The New Consumer Evaluation Model for Communications Service Providers

By Inés Guzmán
Convergence is a global marketplace dynamic in which different companies and sectors are being brought together, as both competitors and collaborators, across traditional boundaries of industry and technology. The age of digital media, along with the associated trend toward "100 percent data" and other factors, is accelerating this phenomenon, and has in turn disrupted the consumer evaluation model for communications service providers (CSPs), posing major challenges and opportunities.
Globally, CSPs' traditional revenue sources are on the decline, while new, non-traditional entrants are challenging their business model by delivering new communications-related services to the consumer. To these issues, moreover, is added one challenge all businesses are increasingly facing in the digital age: providing a personalized, superior customer experience that is interchangeable across channels and that educates, engages and provides value.

These findings are supported by our eighth annual Accenture Global Consumer Pulse research, conducted in late 2012. We surveyed more than 12,000 consumers in 32 countries in order to gain insight into the reasons underlying these challenges for all types of providers. While the enterprise dimension—of the employee as consumer—is a separate and valid issue, our survey's focus was on the consumer as consumer, reflecting:

- The changing dynamics of today's consumers, and providers' challenges in effectively attracting and retaining customers.
- Consumer preferences regarding how they like to interact and engage with providers, the frustrations they experience and how often—and why—they have switched providers.

Our survey found continued challenges for companies seeking to build customer loyalty, including consumers' growing tendency toward complete or partial switching, and a tendency toward frequent re-evaluation of providers. These issues exist across industries, including but not limited to CSPs. Consider these issues confronting wireless communications providers, for example:

- A large majority of consumers, nearly two thirds of respondents, find themselves more inclined to re-evaluate providers, compared to two years ago.
- Only 27 percent of wireless customers feel very loyal or would recommend their providers.
- While about half of wireless customers (48 percent) have done business with one provider over the past three years, almost as many (46 percent) have used two or three providers.
- Twenty-six percent of wireless customers have engaged in complete switching of providers, and 26 percent have engaged in partial switching.
- And 58 percent of consumers who made a wireless purchase considered two or more providers.

These findings are consistent with Accenture's observations of the communications industry in recent years. While CSPs are continuing to pursue emerging growth opportunities, including growing revenue from their current customers and acquiring new customers, many CSPs are struggling to gain and retain enough customers to fuel the growth they and their shareholders expect. CSPs face a sobering reality: Many of their existing, "tried and true" customer acquisition and retention strategies are not keeping pace with today's digital consumer, who is perpetually in motion, more technologically savvy than ever and increasingly difficult to predict.

As a result, many CSPs are struggling to provide a customer experience that will increase consumer loyalty, create brand promoters and drive up their net promoter scores.

A New Model for CSPs' Understanding of Customer Behavior

Consumers, influenced by the same technology factors that are accelerating industry convergence, have changed considerably in the past few years. They are more empowered, have higher expectations, are more connected to companies and each other and are more globally diverse.

Yet many CSPs still operate based on a decades-old, "one size fits all" service model and legacy platform that prevents them from responding effectively to the evolution in consumer needs and behaviors.

One evident difference in today's consumers is their non-linear path to purchase. This path used to be illustrated by the traditional marketing and sales "funnel," which begins with awareness, moves through consideration and evaluation and ends with purchase and retention. By contrast, while today's buyers still move through these same stages of the journey, they no longer leave the process at the accustomed exit of "purchase"; instead, they continuously cycle through the stages of the journey, without ever exiting the evaluation process.

Accenture's Nonstop-Customer Experience Model (see Figure 1) reflects the phenomenon of convergence, and provides a new model for CSPs' understanding of customer behavior. It illustrates how today's consumers behave, and how their journey has fundamentally changed in three significant dimensions:

1. The customer's journey is now dynamic.
   As recent Accenture research confirms, there is a strong trend toward multi-functional electronics devices,2 which permit near-constant engagement with information about consumers' potential purchases. Enabled by technology, customers expect to interact with providers interchangeably across channels, from web to call center to retail and mobile, depending on their needs at any given moment. Consumers' pathways can be direct, but more often than not are nonlinear—as consumers enter and exit relationships with providers via much less predictable points, or as they circle back to choices made previously. Customers frequently check out other options online while in a retail store; in the wireless industry, for example, more than a fourth of customers who search for information in-store end up buying through a different channel.

2. The journey is more accessible.
   More content than ever is being put in front of customers, much of it beyond any given service provider's control. Amplified and empowered by technology, the "voice or noise of others" is increasingly insistent and influential. It is available anytime and anywhere, and it can come from or through anyone.

3. The journey is continuous, because the touch points consumers are exposed to are "always on."
   As a consequence, evaluation of new products and services, not purchase, is now the focal point. Consumers can more easily compare a provider's promise versus delivery, and how well the overall experience matches up to their own expectations. There is a downside to this, however: it's easy for customers to become trapped in a state of endless evaluation. Faced with that frustration, consumers react differently: they may make a purchase driven by emotion or habit, buy something based on the last or "easy-to-grasp" information they processed, delegate their choice to others or simply walk away.

The preceding three dimensions, taken together, are the new drivers of differentiation. The new rule of thumb is that to be differentiated, CSPs need to excel in addressing at least one of these three consumer dimensions, while being at least proficient in addressing the other two. Being merely "good enough" in addressing just two of the three dimensions is not sufficient to differentiate CSPs from their competitors. Thus, it is critical for companies to evaluate and measure—from a consumer perspective—how well they respond to these dimensions, and thereby gain the ability to differentiate themselves in today's new customer dynamics.

**Figure 1 | New dynamics of today’s customers**

**Dynamic**  
Enabled by technology, consumers control pace of decisions; paths to buying are not linear and choice becomes almost effortless.

**Accessible**  
Technology amplifies and empowers the “voice or noise of others.” Content goes beyond brand’s and provider’s control.

**Continuous**  
The flux of touch points is “always on” along the journey. It is easy to compare promise versus reality, but also to get “trapped in evaluation.”

Source: Accenture’s Nonstop-Customer Experience Model. © 2013 Accenture. All rights reserved.
Four Different “Lanes” on Customers’ Nonlinear Evaluation Highway

To understand today’s consumer behavior, CSPs need a new model that accommodates its increasing dynamism and complexity. CSPs need to stop thinking they have a “one-lane highway,” leading from evaluation through purchase, that accommodates everyone equally. Instead, CSPs need to design and maintain distinct “lanes” that accommodate the varying degrees to which different consumer subsets have embraced digital technology. These subsets include:

Lane 1: Digital Consumers, often seen most clearly in emerging markets, who have completely embraced digital technology and use it as a powerful tool to learn about and purchase new products and services. They are likely to use multiple channels, especially social media and mobile devices, to communicate with providers and evaluate their purchases before making them—and are the most likely to switch providers if their expectations are not met.

Lane 2: Transitional Consumers, seen more typically in developed markets, prefer to use the same “do it yourself” channels as digital consumers for research, purchases and service. While they will fall back on traditional channels if forced to, they tend to view such approaches as “speed bumps” that slow them down and frustrate them. Despite their relatively high loyalty to providers, these speed bumps may also cause them to switch, if given the right incentive.

Lane 3: Experimental Consumers, the largest group in developed markets, have historically relied on traditional channels and capabilities, but selectively “experiment” with digital channels where it improves their experience.

Lane 4: Traditional Consumers, who generally rely on traditional channels to interact with their providers—including, for example, preferring to shop in traditional, physical retail stores and to speak with live representatives in call centers in order to resolve an issue.

Within the new consumer evaluation model for CSPs, members of these four broad customer subsets respond in different ways, moving at their own speeds and along distinct pathways. Faced with endless evaluation, customers also develop distinct behaviors: some may buy by habit or emotion, while others “delegate” decision-making. However, the growing reality is that consumers’ touch points are “always on”; and they find it easier than ever before to re-evaluate their options.
Which Factors Cause Customers to Switch Providers

Constant consumer evaluation during this continuous journey also explains why, despite positive customer service sentiment, switching continues to rise. Reviewing why consumers chose their new providers, after switching took place because of poor service, our survey found that service is not the only driver. As our survey of wireless customers shows (see Figure 2), there are many factors that cause customers ultimately to choose a new service provider.

Overall, consumers are finding more and more varied reasons for choosing new companies—an indication that churn/switching is not just about defection due to dissatisfaction, but also due to promises of better offerings elsewhere.

With the constant evaluation and availability of content, the pressure is on CSPs to provide a superior customer experience—one that is consistently engaging, manages multiple channels effectively and continuously delivers customer value:

- Fifty-one percent of consumers said they found it very frustrating when they were exposed to inconsistent experiences or treatments when using different channels, and 55 percent said they were not likely to consider a provider who was responsible for such treatment.
- Seventy-four percent of consumers find it very or extremely frustrating when providers promise one thing but deliver another; and 73 percent say that they are very likely to consider switching providers after such an experience.

Figure 2 | Factors that made customers ultimately choose new service providers

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good competitive pricing</td>
<td>48%</td>
</tr>
<tr>
<td>Good value for the money</td>
<td>40%</td>
</tr>
<tr>
<td>High quality customer service</td>
<td>34%</td>
</tr>
<tr>
<td>High quality products and services</td>
<td>27%</td>
</tr>
<tr>
<td>Broad products and services range</td>
<td>18%</td>
</tr>
<tr>
<td>Services not required</td>
<td>17%</td>
</tr>
<tr>
<td>Tailored customer experience</td>
<td>14%</td>
</tr>
<tr>
<td>Skilled workforce aware of needs</td>
<td>14%</td>
</tr>
<tr>
<td>Trustworthy</td>
<td>13%</td>
</tr>
<tr>
<td>Easy to do business with</td>
<td>12%</td>
</tr>
<tr>
<td>Informative communications</td>
<td>7%</td>
</tr>
<tr>
<td>Innovation</td>
<td>6%</td>
</tr>
<tr>
<td>Engaging communications</td>
<td>6%</td>
</tr>
<tr>
<td>Sustainable business practice</td>
<td>6%</td>
</tr>
</tbody>
</table>

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How CSPs Can Consistently Deliver a Superior Customer Experience

Just acknowledging the dynamic and non-linear nature of the digital consumer is not sufficient. Given the accelerating impact of convergence, CSPs must consistently deliver a superior customer experience by managing the “digital consumer experience” in a more thoroughgoing way. CSPs, along with other providers, need to develop a range of “digital on-ramps” that can provide customers with tailored new ways to learn about, evaluate and interact with providers.

For despite the fast adoption of new digital and mobile technologies, consumers continue to use multiple channels—both digital and traditional—when looking for providers; and more than half (57 percent) find it very frustrating when they are not able to access the channels of their choice.

Our research found, in fact, that consumers on average use up to six different channels for prospecting, with a majority relying on both digital and traditional channels. Companies thus must provide a range of on-ramps from which customers can choose.

Our research highlighted three on-ramps that are critical to customer acquisition, regardless of situation:

1. Social media.
   In this year’s study (see Figure 3), 27 percent of wireless consumers said they use social media to learn more about providers and brands.

2. CSPs’ own company or product/brand website.
   Our research showed that, though often overshadowed by discussions of social media, company websites are used by 55 percent of wireless consumers to gather information about providers and brands.

3. Online evaluation or review sites.
   As shown in Figure 3, 37 percent of wireless consumers say they use expert review sites, news sites or product comparison sites to help them form opinions on companies and brands.

While our research shows these three channels are critically important, merely using all these channels is not enough. To prevent consumer frustration, CSPs must also strive to maintain consistency across all these channels. And beyond that, they must understand the role each channel plays in a given customer’s journey, and the specific value the channel has to each person.

Figure 3 | Use and importance of information channels when learning about wireless companies’ products and services

What information source did you use to learn more about/evaluate the product you wanted to purchase? Check all that apply.

<table>
<thead>
<tr>
<th>Information Channel</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate websites (brand, product sites, etc.)</td>
<td>55%</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>44%</td>
</tr>
<tr>
<td>In-store information</td>
<td>42%</td>
</tr>
<tr>
<td>Advertising on TV and radio or in newspapers and magazines</td>
<td>40%</td>
</tr>
<tr>
<td>Online information (expert review sites, news sites, product comparison sites, etc.)</td>
<td>37%</td>
</tr>
<tr>
<td>Online information from social media sites</td>
<td>27%</td>
</tr>
<tr>
<td>Online banner or pop-up ads or linked to search queries</td>
<td>19%</td>
</tr>
<tr>
<td>Direct mailings or telemarketing</td>
<td>14%</td>
</tr>
<tr>
<td>Did not look for additional information</td>
<td>6%</td>
</tr>
</tbody>
</table>

Base=2,178 wireless customers who purchased in last six months
Source: Accenture, The 2012 Accenture Global Consumer Pulse Research Study. © 2013 Accenture. All rights reserved.
To help keep customers “driving” and spending on its own expressway, each CSP must develop offers and interactions that connect with consumers’ specific intentions and contexts. Indeed, for many consumers, a tailored experience is critical to a strong customer relationship. In developing such a tailored approach, CSPs start with the strategic advantage of having access to a mix of rich and dynamic data relating to customer needs, preferences and location. At the same time, they must be very careful in the way they use this data.

The need for this critical balance emerges clearly from our survey results. On the one hand, a large group of consumers state clearly that they expect providers to use the information they have about the customer in order to make offers more relevant and tailored to customer needs. For example:

- Just under half of consumers said they have higher expectations today of getting specialized treatment for being a “good” customer, while 50 percent said it is extremely important for companies to have customer service people who know their history based on information they have previously provided.

- Forty-seven percent of consumers said they would consider it very frustrating to realize that a company “is not using the information it has about me to make interactions and offers more relevant to me.”

However, consumers also want to control the way in which providers use personal data. Forty-one percent strongly agree it is important that companies “give me the flexibility to control how my personal information is used to tailor my experience”; and 69 percent say they would find it very frustrating “to realize that the company cannot be trusted on how to use personal information I provided them.”

Using Personal Data to Tailor Each Customer's Experience
Figure 4 | What wireless service providers could have done differently in order to keep their customers

In your opinion, could your previous service provider have done something that would have kept you as a customer?

<table>
<thead>
<tr>
<th>Yes: 87%</th>
<th>No: 13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Would not have impacted my switching decision</td>
<td>May or may not have impacted my switching decision</td>
</tr>
<tr>
<td>Would have impacted my switching decision</td>
<td></td>
</tr>
</tbody>
</table>

Global

- Resolved my issue(s) in the first contact
  - Yes: 69%
  - No: 11%
  - May or may not have impacted my switching decision: 20%

- Recognized and rewarded me for doing more business with them
  - Yes: 47%
  - No: 18%
  - May or may not have impacted my switching decision: 35%

- Offered me preferential treatment (such as platinum or gold service levels)
  - Yes: 60%
  - No: 14%
  - May or may not have impacted my switching decision: 26%

Mature Markets

- Resolved my issue(s) in the first contact
  - Yes: 68%
  - No: 8%
  - May or may not have impacted my switching decision: 24%

- Recognized and rewarded me for doing more business with them
  - Yes: 43%
  - No: 20%
  - May or may not have impacted my switching decision: 37%

- Offered me preferential treatment (such as platinum or gold service levels)
  - Yes: 57%
  - No: 13%
  - May or may not have impacted my switching decision: 30%

Emerging Markets

- Resolved my issue(s) in the first contact
  - Yes: 70%
  - No: 12%
  - May or may not have impacted my switching decision: 18%

- Recognized and rewarded me for doing more business with them
  - Yes: 50%
  - No: 18%
  - May or may not have impacted my switching decision: 32%

- Offered me preferential treatment (such as platinum or gold service levels)
  - Yes: 61%
  - No: 14%
  - May or may not have impacted my switching decision: 25%

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Needed: An Integrated Approach to Managing the Customer Experience

These new approaches to tailoring the customer experience require new tools and skill sets as well. In the parlance of our highway analogy, companies need to equip and outfit “road crews” with the tools they need to proactively build on-ramps, provide ongoing maintenance to the lanes, and quickly repair potholes when they form. This road crew must differ from traditional customer-facing teams in three important ways:

1. The road crew must embody new skills.

To address today’s customer analytics, CSPs, like other types of providers, need to develop new capabilities in social media, mobility, analytics and cloud solutions—the so-called “SMAC suite”—which are the fundamental drivers of customers’ changing behaviors. Customer-facing functions need to be skilled in leveraging these SMAC capabilities so they can:

- Follow, sense and guide customers, efforts in which mobility and analytics play a key role;
- Listen, filter and curate content via social media; and
- Optimize services and experiences through context-based cloud services and experience-as-a-service solutions.

2. The crew must also be more agile.

It must set an example for the rest of the organization regarding how to operate at the speed of customers. For example, the road crew should be responsible for more quickly sensing when potholes are developing—by monitoring social media sites or looking at behaviors of specific customer segments—and mobilizing quickly to “patch the holes” before they become too large, and force too many people to exit the highway. CSPs need the agility to use what they know about the customer to understand and respond to individual consumers at any point of interaction, thereby delivering the most relevant and differentiated experience. Such agility requires more scalable and flexible operations—something many CSPs continue to struggle to create.

3. Finally, the crew should have a broader mandate.

Instead of simply looking at data from each functional area and interaction channel (Web, Social, PoS) independently, the road crew should view the business in the same way the customer does: evaluating every aspect of the spend the company makes in the name of the customer experience, and doing so from a customer’s perspective.

And likewise, these three customer-facing functions should be integrated, and led by a single leader who can impact results across all three.

In conclusion, despite the challenges we have outlined, switching is not inevitable, nor is it a mystery what companies can do to reduce it. Although there certainly are cases where a company cannot keep a customer from leaving, wireless consumers in our survey said that 87 percent of the time, providers could have done something to forestall the switch due to poor service (see Figure 4). Two in three consumers indicated that if a provider had simply resolved their issue on the first contact, they would most likely not have left. And about half said that being recognized and rewarded for their level of business would have prevented their switching to a faster digital lane.

Importantly, these actions are not those taken at the “save desk” (or at the top of the “off ramp”)—the moment at which customers are trying to switch, which history suggests leads to a very low success rate. Instead, it is critical to realize that because today’s digital consumers are nonlinear and constantly evaluating, such action needs to be taken throughout the course of the customer journey—“ongoing, preventive road maintenance”—in our highway analogy—to prevent potholes from forming in the first place.
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