

Experian survey: Trends in Telecommunication industry

July 2014



Trends in Telecommunication industry - survey results

Introduction

The economic downturn of recent years has hit the telecommunications industry hard and operators feel the pressure to deliver optimal low-cost performance.

Customer intimacy is no longer an option but a necessary step to ensure business success, and only the players that are able to use all available customer data assets meaningfully and consistently across channels can really achieve it.

In this environment, telecommunication risk managers are leveraging traditional loss prevention tools in more sophisticated ways: this includes new methods to transform their functions into profit centres in order to positively contributing to the growth of their companies.

The survey shows how operators have identified three main success factors:

- Increase revenues and margins, to be achieved through share-of-wallet and greater market share;
- Identify new sources of revenues –e.g. data monetization;
- Improve operational efficiency.

About this study

Experian has been working in partnership with telecommunications providers since the early 1990s and it has since grown its footprint significantly, currently helping well over 100 international telecommunications operators to find, acquire and manage customer relationships.

Since June 2012 Experian has conducted an annual industry survey¹ with a panel of telecoms professionals in a range of senior roles including C-level executives, Heads of Risk, Fraud, Revenue and Customer Management.

The objective of the annual survey is to explore what are perceived to be the most relevant business challenges for telecommunication professionals and what are considered the key relevant success factors under the current market conditions².

¹ Survey run in the occasion of the Experian International Telecom forum – June 2014
Universe: 80 professionals from 40 companies. Total respondents/companies: 28 (2012); 34 (2013), 30 (2014). Countries involved in 2014: BG, DK, ES, IT, NL, NO, PT, RCH, RU, SE, TR, RO, US, UK.

² On 2014 additional topics have been included in the survey in order to capture the evolving scenario. Additional questions submitted are about the use of advance analytics models and about the challenges connected with multi-channel customer interaction.

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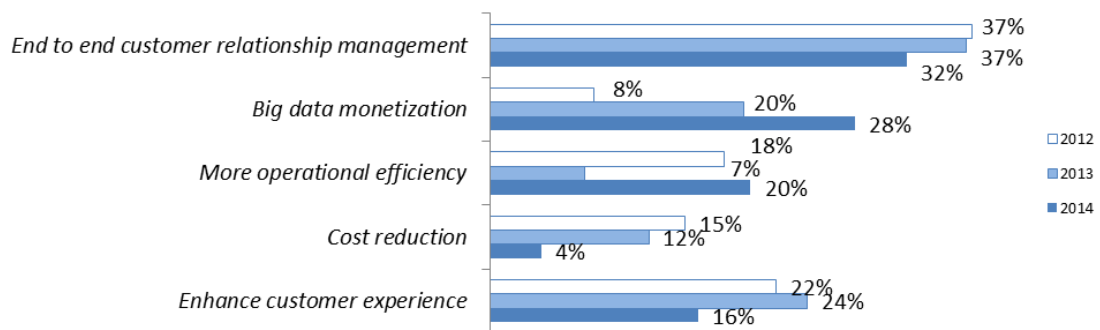
Key findings

Finding #1: Operational efficiency and big data monetization are recognized as main priorities for the Telecommunication sector.

The end-to-end customer relationship management is still considered a significant business challenge as in the past, however the results indicate a growing relevance of Big Data monetization - from 8% two years ago, to 28% in 2014, a rise of 250%.

In previous years most of the respondents focused on cost reduction, today the attention of operators has moved onto the need for Operational Efficiency.

Question 1: Which of the following do you consider to be the most significant business challenge?



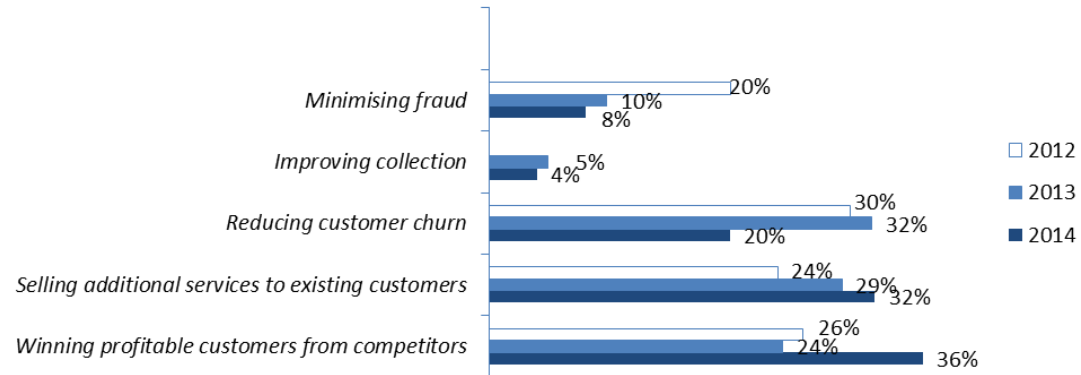
The big shift in data monetization shows how telecommunication players have now become aware that the huge amount of data they have access to needs to be turned into new sources of revenues as well as exploited to achieve much greater customer insight.

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Finding #2: Acquiring profitable customers and enhanced penetration in existing customer base is considered critical to improve margins.

Over a third of all respondents (36%) said winning profitable customers is the most critical factor to improve margins, while just under a third (32%) think that selling additional services to existing customers would make the greatest impact on margins.

Question 2: Which of the following factors do you believe to be most critical in improving margins over the next year?



The outcome shows how telecommunications are adapting to a changing market scenario: even a panel of credit and risk professionals is putting the acquisition of profitable customers and increased sales at the centre of their attention. The answer on fraud reduction seems to show that the increasing fraud issue (which is widely experienced in all markets) is perceived as already been addressed. A similar explanation could go for collection.

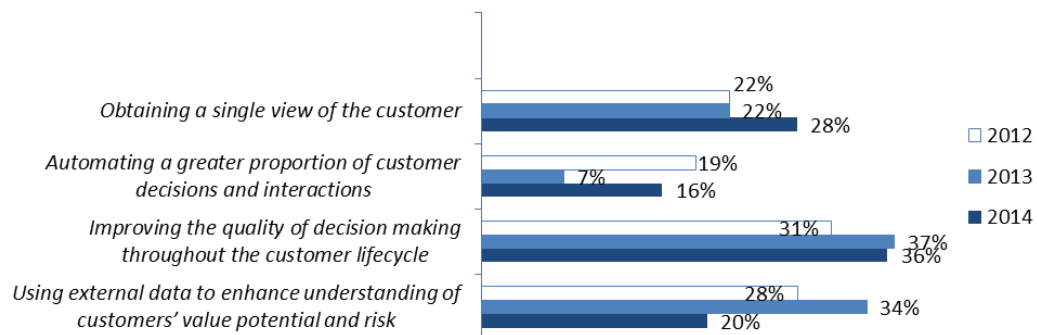
Credit and risk management in telecommunications is now not just about reducing losses but it is very much about increasing revenues and delivering value to the company.

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Finding #3: Most operators feel they would benefit from improved decision making to better understand the customer's value and risk

When asked what would provide the most benefit to their business, 36% feel that improving the quality of decision making is vital, while almost a third (28%) believe that obtaining a single view of their customers is critical, a rise of 27% from 2013.

Question 3: Which of the following activities would provide the greatest benefit to your organisation?



Improving client decision making is constantly perceived as key.

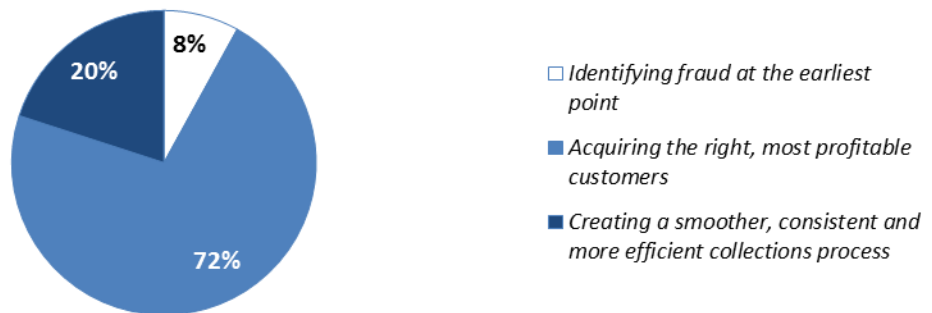
External data is still considered a relevant - probably even a necessary – capability, however the survey shows a growing focus on exploiting the potential of internal data, in order to achieve a single - and comprehensive - customer view.

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Finding #4: Most operators see the implementation of advanced analytics being beneficial in the customer acquisition phase.

Almost 3 out of 4 respondents see *advanced analytics* as providing the most benefits in identifying the most profitable customers at the point of acquisition.

Question 4: Which of the following do you believe analytics can benefit the most?



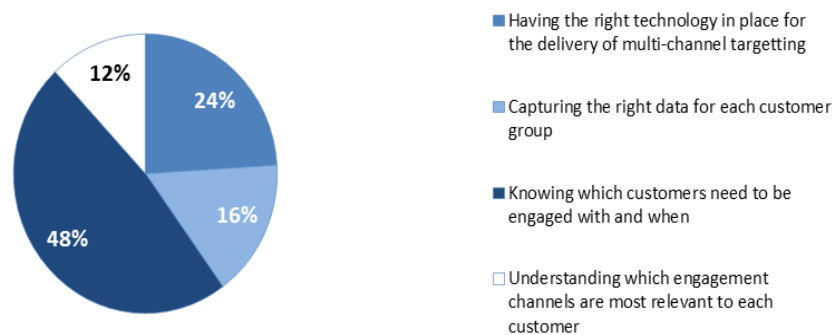
Operators maintain sharply focused on increasing the bottom line with profitable acquisition. Risk and fraud professionals are therefore interested in exploiting the benefits of advanced customer analytics to grow the value of their customer base and identify the most profitable customers.

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Finding # 5: To successfully operate within a multichannel approach, the key factor is knowing which customer needs to be contacted and when.

Almost half of all respondents (48%) agree that in order to deliver an outstanding multi-channel experience to customers, it is essential to understand which customers want to be engaged with and when. Almost a quarter (24%) thinks that having the right technology in place to enable reaching customers across a number of channels is more important.

Question 5: Which of the following do you consider to be most crucial in your effort to deliver an outstanding multi-channel customer experience?



The survey proves that even if tools and technology are important, the key element in multi-channel customer experience is being able to make accurate decisions – i.e. to identify the best customers and address their needs at the right time and with the right actions.

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Conclusions

The survey shows that credit and risk managers operating in the telecommunications sector are now more than ever focused on growing the company's bottom line and on creating value to their shareholders. Their function is no longer seen as a pure cost centre (a "necessary evil" to avoid unacceptable bad debt and losses) but it is seen a genuine profit centre.

The growing focus on data and its monetization is also a key point of attention in the 2014 survey.

Telecommunication companies are positioning themselves as the customer's data "caretakers". Such new role requires the customer's trust to have permission to use personal data. Trust is built by giving a fair compensation (not necessarily a monetary one) to customers, in a transparent way. In other words when operators ask for something as valuable as personal data, they must give something back in return that is equally valuable. That could be the right service, the right price, as well as safe protection from fraud.

In this way operators will have the possibility to use such a wealth of data for commercial use – and can turn it into a powerful business resource using the right tools and analytics.

By knowing exactly what the customers' needs are and having a single and comprehensive view, operators can identify the most profitable customers and target them with relevant sales offers and actions. This match is enabled by a timely and optimized decision process.

All of the above could seem relatively straightforward on paper but, in reality, it entails an overwhelming amount of complexity.

For Experian, the key to success is breaking down that complexity and turning it into a real competitive advantage:

- "Big" data must be turned into "smart" data using the right set of advanced analytics to achieve the full customer insight;
- Internal and external data sources must be exploited to their full potential and data sharing is no longer an option as it will benefit all telecom players, increasing their profits, reducing bad debt and losses and finally expelling from the market fraudsters and "professional" bad payers;
- Client decisions must be optimized: the old-fashioned "black-&-white" world has been replaced by a colourful scenario where decisions must be accurately tailored to the specific customer needs and profile.