Achieving Success in the Wireless Local Number Portability Marketplace

INTRODUCTION

The Federal Communication Commission's (FCC's) November 2003 mandate to provide customers with wireless local number portability (WLNP) will allow customers to continue to keep their current mobile phone numbers when they switch their wireless carriers. Churn, or a subscriber's defection from one carrier to another, will significantly impact the wireless industry as valuable customers will be more inclined to switch to their carriers' competitors when they are allowed to keep their telephone number. Forrester Research indicates that current churn rates average in the 25 to 30% range, and predicts that WLNP could lead to churn rates beyond 50%, especially for high-revenue subscribers. During the first full year after WLNP introduction, In-Stat/MDR predicts that more than 22 million subscribers will churn. In-Stat/MDR also predicts that churn rates will drop to 30% in the following year and, in further years, will decline by 10% annually.

Questions remain as to what carriers should do in preparation for the FCC's mandate, including the ways in which carriers can ensure that they are adequately prepared to deal with the effects of WLNP. While opponents to WLNP contend that the increase in implementation costs, coupled with reduced revenue brought about by increased churn, presents a negative proposition for both customers and carriers, customers will initially benefit more from the mandate, but that over time it will offer incentives for carriers to provide better service to their customers.

Although WLNP will make the decision to switch carriers more attractive for customers, it is neither the primary driver, nor the reason, why customers will churn. Customers are likely to change carriers for a variety of reasons, most notably including price, quality of service and poor coverage. Carriers will ultimately need to continue to focus on their core businesses and to perform better than their competitors if they want to be the dominant players. Continuing to pay close attention to their customers to ensure that they are satisfied with their current

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service will be necessary in order for carriers to succeed as customers get barraged with new offers. As such, WLNP provides an opportunity for carriers to aggressively attract new customers. Carriers that are well prepared, and continue to focus on delivering the best customer experience, will ultimately succeed in the WLNP marketplace. They will need to concentrate on enhancing their networks, along with creating winning solutions that address key factors, such as new opportunities and operational excellence, that affect the customer experience, loyalty and retention, churn management and win-back programs.

NEW OPPORTUNITIES AND OPERATIONAL EXCELLENCE

As WLNP becomes a reality in the wireless marketplace and carriers scramble to attract customers or win-back previous customers, significant opportunities will arise for wireless carriers to gain market share from carriers that fail to deliver high customer satisfaction. The introduction of WLNP will inevitably promote fierce competition among the carriers. Although many detractors assert that WLNP will be an expensive drain on their resources, the top carriers that have properly invested in network expansion and upgrades to increase service coverage are likely to benefit by WLNP. By both developing their telecommunications infrastructures, as well as their relationships with their customers, wireless carriers have the opportunity to attract new subscribers and retain customers who may otherwise consider switching to the competition. Carriers with poor network coverage or inferior customer service will be extremely vulnerable to a shrinking customer base and will drive consolidation of the weaker performers in the industry.

The big winners in the wireless industry will utilize the moment of opportunity that WLNP provides to grow their customer base by offering new value propositions such as "push to talk," email and high-speed data products. This opportunity to grow their customer base will succeed or fail based on the total experience that new customers are provided, ranging from the quality and stickiness of the new services to the caliber of customer care provided.

Wireless carriers may also experience a surge of new customers who were previously reluctant to switch from wireline to wireless. As customers look to wireless plans to replace their wireline service, they will continue to compare rates, features, functionality and operational performance. Unless carriers develop truly integrated wireline/wireless solutions, it is unlikely that their offerings will be competitive enough to prevent churn. As such, smart investments in wireless infrastructure will continue to differentiate the leaders from the rest of the carriers.

Carriers that take a proactive approach to churn can influence and manage customer behavior and affinity, which can decrease the costs of customer acquisition programs.

PROACTIVE CHURN MANAGEMENT—AGGRESSIVELY TARGETING YOUR CUSTOMERS

As they prepare for the effects of WLNP, churn is the major concern for carriers. Carriers frequently focus on reactive aspects of churn management, which primarily rely on programs and tactics to prevent customers from leaving at exit touch-points. However, these initiatives do not always produce the best results, because by the time customers have decided to switch carriers, it is often too late to stop the conversion process. Carriers that take a proactive approach to churn can influence and manage customer behavior and affinity, which can decrease the costs of customer acquisition programs. Proactive email, a self-help Web site or courtesy calls to communicate service status, delays and successes will produce higher levels of customer satisfaction. Honest and regular communication with customers throughout the WLNP process will help solidify and preserve trust with new and existing customers.

Proactive churn management tactics that use customer data, predictive modeling and business rules to engage customers in loyalty-based offers and dialogue have the greatest probability of decreasing churn. According to *Wireless Week*, each month approximately 800,000 wireless subscribers evaluate competitive offerings online. Recognizing customer churn signals, such as minimal usage time, complaints about rates, and customers with frequent temporary cancellations and poor payment habits, will allow carriers to be more effective at reducing churn by intercepting these signals with targeted offerings and incentives.

LOYALTY AND CUSTOMER RETENTION—HOW AND WHY?

Understanding who your best customers are, and focusing on targeted retention through increased customer loyalty, is key to retaining valuable customers. Not all customers are equal when measured across different elements of the customer value scale. Carriers will rely most often on current spend to evaluate customer value, but there are other barometers, such as tenure and projected spend. Based on the measurement criteria, it is important to segment the customer base before implementing loyalty programs.

The goal is to focus more resources on targeted customers to ensure that the competition does not acquire the most valuable customers. Successful retention programs will have well-designed loyalty initiatives that are sustainable and progressive in both rewarding customers and increasing brand awareness. Successful loyalty initiatives are personal and geared toward establishing

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sincere dialogue between carriers and their customers. Customer retention is ultimately measured by each customer interaction becoming increasingly personal and rewarding, establishing trust that will not be easily swayed by a competitor's short-term incentive program. Inbound sales teams can also encourage retention by up-selling customers to longer-term contracts, further influencing customers to remain loyal.

WIN-BACK PROGRAMS—RENEWING CUSTOMER RELATIONSHIPS

A carrier's retention and loyalty efforts, properly supported with a win-back program that can recover high-value customers, will save significant costs in acquisition programs. Follow-up communications with a carrier's lost customers can help them gain feedback on improving the overall customer experience. This information helps develop targeted win-back programs, and helps predict which customers are most vulnerable to a competitor's acquisition program and, therefore, most in need of initiatives that focus on retention.

Customers are most prone to competitive messaging and offers during the first 30 days of switching carriers. If the process and experience of changing carriers is relatively easy from a customer standpoint, the implementation of effective win-back programs can be an essential part of a carrier's strategy. Carriers will have to be aggressive in order to capitalize on the opportunity to win-back customers and retain their business. Win-back teams must be trained to contact customers and present new and attractive value propositions to convince customers to switch back.

CUSTOMER EXPERIENCE—KEY DIFFERENTIATORS

An overall superior customer experience, be it for handling billing-related issues or for inbound customer care, will help carriers achieve immediate success in the acquisition and retention of customers. Decreasing investments in customer management infrastructure, processes and people that are critical to delivering the best end-to-end customer experience will impact a carrier's ability to positively influence customer behavior. In fact, carriers need to differentiate themselves from the pack on the basis of their customer-facing capabilities. In an environment in which customers will be continually bombarded with messages and offers to switch, carriers need to make every effort to ensure that customer satisfaction remains consistently high.

Attracting and retaining customers will depend on a carrier's ability to deliver a compelling customer experience, supported by a network and infrastructure that deliver against core service and coverage commitments.

Irrespective of the short-term spikes in churn that will result from WLNP, carriers must continue to focus on delivering premier customer experiences across every customer touch-point. It is imperative that wireless carriers focus on the core elements of effective customer management that will drive differentiation in the marketplace. Responding quickly and effectively to the changes sweeping the wireless industry will place carriers in a position to maintain sustainable customer relationships that will ultimately benefit parties on both sides of the wireless line.

CONCLUSION

The WLNP mandate will result in increased churn, and carriers will need to take a holistic approach to managing their business. Attracting and retaining customers will depend on a carrier's ability to deliver a compelling customer experience, supported by a network and infrastructure that delivers against core service and coverage commitments. The best defense to reduce the impact of churn will be an offensive strategy that aggressively targets customers from a loyalty, retention and win-back perspective.

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TeleTech partners with clients to develop and execute relevant solutions that enable them to build and grow profitable relationships with their customers. TeleTech has built a global capability supported by 52 customer interaction environments that employ more than 27,000 professionals spanning North America, Latin America, Asia-Pacific and Europe.

TeleTech has a strong reputation of delivering customer management solutions to some of the world's largest companies. Our experience in building and implementing successful churn management programs, win-back programs, and loyalty and retention programs has provided measurable results for our clients in a variety of industries. For additional information, please visit our Web site at www.teletech.com.

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