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Why Customers Churn: Realities About Experience, Blended Services, and Globalization

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The latest news: Facebook.com is worth more than BEA Inc, Qwest Communication, and many other infrastructure technology companies! Contradicting what annual revenue sheets may suggest, this news means that a business grown on attracting millions of subscribers around the ordinary act of socialization is perceived as more valuable than one producing the technology enabling such successes. We are compelled to compare the offerings of these organizations:

- The ability to connect a network of thousands of applications providers into a platform for revenue sharing and operational processes versus that of building products for established markets and customer bases.
- The business of services and applications reaching niches for which marketing tools have not yet been invented versus that of continuously improving performance of products and deliveries to maintain and slightly increase the number of customers buying them.

It is not hard to guess the darling of the day! As we have experienced from the past, this network can be very fickle and perception and experience drive value. Subsequently perception has become critically important in today's multi-channel-delivered, social-networks-influenced, Internet- and mass media-supported information distribution. A highly engineered communication channel can be impacted by the slightest rumor of some kind of advantage or weakness bubble, triggering a massive and unpredictable subscriber migration from one service provider to another. That's something business has never experienced and something that is difficult to achieve by only placing phone calls. The loss of any customer is painful, but on these scales such losses can significantly impact the market capitalization of an organization. This type of churn has created numerous churn programs for communication service providers (CSPs) around the country.

By the nature and history of their business, CSPs serve subscriber numbers comparable with Internet Web 2.0 boomers like Facebook, while working within a business model specific to competitors in a mature market, building high quality production with a high operating cost model. To complicate the model, many CSPs are rolling out strategies to compensate for erosion of profit margins from traditional voice services by operating convergent networks, growing into blended services providers or expanding into emergent markets. The result has created new competitors and increasing market confusion around the role of a CSP, both as competitors in an industry that expands now into Web 2.0, media and unified communications, and as providers to a subscriber base living in a mass media and Internet dominated society.

How is this playing in the streets of Middle America and how this is impacting the customer experience?

Let's take as example the triple play recently deployed in a crowded neighborhood by a tier 1 operator carving into the customer base of the incumbent cable provider: it certainly simplifies access to voice, video, and data and has higher speed on top! So what happens when it does not work: no phone, no Internet, and no TV! Hopefully there is still a mobile phone working to enable a call to Customer Support (think about quadruple play failure) … And then what? Like in POTS, there is a truck role for on site repair because there isn't yet a process and systems to communicate to the home and to Customer care the nature of the problem, subsequently a truck role is initiated, an expensive prospect for the CSP and an upset customer, who is living without the services and just gave up his fixed line, his cable operator, and signed a two year subscription to get free access to HD HBO channels for three months! But how critical really is this situation for the subscriber? There is still the mobile phone, the nearby Starbuck's wi-fi network, and the neighbor's cable TV.

Another example: let's take a look now at the mobile operator expanding its business in an emerging market country which lacks fixed line infrastructure and is demanding long distance communications. To beat competition, this new operator in the territory offers vouchers for goods like house appliances or free minutes with each new SIM card purchase. New customers sign up quickly because they want to fit a new TV in their house and take advantage of the free minutes but then they will put their SIM card in a drawer and go for the next available offer as soon as the freebies are exhausted.

Finally, Skype was also down for two or three days a while back, which lead to some unhappy subscribers, but Skype is part of the social network fabric and was able to use this to its advantage when communicating the outage and its resolution. Skype's organizational structure allowed the support team to cut across support boundaries to quickly identify the trouble and fix it by working directly with the faulty provider. Additionally, Skype has set the appropriate customer expectation by the very nature of the product they sell. Customers understand the services and have the appropriate expectations of what they have purchased and are subsequently more tolerant.

These are a couple of examples among millions defining the customer experience. It is this confusion that makes it very difficult to create a successful strategy for reducing customer churn.

Thinking about customer experience in absolute terms and enterprise wide solutions is a recipe for failure and still so many executives appointed to fix it do just this by:

- Spending time on defining the meaning of "carrier-grade" for the quality of a TV channel or the speed of downloading a web-page
- Testing and analyzing OSS tools for service management
- Rushing to roll out new technologies
- Fighting to preserve the brand
- Segmenting customers based upon churn propensity or market segment
- Adhoc or stop gap strategies to address churn

The reality is that customers churn because we all live in an age where service is delivered on a transactional base rather than a subscription base so whether we are on-line at home or on the go anywhere in the world, we have many other comparable choices at any time and these choices are constantly broadening. Additionally, the upcoming generations are more accustomed to change so churn will become even greater over time.

Stubbornly following the traditions of delivering voice service results in capex and opex will only enrich incumbent NEPs and SIs without delivering on the promised customer experience!

There are ways to pre-empt customer churn by:

- Automatically compensating the failure to deliver a service with attractive alternatives
- Polishing sales skills to listen to customer demand
- Understanding the perception about operator's strengths and role in the mixture of cultures specific to a certain geographical area
- Training customer support on the meaning and realities of a new service, opening communication channels and building service-oriented support for surfacing incident cause and solution in a humanly readable and understandable way at customer interface level
- Creating a customer culture within the organization where everyone is empowered to deliver the correct level of customer services based upon customer expectation
- Matching the level of service demanded by the customer and not using one size fits all customer methodology for services provided
- Continuously feeding the long tail of services that protects against starvation in customer appetite for service and creates new niches

- Partner with Internet darlings rather than fight them in courts while protecting and securely sharing mutual customer identities for seamless service across domains
- Developing new partnering strategies that will enable lower cost of service delivery
- Exposing non-core components to 3rd party providers to build additional services from which both parties can benefit

Being a successful provider in the Telco 2.0 era means assuring profitable revenue from services while coping with, rather than eliminating, customer churn.

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