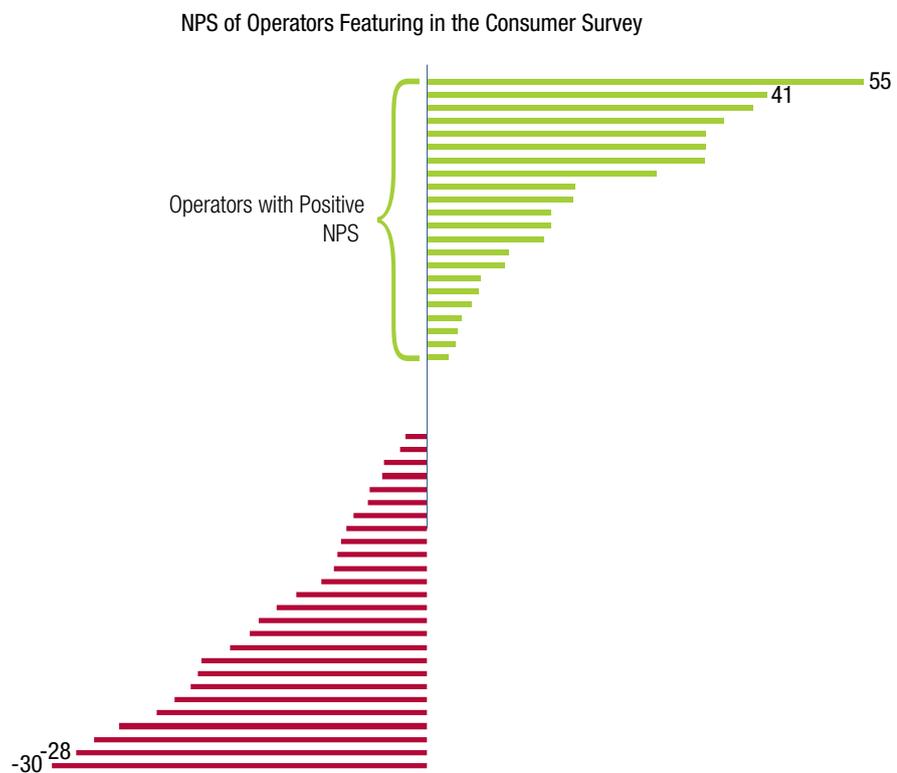
Telcos Offering a Digital Customer Experience are Reaping the Benefits

The poor image of the mobile industry in terms of customer satisfaction shields some contrasting realities in how firms are performing. A segment of Telcos stands out and manages to outperform their peers, achieving an NPS of up to 55 (see Figure 6).

These high-NPS operators are smaller players, and have been in operation for 13 years on average (see Figure 7). They generally adopt a digital-only or a hybrid operating model, with a greater focus on digital channels. Low-NPS operators, which are generally large incumbents, tend towards a physical or hybrid operating model.

Figure 6: A Cadre of High-NPS Mobile Operators

55
The highest NPS achieved by a mobile operator in our study



NPS = Net Promoter Score

N = 5776, the total number of consumers surveyed; Operators with less than 10 respondents not included in the analysis

Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

Digital is clearly a critical success factor:

- High-NPS Telcos have a much higher share of consumers using digital channels than their low-NPS peers (see Figure 8).
- Eighty percent of consumers from high-NPS Telcos make their purchases through a website or mobile app, compared to just 38% of consumers of low-NPS Telcos.

- Only 7% of consumers at high-NPS Telcos go to a physical store to purchase products or services against 30% for low-NPS players.

Our research indicates a positive correlation between the use of digital channels and the NPS of mobile operators (see Figure 9). Specifically, operators with a higher share of consumers using websites and mobile apps for making purchases and accessing customer service achieve higher NPS.

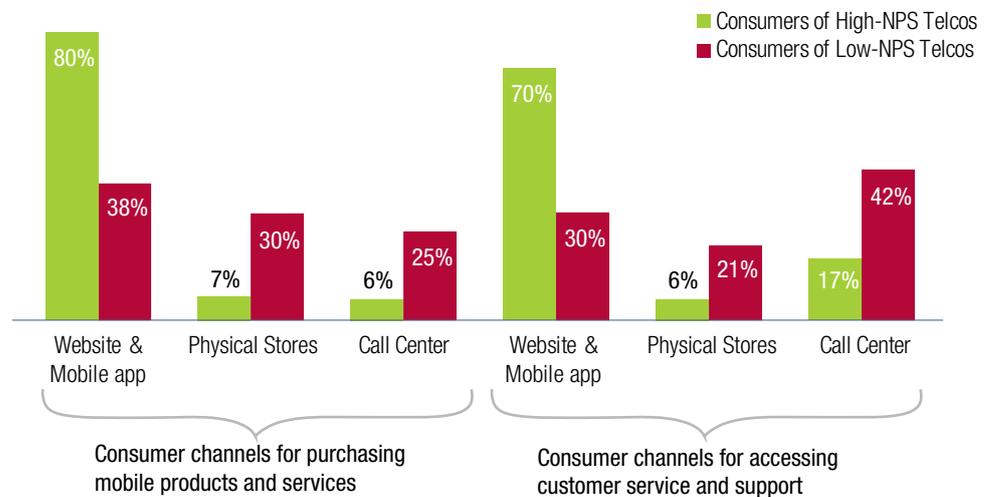
Figure 7: What Defines, and Separates, High-NPS Telcos from Low-NPS Ones?

Key Characteristics	Low-NPS Telcos	High-NPS Telcos
Growth over 2012-2014	-7%	+33%
Competitive Position	Mostly incumbents	Mostly smaller operators
Average Age of the Operator	21 years	13 years
Operating Model	Mostly physical/ hybrid	Digital-only and hybrid
Sales & Customer Support	Stores, call centers and limited digital channels	Primarily digital – through mobile apps, web and social media

Source: Capgemini Consulting Analysis

Figure 8: High-NPS Telcos Have a High Proportion of Customers Interacting Online

80%
vs.
38%
consumers of high-NPS vs. low-NPS Telcos who make their purchases through websites and mobile apps



NPS = Net Promoter Score

High-NPS Telcos: Top five mobile operators in the study in terms of NPS, having NPS of +35 and more; 104 respondents belong to high-NPS operators

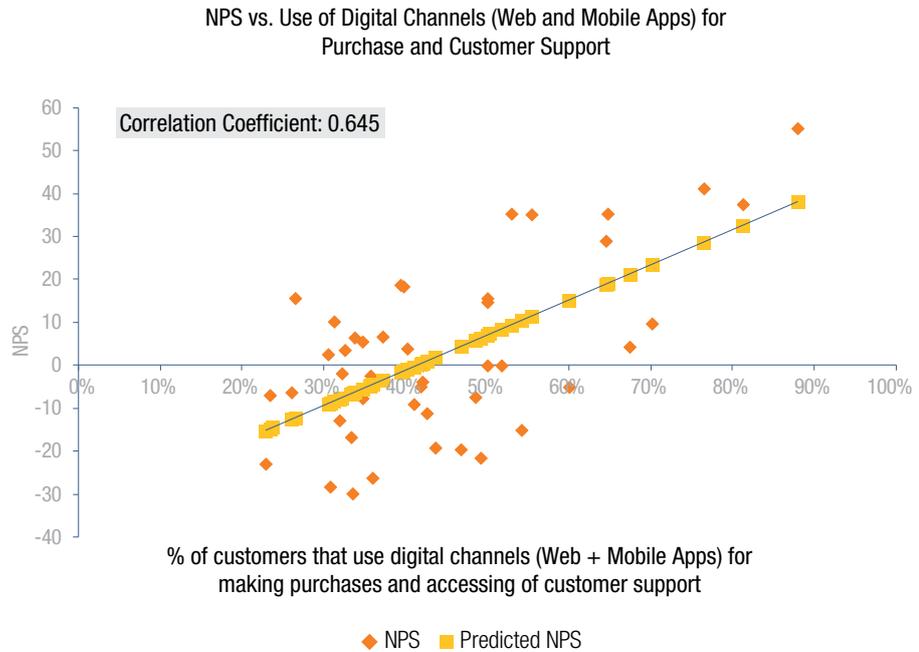
Low-NPS Telcos: Bottom five operators in the study in terms of NPS, having NPS of -21 and less; 560 respondents belong to low-NPS operators

Percentages indicate share of consumers belonging to high-NPS and low-NPS Telcos. Percentages may not total to 100 as some respondents selected "others" option.

Source: Capgemini Consulting – Survey of 5,776 mobile consumers in Belgium, France, Germany, Netherlands, Norway, Spain, Sweden, the UK and the US, conducted in January and February 2016

Figure 9: The Use of Digital Channels for Customer Interactions is Positively Related to the Net Promoter Scores of Mobile Operators

NPS
of mobile operators is highly correlated with the use of their digital channels by consumers



Correlation coefficient for NPS vs. use of digital channels (Web + Mobile Apps) for making purchases is 0.66; while that for NPS vs. use of digital channels for customer support is 0.59

N = 48. Every dot represents NPS of an individual mobile operator, with diamonds indicating the actual NPS and squares indicating predicted NPS based on a correlation analysis

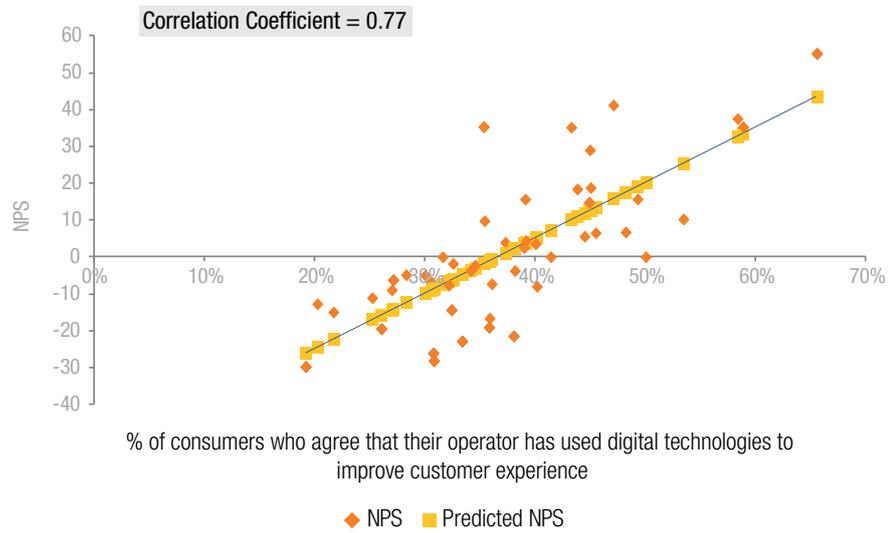
Source: Capgemini Consulting – Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

Mobile operators also enjoy a high NPS when consumers perceive that their operator has used digital technologies for enhancing the customer experience⁹ (see Figure 10). And the use of digital technologies also reduces consumer propensity to churn. Forty-six percent of consumers who rated their mobile operator “poor” in terms of the use of digital technologies plan to

switch within the next year. But only 14% of consumers who rated their mobile operator “great” in the use of digital technologies plan to do the same¹⁰.

Given the performance advantage of being a digital operator, how can mobile operators become a “Digital Telco”?

Figure 10: NPS is Linked to High Usage of Digital Technologies



N = 48. Every dot represents NPS of an individual mobile operator, with diamonds indicating the actual NPS and squares indicating predicted NPS based on a correlation analysis

Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

Setting the Standards for the Digital Telco

Telcos are wary of the direct competitive threat posed by internet and technology players, but they should be more concerned about the benchmarks that these players have established for service quality. Mobile consumers, when asked why they would switch to the likes of Google, Facebook or Apple if they offered mobile services, cite lower costs but also better service quality as key reasons¹¹.

Innovative technology players, such as Amazon and Apple, have set very high standards of customer service that is both affordable and world-class. They make extensive use of digital technologies to eradicate the pain points of a traditional service experience, offering seamless ordering, considered recommendations, reliable deliveries and easy returns. To achieve these high standards, Telcos will have to fight on two key fronts: operating model¹² and customer engagement. At the same time as fighting these two key battles, they also need to build their digital DNA for the long term (see Figure 11).

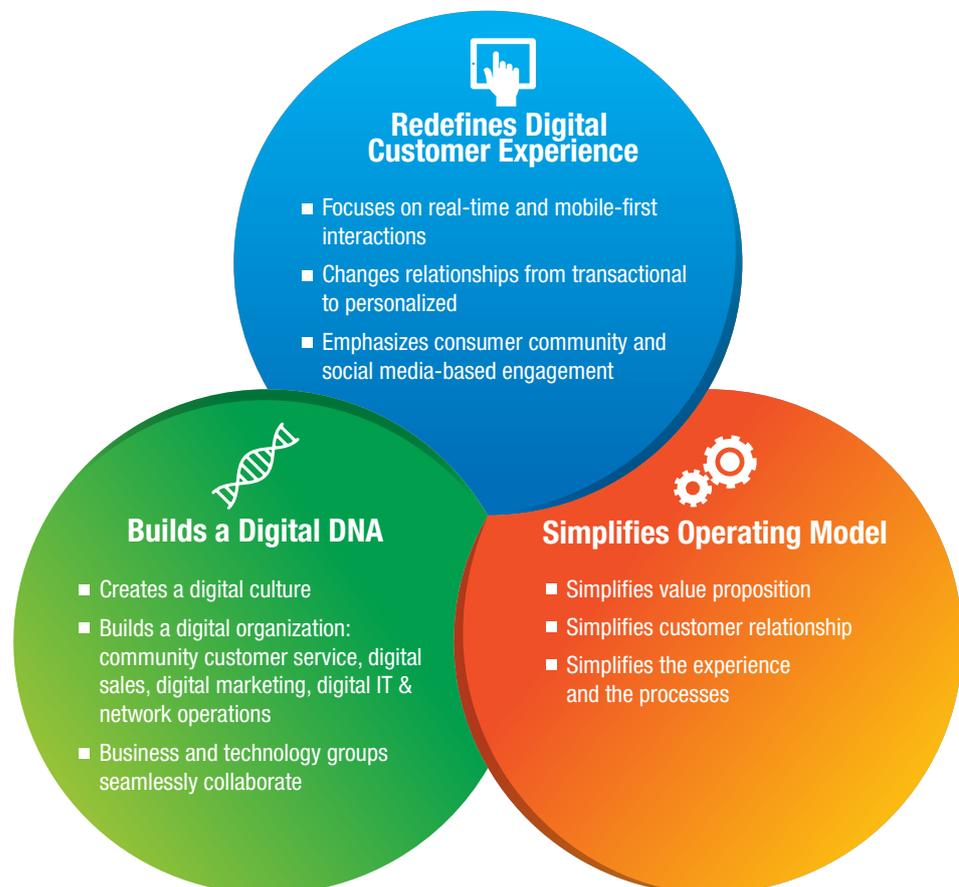
Perform Major Surgery on the Customer Experience

As they move to a multi-channel customer experience, many Telcos have launched transformation programs, with many aimed at enhancing efficiencies and reducing costs. However, to deliver the customer experience offered by the likes of Apple or Amazon demands more than a series of piecemeal fixes. It requires a fundamental rethink of how mobile operators engage with their customers.

For the technology players, that experience is increasingly mobile. For example, at the end of 2015, Facebook had 1.03 billion daily active users, of which mobile-only monthly active users were 823 million¹³. And 80% of Twitter's active users are on its mobile applications¹⁴. However, mobile operators are behind this curve:

823 million
Facebook's mobile-only monthly active users

Figure 11: What is a Digital Telco?



Source: Capgemini Consulting Analysis

64%

Consumers who believe that they don't need to interact with their operator more frequently over mobile apps

- We found that nearly 41% of consumers use mobile operators' apps rarely or very rarely.
- And, it does not help that mobile operators have failed to create usage scenarios for engagement with their apps. 64% of consumers believe that they don't need to interact with their operator more frequently over mobile apps as current use is sufficient for their needs.
- Telstra, Australia's largest telecom company, employs a customer service platform called CrowdSource, which leverages Telstra's social user community and resolves 50% of its customer support issues on the first query itself¹⁵.
- Giffgaff in the UK relies heavily on its customer community to solve user problems. Giffgaff members support others in exchange for points that can be cashed in via PayPal or account credit. Giffgaff has one of the highest NPS across the telecom industry.

This points to the fact that Telcos need to fundamentally rethink their approach to customer experience and take the technology players as their benchmark. There are a number of operators who are making significant progress:

Transforming the Customer Experience at Telstra

Telstra is transforming its business to make it more consumer focused and digitally led. As ex-CEO David Thodey said: "Customer advocacy is our highest priority and we see it as not just serving our customers better, but providing such great service that they are willing to be advocates for Telstra."¹⁶ He also said, "We are committed to building Telstra into a business that has the customer at the center of every decision, every action, every opportunity, every day."

This program – Digital First – was focused on fundamentally changing the way Telstra interacts with its customers¹⁷. Digital First's aim was to digitally enable all new Telstra products for sales and service. In 2011, Telstra began the first phase of its digital transformation when it invested \$200 million in an effort to transform its key IT systems¹⁸ and use digital by default for all key customer-facing activities, such as billing, payments and customer enquiries. The company:

- Improved its overall NPS by 11 points in nearly 2.5 years¹⁹.
- Added nearly 4 million new mobile customers between 2011 and 2014.
- Conducts 52% of its customer service transactions online, receives 8 million unique views on Telstra.com each month, engages in 350,000 online chat sessions monthly and has 2.3 million regular users of its mobile apps²⁰.

In the next phase of this ongoing transformation, which began in 2014, Telstra made fresh investments, established digital transformation centers and unveiled plans to accelerate its transition to become a "digital first" company²¹.

11 points

Telstra's improvement in its overall NPS in 2.5 years

6%
vs.
25%
consumers of
high-NPS vs.
low-NPS mobile
operators who
use their call
centers to make
purchases

**\$250
million**
Amount saved
by KPN in CapEx
and OpEx via
reduced support
processes and
a rationalized
product
portfolio

Re-Align the Operating Model with a Focus on Simplicity and Reliability

Over a third (34%) of consumers believe that “reliable customer support” is a must-have for a mobile network provider, second only to “affordable data plans”. And they want this reliability on digital channels. Physical channels, such as shops and call centers, are falling out of favor with consumers. Only 6% of consumers of high-NPS mobile operators use call-centers to make purchases, compared to 25% of consumers at low-NPS mobile operators (see Figure 9).

The telco operating model needs to shift its reliance on these traditional channels. Consumers should be able to select, subscribe and unsubscribe any mobile service in real time as they currently do for services from internet players. Consumers expect quality customer service at the click of a button, through in-app messaging and to intuitively navigate the mobile application without cognitive overload and the need for hand-holding.

One of the areas that is ripe for simplification is support processes and offers. Mobile tariff plans and prices often prove to be overly complex for customers, who find it difficult to select and manage the plan that works best for them. KPN, the Netherlands-based mobile and telecom operator, faced a similar problem. Over the years, it had grown its product portfolio to catch up with growing customer demand. However, the product landscape had become too complex and problematic for consumers. KPN embarked on a simplification initiative to transform from a product-oriented to a customer-centric model with a simple access and single sign on for users across all channels. By the first half of 2015, KPN had reduced customer support and other support processes by 50%, rationalized 40% of its product portfolio and saved nearly \$250 million in run-rate CapEx and OpEx within 18 months²².

Embed a Digital DNA to Sustain Transformation

Mobile operators’ digital transformation will not be complete until they internalize a digital DNA. Our recent research with MIT²³ revealed that digital organizations have four key dimensions:

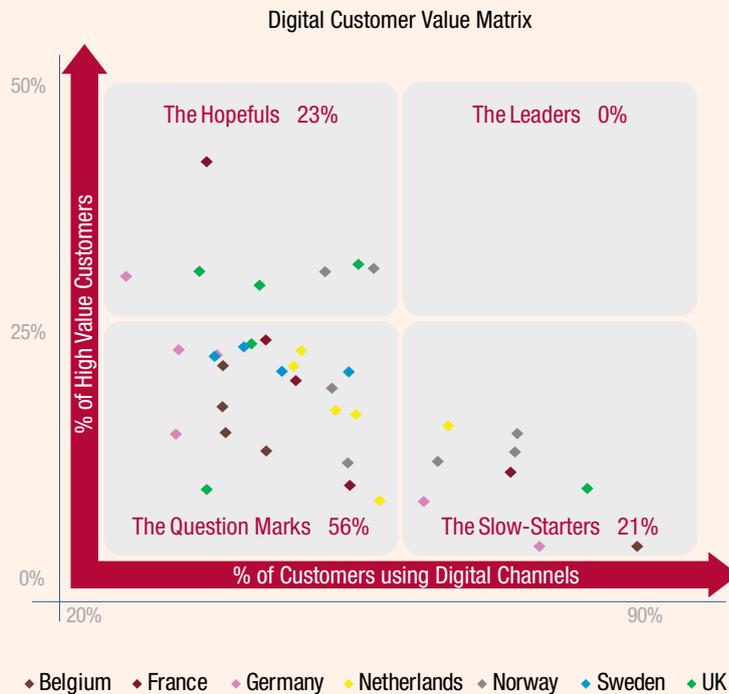
- Digital-First Mindset: seeking and prioritizing digital solutions first and foremost
- Digitized Practices: digitizing operations and encouraging collaborative ways of working and learning
- Empowered Talent: raising the digital IQ of the organization, developing key skills and increasing engagement
- Data Access and Collaboration Tools: accessing data and collaboration tools to drive innovation and share intelligence across the organization

By striving to build these dimensions into the DNA of their organization, mobile operators can ensure their digital strategy will be sustained in the long term.

A Misaligned Operating Model

Most Telcos are stuck with low-value customers using high-cost channels, because the operators have largely positioned digital channels at youth and low-value customers rather than high-value customers, and failed to meet the expectations of the high-end market.

Figure: Percentage of High-Value Customers against Use of Digital Channels, Select Operators



N = 48. Every dot represents a mobile operator. The position of the mobile operator represents its share of high-value customers (those who spend over \$50 per month) and its share of customers who use digital channels for purchase and customer support.

Source: Capgemini Consulting - Survey of 5,776 mobile consumers in France, Belgium, Germany, UK, Netherlands, Sweden, Spain, Norway and US conducted in January and February 2016

How Can a Telecom Operator Become a Digital Telco?



Our strategy is not about price. It is about designing and launching a best-in-class customer experience that is fully digital end-to-end targeting the online-savvy youth market.

- Subhra Das, Head of STC's digital mobile service



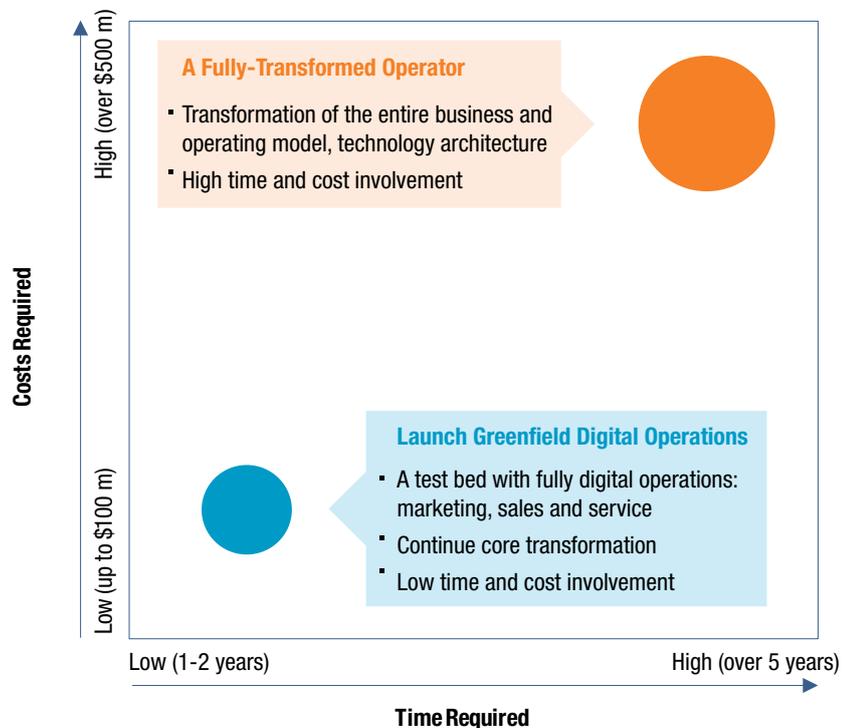
For mobile operators, the destination is clear – to be a digital Telco. However, the path to get there is not always straightforward. Organizations have trod many paths:

- Launching digital brands without fully-digital operating models
- Taking a Greenfield approach
- Embarking on long-term transformation programs, some of which can last as long as a decade and cost hundreds of millions of dollars

Of the three, Telcos can accelerate by launching Greenfield digital operations in the short term (one to two years), while continuing with the core transformation in the background (see Figure 12). This is the choice that STC, the Saudi Arabia-based telecom operator, opted to make when it decided to launch Greenfield digital operations.

Subhra Das, who leads STC's digital mobile service (Jawwy BU), says, "When you have to reimagine and carve out a completely new experience, you will have to be empowered to strategise and explore all options to solve deep-rooted customer problems and address evolving needs in a sustainable way. You will not want to be constrained in any way by aspects of the existing organisation's operating model, culture and systems. Hence the Greenfield route was a natural choice for us. At Jawwy, we are building a digital mobile operator model with the organisational DNA and agility of an internet player." He added, "Our strategy is not about price. It is about designing and launching a best-in-class customer experience that is fully digital end-to-end targeting the online-savvy youth market. Our Jawwy app will enable our customers to build, share and manage their plans in real-time, and the proposition is complete with e-commerce and new online support options."

Figure 12: Roadmap to Transform to a Digital Telco



Size of the bubble represents the extent of transformation required in the organization

Source: Capgemini Consulting Analysis

Consumers are unlikely to wait for the results of Telcos' large-scale transformation efforts

Launch Greenfield Digital-Only Operations

Consumers are unlikely to wait for the results of Telcos' large-scale transformation efforts. A cost-effective and efficient way of responding more quickly to changing consumer demands is by launching Greenfield, digital-only operations²⁴ that:

- Function via a fully digital operating model (uses only digital channels for sales, customer service and information)
- Use digital technologies to enhance the customer experience and real-time engagement
- Act as a digital test bed for the wider enterprise, where the business can test its future model for operations, marketing, sales, and service while continuing its efforts to transform the entire organization

Other benefits of this approach are:

- **Autonomy:** Autonomous administration, with its own operating model and IT, ensures that the digital operator is not saddled with the organizational challenges plaguing the parent company, and makes it easier to comply with regulatory requirements
- **Low investments:** Lean and digital operations entail investments that are a fraction of the group budget – potentially in the range of a few dozen million dollars
- **Focus:** Relentless focus on digital customer experience for the target customer segment

- **Agility:** Fast launch, nearly a year from concept to market, with a smaller and flatter organization structure leads to faster decision making
- **Use of latest digital technologies:** Allows for the real-time functionality that consumers desire; use of data and analytics to drive smarter interactions and push of offer; faster rollout of updates; and no burden of legacy operational costs

Mobile operators can launch this Greenfield operation under a new digital brand or their traditional brand. They will have to ensure that the digital operator has the freedom to operate autonomously and has the leadership support to focus on a true digital customer experience.

Continue Transforming Core Operations

The transformation to digital will be sustainable when it is accompanied by a transformation of the core – the entire business model, operational model, technology architecture, and organization culture. As this scale of change could be unwieldy, operators can identify areas ripe for transformation within individual units (such as billing, marketing etc.) and then scale them over the years to encompass the entire organization.

Attempting to transform core operations can be a long, drawn out exercise. For example, legacy systems will often make accelerated transformation impossible. By launching Greenfield digital-only operations alongside the firm-wide transformation, operators will not miss the short-term digital opportunities.

Digital Telco = Revenue Uplift

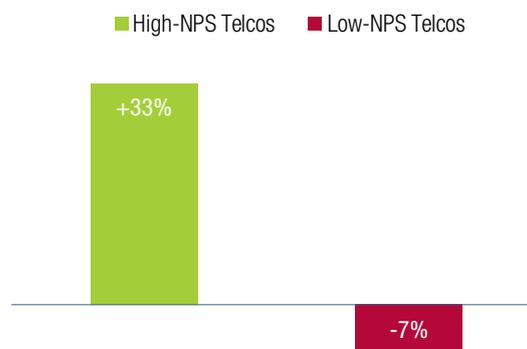
Creating a strong digital customer experience will help operators increase their NPS, which will in turn increase Telcos' revenues. The relationship between NPS and growth is well established. Research found that the percentage of promoters of a brand correlates directly with the differences in growth rates among competitors²⁵. This research also noted that evangelistic customer loyalty is

one of the most important drivers of growth and, in general, profitable growth cannot be achieved without it. Studies also suggest that NPS is highly correlated with customers' willingness to pay²⁶. Our research further corroborates this. High-NPS Telcos in our study secured an average revenue growth of 33% over 2012-14 whereas the low-NPS Telcos suffered a revenue decline of -7% on average over the same period (see Figure 13).

+33% vs.
-7%

Revenue growth experienced by high-NPS vs. low-NPS mobile operators over 2012-14

Figure 13: High-NPS Telcos Outperform Low-NPS Peers by a Big Margin



Percentages indicate revenue growth or decline experienced over 2012-14

Source: Capgemini Consulting Analysis

CONCLUSION

Mobile operators have seen more changes in the past ten years than they have seen since the first phone call over the mobile was made nearly 40 years ago. The rise of internet companies, smartphones, mobile applications, and 4G have changed customer expectations dramatically. The good news for mobile operators is that they sit at the centre of this changing world by virtue of being the providers of data connections.

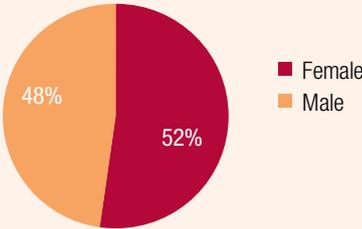
It is, however, an unfortunate anomaly that while they have played a key role in other industries' transformation, operators' own digital transformation has often failed to meet expectations. At the same time, markets have become saturated, revenue growth has slowed, and attracting customers from the competition has become crucial for growth. It is imperative that Telcos seize the opportunity to rethink and reengineer their relationship with the customer. And in doing so, transform themselves for a future where they can command a superior customer satisfaction.



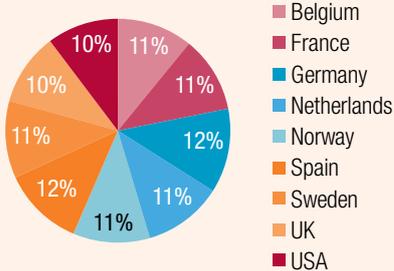
Research Methodology

We conducted a comprehensive primary survey of 5,776 consumers across nine countries in the US and Europe. The countries surveyed included the US, the UK, France, Belgium, Germany, Netherlands, Norway, Spain, and Sweden. The survey was administered during January and February 2016. The distribution of respondents is as follows:

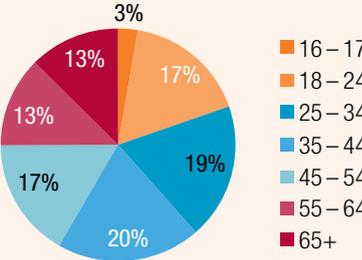
Gender Distribution



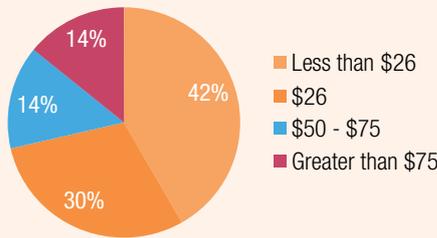
Country Distribution



Age Distribution (in years)



Customer Monthly Spend Distribution



The primary research was supplemented with a web-based, secondary research to further strengthen the findings of the survey via concrete examples and case studies. It involved analyzing 59 mobile operators in the US and in Western Europe, their forays into digital brands, and their value propositions.

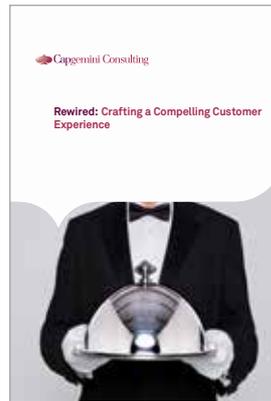
References

- 1 The nine countries included: Belgium, France, Germany, Netherlands, Norway, Spain, Sweden, the UK and the US
- 2 Net Promoter Score (NPS) is an industry-standard metric for measuring customer loyalty and satisfaction. It is calculated as a difference between a firm's percentage of promoters and its percentage of detractors. Promoters and detractors are ascertained based on their response to a single question: how likely is it that you would recommend [brand] to a friend or a colleague? Respondents are asked to rate the brand on a scale of 0-10, with 10 being "extremely likely" and 0 being "not at all likely". Respondents rating the brand a 9 or 10 are classified as promoters, whereas those rating from 0 to 6 are termed detractors. More info: <https://www.netpromoter.com/know/>
- 3 KPCB, "Internet Trends 2015 – Code Conference", May 2015; ITU, "ICT Data and Statistics (IDS)", Accessed April 2016
- 4 Satmetrix, "Costco, USAA, Amazon.com, and Apple Rank Among Highest for Customer Loyalty in Latest Satmetrix® Net Promoter Benchmarks", March 2015
- 5 Forrester, "The France, Germany, And UK Customer Experience Index, 2015", September 2015
- 6 High-NPS mobile operators are the top five operators in terms of their NPS, having NPS of +35 and more; 104 respondents in our survey belong to high-NPS operators
- 7 Low-NPS mobile operators are the bottom five operators in terms of their NPS, having NPS of -21 and less; 560 respondents in our survey belong to low-NPS operators
- 8 Teletech, "Customer Experience Expectations: Telecom Edition", 2013
- 9 Operators' use of digital technologies to enhance customer experience refers to operators' use of web, social media and mobile apps to engage and empower customers. For instance, some mobile operators offer apps that allow users to go beyond simply monitoring usage or adding credit to change or create plans of their choice in real-time. Some Telcos operate social communities of customers, where users help each other solve issues and also submit innovative ideas to the Telco which are then considered for formal implementation.
- 10 A "poor" perception refers to a rating of 0 to 3 on a scale of 0 to 10; whereas a "great" perception refers to the ratings of 8 to 10 on a scale of 0 to 10
- 11 67% of consumers cite "lower cost", while 48% cite "better service quality" as the main reason to switch from traditional mobile network providers to non-traditional communications service providers such as Google, Apple and Facebook
- 12 Operating model refers to how an organization brings together its key constituents such as people, processes and a technology to deliver value to its customers. At a basic level, it is a blueprint of how an organization works.
- 13 Company quarterly reports
- 14 Company website
- 15 Capgemini Consulting, "An interview with Rob Tarkoff, President and CEO, Lithium Technologies", August 2014
- 16 CMO, "Telstra CEO: Customer advocacy is top strategic growth priority", October 2014
- 17 Telstra, "Creating A Brilliant Digital Future: Telstra's Digital Evolution", March 2014
- 18 The Australian, "Telstra to bet millions on digital", March 2014
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- 21 The Australian, "Telstra to bet millions on digital", March 2014
- 22 TM Forum, "Case study: Telecom imitates art at KPN", September 2015
- 23 MIT and Capgemini Consulting, "Organizing for Digital: Why Digital Dexterity Matters", December 2015
- 24 Greenfield digital operations refers to an entirely autonomous unit/brand of the mobile operator, created from the ground up, which solely operates on the digital-only channels for sales, customer service and resources for information.
- 25 Harvard Business Review, "The One Number You Need to Grow", December 2003
- 26 ResearchGate, "High Correlation between Net Promoter Score and Evolution of Consumer's Willingness to Pay (Empirical Evidence from European Mobile Markets)", François Jeanjean, France Telecom Orange, June 2011

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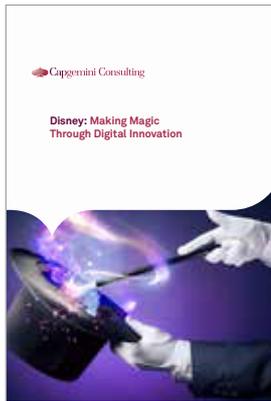
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