

Device care How mobile operators can retake the lead in customer ownership



Executive summary

Device care is quickly turning into the next battleground for mobile operators. With subscription revenues steadily declining, device related revenues such as repair, insurance, warranty extensions and re-commerce are looking more and more promising. The reasons are obvious, device revenues are seeing considerable growth across the board and users are expecting their devices to be secure, updated and always on.

Yet despite the obvious potential, many mobile operators are giving away the service experience of the only tangible asset that connects them to their customers to their partners.

New revenues and process efficiencies

Forward thinking operators are starting to address these opportunities, exploring device care potential by packaging device care and security services as part of their premium offerings.

There are great opportunities in driving device care process efficiencies. Improving self-service capabilities and enabling machine learning in diagnostics and troubleshooting can minimize low quality contacts in operator channels. And ensuring a unified customer experience enables operators to control and monitor processes end-to-end.

Loyalty improvements

By focusing on device care, operators can re-establish ownership of their customer relationships. Double digit NPS score increase speaks for itself, leading to lower churn and higher lifecycle value per subscriber. Establishing a direct, distortion free channel of communication with consumers also maximize the impact of upsell, retention and upgrade campaigns.

By providing improved device care services, operators can impact:

Loyalty - 12 point NPS increase

Churn - 71 percent of potential churners consider staying

Revenues - 38 percent of users willing to pay for services

Addressing device care issues are low hanging fruit for mobile operators, customers are looking for support and service as the device ecosystem establishes itself as the centerpiece of our lives.

By addressing these issues and refocusing efforts, mobile operators can un-tap new revenue sources while providing the services that truly re-establishes ownership of their customer relationships.⁴



Users are addicted to their smartphones, not to their mobile operators?

A lot can be said about the state of telecom, but one thing is certain. Telecom is moving into a new era, where the smartphone no longer is the complement to the personal computer but rather the hub around which our lives are centered.

Today users are addicted to their smartphones.¹ The smartphone is the first thing we check

when we get up in the morning, it's the last thing we check before going to bed. We check our smartphones hundreds of times a day. Day in, day out, year round. For work, for entertainment, to limit boredom and to catch up on the latest updates on Facebook or Instagram.

Few of us could imagine living without the smartphone today.

Yet, as the smartphone altered needs and behavior, it also affected the relationship between the consumer and the operator.

In the early days of the cellphone, when Nokia ruled the world, all users had a strong relationship with their operator, the operators were the only enabler for the consumer's mobile world. In contrast,

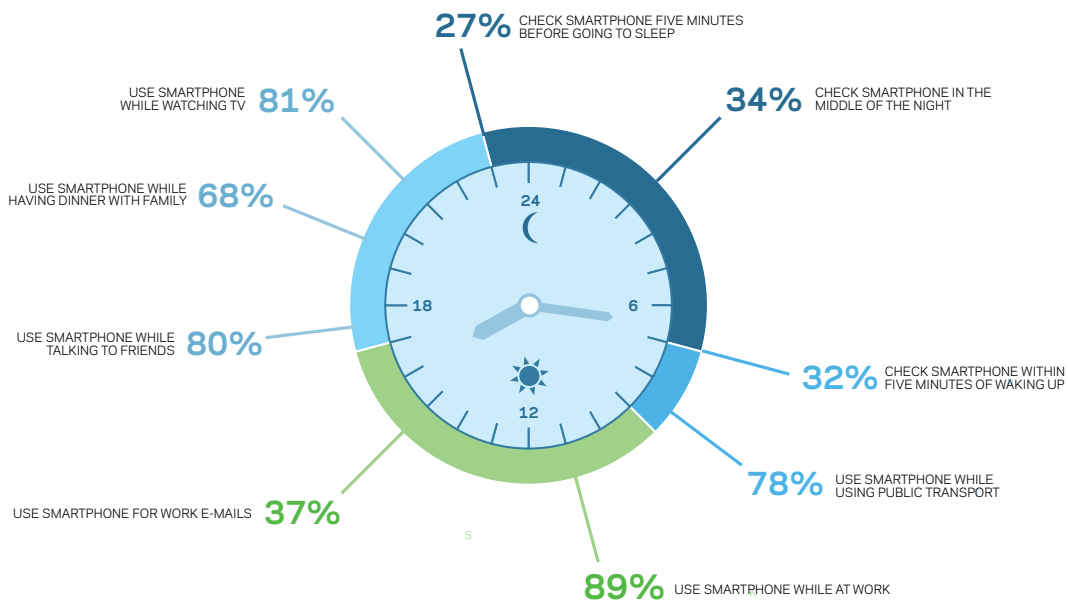


Figure 1 Today, users are addicted to their smartphones, for many it's the first thing we check after waking up, and the last thing we check before going to bed.¹



the smartphone generation of today (those born in 2000 or after) view voice calls as a thing of the past. Nearly one-third of respondents in a recent Deloitte survey claimed they did not make any standard voice calls in a given week.¹ This is up from one quarter in 2015 and just four percent in 2012.

For the telecom operators this implies a dramatic shift in competitive edge, where traditional battlefields such as network access and cost of data is being replaced by the softer values connected to device care and customer experience. Today, customer care is on a par with network quality as a deciding factor for users to stay with a mobile provider.²

While most telecom operators provide customer care services throughout the customer lifecycle, few take a holistic approach to ensure that they take ownership of the end-to-end process, from purchase to retirement for both subscriptions and devices.

Instead they leverage and rely on partners to not only execute but also manage all aspects of device care. When the subscriber needs repair, operators point to their repair partners. When subscribers want insurance, operators point to their insurance partners. And if the subscriber needs help onboarding their new device, most often they need to google it themselves, or go back to the operator store and ask for assistance. By allowing the partners to not only execute the necessary services but also

manage the process, the partners continue to build strong relationships with the consumers.

This practice is far from perfect.

As well as being costly, it fuels competition from partners, who start to claim a stake in traditional operator revenue streams.

Recent studies indicate that 15% of subscribers state dissatisfaction with customer care as the reason they chose their next device from a different provider.³ Meaning that one out of every seven subscribers risk to churn due to poor customer service experiences.

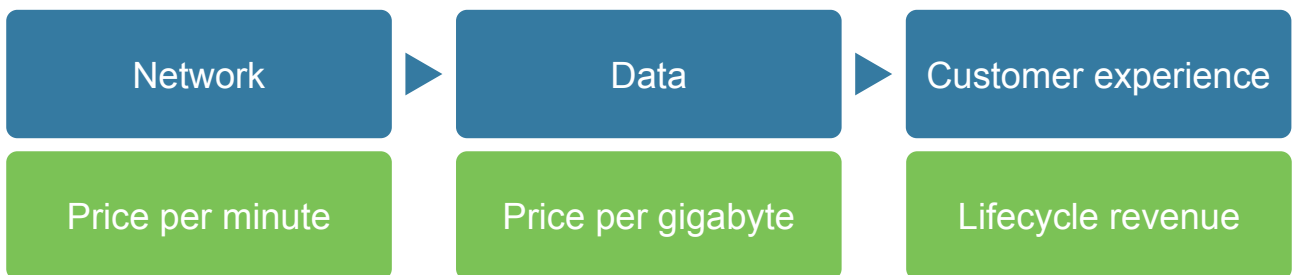


Figure 2 The battlegrounds for customer loyalty in the telecom industry has experienced great leaps in evolution since the launch of the iPhone in 2007.

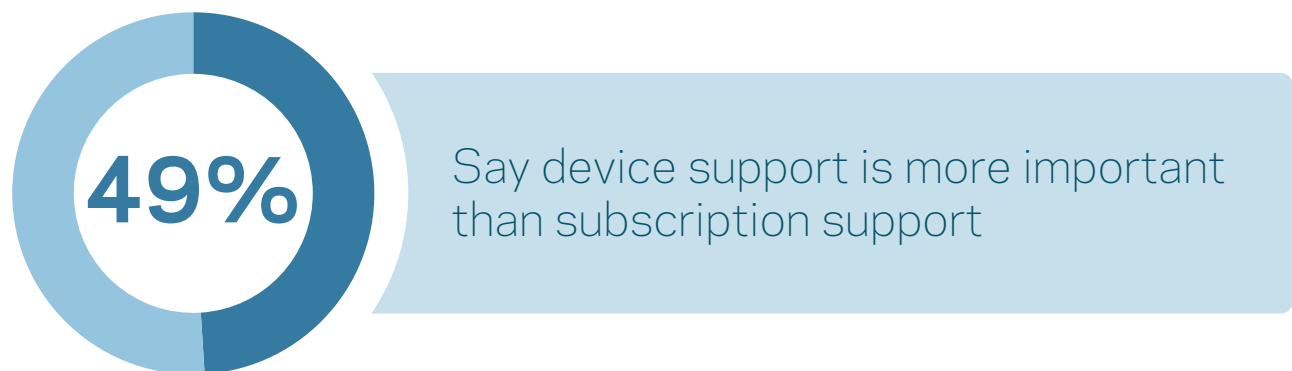


Figure 3 49% of users say device support is more important than subscription support.⁴

Changing the dynamics of the game

Historically most mobile operators have focused their customer service initiatives on network and subscription issues, leaving customers with smartphone woes to seek advice from a plethora of partners and other players. In itself, this is a careless practice. But to make matters worse, users experience issues with their devices five times more often than they do with their subscriptions.^{3,4}

Device issues are top of mind

There's no denying that users have issues with both their devices and their subscriptions, but when smartphone issues outnumber subscription issues by a factor of five, it's surprising to see that operators are freely passing away the customer relationship to their partners when it could be used to reinforce the current rela-

tionship with the operator.

So what can a mobile operator do to strengthen the relationship with their customers?

Digitizing device care

First, operators need to digitize the device care process. Understanding user behavior is key and operators need to continuously capture activity



and device data in order to get insight into the device lifecycle.

With insight into both activity and device data operators can better manage customer interaction to optimize all customer touchpoints. This allows operators to personalize offers, which increases sales effectiveness by 75% while at the same time lowering churn and customer service and sales costs.⁵

Getting the timing is right is essential for smartphone renewal. Eight out of ten consumers are ready to switch to a new smartphone if their current smartphone is starting to show signs of malfunction. If the drivers are the launch of a newer model or the ending of a subscription period the numbers of potential consumers are at the opposite end of the scale.

Capturing device data also enables operators to predict and proactively notify the user of potential issues before they arise, providing a higher hit-rate for self-resolution or mitigation suggestions.

When customer service is a differentiating factor it is vital that the customer experience is consistent, dedicated and professional at every touch point.



Figure 4 86% of users would rather be able to solve common issues by themselves rather than relying on a technician.⁶

Increase customer engagement

Although the role of the brick-and-mortar store is evolving, physical stores are not going away any time soon. Regardless of retail strategy – be it owned, mixed or largely franchised – brand stores typically contribute nearly 5 percent of total operating costs.⁷ With such a large impact on operating costs, every minute not spent on sales is a minute lost, meaning that diverting customer support issues to less costly channels becomes essential. In many cases, nearly 20 to 30 percent of all customer queries in a store are device support oriented.

In this aspect, providing effortless self-service capabilities is a key component to customer service. Most consumers expect – and want – to be able to fix issues on their own.⁶ Consumers demand effortless interactions over both web and mobile self-service channels, and the trend for self-service is in steady incline. As a comparison, in 2015 more than half of all hotel bookings were done online by the traveler themselves.⁸ By 2020, analyst firm Gartner predicts that customers will manage 85% of the relationship with an enterprise without interacting with a human.⁹

Regardless of industry, consumers expect to be able to self-serve. As an operator it is vital to make sure to give customers both get the direction and the tools they need to accomplish tasks by themselves.

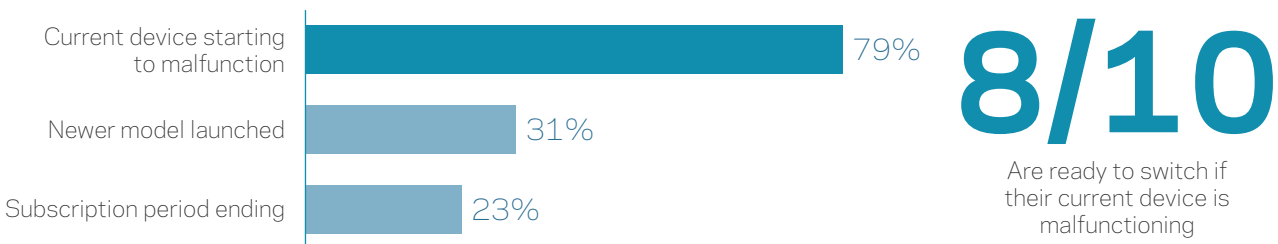


Figure 5 Device issues is a major driver for device upgrade. 79% of users state that they are ready to switch device if their current device is starting to show signs of malfunction.¹⁰



For operators who bundle devices as part of their subscription offers this is a stiff challenge – consumers are at loss for who to ask when they need service. Is it the operator who sold them the device, or the device manufacturer? If the manufacturer provides less than satisfactory service, the poor customer experience rubs off on the operator. On the other hand, managing customer support in stores is a costly business. This is especially

evident when it comes to maintaining high levels of technical competence in high rotation workplaces such as contact centers and stores.

To be able to manage this complexity and raise the quality of customer engagement in costly touchpoints, telecoms need to put as at least as much effort (preferably even more) into providing self-service for devices as they do in providing self-service for subscription-related issues.

Nurture customer interaction

In their trend for customer service analysis for 2016, research firm Forrester highlighted five key characteristics of good service: Good service, they write “...should be pain-free, proactive at a minimum and preemptive at best, deeply personalized, and delivered with maximum productivity”.¹¹

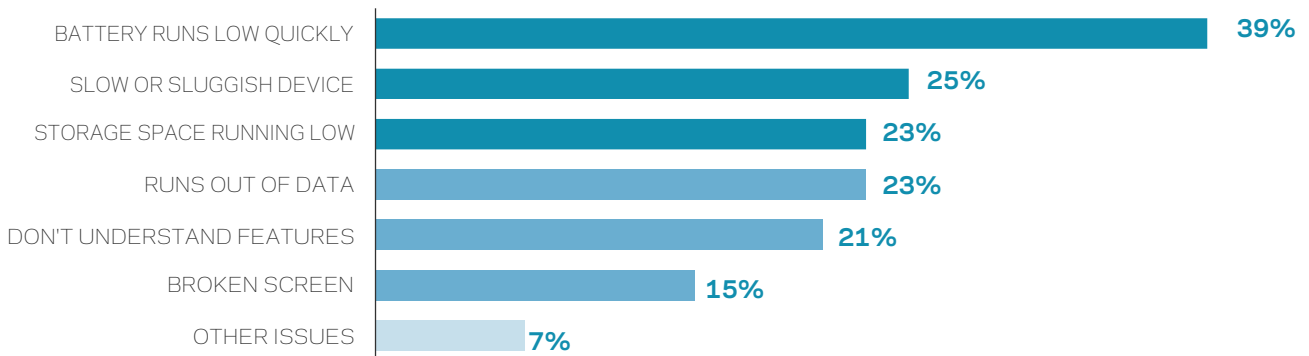


Figure 6 Understanding device issues and being able to interact with the user at key points in their device lifecycle is vital for providing superior customer care.⁴

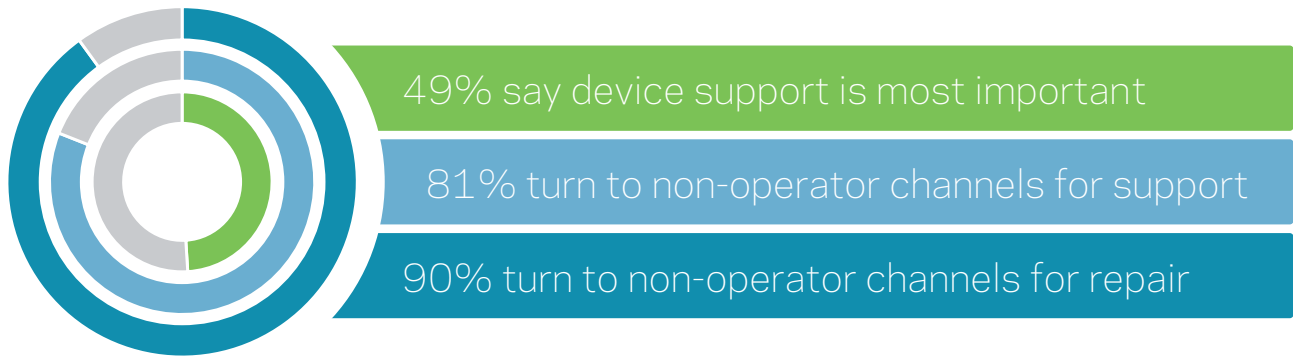


Figure 7 Users who experience issues stray from the operator ecosystem to solve their problems.⁴

Continuous engagement throughout the device lifecycle is the best remedy against potential customer churn. One of the key reasons for this is that many telecoms lose track of the subscriber over time as long as the subscriber keeps paying for the network access. Consumers on the other hand are constantly living with their devices, and if troubles arise they multiply their focus and effort in order to mitigate the problems.

As we noted previously, few telecoms even know that their subscribers are frustrated, let alone attempt to support them at this point. And in a state

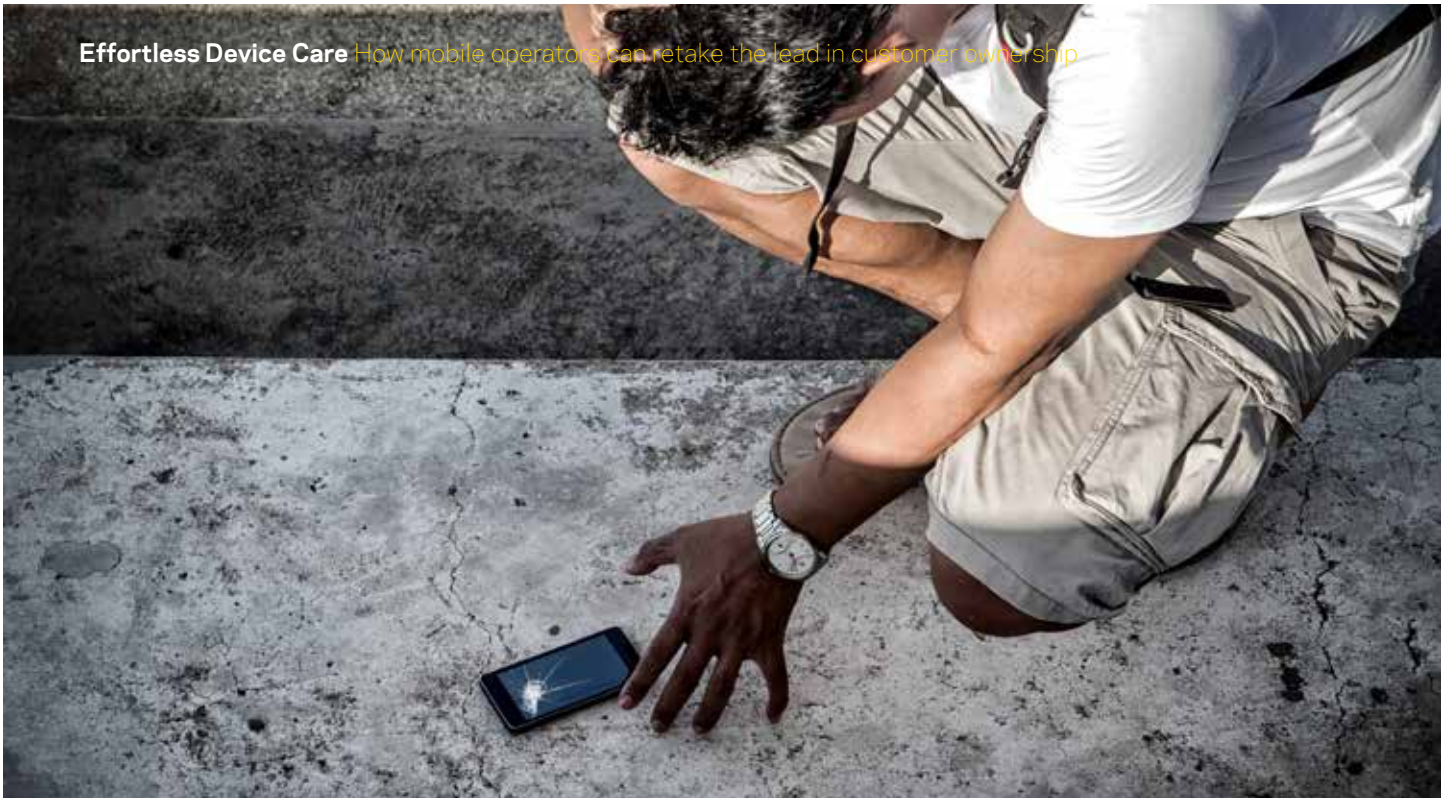
where one in seven customer risk to churn due to poor customer service, imagine the risk if those customers get no service at all. In today's social media landscape negative experiences get legs, nearly two-thirds of consumers who have had a poor customer experience share this with their friends.

When it comes to engagement, proactivity is essential. The ability to notify and engage users before serious issues arise is awarded with greater loyalty. As the device moves through the lifecycle, numerous issues will eventually frustrate the user - from deteriorating

battery performance to limited storage capacity. By notifying the user before issues such as these become critical, frustration levels can be managed and even if the user needs repair or other assistance, the ability to proactively guide the user to the optimal solution minimizes the risk of potential churn.

Proactive engagement is also essential in the ending stages of all aspects of the device lifecycle, regardless if it's the end of warranty, insurance period or subscription. By engaging the user proactively, potential issues can be turned into potential sales opportunities.





Untapping new revenue streams

Despite steadily increasing growth in traffic, most operators have been facing stagnant revenue levels over the past few years. Yet at the same time, users are spending more and more on managing their devices over time outside operator control. This is an ample opportunity for operators as there is already a potentially strong relationship between the operator and the customer that can be expanded to cover device aspects.

As smartphones have become commonplace, spending on smartphone repairs have skyrocketed, and in the US alone the repair market is valued at \$4 billion.¹²

The current fleet of smartphones has also opened up a market for previously owned models – more than 120 million devices were estimated to have been resold in 2016 alone.¹³ With an average resale value of \$140 this adds up to a market value of more than \$17 billion. Forecasts indicate that the

used smartphone market will grow four to five times faster than the overall smartphone market.

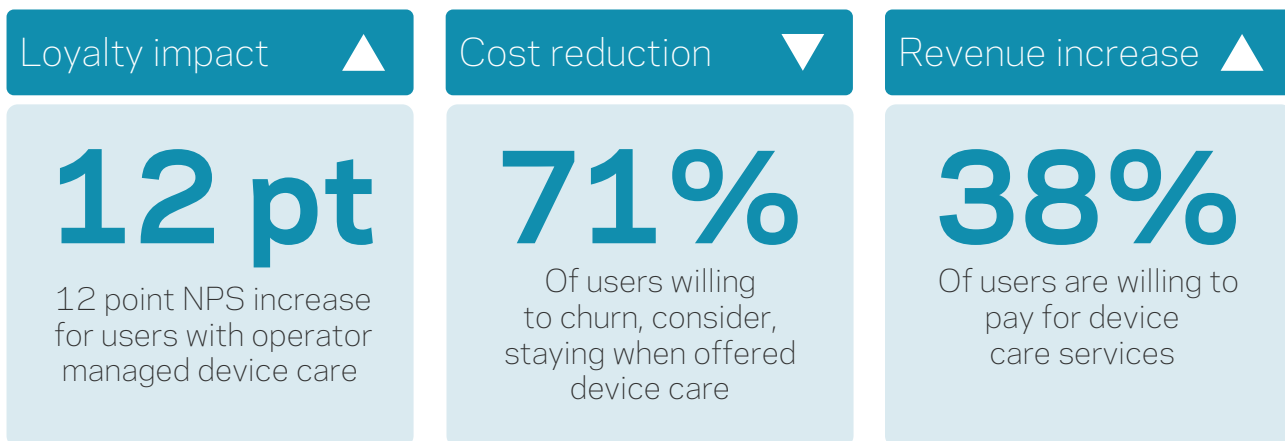
Most premium smartphones today are expected to have three or more owners in the coming years and the re-commerce market has been growing steadily over the past years.¹³ Many potential smartphone customers are looking at previously owned flagship models as an alternative to brand new second tier devices. This market can be fruitful for both consumers as well as operators as some models retain nearly 70% of their suggested retail price after as much as nine months.

With average sales prices for premium smartphones continuously at high levels – nearly \$700 for iPhones and over \$400 for Android equivalents – the smartphone insurance market is also booming. The insurance market is predicted to have an annual growth in excess of 10 percent in the coming

years, and the global market is valued at above \$31 billion.¹⁴ Users are looking for security and ways to ensure that they can keep device interruption at minimal levels.

Focusing on device care service is a vertical expansion of an operator's current offer, and services in this area can be developed and delivered with limited effort and impact on existing infrastructure and service partners. As opposed to smart homes and IOT this is a developed market that co-exists with the operator today.

The potential to claim a stake in these markets should be evident for operators looking for ways to untap new revenues. Not only is this an opportunity for revenue growth, but by seamlessly stitching together programs that focus on device lifecycle operators can strengthen the relationship with their customers.



Delivering the never without experience

Smartphone users expect a never without experience, where device interruption is kept at a minimum. But in order for this to be a compelling offer for the customer, the device care needs to provide an experience that is:

Automated – predictive and proactive, delivering smartness that makes owning a smartphone as easy and intuitive as can be.

Behavior centric – minimizing the effort for the user, providing only relevant information and actions.

Connected – seamlessly integrating all phases of the customer journey as well as continuously delivering value over time.

Delivered as a journey – ensuring that the user always is directed towards the desired outcome.

When it is, the experience is effortless for the customer and this will be repaid through increased customer loyalty, lower churn rates, as well as reduced service costs and new revenue opportunities.⁴

With this approach, an operator can move beyond being a network provider only, but also be the one that delivers a great customer experience throughout the device lifecycle, solving issues and truly caring about the consumer.

For the customer, the device is the center of their life. It's the first thing they check in the morning, and the last thing they check before going to bed – an operator that steps up and acknowledges this need will surely prosper and become the next generation telco.

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