VIEW POINT

TRANSFORMING TELECOMS WITH THE CUSTOMER IN MIND

Telcos have missed opportunities to transform in the past. 5G represents perhaps their last chance to reinvent their business as tech companies. Understanding customer pain points, developing new propositions and transforming the operating model around this will be crucial to success.

Telcos need a revolution in their business model if they are to survive in a world dominated by Google, Apple, Facebook and Amazon (GAFA). The stark truth is that they should have transformed five or even 10 years ago. With the advent of 5G and all the excitement that it promises, this is perhaps their last chance to reinvent their businesses as tech companies before they all go under the sand. To do this, they must really start listening to their customers, using both big data and thick data in intelligent ways to understand the context behind purchasing decisions. This then needs to inform new operating models that give customers what they want, when they want it.

Profitable companies are customer-centric

Of the top 250 companies analyzed by the Drucker Institute, Apple, Intel, Accenture, 3M, Procter & Gamble and Nike are at the top of the pile[1]. And on closer analysis, it's the customer-centricity metrics that differentiate these leaders from the competition.

Telcos should take note. Many are losing the brand battles against digital leaders.

During the corporate expansion in the '80s, '90s and '00s, telcos generated the consumer excitement necessary to build massive wireless and broadband networks. Now, staring wide-eyed as competitors fight them to the bottom on prices, and with digital leaders and chip makers taking advantage of their now seasoned business model ("dumb pipe company" is a prescient term used to describe many of them), they must remain humble and really start to listen to what their customers are saying behind closed doors.

To listen, they must tune their ears beyond the bagpipe shriek of big data — the natural battleground of the GAFA behemoths — and gain actionable, agile insights about their customers through "thick data" — finding the "why" behind customers' touch points.

If they can do this, they will move themselves up the service value chain and have a fighting chance to return to the top of the Brand Finance index.

A revolution in the telco brand experience

In 2018, Vodafone's brand value fell 14% while familiar names such as BT, Movistar and Deutsche Telekom drifted downward[2]. Connectivity alone has lost its luster, and gone are the days when simply improving the speed and quality of a network kept consumers happy. Today, the on-demand nature of big tech services and applications has made telco consumers much more experience-aware. They expect the world, and they usually get it. Everything from the movies they stream to the dishwasher detergent they use is offered at the touch of a button, wherever they are in the world. These individual experiences that they get from titans like Netflix and Amazon have raised customer expectations exponentially.

As we wrote in the report "5G: A threat to telco?" telecoms operators might be banking on the coming rollout of 5G, but most won't be able to afford it. To monetize the data shunted across their pipes, they must change their business model. Building ecosystems around the "internet of things" (IoT) or focusing on specific industries or services is one way to climb up the value chain. Merging with content providers to own the data is probably the most lucrative avenue — again, if they have the money in the bank. What is sure is that telcos must reinvent themselves beyond their traditional roots as carriers. As Australian Telstra CMO Joe Pollard said in 2016, "We need to evolve from a telco to a techo — we need to be a world-class technology company empowering people to connect."

In any of the scenarios mentioned, the vision for transformation must come from what the customers are really saying, not just what leaders and knowledge groups within the company think they want. Traditional analysis of big data such as viewing habits and call time must be complemented with the context that helps companies understand customer motivation and pain points.

Many telcos placed a number of bets on a wide range of technologies and ventures that they felt would bring their customers convenience and ease of use across the customer journey. These discussions took place in the boardroom, with data based on what their competitors were doing in the space. They invested hundreds of millions of dollars in video content rights and acquired IoT ventures in health care, logistics and manufacturing. They also built a bank of cloud-based services, including storage, web hosting, messaging and collaboration software. But they failed to determine what their customers really valued and the customers' underlying reasons for their behavior online and off. Without this holistic view, they forfeited the opportunity to innovate toward higher value, which only depressed earnings further.

In summary, customers' aches, pains and desires must be front and center, and to get this point of view, leaders cannot just huddle around a table and think that they are creating magic. Customers must be listened to before strategies are laid out. This design thinking is an outside-in vision in which front, middle and back offices all work together to provide a personalized and seamless customer experience. To get there, telcos must leverage their granular big data along with thicker, experiential data that contextualizes the user journey across all touch points.

Big data only gets you so far

Data analytics gives telcos an end-to-end view of every individual customer in near real time. Advanced solutions built on artificial intelligence and machine learning analyze the huge amounts of network data, giving telcos insights about customer experience. The customer-centric telco can leverage these insights to know precisely which customers are happy or unhappy with their services and act accordingly.

The most advanced telcos in the world have used this big data to implement a customer-centric approach. In the U.S., T-Mobile has deployed Ericsson Expert Analytics across their nationwide network of more than 72 million subscribers to monitor customer experience across all mobile services[3].

But this big data only gets telcos so far.

Thick data

At Apple, employees are encouraged to shadow their customers to better understand their needs, something known as ethnography. Here, the emphasis is on unraveling the real reason that led such and such a customer to make that buying decision at that customer touch point.

At a Mexican food manufacturer, referenced in our own study on how companies can employ ethnography, big data indicated that a new loyalty software platform was the solution to drive profits. Before accepting the big data analysis, ethnographic research was conducted to understand the customers as people — the motivations and feelings that led them to make a purchase. Through conversations and video diaries, the food manufacturer found that community, a sense of belonging and tips from local influencers were the keys to activating loyalty. Influencers were identified in each local market and were advised to tap into the consumers' natural sense of affinity and pride in their neighborhood. Once enforced, the software platform became useful and enabled scale. The result was a 45% increase in share of wallet.

Similarly, ethnographic — or thick — data is a quick way into the lives, feelings and motivations of telco customers. It builds on the what, when and how of big data, giving telcos a complete picture of why customers are using their services and whether they are likely to defect and go elsewhere.

Why should telcos use thick data?

Some big telcos see thick data as weak because of the small sample sizes available. Insights often conflict with insights from big data, which is typically carried out on millions of data points. Another problem is complexity. Thick data brings in very nuanced interrelations between data points, something that scares data scientists and business leaders alike.

In answer to these arguments, it is important to remember that what is obviously measurable isn't the same as what is valuable. With thick data, companies get an incredible depth of meaning and stories from their customer base.

And without a counterbalance of big data and thick data, business leaders start making decisions based on metrics derived from algorithms. In this whole optimization process, people, stories and actual experiences are all but forgotten.

Thick data provides answers to questions when the solution is hazy, going back to first principles to ensure that customers will actually like the new vision business leaders are mapping out for the transformation.

Questions such as "what do telco customers really crave?" are looked at from the experiential point of view. Instead of simply buying a contract to make long-range calls, thick data might find that customers are instead looking for a way to feel more connected to those that matter most in their life. This will affect the bundle of offerings and services they provide further down the line and will underpin key strategic decisions such as whether to merge with over-the-top providers such as Netflix or Hulu.

Perhaps customer loyalty comes down to whether the service provides minimal downtime, something that big data can point toward but that thick data clarifies. Customers working in Hong Kong on a security exchange, for example, might be shadowed over the course of a week, with frustrations and pain points clarified to a telco operative on the job. This might show that the fastest way to build the customers' trust and loyalty is to increase connection speed and minimize downtime; accordingly, the telco could prioritize investment in infrastructure and operations within that locale.

Overall, this sort of data will result in a more responsive and personalized service that customers didn't even know they needed.

Designing the new operating model

Thick data, by its very nature, is not captured in traditional focus groups that companies usually use to test trends and gather insights. It is also not the sort of data that business leaders think about when devising their digital transformation strategy. It brings in an entirely new paradigm, one where design thinking is used to change the culture, people and processes that make the company agile and truly disruptive.

For example, LGU Plus, the mobile arm of LG Corp. in South Korea, found that subscribers were interested in content on cooking, e-health and sports. Following the launch of these new services a few years ago, the company's average revenue per user increased 1.5 times, while its market share rose three percentage points.

Similarly, China Telecom, the country's largest fixed-line and third-largest mobile carrier, found, through forums and social media, that their customers were most interested in ultra-high-definition video streaming for manga cartoons. In 2014, it acquired a library of movies and other content, while adopting advanced video coding standards and other technology to deliver sharper picture quality and improve end-user experience. The service gained almost 2 million new subscribers in two years.[4]

Even outside of telecom, thick data enables firms to truly understand what shapes their customers are making in this brave new world and gives them the confidence to tailor their operating model accordingly. By constantly engaging with the people using their services, they can think laterally about new business models and underlying capabilities that will bring in more profit.

In summary, breaking free of the utility label takes a customer-focused transformation, alongside strategic development of new capabilities. Telcos cannot rely on historical data, or even massive data such as call duration, digital ad reach, social media engagement and website traffic, to understand customer behavior and meet their needs. Big data gives the what and how; thick data gives the why and ensures that predictions about customer journeys are not arbitrarily applied to unpredictable variables like personal motivations.

Once the customer is front and center and thick data has been analyzed to answer key customer desires and pain points (e.g., all customers want in the U.K. is a way to make free calls, together with media-rich messaging), telcos must support the new customer-centric vision from the very top. Leading figures from the telcos' partners, suppliers and vendors should be on board early in the transformation so that they can provide critical leadership at important moments, and so the revolution has top-down support to keep up the momentum.

Survival needs meaningful change

Perhaps the biggest barrier to any of this is that telcos themselves are not fully committing to the changes that are required. Efforts to understand the customer are more prevalent in the industry, but most are futile if not backed up by senior commitment to change the business and operating models.

Ultimately, it is the underlying feelings and motivations of existing and prospective customers that must be front of mind in the C-suite. Used correctly, thick data provides the confidence for them to act quickly and boldly.

References:

[1] *https://www.ft.com/content/da6fcd16-6b45-11e8-aee1-39f3459514fd*

[2] *https://www.wsj.com/articles/7-companies-that-do-everything-well-1543584502*

[3] *https://www.ericsson.com/en/press-releases/2018/2/t-mobile-us-deploys-ericsson-expert-analytics*

[4] *https://www.forbes.com/sites/outofasia/2017/09/14/for-todays-telecoms-companies-customer-experience-is-just-as-important-as-download-speeds/#6f243f0324dc*

Authors

Harry Keir Hughes
Senior Consultant – Infosys Knowledge Institute
Harrykeir.Hughes@infosys.com

Deborah Affleck
Senior Principal – Communications, Media and Entertainment
Deborah.Affleck@infosys.com

Note :

Infosys | Knowledge Institute

About Infosys Knowledge Institute

The Infosys Knowledge Institute helps industry leaders develop a deeper understanding of business and technology trends through compelling thought leadership. Our researchers and subject matter experts provide a fact base that aids decision making on critical business and technology issues.
To view our research, visit Infosys Knowledge Institute at infosys.com/IKI

Infosys®
Navigate your next

For more information, contact askus@infosys.com

© 2019 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.