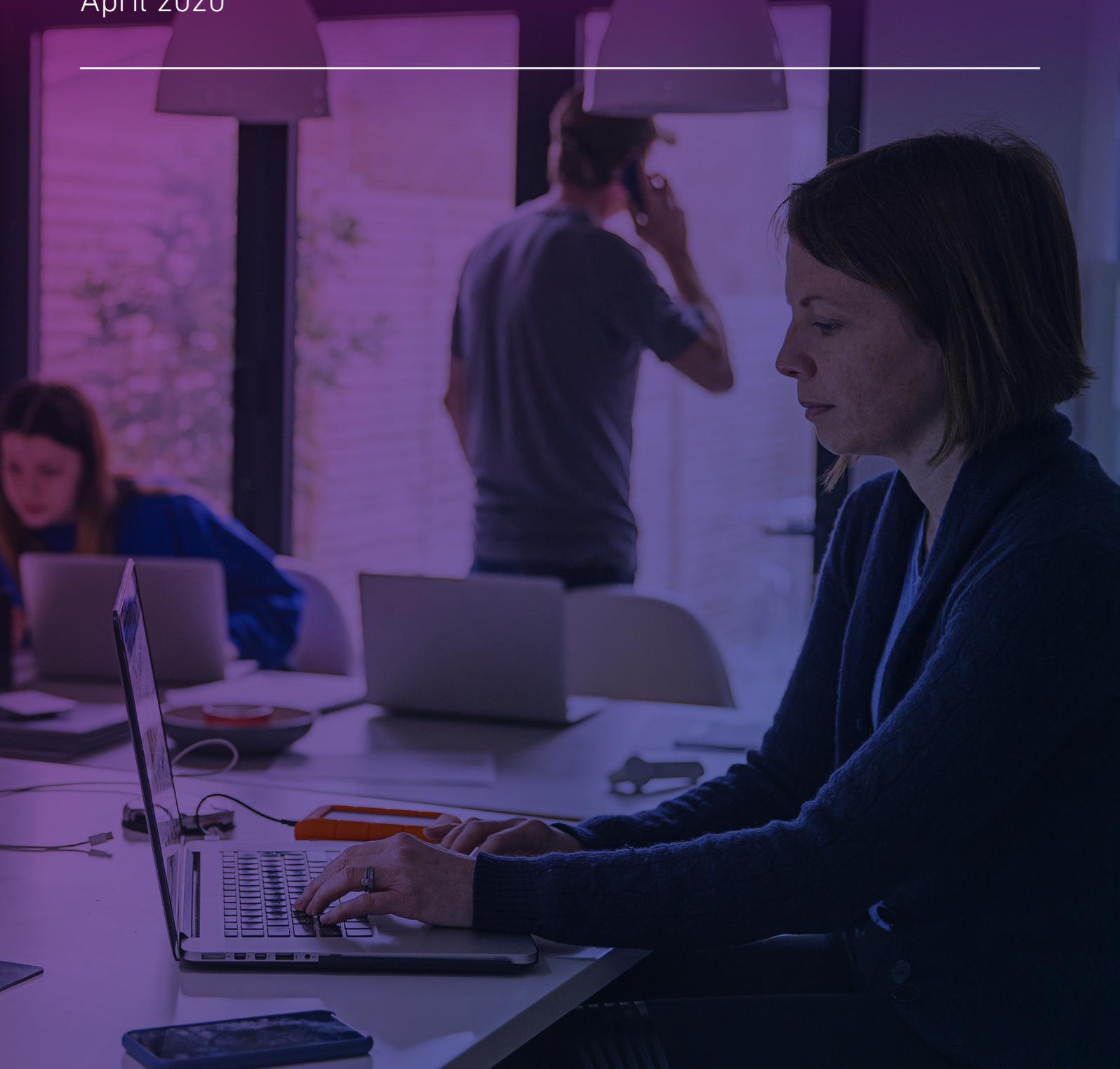


Business resilience in the telco sector

April 2020



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Factors driving demand

The Covid-19 outbreak had a sudden impact on European countries as most were quick to go into lockdown. The direct short-term effects will be sharp, while the economic impact may be felt for a longer period as the economy slowly recovers.

But fortunately for the Telco sector it may not experience as much stress as the others. Analysts estimate that many other sectors have lost between 50% and 80% of pre-crisis revenues, with little or no opportunity to regain revenue in the short run.

Consumers continue to make use of voice and data services provided by telcos to stay connected with family and friends, as well as increased demand for data bandwidth to support streaming services for children and adults alike while at home. At the same time, home-working staff need access to meet their work responsibilities. These factors create a rising need for consumers upgrades to telco services. The scope for increased telco revenue may be relatively small, yet the provision of core services will be well received by consumers.

Due to the crisis, business customers may have an immediate demand for telco services that support employee home-working, inclusive of voice, data and other service revenues. The activation of business continuity plans may also drive increased use of telco services. For many businesses, telco services are essential for the survival and growth and for their operations.

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Quick routes to mitigation

Outlined below are eight routes to deliver added value for customers, society and business, while also helping safeguard earnings.

- Supporting customers in working from home.
- Growing revenues from TV, streaming, entertainment and gaming services from stay-at-home consumers.
- Leveraging company competences to create societal value.
- Growing subscriptions with online acquisition, cross and up-sell to existing customers.
- Reviewing risk scoring models and risk strategies.
- Increasing ARPU with customer analytics.
- Effectively managing customer churn and collections.
- Operational efficiency.

Supporting customers in working from home

The pandemic has resulted in many of us not being able to physically meet family and friends, prompting changes in habit and switch to digital routes to retaining contact. As a result, some consumers are demanding increased data services and bandwidth, which may reduce or even offset any decrease in revenue. Additionally, telcos that offer short-term, temporary packages of extra bandwidth on top of customers' paid-for quotas, at no, or low cost, during the pandemic are likely to be well received.

The current work-from-home environment for office staff may continue for many months making home internet both a private consumption service and a critical working channel. This leads to consistently higher need for bandwidth for many. Telcos that opt to delight or better-serve customers and create longer term loyalty can perform an economic analysis of providing free bandwidth. This allows telcos to assess the return on investment on actions that support customers' working from home challenges. This and other forms of consumer analytics identifies opportunities to provide offers that are likely to prove to be a win-win for both the telco and their customers.

Supporting customers to successfully work from home with one-off bandwidth boosts and other limited free services, alongside low-cost offers, can quickly create added customer lifetime value.

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Growing revenues from TV, streaming, entertainment and gaming services

Consumers and families obliged to spend more time at home are likely to regard streamed entertainment and gaming services as vital necessity. Many telcos already offer these types of services making it a good time to further focus on developing and expanding similar offerings. Services can be offered on a free trial basis to consumers as an emotional relief at the beginning of any lockdown. Selecting consumers for campaigns based on data driven segmentations, models and analytics on propensity rates will also help identify consumers that are likely to become loyal, long term customers.

Telcos can offer selected segments of stay-at-home consumers the emotional comfort and relief derived from TV, streaming, entertainment and gaming service offerings.

Leveraging company competences to create societal value

Telcos play a key role in society's information infrastructure. As a result, they can provide additional value to society by leveraging the sector's core competences in managing information and communication. Telcos from around the world have offered a wide range of innovative and useful services. Some have created specialist Covid-19 information online hubs with dynamically updated information relating to incidents and developments. Other providers are directly supporting governments by circulating important public advice, risk advice and promoting key recommendations.

Telco providers can broadcast important SMS text messages to their entire customer base, or to specific high-risk regions. Some telcos have already created websites to help consumers connect with healthcare professional in the most appropriate way, including tele-health consultations. This allows health care providers and their resources to be used efficiently. It also prevents or reduces consumers' unnecessary exposure to risk of disease by supporting social distancing. Some telcos provide free data and voice communication to hospitals and doctors. Services must of course be delivered in an anonymised form to avoid any privacy concerns.

Telcos can also offer immensely important pro bono support for governments and NGOs during this time of crisis. Numerous use cases can be referenced to support these types of initiatives.

Telcos can play a vital role in providing societal value. Alternative data, advanced analytics, ML&AI provide critical capabilities for the roll-out of services bringing benefits to society.

Business resilience in the telco sector

Growing subscriptions with online customer acquisition

Customer expectations, habit and behavior, are constantly evolving. At the same time, mobile technology has become more important in our lives than ever before. A large shift towards customer convenience and round-the-clock self-service options is already underway. The pandemic simply ramped up demand even further.

Despite advances in online technology, many consumers and businesses still experience gaps between the digital and physical modes of transacting. Significant opportunity exists to make this process both faster and frictionless as customer purchase journeys continue to be transformed.

Campaign marketing days are coming to an end, being replaced by highly targeted and personalised cross-channel communications, delivered seamlessly at multiple stages of the customer journey.

Improved digital acquisition capabilities will not only drive subscription growth, but also plays a key role in growing existing customers relationships by making the process of acquiring new products easier.

Telcos can leverage application scoring, ID verification and digital fraud prevention solutions, to empower customers with genuine self-service purchase options. Data sources such as bureau data, transactional and alternative data scores, as well as ML&AI applications help support the telco sector in its transition to fully digital acquisition channels.

Reviewing risk scoring models and risk strategies

Downturns tend to lead to dramatic shifts in habit as customers adjust to new economic environments and related lending processes. The shifts affect risk models and risk strategies built on historical data and make it necessary to recalibrate underwriting, customer management models and processes to incorporate changes in population risk profiles. It's also a great opportunity for telcos to implement best of breed Machine Learning and AI models. Investment in the capabilities will reap rewards for many years to come. It is also a timely opportunity to consider adopting alternate data sources to help evaluate new credit applications, while managing existing customers. This form of additional data also adds valuable up-to-date information on key segments, such as SMEs.

Review risk scoring models and cut off strategies to maintain profitability of customer acquisition and management of existing customer base.

Business resilience in the telco sector

Increasing ARPU with customer analytics

There are opportunities to grow both revenues and associated profitably from high-spend, low-risk customers. Using a combination of behavioural scores and customer analytics, telcos can identify growth opportunities for cross-sell and up-sell offers. The analytical technologies increase the revenue from low-risk customers by identifying those that are likely to respond to offers. Every individual customer is assigned a data driven profile based on risk and 'next best action'. Customer analytics also enables deep insights into segments with growth potential.

Use customer analytics to grow customer lifetime value and satisfy undiscovered customer demand.

Managing customer churn and collections

Managing customer churn is a tale of two opposing worlds. On the one hand, there are highly profitable customers with high ARPU and growth potential that competitors will look to target. On the other, there are high-risk customers struggling to pay bills.

It is essential to be able to distinguish between both customer types as any harsh action directed towards a slow payer, but highly profitable customer may lead to customer churn. But being too slow to tackle high-risk customers could result in a significant amount of unpaid bills and bad debt write offs.

Implementation of early warning and collection systems to assign delinquent customers to distinct treatment paths, by leveraging new data sources and advanced analytical techniques, allows telcos to better serve customers in a consistent, appropriate and more cost-effective way.

Telcos can manage the fragile balance between taking actions on self-cure customers and growing credit write-offs from high-risk customers, by adopting models that identify the true delinquency profiles.

How we can help

The circumstances we find ourselves in are unparalleled and changing daily. The way we prepare to weather the impact in the short-term will be key to making sure its long-term effects are contained as much as possible – both for the customers in our care and for our own businesses.

If you'd like to discuss any aspect of this report or find out more about how we can support you through this crisis, please get in touch with your Experian account manager today.

While the road ahead may be rocky, and there will be new developments to navigate, we believe that by working together, and bringing you powerful data and tools, we can help you and your customers come back from this crisis strong, secure and ready for a brighter future.



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