Back to Basics for Communications Service Providers

Our latest primary research reveals how CSPs can distill meaning from consumers’ digital trails to better understand which product and service innovations will resonate and drive growth.
Executive Summary

After decades of expansion, communications service providers (CSPs) face market saturation and high levels of customer churn. Retaining current customers and selling new products and services are essential for growth, while reducing costs through digital support is needed to improve margins amid increasing competition.

Meeting these ongoing challenges requires a deep understanding of the services and offerings that are most critical to influencing overall satisfaction with a CSP. To provide this insight, we commissioned the first in a series of surveys on current subscribers of television, high-speed Internet and/or mobile services (see methodology, next page).

Among the key findings, and the implications, for CSPs:

- **Customers overwhelmingly prefer a telephone call over other digital support channels to engage with CSPs.** This preference extends even to the tech-savvy 18- to 34-year-old demographic.

  **Implications:** CSPs should not abandon voice before their customers are ready for digital channels. They should also examine the underlying reasons why customers prefer voice, such as the complexity of their service offerings and the processes required to manage them. Where cost-effective, they should consider simplifying these services, as well as developing truly useful self-service and automated troubleshooting.

- **Only 50% to 60% of customers are very satisfied with their CSPs,** according to our research.

  **Implications:** Improved customer service represents an opportunity for CSPs to retain their own customers, acquire new ones from competitors, and build the confidence required to sell new products and services to existing customers. Beyond sophisticated offerings and popular programming, CSPs must deliver on the basics of customer service: knowledgeable staff, on-time service and properly-done repairs.
• **Younger customers are among the least satisfied**, and the most likely to shift providers.

  **Implications:** CSPs must carefully weigh the lifetime value of younger customers against the short-term cost of providing them with high levels of customer service. They should also consider how to create competitive differentiation and build brand loyalty by providing quality digital access and support.

• **Roughly 50% of customers expressed interest in smart-home offerings.** Of those, only about half trust their current provider to offer the right technology to deliver such services.

  **Implications:** Customers require additional education about the value of smart-home offerings, as well as better customer service, in order to entrust their CSP with delivering these new services.

• **For all the attention paid to social media,** even younger customers do not regard it as a useful source of product or support information, or rely on it to form opinions of service providers.

  **Implications:** CSPs should take this as a challenge to leverage social media to build brand awareness and drive engagement by better understanding social media and consumers’ use of it.

A common theme in our recommendations is how the concept of a Code Halo™ – the digital information that surrounds every person, place or thing – can help CSPs understand customer needs, develop products and services to meet or anticipate those needs and create personalized service and support experiences. 2
Quick Take
Survey Methodology & Objectives

A 20-minute online quantitative survey was conducted with consumers in the U.S., UK and Canada from late November through early December 2013. To qualify, respondents needed to be 18 years or older and be a current subscriber of television, high-speed Internet and/or mobile services.

We received responses from 1,409 individuals. Approximately 64% live in the U.S., 22% reside in Canada, with the balance (14%) hailing from the UK.

Our objectives:
- To understand the types of contact channels leveraged and preferred for different support activities (i.e., billing, technical assistance, shopping).
- To understand the drivers that would lead customers to leverage their existing provider for connected-home services.
- To understand the behavior and impact of sharing experiences with service providers via social media.
Key Finding #1: Voice Support Still Rules

Consumers prefer to use the phone for most service queries, especially in the U.S. and Canada. The exception is browsing product and service offerings, where there is a preference for self-service via computer. This shows customers like to be in control — over a digital channel — to browse products at their own pace. But when consumers want to report a specific problem or place an order, they prefer fast, personalized, expert action from a real person rather than generic self-help (see Figure 1).

Given the complexity of wireless call plans, or the mysteries within the average cable bill, it’s no wonder customers want to ask for human assistance. CSPs cannot abandon phones as a support channel. But they should look for ways to rethink and simplify their services, or the underlying provisioning and support processes, to make it possible to provide these services (where appropriate) through digital channels. Conversely, for customers and/or products that are worth the cost, quality phone support might be a differentiator for some CSPs.

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The results hold hidden opportunities for greater self-service. For example, respondents cited a higher preference for self-service than their actual use of it, indicating they might use self-service if it were easier to navigate and more effective. Also significant is that men had a higher preference for self-service than women, raising the possibility of self-service offerings geared to the services they use most.

Preferred Contact Channel

<table>
<thead>
<tr>
<th></th>
<th>Social platform (Facebook/Twitter)</th>
<th>Online request forms</th>
<th>Self-service via smartphone app</th>
<th>Chat</th>
<th>Self-service via computer</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>7%</td>
<td>6%</td>
<td>36%</td>
<td>48%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>6%</td>
<td>27%</td>
<td>61%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-34</td>
<td>6%</td>
<td>24%</td>
<td>63%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Base: 1,409 respondents
Source: Cognizant survey
Figure 1
Important takeaways from our research include:

- Consumers contact their service providers rather infrequently. For most consumers, it is less than once per year for any particular issue.
- Contact trends by age show no significant variance across product categories (TV, Internet, mobile), nor between men and women.
- All age groups equally prefer self-service options.
- Younger age groups prefer chat and mobile apps more than older groups.
- Results showed a direct correlation between the number of devices used and customer acceptance of chat and mobile apps as alternate support channels.

To reduce call volumes for high-frequency contact groups, the most appealing optional channels are self-service online, chat support and mobile apps.

Despite their desire to move customers to lower-cost digital service channels, CSPs ignore customer preference for phone support at their peril. CSPs should consider simplifying their products and processes to make digital support channels more attractive. Fixing such problems may also reduce customer churn. In the UK, for example, “complex renewal” was the third most common reason for switching TV providers. CSPs might also consider building easier “off-ramps” from digital browsing to digital purchase or support.

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- **Challenge surfaced:** Customer confusion will only increase as CSPs, in search of revenue, provide more and more services over a wider choice of devices. Consider, for example, a customer attempting to download a movie from a CSP to a wireless gaming console for viewing on her TV. When she experiences problems, the cause might lie anywhere from the ISP to the wireless router to the gaming console – but it’s the CSP that will get the call.

  > **Resolution:** CSPs can tap the information generated every time a customer uses a service or requests help to determine which services are most popular. Using predictive analytics, they can detect and solve problems before they generate expensive support calls. Real-time analysis of service calls and their resolution can help CSPs track which combinations of devices and services cause the most problems and the steps required to remediate them. This data can also help CSPs and their technology partners to create automated, self-service troubleshooting and diagnostics techniques that improve the customer experience while reducing support costs.

**Key Finding #2: The Young Are Unsatisfied, Fickle and Demanding**

Younger customers pose a dilemma for CSPs. As Apple has demonstrated, it is important to build brand loyalty while consumers are young, to increase the likelihood of selling them more lucrative products and services in the future. But when it comes to communications service providers, younger customers are among the least satisfied and the most likely to switch carriers. This raises the difficult
questions of whether it is worth attempting to retain such customers, and how to do so profitably.

In particular, our survey reveals that customers under 35 express the lowest satisfaction with their current providers, and are also the most likely to contact their providers. As a result, this population presents a challenging combination of high support costs and low loyalty/high churn.

Important takeways from our research include:

- Customers under the age of 50 indicate lower levels of satisfaction with providers and display an increased propensity to switch providers.
- Nearly half of all customers aged 18-34 have made a service change across all products in the last two years.
- Younger consumers contact their service providers more frequently than do older consumers.
- More than twice as many respondents in the 18- to 34-year-old category contacted their service provider for tech support once a month, as compared with the 65-and-older demographic.
- For billing and recharge questions, almost one-third of those aged 18-34 contacted their provider once a month, compared with 10% of those 65 and over.

- **Challenge surfaced:** Because younger customers require high-touch interaction and are more likely to churn, interactions with them need to ensure their satisfaction and retain their business. CSPs that invest in understanding the real needs of younger customers, again considering the simplification of some products or processes, can “thread the needle” of meeting their demands without imperiling margins.

- **Resolution:** Because younger users are most likely to be heavy users of social media and also frequently contact their CSPs, they continuously generate digital trails – or Code Halos – about everything from their favorite music and games, to which brands they follow on Facebook. CSPs can tap this data to un-

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**Propensity to Churn by Age Across All Services**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Within last year</th>
<th>Within 1-2 years</th>
<th>More than 2 years</th>
<th>Never</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>33%</td>
<td>13%</td>
<td>19%</td>
<td>35%</td>
</tr>
<tr>
<td>35-49</td>
<td>23%</td>
<td>9%</td>
<td>30%</td>
<td>38%</td>
</tr>
<tr>
<td>50-64</td>
<td>11%</td>
<td>8%</td>
<td>33%</td>
<td>48%</td>
</tr>
<tr>
<td>65 and over</td>
<td>8%</td>
<td>7%</td>
<td>41%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Base: 1,409 respondents  
Source: Cognizant survey  
Figure 2
understand which services (such as text, video download or photo-sharing apps) they use most, and proactively deliver personalized services and experiences to them. By delivering new services to customers “before they know they need them,” CSPs can offer the types of hyper-personalized experiences that young customers have come to expect from other industries, such as banking and retail.

**Key Finding #3: The Basics Matter**

Overall, 50% to 60% of consumers are very satisfied with their CSP. In the U.S. and Canada, satisfaction levels are consistent across all services. In the UK, respondents were less satisfied with Internet and mobile services than with TV service, while quality of service was a much more frequent reason for changing providers than price, compared with the U.S. and Canada.

It's important to note that the top influences on satisfaction include knowledgeable customer support reps, and timely installation and repairs, cited by 60% to 70% of users of all three services. Achieving this requires basic (though expensive and challenging) blocking and tackling. The bottom two influences were personalized experience on the CSP’s Web site and frequent supplier solicitations for feedback (see Figure 3).

### Consumer Feel-Goods

- **Knowledgeable customer support representatives**: 68% (Television), 68% (High-speed Internet), 68% (Mobile)
- **Timely installation and repairs**: 61% (Television), 69% (High-speed Internet), 61% (Mobile)
- **Easy billing/recharge/account management options**: 65% (Television), 60% (High-speed Internet), 65% (Mobile)
- **Short waiting time on customer service calls**: 64% (Television), 64% (High-speed Internet), 64% (Mobile)
- **Proactive communication on downtime/service disruptions**: 57% (Television), 59% (High-speed Internet), 57% (Mobile)
- **Consistent experience/response across channels**: 59% (Television), 58% (High-speed Internet), 59% (Mobile)
- **Flexibility in contract duration, pricing and service plans**: 63% (Television), 56% (High-speed Internet), 56% (Mobile)

(Percent of respondents who rated the attribute's influence on satisfaction as either 4 or 5 on a scale of 1-5, with 5 being "highly important.")

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*Base: 1,409 respondents
Source: Cognizant survey
Figure 3*
Timely installation and repairs was the most important aspect of customer satisfaction for high-speed Internet customers. A short wait time on service calls is important in all countries, and even more so for the Internet and mobile as compared with TV. While financial compensation or free services were seen as the most effective responses to service difficulties, less expensive alternatives such as an email offering an apology can also be very helpful.

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Mobility services generally received lower grades than phone and TV, while fiber received the highest satisfaction rates, which may reflect how much the CSP has invested in each (see Figure 4). The oldest customers were the most satisfied, which may present an opportunity to offer them additional services, such as smart-home, security and remote medical services.

- **Challenge surfaced:** Carriers need to create a balance between expanding customer service options and providing a high level of phone support. However much they would like to, CSPs cannot afford to abandon or de-emphasize phone support when it is so critical to customer satisfaction and retention.

- **Resolution:** Once again, Code Halo thinking can empower CSPs to understand where they are doing well and falling short, as well as the root causes of service issues. This data ranges from complaints on social media, such as Twitter and Facebook, to reports of average handling time from CRM and help desk systems, to the number of “truck rolls” required to solve various problems. Much of this data is already being gathered and analyzed, but often as isolated silos of information rather than as an integrated whole, to understand the customer’s overall perspective.

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**Satisfaction Levels with Providers’ Service**

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Canada</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>57%</td>
<td>53%</td>
<td>61%</td>
</tr>
<tr>
<td>High-speed Internet</td>
<td>57%</td>
<td>56%</td>
<td>53%</td>
</tr>
<tr>
<td>Mobile</td>
<td>58%</td>
<td>53%</td>
<td>52%</td>
</tr>
</tbody>
</table>

Base: 1,409 respondents
Source: Cognizant survey
Figure 4
• **Challenge surfaced:** Meeting customer expectations for quality service might also require difficult, expensive or risky changes, such as increased staff training or dramatic changes to marketing or pricing strategies. For this reason, getting the basics right will require commitment from senior management to drive the necessary changes.

  > **Resolution:** CSPs must understand that as they boost the number of services they provide, as well as the number of devices on which they offer services, they create more complexity and opportunity for problems. It is important to ensure that their customer service and repair reps are up to the challenge of supporting these complex new services. Finally, they should not over-estimate the effectiveness of self-service solutions until they have been proven successful. A poor self-service experience may do more harm to customer retention, whereas a well-handled, though more expensive, phone call would have the opposite – and desirable – impact.

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**Key Finding #4: The “Smart Home” Window of Opportunity**

Between 50% and 55% of customers are interested in smart-home services (i.e., security, appliance management, healthcare), and 48% of interested customers indicate that offering so-called connected-home services would increase their satisfaction with their current provider.

The ability to control utilities and to monitor home security generates the greatest interest, with more than half saying they are somewhat or very interested in the ability to view reports on areas such as cost savings and energy consumption. Younger customers are the most likely to be interested in these services. In the U.S., 60% of respondents who are interested in connected-home offerings would trust their provider to deliver a high level of service, and about the same percentage says they are confident their provider would offer the right technology.

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Reliability and ease of use are the most important factors contributing to a great connected-home experience, with data privacy and 24x7 phone support forming a second tier of consideration. In the U.S., training on how to use the service joins that second tier (see Figure 5, next page).

With everyone from established players (such as home security firms) to new entrants (such as Google and Cisco) jostling for customers, CSPs should begin work now. This includes identifying the core competencies and capabilities they bring to the market, identifying partnerships where necessary, and ramping up the required marketing and support functions.

• **Challenge surfaced:** The emergence of the “Internet of Things” puts today’s homes, and homeowners, in the middle of an ever-greater stream of digital in-
formation about everything from their energy use to neighborhood crime to the new restaurant down the street. Creating a holistic view of a household and its possible interest in connected-home services, in light of its geography, demographics and previous service usage patterns, would create a powerful tool for allowing providers to aggressively target customers and define a path to “owning the home.”

Resolution: CSPs should be creative and look for specific use cases offering immediate and apparent benefits in convenience, cost savings and safety. Consider, for example, a service that tracks a homeowner’s location from his smartphone and turns on the air-conditioning just in time to cool down the house, without wasting energy by turning it on too soon. Another possibility is a smart thermostat that links to a cloud-based analysis of heating oil price and temperature trends, timing the household’s oil purchases for the lowest cost without running short of oil.

The investments required to develop and market smart-home services could, in part, be justified by new revenue streams, such as selling data generated by appliances about failing parts to manufacturers or repair service providers. Identifying homes that are both in high-crime Zip codes and have a significant amount of children’s TV viewing could provide a specific subset of customers to whom home security services would be appealing.

Key Finding #5: The Social Media Myth

Conventional wisdom says younger customers turn first to their peers on social media to form opinions about products and get help with them. This is not so for communications services, according to our survey.

This could change, however, if CSPs find creative ways to use social media to solicit feedback on products and services, to offer support and even new services. As they face this challenge, CSPs should consider, for example, that at least half the respondents agree or somewhat agree that social media is effective for sharing

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### Reaction to Potential Providers of Connected-Home Services Among Interested Consumers

<table>
<thead>
<tr>
<th></th>
<th>Trust my provider to provide a high level of customer service</th>
<th>Confident that provider would get the technology right</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>Canada</td>
</tr>
<tr>
<td>TV</td>
<td>60%</td>
<td>52%</td>
</tr>
<tr>
<td>High-speed Internet</td>
<td>64%</td>
<td>58%</td>
</tr>
<tr>
<td>Mobile</td>
<td>44%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Percent of respondents who rated their trust as either 4 or 5 on a scale of 1-5, with 5 being “high level of trust.”

Percent of respondents who rated their confidence as either 4 or 5 on a scale of 1-5, with 5 being “high confidence.”

Base: 1,409 respondents
Source: Cognizant survey
Figure 5
opinions on products and services and that they would feel valued if their provider responded to their complaints on social media. Three out of five consumers in the U.S. and UK visit social media at least once per week. This ratio is even greater in Canada, where three in four consumers visit social media at least once per week.

Important takeways from our research include:

• The top sources for receiving information related to communications services are television, supplier Web sites and family members.
• For both visiting and posting content, social media Web sites are more popular than blogs or online communities.
• For all countries surveyed, consumers post on social media much less frequently than they visit the sites to read content posted by others.
• About one in six consumers have expressed an opinion regarding communications services on a social media site.
• Only about one in 10 consumers agree that their satisfaction with communications providers is impacted by others on social media. Even among those visiting social media sites at least weekly, fewer than one in five say they are influenced by others.

• **Challenge surfaced:** Social media is a prime example of a Code Halo created voluntarily, consciously and in real time, by the younger customers that CSPs want and need to retain. Through their choice of social media “likes,” comments and tweets, CSPs can gain valuable insight into how young consumers communicate and which brands and products they prefer. Social media also provides a valuable channel for CSPs to offer and promote simplified solutions, such as self-service diagnostics or even individually customizable service plans.

• **Resolution:** CSPs should not be discouraged by the current low use of social media to discuss and rate their performance. They should consider it, instead, as an untapped, long-term opportunity to better understand their future customers to deliver value-added services and a brand image that will keep them loyal over time.

**Looking Forward**

CSPs are facing market saturation, fickle customers and new competitors. Yet they are in an enviable place. They sell the devices and the communications channels over which so much of our digital life is conducted. The fact that customers still prefer traditional voice support to digital self-service channels, and value the basics of well-informed service reps and timely service more than fancy digital offerings, is not bad news. It is, instead, an opportunity to use the wealth of information flowing across their devices and networks — digital insights and virtual attributes contained in Code Halos — to understand customer needs and serve them better.

Rather than try to move as many customers as quickly as possible to digital service channels, CSPs must consider which of their customers and services best fit the digital self-service model. They can also use data about service usage and service failures to better predict and prevent failures, and to provide self-diagnostic and even self-healing technologies where possible.

The challenge for CSPs is to do a better job of gathering, analyzing and acting on customer Code Halos. When properly (and transparently) used, this information can help them both deliver the basics of solid customer service and provide insights into innovative services that will drive growth down the road.
Footnotes

1 The range reflects a divergence of consumer responses across the three geographies surveyed (U.S., UK and Canada), as well as a variance across products (mobile, Internet and TV) and responses in cases where consumers used two different services.


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