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Overcoming the digital handicap: humanizing the customer experience in telecom

Introduction

"The future of customer interactions and purchases is digital"– practitioners have heard that a million times over several years. Digital transformation as a concept started in the early 2000s and since then, the commerce world has mutated with at least 60% of the customer shopping journey influenced by a digital interaction. In parallel, digital investments grew enormously - IDC estimates that 40% of all technology spending will go towards digital transformations, with enterprises spending over $2 Tn in 2019.

Digital leaders at 6 of the top 10 global telcos pointed to a few key initiatives

Digital marketing	• Search engine spend • Social media ads • Digital CRM and re-targeting
Customer engagement	• New AI tools and techniques for personalization • Testing and experimentation capabilities • Digital loyalty tools - coupons, etc. • Virtual assistants
Operational convenience	• Integration with offline channels - pick up in-store, shopping cart - improve the mix of direct-to-customer sales
Design tools & technologies	• Self-serve kiosks in-store or third party locations (the famous Tesco virtual store in train stations in South Korea) • Integrated payment vehicles (Apple watch, FB messenger, Wallets, etc.) • Streamlined web experience with more design think

The business prerogative for going digital is clear – heavy commoditization that results in

Pressured demand-side economics: Cut-throat promotions, continued loyalty to stores (74-85% of sales and upgrades) results in the high cost of acquisition, ranging between $350-500 per customer. Cost of service at $12-35 per transaction in chat/calls, and $60 a store visit – adds up to a massive, addressable cost.

In parallel, to create supply-side differentiation using 5G, Gigabit, media content – Telcos are shoring up massive capital investments. The trade-off between a healthy

operating P&L vs. a healthy capital structure has never been more prominent, forcing telco executives to explore new profit pools (e.g., IoT, media distribution). Exploring the validity of these big bets is out-of-scope for this document, but it has resulted in CEOs of 8 of the 10 largest telcos identifying CX and efficiency ratio improvement as a critical necessity, with "going digital" and "self-service" being the solution mantras.

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Humanizing the digital experience – is it needed?

We are not going to give forward more ideas on digital initiatives – instead, we asked a contrarian question – We believe there's sufficient investment already, yet – why is digital still not a significantly higher percentage of customer's end to end purchase/ service journey? Why do customers drop and complete with assistance?

Consider the below drop-off rates in a purchase funnel in telecom

70 % on digital (Among all customers with an intent to buy) ➤ **40** % on digital (Making a serious decision to buy – adding to Cart) ➤ **15** % on digital (Actually buy)

In addition, 70-80% of customers who start a service need online end up calling to get it resolved.

We took a customer-first approach by investigating over 5M+ chats, call logs, and on 200M+ digital journeys and learned a startling fact about customer expectations – specifically the curious "tolerance" phenomenon.

A customer is willing to put in only 10-12 mins of active attention (does not include passively-open browsers or waiting on a chat) on a telco website but able to spend up to 3X (~30 mins) in a store to make a telecom purchase (averaged for device, accessory, plan).

Let us put that in perspective of a smartphone purchase. In 10 minutes, a digital buyer expects to be comfortable with product quality, lifestyle fit, promo applicability, feature customization, peer reviews, trade-in value, delivery options, surcharges, and fees. If either the experience takes too long or leaves open questions, customers would drop off. It's no wonder then that only 1-2% of prospective digital shoppers end up buying online within a session. We would encourage you to visit your favorite t elco's website and try buying a Bluetooth device, or trade-in an existing device to get a first-hand feel!

> Massive increases of 50%+ in digital sales were seen when the experience was made better i.e., consciously more "humanized."

If this sounds familiar, one might be tempted to believe that digital is only a showroom and actual sales happen in store – resulting in a couple of large telcos massively increase store footprint. However, that is inaccurate – we have seen massive increases of 50%+ in digital sales when the experience was made better i.e., consciously more "humanized." In other words, digital needs to mirror or exceed the expectations from an "active salesperson".

Humanizing the digital customer experience – what and how do we enable that?

If telcos treat their website as a showroom, then customers will treat it as a showroom. Instead, if telcos reimagine their website (or app) as an intelligent, empathetic sales assistance platform, then "humanization" prerogative becomes more real. Humanizing boils down to 3 specific concepts

- Remove true friction that customers face, give them the assurance, information, navigations intuitively and naturally.

- Make it convenient and relevant by giving the shortest path journey, peppered with the right products, offers, features & configurations, accessories, shipping, and payment options.

- Intelligent assistance by being cognitive to the actual need/concern that doesn't stop with "information," but completes the necessary "action" for the customer.

All of this sounds like another $50M in investments, but it is not. Most large telcos have enough off-the-shelf tools and more-of-the-same tools will only result in more-of-the-same results. Instead, a structured, iterative evolution of customer experience would help, as observed at two large telcos.

Three fundamental questions to be asked:

1. Can we identify the root causes of customer friction as they navigate the digital purchase journey?

We certainly can – applying a combination of advanced AI and Big Data Engineering by mining through millions of journeys at a granular click-level. Diagnosing the root cause and removing obvious friction helped a large retailer improve the conversion rate by 25% with 3-4 months.

2. When to best intervene through the right product, messaging, and assistance through chat or call?

An excellent example of real-time decisions, though applying simple business rules will take you back to the robot age. When you incorporate true Customer DNA along with real-time recommendation engine is when you see true behavioral change. This degree of 1-1 personalization has driven at least 15% increase compared to using business rules

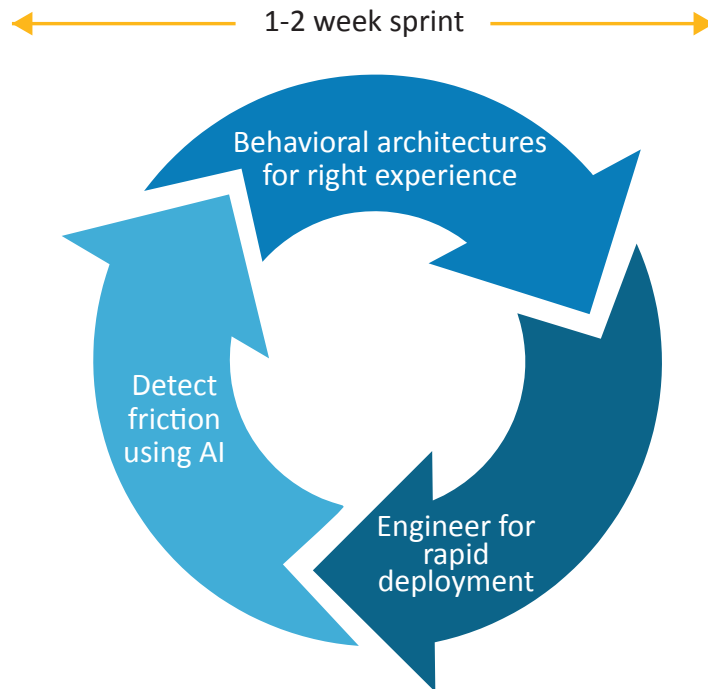3. What are the messages/experiences to be driven at critical moments of truth?

AI can help with the when and where, but the "what" would appeal is a work of art. Human-centric designed messages, powered by behavioral sciences, still outperforms any commercially available AI today. Final Mile, a global expert in behavioral sciences, identified ways to redesign to appeal to customers' "fear of a better option" tendencies and redesigned the experience to be comfortable and reassured.

How can you drive a meaningful change?

In large telcos, digital is a melting-pot of 5-6 cross-functional teams (Digital Ops, CX, Marketing, IT, Analytics, Vendors) operating under highly-visible pressures. It has become non-feasible to pursue traditional means of consensus building/large one-stop investments/clarity of ownership – just as it is to take 6 months to build a few AI-driven models.

We pioneered and tested out a new approach – the DART approach (a slightly more nuanced form of agile) that combines AI – Engineering – Design

1-2 week sprint

Behavioral architectures
for right experience

Detect
friction
using AI

Engineer for
rapid
deployment

- Detect pain point/human-centric friction:
  Using AI at scale to identify the root cause for abandon and size the business case. This is different from just looking at anomalies or exit rate reports.

- Architect a better experience:
  Using behavioral sciences and design-think to overcome the customer's hesitation.

- Rapid deployment:
  Using AI and big data engineering to quickly deploy production-grade models, APIs, and applications.

- Testing:
  Insightful behavioral insights to suggest what is working and how well.

A pod-based approach – to bring together cross-functional teams – can help to smoothen out basic inertia and set the stage for rapid iteration. A large telco organized the work-process around a war-room with large screens spitting out performance metrics, daily stand-ups to define and track the sprint with a defined blueprint to smoothen the pod's operating model.

In the words of the head of digital transformation at a Fortune 100 Telco –
"Digital transformation is about small steps that will make it Simple, Easy and Awesome."

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About Fractal

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Fractal's products include Qure.ai to assist radiologists make better diagnostic decisions, Cuddle.ai to assists CEOs and senior executives make better tactical and strategic decisions, Theremin.ai to improve investment decisions and Eugenie.ai to find anomalies in high velocity data.

Fractal has consistently been rated as India's best companies to work for, by The Great Place to Work® Institute. Fractal has been featured as a leader in the Customer Analytics Service Providers Wave™ 2019 by Forrester Research, and recognized as an "Honorable Vendor" in 2019 magic quadrant for data & analytics by Gartner.

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