The Telco industry's quest for digital transformation.

The impact of the omni-channel consumer world on Telcos' customer service programs.

NUANCE®

A rough ride for Telcos

Telecommunications service providers – both Telecom and Cable providers of Internet, video, voice and wireless service, commonly referred to as "Telcos" — have had a rough ride in recent years. This highly concentrated, highly regulated industry has experienced a series of disruptions, both from technological change and from the regulatory front. Both currents have brought increasing notoriety to what is widely seen as one of the industry's greatest liabilities: its reputation for deficient customer service.

This white paper will provide perspective on the impact of the omni-channel consumer world on Telcos' customer service programs, as experienced by three global leaders in telecommunications, and how Nuance engagement solutions support them.

Telcos have had to compete more aggressively in recent years as markets for their services have become saturated. There are few opportunities for Telcos to generate entirely new business; most of their gains come at the expense of competing Telcos. However, winning over competitors' subscribers is expensive compared to maintaining existing relationships and upselling new, higher-value services to them. These trends, along with recently imposed regulations and new competition from disruptive industry newcomers, have forced Telco executives to concern themselves with the "resonance" of their brands among consumers – perhaps as never before. Resonant brands are trusted and give customers a sense of emotional connection.

Seeking to achieve that emotional connection, Telcos are actively investing in customer engagement, especially online. The industry's leaders are major players in the adoption of omni-channel technologies for customer relationship-building and service delivery – voice, mobile, SMS, email and web channels. These brands have embarked on their digital transformation journey incorporating tools like online chat and automated self-service that allow the customer service organization to more effectively manage the large volumes of customer interactions.

These tools enable Telcos to deflect high percentages of their support call volumes away from the phone queue and toward more cost-efficient chat interactions. Chat and other online engagement solutions reduce costs and increase customer satisfaction through smarter, faster problem resolution (often on the first contact) and provide ample opportunities for chat agents to upsell other products and reinforce promotional campaigns. Call deflection not only benefits the Telcos, but it delights the customer to utilize more efficient digital channels of communication.

An industry driven by economies of scale

A fundamental characteristic of telecommunications is the benefit of economies of scale. Concentration is a fundamental tendency in the Telco industry, and outside the largest population centers, many markets remain virtual monopolies. Although content can be transmitted in several different ways (e.g., via cable, open air broadcast or satellite), for each medium, there is little benefit in building out redundant capacity.

Competing Telcos share major components of the infrastructure. Therefore, the predominant technological narrative in telecommunications has been the convergence of voice, video and Internet into a combined digital offering, with the industry's largest players vying for positions as broad-based providers of digital content – not just channels of delivery.

With convergence came a wholesale change in corporate strategy. It is no longer enough to succeed as a telephone service provider, a content broadcaster or an Internet service provider. A radical integration has taken place, with essentially all of the major providers aspiring to evolve into multifaceted voice, data, information and entertainment content, and digital marketing channel providers.

Until recently, these powerful Telcos faced only minimal risk of market disruption. Now consumers – especially millennials – have begun to resist the major cable companies' bundling strategies and are "cord-cutting" – dropping cable television service and consuming video and audio content, the so-called "over the top" (OTT) services from companies like Netflix and Spotify via the Internet.

In the face of this new trend, Telcos have been under pressure from the investment community to take full advantage of their market power to maximize earnings, often at the expense of their service organizations. It probably was inevitable that Telcos would acquire a reputation for minimal investment in customer service, and minimal commitment to customer satisfaction.

In recent years, however, many Telcos have found that customer complaints about service had begun to erode their brands, and have taken steps to reverse this perception. The gradual shifting of Comcast branding toward Xfinity, Verizon toward FIOS and AT&T to U-Verse can be seen as attempts to escape negativity toward the older brands.

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A turbulent period
2014 and 2015 were turbulent years for Telcos. Recent surveys among consumers have shown that Telco brands are not resonating as consumer brands, but must in order to generate an image of value. Changes in technology and in entertainment consumption habits have threatened the market shares of some of the industry leaders.

The industry learned in the last 18 months that it was approaching its limits for industry concentration – at least in the US – and that a reputation for poor customer service can be more than a drag on brand resonance.

Digital disruption

Telcos have undergone the transition from landlines and desk/cable-bound Internet services to mobile, which is rapidly becoming the predominant platform for voice, data, video, music streaming and digital marketing. The consulting group Forrester Research projects that there will be more than 5 billion individual mobile subscribers by 2019 (many of whom will use multiple mobile devices.)[1]

Today, Telcos face further disruption from unconventional players who arose not from the traditional telecommunications industry, but from the content publishing, broadcast and information technology fields. For example, Google is becoming a significant player in fiber-optic Internet delivery, and reportedly will enter the wireless business.[2] Other entrants like Netflix, Skype, and Sling TV threaten to upend the dynamics of the Telco business. Many of them do not own the infrastructure they use to provide services, but have brought original business models and approaches that affect the way Telcos price and market services.

Forrester reports that three-quarters of all Telco executives expect continued disruption to their business from digital technology in 2014 and beyond, especially in the parts of the business most connected to the customer and technology.[3] It is likely to come from competitors with newer, trendier brands – and a more customer-centric approach to business.

Brand resonance

Telcos have some of the most established and most widely recognized global brands. They are not, however, highly resonant brands.

Forrester asserts that Telcos must establish brands that give customers a feeling of emotional connection, of membership in a community centered on the brand – in order to meet customer retention goals that will be essential to their growth. In an April 2015 report, the firm found that the major Telcos have generated brand resonance that is mediocre at best; none of them were among the highest quintile for resonance, although Telco brands resonate better with their current subscribers than potential customers. Also, Telco brands resonate more with millennials than with older consumers, although they do not generate high rates of loyalty in either demographic.[4]

Forrester's research suggests trust is a powerful driver of brand resonance. AT&T and Verizon are well-trusted brands, according to Forrester, but in general the industry has not distinguished itself in this respect. Consistency and reliability are key drivers for brand trust – particularly the ability to provide:

– "A consistent experience every time I use the brand,"
– "Flexible and reliable service times," and
– "Stable pricing with few rate increases."

5Billion

Forrester Research projects more than 5 billion individual mobile subscribers by 2019.

1 Forrester Research, "The Global Mobile Revolution Is Just Beginning," Thomas Husson, April 16, 2015.
2 Washington Post Blog: "Google is serious about taking on telecom. Here's why it'll win." Brian Fung, February 6, 2015. http://www.washingtonpost.com/blogs/the-switch/wp/2015/02/06/google-is-serious-about-taking-on-telecom-heres-why-itll-win/
3 Forrester Research: "Digital Business 2014 — Telecommunications Industry."
4 Forrester Research, "Telecom Brands Are Not Connecting," James L. McQuivey, April 14, 2015.

Forrester measures success in generating positive brand sentiment by three criteria:

– **Preference over other brands:** Whether a consumer is likely to choose a brand's product. Forrester views preference over other competitive brands as the ultimate indicator of a strong brand.
– **Referral:** How likely a consumer is to recommend the brand to friends and family. Forrester sees brand referral as highly influential because consumers trust brand recommendations from friends and family above all other channels of communications.
– **Willingness to pay a premium price:** How likely a consumer is to pay more for a brand's product or service when a competitor's offering is less. Forrester considers the ability to command a premium price a sign of a strongly differentiated brand.

These attributes stem from providing useful, high-value, innovative services, and it will be critical for Telcos to move away from business practices that have tended to alienate consumers, such as inflexible, confusing service bundling and incomprehensible billing. But there is an obvious connection between each of these criteria and the customer experience the company provides.

Forrester ranking of brands in the Telecom industry
Forrester Research publishes regular survey analyses on brand resonance in various markets, using its proprietary TRUE Brand Compass (TRUE being a composite of the brand attributes "Trusted, Remarkable, Unmistakable, Essential"). In the 2014 survey, Telcos' brand resonance scores were lack-luster – suggesting a strong incentive to improve their customers' experience. Highlights:

– No Telcos achieved higher than "follower" brand status; only AT&T and Verizon scored that high.
– Current subscribers rate their Telcos higher than prospective customers.
– Nonsubscribers ranked 8 out of 10 Telco brands as "Laggards."
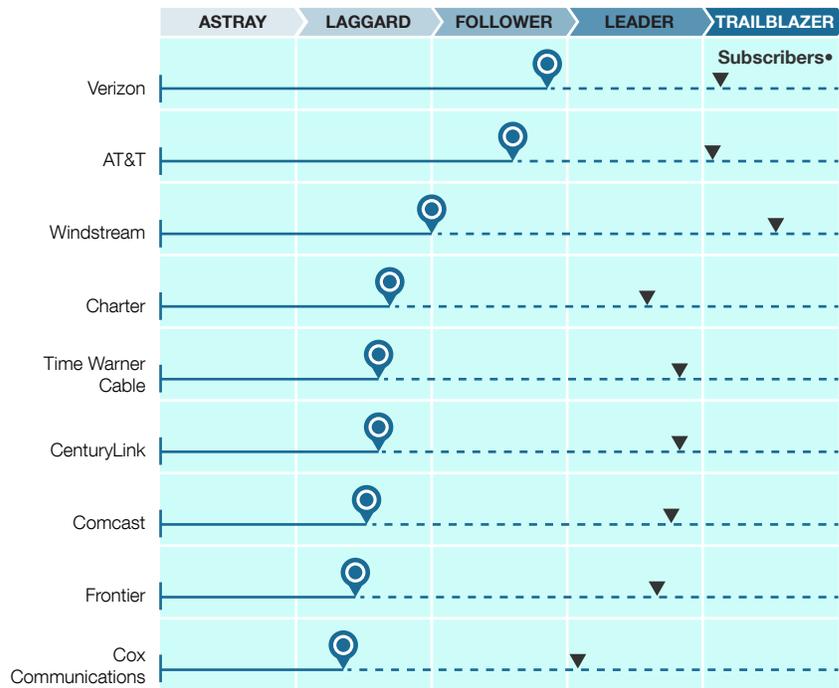– Millennials rate Telcos higher than older respondents – but are more likely to be "cord cutters."[5]

5 Forrester Research, "Telecom Brands Are Not Connecting," James L. McQuivey, April 14, 2015.

The TRUE brand compass ranking of brands in the telecom industry[6]

Ranking legend

TRAILBLAZER	At the forefront of brand building with a unique and distinct brand identity that sets it apart from other brands
LEADER	Very stong brand with clearly defined brand North Star and a consistent brand experience
FOLLOWER	Strong brand direction but not standing apart from other brands
LAGGARD	Falling behind on the brand building journey
ASTRAY	Lost sight of the North Star; must recalibrate direction

⊙ TRUE brand compass ranking

	ASTRAY	LAGGARD	FOLLOWER	LEADER	TRAILBLAZER
					Subscribers•
Verizon			⊙		▼
AT&T			⊙		▼
Windstream		⊙			▼
Charter		⊙		▼	
Time Warner Cable		⊙		▼	
CenturyLink		⊙		▼	
Comcast		⊙		▼	
Frontier		⊙		▼	
Cox Communications		⊙		▼	

Base: 4,507 US online adults (ages 18+) who are aware of the brands
*Base: US online adults (ages 18+) who are subscribers of each respective brand's services

Source: Forrester's North American Consumer Technologies® Brand Compass Survey, Q3 2014
• Because sample sizes for subscribers fall below 100, consider these results directional.

6 McKinsey & Co.: "Why companies should care about eCare," Raffaella Bianchi, Davide Schiavotto and Daniel Svoboda, August 2014. http://www.mckinseyonmarketingandsales. com/why-companies-should-care-about-ecare

Building customer engagement online

Telco executives recognize that to maintain share in an increasingly compet-itive market space, and to reduce the friction associated with their moves into new geographic markets, they must improve the perception of their brands. To accomplish this, richer service bundles and ever more hyperbolic promotions will not suffice. They must provide a more engaging customer experience.

For an organization as large and complex as a top-tier Telco, the economic reality is that only so much can be done to improve the experience of live tele-phone customer service. It is imperative that these companies drive as much of the customer care process online as possible. Fast, friendly and reliable service will be a crucial driver for brand resonance. In telecommunications, as in many other industries, the most effective medium for service delivery is omni-channel—a combination of voice, mobile, email and web channels incorporating tools like online chat and automated self-service that allow the customer service organization to manage large volumes of customer interac-tions quickly, intelligently and in increasingly personalized ways.

The global consulting firm McKinsey, in its annual eCare surveys, has found that Telco customers are likelier to be satisfied with service provided through digital channels (76%) than with interactions over traditional channels (57%). Unfortunately, it seems few consumers are aware that digital service channels are available to them. In the same surveys, McKinsey found that only 15% of Telco customer care interactions are entirely digital.[7]

The availability of online engagement tools such as live chat enables the company to deflect callers from the phone queue, reducing call-center vol-umes and eliminating one of the most cited sources of consumer frustration with their Telco providers: long wait times. Effectively trained chat agents can successfully manage several chat sessions simultaneously, and often provide more useful solutions than do phone agents. They can offer guidance through co-browsing and delivery of instructional content to the caller through the desktop, tablet or mobile device. And rapid problem resolution gives the agent the opportunity to push upsell or cross-sell materials to the caller, reinforcing promotional campaigns and converting more customer contacts into new sales.

Nuance customer engagement platform brings together content, online engagement, co-browse and self-serve engagement into one direct delivery solution. This platform enables multiple conversion solutions, a configurable client interface, and intensive behavior tracking. The combination provides a dynamic, flexible solution to identify optimal engagement opportunities and deliver a competitive customer experience.

Nuance mobile engagement technology allows customer service to engage consumers on smartphones and tablets and serve up helpful, personalized chat and self-service experience wherever they are. Nuance mobile engage-ment tools are branded and customized for each implementation. Mobile, however, is only one part of the omni-channel experience — the Nuance solution suite covers multiple channels such as the Website, email offers, smartphone, tablet, catalogs and in-store shopping. Nuance technology is designed to ensure that a customer's experience is consistent across all devices, but relevant to the specific device at the same time.

Through its Agent Services, Nuance provides contract staff for client cus-tomer service organizations. Nuance agents have exceptional training and access to workforce management tools that sharply increase their efficiency.

In telecommunications, the most effective medium for service delivery is omni-channel.

76%

Satisfied with service provided through digital channels.

57%

Satisfied with interactions over traditional channels.

Helping industry-leading companies establish consumer engagement, conversion and support across the omni-channel space is the mission of Nuance.

80%

of top telecommunications brands work with Nuance to deliver online engagement solutions for sales (converting browsers into buyers) and customer care.

7 J.D. Power & Associates, "J.D. Power Reports: Customer Service Re-Contact Rate Is Rising among Wireless Customers" (press release), February 6, 2014.

Nuance also works with the brand's agents to train them on the tools and effective consumer engagement best practices.

The members of the Nuance Telco and Media practice bring decades of industry experience in the telecommunications industry across every channel and discipline (including online, call center, marketing, sales operations, client services, training, QA, and analytics), as well as deep experience in transactional Website usability.

The Nuance solution doesn't end with implementation. The team continuously tests and rigorously optimizes the online experience to increase conversion and improve customer experience. The Nuance digital optimization specialists continue to mine Voice of the Customer data to capture optimization opportunities and implement them with the client.

Client experience

Telecommunications companies implement omni-channel service in a variety of ways, with a variety of objectives and metrics for success. One of the most commonly cited metrics is the first contact resolution rate — the percentage of customer contacts in which the customer's issue is resolved by the first agent who touches it, on the first call (or chat). Research has consistently shown that Telcos tend to struggle with this.

The J.D. Power 2014 U.S. Wireless Customer Care Full-Service Performance StudySM, published in February 2014, found that customer contacts lasting less than five minutes had dramatically higher customer satisfaction ratings than those that lasted more than 15 minutes, or that required a second contact. The need for a re-contact can cause customers to switch carriers when they have the option. Unfortunately, among Telcos, the customer service re-contact rate has been climbing since 2011.

First contact resolution is one of several key metrics the Nuance platform is designed to address directly. The following user stories illustrate the flexibility and adaptability of the Nuance solution.

CASE STUDIES

Closer identification with the brand

The core objective for one leading UK entertainment and telecommunications company was to improve website sales and to support the brand with outstanding customer care. The firm needed not only to increase revenue but to build closer bonds between the brand and its customers, to make that growth sustainable. Key metrics included:

– Improved online conversions and increased incremental revenue; and
– Higher customer satisfaction.

The company specifically sought to reinforce its brand and culture in all customer interactions. It was crucial for Nuance to understand the difference between US and UK chat habits (British chat sessions tend to be short and to the point, compared to American chats) and to support the brand's informal, irreverent culture.

The company ultimately engaged Nuance to support the entire purchasing lifecycle for broadband, TV, telephone, and bundled services — roughly 50,000 customer interactions per month.

Better calibrated problem resolution

Another leading telco, long an industry upstart, launched a program in 2013 that enabled customers to end their contracts at any time, for any or no reason. The company clearly needed to provide the best possible customer experience to reduce the risk in this ambitious policy. The telco saw an opportunity to better leverage chat as a customer engagement tool, improving the speed and reliability of problem-solving for customers, and serving customers as cost-effectively as possible, while increasing customer satisfaction. Therefore, they engaged Nuance to improve its analytics and reporting.

Nuance worked directly with the brand's social customer support team, which leverages a variety of social and online channels, but relies on chat to make the telco more available and responsive to customers wanting online help.

The company saw Nuance more sophisticated analytics as a means to continuously monitor customer satisfaction with their online support, and to continuously fine tune it to address issues quickly and accurately. The brand frequently surveys customers to gauge their satisfaction both with service and with the brand; they saw Nuance chat as a way of increasing customer participation in these surveys.

Impressive results
This major telecom brand credited the Nuance service platform and analytics with:

20%

20% jump in survey completion

2 min

2 minute reduction in average wait time

2.5 min

2.5 minute reduction in issue resolution

6%

6% increase in resolution rates

40%

40% increase in service levels

Higher satisfaction at lower cost

At one of the largest and most diversified Telco companies in the US, already committed to chat as a service medium, the core objective was to increase chat agent efficiencies, handling an enormous volume of contacts while improving customer satisfaction ratings. The key driver was scale – the solution needed to handle massive numbers of contacts without allowing the customer experience to degrade or costs to mount.

Critical factors clearly would include call deflection – the ability to drive customers away from the phone and into online support where chat is front and center. Also, the team had to make customers comfortable with self-service tools to resolve basic issues for themselves. The support team needed to be able to prioritize calls – so customers with the highest upsell potential could be moved to the front of the queue, especially at times of high call volume.

The company relied on the Nuance platform and services to provide a sophisticated business rule strategy to analyze the behavior of customers on the support site and identify those requiring priority services. Priority visitors are given proactive service through the chat engine, while lower priority customers are offered reactive (Click to Chat) service. In addition to tracking online behavior, customers are prioritized according to profiles based on past customer interactions (contract expiration, autopay, early termination, high churn score, etc.).

With Nuance technology, the telecom company's site traffic increased by 17%. And despite a drop in agent headcount, chats per hour increased 15%. Additionally, call deflection increased by 75% with site visitors using live assistance, creating a $1.3M call deflection savings.

Results achieved at one of the largest and most diversified Telco companies in the US:[8]
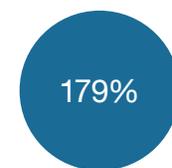
75%

75% increase in call deflection.

17%

17% increase in site traffic.

84%

84% issue resolution rate.

20%

20% increase in chat interactions.

179%

179% agent cumulative utilization.

8 Market-leading Telecom case study: http://www.touchcommerce.com/our-resources/case-studies/telecom

Conclusion

Driven by rapid product innovation in both the wireless and broadband sectors, Telco and Media companies today are looking for ways to maintain a competitive edge among fierce competition and waning subscriber loyalty. The most effective way to stand above the crowd is through market-leading customer experience. In the telecommunications market, as in most markets today, consumers are demonstrating that they hold the reins. They are digital, they require immediate response and they will not wait in the queue for customer service.

Nuance has a proven record of successful program execution across both sales and customer care within the telecommunications industry. We have successfully executed large scale deployments for some of the world's biggest telecommunications companies in the past few years with thousands of chat agents for major brands. This success is based on consistent delivery of superior business value, innovation, and operational excellence.

Some of the most successful Telcos have taken aggressive action to step into the 21st Century with Nuance solutions. Advanced business rules are implemented to address pain points on the Telco Website on desktop, tablet and smartphones. Application of proactive chat, reactive chat (Click-to-Chat), emailed transcripts, and full integration across Sales, Care, Order Support, and Technical Support channels provide seamless customer experience that drive consumer-centric philosophy while enhancing self-service education and adoption.

Nuance omni-channel customer engagement solutions enable telecommunications industry leading brands to extend the reach of their customer service organizations, providing faster and better service at substantial cost savings, and to take advantage of their scale of operations to build market share and retain it in the face of changing marketing tactics from their conventional competitors, as well as technological disruption by the market's newcomers.

About Nuance Communications, Inc.
Nuance Communications is reinventing the relationship between people and technology. Through its voice and language offerings, the company is creating a more human conversation with the many systems, devices, electronics, apps and services around us. Every day, millions of people and thousands of businesses experience Nuance through intelligent systems that can listen, understand, learn and adapt to your life and your work. For more information, please visit nuance.com.

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