Using Customer Experience to Generate Profits in Telco

GCC Focus
How have the Telecom companies performed in the UAE in 2013?

There are only two providers in the UAE at this stage. Let’s look at the highlights of each organization:

**Etisalat**

- Etisalat has performed very well
- It has the privileged position of being the incumbent in the UAE with only one other competitor in the UAE
- Growth in the domestic market is aligned with the growth in population in the UAE and limited competition
- Their 2012 financials tell us the story of Etisalat as a company that is:
  1. Still the leading operator in the region
  2. It has been able to successfully leverage its capital by successfully acquiring assets in multiple regions thereby diversifying its exposure in other markets such as Africa and Asia
  3. At the same time it has divested its interests in markets that are not performing such as India
  4. The financials for 2012 shows a company that is able to retain a healthy EBITDA margin at around 50% and return a healthy net profit to shareholders equivalent to 20% net profit

**Du**

As the challenger brand in the UAE it also has done very well over the past 12 months

1. They have achieved double digit revenue growth of approximately 13%
2. And although their EBITDA margins are at approximately 40% and lower than Etisalat were able to extract a higher net profit margin for shareholders equivalent to 28%

So on all accounts both Etisalat and Du are doing very well in terms of current financial performance.

Some of the more interesting insights we gather from their financials is that both operators are facing new challenges and are attempting to address those challenges in different ways, for example:

- Both operators are seeing voice revenues plateau or decline and are looking at ways to extract new revenue from their networks
- Both identify that revenue growth in the UAE is fundamentally driven by population and economic growth in the UAE rather than from innovative new products
- Du has focused its energies on becoming more efficient to extract greater value for its shareholders whilst Etisalat has gone for international expansion to diversify its portfolio and acquire new customers globally (144 million worldwide)
- Both are taking advantage of the fact they have limited competition and have a healthy growing domestic market

- The financial results of Du compared to Etisalat highlights that the domestic market in the UAE, due to limited competition, has provided above average returns compared to the industry. Etisalat’s margins are, however, dragged down slightly due to its exposure in international markets where there is greater competition
- Both Etisalat and Du have to deal with high customer churn rates
Both Etisalat and Du are dealing with the challenge of high penetration rate (close to 200% in the UAE).

The danger we find with both Etisalat and Du is that customers are largely driven by price at the moment with little loyalty or advocacy for the brand.

The concern is when competition increases in the UAE through future law changes around the introduction of new entrants into the market and number portability there could be substantial customer churn from both operators.

What is the outlook of the Telco industry for the next six months?

a. I think in the next 6 months we will continue to see many of the operators continue to reorganize their operations more efficiently to address the new market dynamics they find themselves in.

b. We will also continue to see the large operators look at acquisitions that diversify their exposure in domestic markets.

c. Beyond 6 months we see many of the operators struggling to retain current margins as voice traffic reduces and data becomes the primary revenue source.

d. The primary theme we find with all operators in the region is their strong focus around customer experience improvement. The operators are finally coming around to realize that their most important asset is not the networks and infrastructure but in fact their customers. This shift in mindset is the single most important aspect we see in the Telco industry.

e. More capital will go to understanding the dynamics of the customer and their changing needs. Very little has been done in the region around this area and we believe this will be a key differentiator in the future.

Can you explain how this compares to the performance of regional Telco operators?

- Many of the regional Telco operators are still experiencing growth but not to the same levels as Etisalat and Du
- Some have seen negative growth in revenues such as Batelco in Bahrain
- What is common in the region is that all the operators are facing the same challenges. The main ones are:
  1. Increased competition via new entrants and number portability
  2. High customer penetration rates
  3. Lower voice revenues and shifting customer needs around data and content without a clear way to monetize this shift effectively
  4. High customer churn and poor loyalty to the brand

How regional companies must use the ‘customer experience’ to drive profits

- What is interesting is that many of the companies 3 years ago didn’t even know what the term customer experience meant
  - Now we see the term mentioned in every annual report of major companies
  - Many still don’t fully understand the concept and how it can lead to greater profitability
- Many confuse the term with customer satisfaction which is not correct
The idea behind customer experience is that the entire company moves away from being product centric towards being 100% customer centric.

This is a not an easy task and few Telcos really understand what is required to generate profits from it.

The concept is around making every touch point that the customer has with the company a great experience for a particular customer. To achieve this you must first know what your customer expects.

Many of the Telcos in the region are not in fact properly aligning their services to meet their customer expectations.

Customer experience is all about how you make me feel as a customer rather than what you sell me.

Customers that feel good about a brand tell others and not only become loyal customers but become brand ambassadors. They tell their friends and family about how good a company is and this word-of-mouth brings in more business and keeps customers for longer.

Just think of Apple Computers and what they have achieved from their loyal fans all over the world.

The Telcos in the region need to build loyal fans if they are going to address the high customer churn and be able to sell new and exciting products to customers they know well.

What telecom companies such as DU & Etisalat, need to do to increase their profits?

1. First and foremost they need speed and agility. Both of these are required to address the challenges they face.

2. They need to continue focusing on efficiency and prudent utilization of their capital for sustainable growth.

3. They need to innovate in all aspects of their business to increase the value delivered to their customers.

4. They need to deploy world best practices in customer experience management and focus on building brand advocacy to increase loyalty.

Where to Next?

Kinetic BPO is committed to helping GCC companies and government provide world class customer services through our solutions. We would be happy to discuss with you how we may be able to assist.

If you would like to know more about how we can help you improve your customer experiences then contact us at:

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