Telecommunications Practice

Rules of engagement: Winning with the basics in digital telecommunications

Online sales and service are key measures of successful digital transformations. But most telecom operators aren't implementing the fundamentals that drive customers online and keep them there.

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It's a familiar story. The chief digital officer plays by the rule book. Empowered by a direct reporting line to the CEO, she digitizes processes and capabilities, making them accessible to customers and coworkers through the web, an app, and even a voice assistant. She shifts marketing and sales budgets from physical to digital channels and revamps the user experience. And she introduces agile ways of working to help shake up the corporate culture. But a year or so into the project, the results are discouraging: the share of customers using the app in the past month has crept up only slowly, digital channels haven't made a dent in call volumes at the company's customer-service center, and the percentage of sales made through those channels is stuck in the single or low double digits.

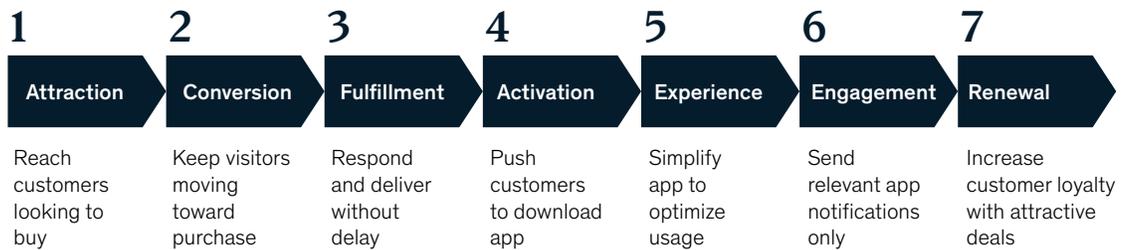That experience is all too common, though not universal. Research by Finalta, McKinsey's benchmarking unit, shows that a majority of the telecom operators that digitize their operations struggle when the transformation is measured by a key gauge of success: whether digital channels have become a major conduit for sales and service. Yet the analysis also reveals that a few operators do spectacularly well. Among the 50 global brands benchmarked,[1] companies in the top quartile sign up 50 times more customers online than those in the bottom quartile do, for example.

Significantly, the research also pinpoints what drives engagement with online sales and service—and therefore accounts for this vast disparity in performance. Irrespective of whether the operator is an incumbent or a challenger or the maturity of the local e-commerce market, what matters is a relentless focus on a relatively few basic measures along the customer life cycle. Here are seven of the most important, many of which have yet to be implemented by the majority of operators (Exhibit 1).

Exhibit 1

Seven basic steps to engage customers with online sales and service are key to success in digital telecommunications.

7 fundamentals of digital telecom-customer engagement

1	2	3	4	5	6	7
Attraction	**Conversion**	**Fulfillment**	**Activation**	**Experience**	**Engagement**	**Renewal**
Reach customers looking to buy	Keep visitors moving toward purchase	Respond and deliver without delay	Push customers to download app	Simplify app to optimize usage	Send relevant app notifications only	Increase customer loyalty with attractive deals

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[1] All Finalta benchmarking data in the article are normalized for operator size.

1. Attraction: Reach customers looking to buy

Telecom operators attract large volumes of traffic to their websites. Most of it comes to them directly—and hence largely free—when consumers type in a company's web address. The amount that companies spend generating traffic from other sources varies widely. Among a group of 20 operators in Western Europe, top-quartile spenders on digital marketing outspend those in the bottom quartile by roughly 70 percent. But the issue isn't just how much you spend. Where you spend the digital-marketing budget is just as important.

Although many companies have installed digital-marketing platforms to help them optimize campaigns, many still overspend on display, video, and social-media advertising. Those ads almost never generate as many website visits as paid searches and, to a lesser extent, online affiliate marketing (including multisector price-comparison sites)—the go-to places for people intent on a purchase—do. Among the Western European operators we benchmarked, paid searches and affiliate marketing accounted for about half of the digital budget but generated almost all of the orders (Exhibit 2).

Social-media advertising could well become more effective once prospective customers can buy telecom services directly through social-media apps. At the moment, however, that is by no means commonplace. People using social media tend not to stop whatever they are doing to visit a commercial website or external app. For now, paid searches and affiliate marketing not only generate the most traffic but do so at a lower cost per click than display, video, and social-media advertising—all while drawing in the very visitors most likely to make a purchase, which further improves the cost per order.

Exhibit 2

Telecom operators spend almost half their digital budgets on searches and affiliate marketing, which account for almost all orders.

Marketing spend, visits, and orders by traffic source,[1] %

	Marketing spend	Visits	Orders
Sponsored search and affiliate marketing	54	78	98
Display, video, and social-media marketing	46	22	2
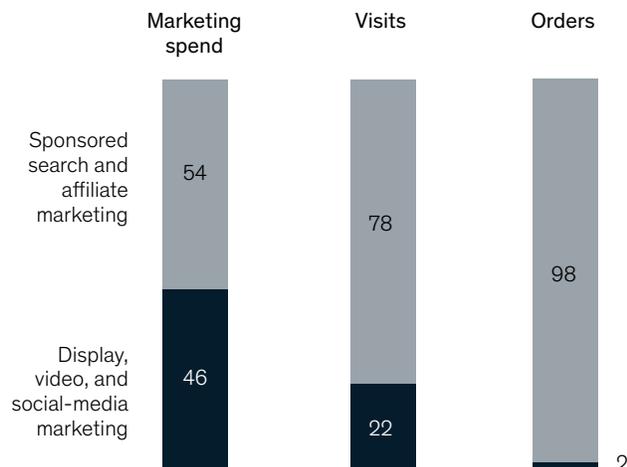
[1]Average among 20 Western European telecom operators, FY 2019.
Source: Finalta by McKinsey

2. Conversion: Keep visitors moving toward a purchase

The Finalta benchmark shows that some operators enjoy conversion rates that are more than three times higher than those of their peers (Exhibit 3). To maximize conversion rates, campaign-fed traffic should go to a dedicated landing page, not a home page. Our research shows that with each additional page visitors must click through in the purchasing process, the chance that they will give up rises. Operators can cut the dropout rate if they present each page as a crucial element in a clearly designed customer journey. The following moves help:

— Clearly demarcate product categories and customize suggestions. That might mean offering iPhone bundles to visitors coming in through iOS or macOS, for example, and Samsung plans for Android users.

— Offer a choice of no more than three preconfigured plans. Don't expect customers to construct every aspect of their plans by themselves.

— Use sliders or similar interactive tools to help customers change parameters such as fiber speeds and data volumes on preconfigured plans, with prices adjusted automatically.

— Use countdown clocks that tick away against offers to create a sense of urgency to buy.

— Use "metro line" visuals that help customers understand where they are in the purchasing process and how many steps are still to come.

— Visitors might not finish the purchasing process for many reasons, so make sure they can pick up where they left off if necessary. Consider sending visitors emails telling them that their choices have been saved.

Exhibit 3

Top-performing telecom operators have used clearly designed customer journeys to achieve conversion rates 3.4 times higher than their peers'.

Conversion rate, gap between top- and bottom-quartile operators[1]

■ Laggards ■ Leaders

Converged — 3.1×

Wireline — 1.4×

Mobile postpaid — 3.4×
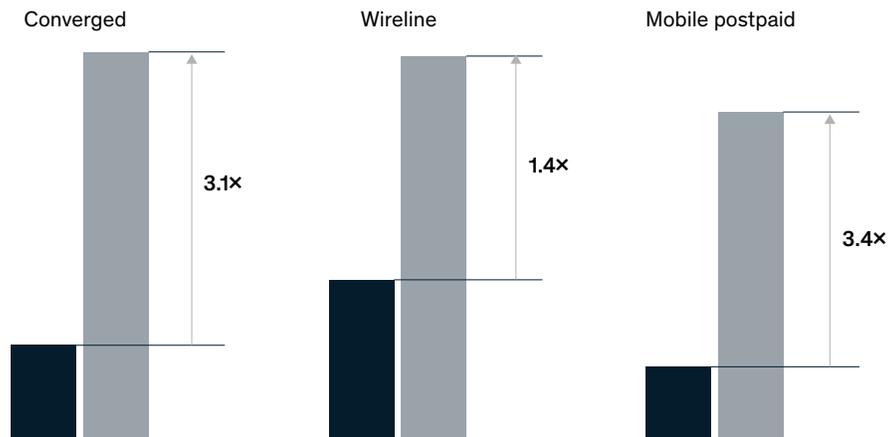
[1]Conversion rate = total orders confirmed divided by total product-page visits; among 20 Western European telecom operators, FY 2019.
Source: Finalta by McKinsey

Among the 50 global brands benchmarked, companies in the top quartile sign up 50 times more customers online than those in the bottom quartile do.

— To improve page design, use A/B testing, which can show, for example, whether a vertical or horizontal flow loses fewer visitors and whether customers are less daunted if data-entry fields are spread across several pages rather than concentrated in one.

— Give customers 24 hours to provide required documentation (such as proof of residence or ID cards) by either uploading photos or adding them as email attachments. That avoids frustrating people who don't have the documents on hand and may decide not to make a purchase as a result.

At every step of the customer journey on the browser of a mobile device, operators should encourage users to download a self-service app to facilitate checkout and the submission of documents, since photos of credit cards and passports taken on phones can easily be uploaded.

3. Fulfillment: Respond and deliver without delay

Winning an order is one thing; keeping it is another. Some telcos lose more than half of their online and offline orders before fulfillment; others fulfill almost 90 percent. Among the group of Western European operators we benchmarked, those in the top quartile in digital-fulfillment rates (sales as a percentage of digital orders) outperformed those in the bottom quartile by 30 percent.

Low fulfillment rates have various causes. Sometimes operators fail to catch credit issues early on and must decline customers later in the process. Sometimes logistical problems arise. Often customers change their minds during a legally mandated window because they either regret the purchase or have been tempted by win-back offers from their current operators.

Hence, the importance of short order cycles and fast follow-ups. Telcos should get in touch with customers as soon as possible if a home visit is required for installation and offer them direct access to a field-force-scheduling platform to book their own appointments. Some operators with high order-fulfillment rates even offer to let customers schedule appointments *before* they place orders. Of course, the faster that SIM cards and devices are shipped, the less likely win-back offers are to succeed.

Some of the simplest measures—such as verifying addresses and ensuring that customers will be home for the installation of fixed-line equipment—can make a difference. Here again, a self-service app on the devices of customers, notifying them without delay of an incoming delivery or a rescheduled technician's visit, can be essential.

4. Activation: Push customers to download the app

Less than a third of the customers of the Western European operators benchmarked interact with their telecom provider digitally in any given month, and less than half are active over a 90-day period. That makes it hard to replace retail stores or call centers without upsetting customers who want help but can no longer find a local outlet or who endure long waits when they call help lines.

Among customers who *are* active, mobile access is important: more than half of telco page impressions come from mobile browsers. A slick website with mobile-first design is therefore still a must. But encouraging customers to download an operator's app rather than go through a mobile browser encourages far more interaction (Exhibit 4). Moreover, app usage is inversely correlated with incoming call volumes at operators' help centers. The best digital performers miss no opportunity to remind customers to download and use their apps.

Reminders can be made on websites and TV ads or when customers get in touch with call centers. SMS blasts to smartphones and QR codes prominently placed in stores and product packaging can also work. The telcos with the most active app users also offer generous rewards, such as a gigabyte of free data traffic for first-time registration or for making an in-app purchase.

For Western European retail banks, apps already account for more than half of all interactions with customers. Telcos still have a way to go, though some are surging ahead. As Exhibit 4 shows, Western European operators in the top quartile of app usage have upward of 350 percent more app log-ons a month than their bottom-quartile counterparts do.

5. Experience: Simplify the app to optimize usage

After an initial burst of activity, a majority of apps installed on average phones are never used again or uninstalled to free up storage, so a customer's experience of an app must be great from the outset. Apps must be easy to configure. A customer's SIM card should be recognized automatically and the app already prefilled with basic account information. Encourage customers

Exhibit 4

For leading telecom operators, apps drive far higher customer engagement than the web does.

Monthly web and app log-ons, gap between top- and bottom-quartile operators[1] ■ Laggards ■ Leaders

App log-ons

4.6×

Web log-ons

2.4×

[1]Among 20 Western European telecom operators, FY 2019.
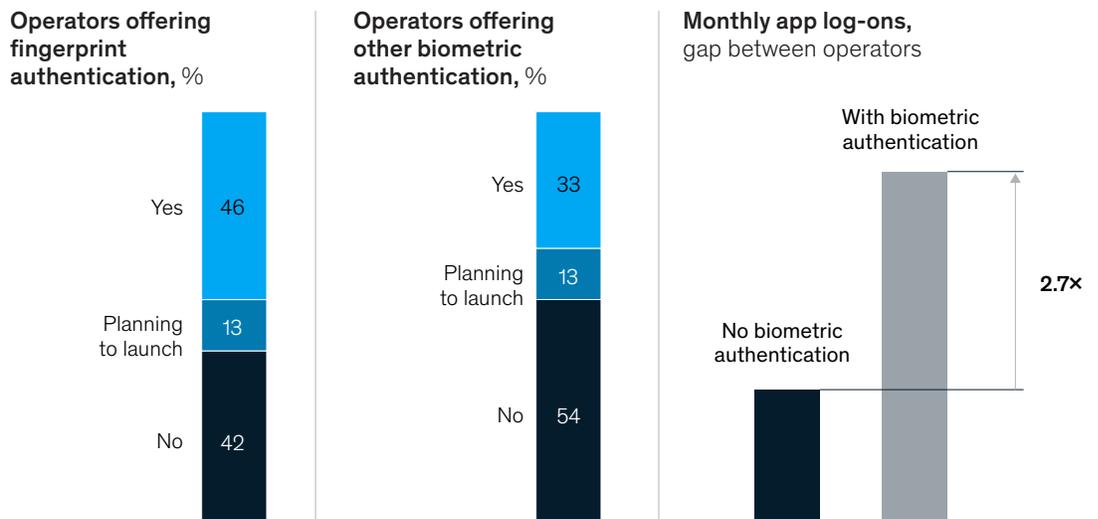Source: Finalta by McKinsey

to enable fingerprint authentication the first time they log on—biometric authentication can nearly double the number of customers who use an app regularly. Among the Western European operators benchmarked, monthly log-ons for apps with biometric authentication were 166 percent higher than for those without it. Yet only about a half offer it (Exhibit 5).

Once customers have opened an app, they should be able to find what they want instantly. Some of the most digitally advanced operators use predictive models to determine what each customer might want and adjust menu options accordingly. Most top-quartile performers in app usage do the following things:

— They feature the top five or six use cases prominently on their apps' home screens and make all others easily accessible through a prominent search function. Best practice is to offer the top 20 customer journeys.

— They show customers who aren't on unlimited plans their remaining allowance or balance as soon as they open the app.

— They make a chat-with-an-adviser function and a clearly categorized FAQ section for self-help easily accessible.

Exhibit 5

Less than half of telecom operators offer apps with biometric authentication, but those that do boast much higher app usage.

Operators offering fingerprint authentication, %

Yes 46
Planning to launch 13
No 42

Operators offering other biometric authentication, %

Yes 33
Planning to launch 13
No 54

Monthly app log-ons, gap between operators

With biometric authentication

No biometric authentication

2.7×

Note: Figures may not sum to 100%, because of rounding. Average among 20 Western European telecom operators, FY 2019.
Source: Finalta by McKinsey

6. Engagement: Send relevant app notifications only

One surefire way of disgruntling app users is to bombard them, outside the app, with emails and SMS or other messages. Once an app is installed, it should be the default communication channel between the operator and the customer unless the customer decides otherwise or regulations prevent it. The benchmarks show how effective the right kind of app notifications can be in promoting customer engagement: those targeted to a user's profile and situation have more than twice as much chance of being accepted as one-size-fits-all blasts of offers do.

Targeted notifications might include offers of roaming packages to customers waiting in airport lounges, recharge credits to cost-conscious students, notifications about online security features sent around lunchtime to working parents, and start-of-the-season alerts to football fans
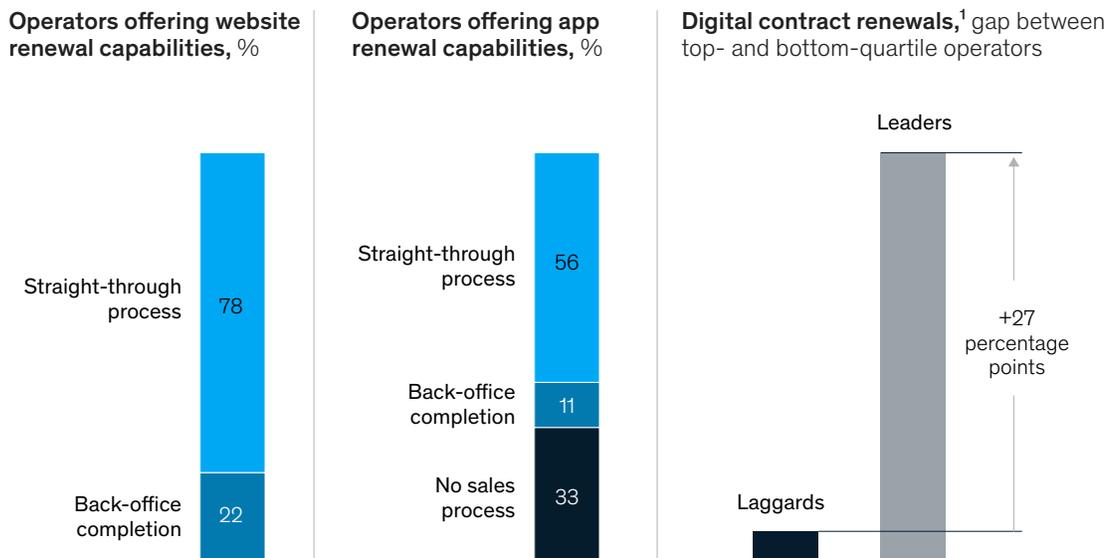
pointing out that fiber connections—and a better viewing experience—are now available in their neighborhoods. Even if delivered through third-party apps, notifications that help users find fresh content, particularly streamed video content, keep app users interested. Apps are already the second-most-popular channel (after TV) for consuming media content.

7. Renewal: Increase customer loyalty with attractive deals

Some operators renew a third of their customer base online, and others renew none. Among the Western European operators benchmarked, 78 percent offered contract renewals through their websites but only 56 percent through their apps. There was a 27-percentage-point gap between the companies in the top and bottom quartiles in the proportion of contracts renewed online (Exhibit 6).

Exhibit 6

While more than three-quarters of telecom operators offer contract renewal through their websites, only a little more than half do so through their apps.

Operators offering website renewal capabilities, %

- Straight-through process — 78
- Back-office completion — 22

Operators offering app renewal capabilities, %

- Straight-through process — 56
- Back-office completion — 11
- No sales process — 33

Digital contract renewals,[1] gap between top- and bottom-quartile operators

Leaders

+27 percentage points

Laggards

Note: Average among 20 Western European telecom operators, FY 2019.
[1]Digital contract renewals = contract renewals made digitally divided by total contract renewals in FY 2019.
Source: Finalta by McKinsey

For an app to serve as the main renewal channel, it must be easy to use. It will also have to guarantee the same conditions offered through stores or customer-service phone lines. Operators must work to dismiss perceptions that the best conditions can be had only by haggling with call-center agents. They might, for example, guarantee that online deals won't be beaten in other channels. Operators are increasingly aware that renewals, like new acquisitions, can be digitized, and both transactions benefit from the simplicity and transparency that customers expect from best-in-class digital providers.

The seven measures summarized in this article are only part of a broader and inevitably complex digital-transformation program that will include substantial organizational and cultural change. Despite that complexity, telecom operators must not lose sight of important tactical measures that can have a transformative impact. A handful of telecom operators have discovered what they are. Others would do well to learn from their example.