



CONNECTING PEOPLE TO CONTENT

How Telecoms Providers Will Become the
Most Important Brands over the Next Decade

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A Shifting Focus to Telecoms Providers

Over the past ten years, few industries have experienced as transformative a period as telecommunications. Rapidly proliferating technologies, devices, and services, plus a universally increasing demand for mobile and unlimited choices, have had a radical impact on telecoms companies.

Traditional internet service providers were once marginalised as “dumb pipes” that moved data packets from here to there. Today, those organisations connect people to devices, and homes to entertainment sources – placing them at the epicentre of the connected world, delivering global access to billions of people, institutions, and businesses.

As of December 2016 in the UK, Kantar Worldpanel ComTech data shows that 77% of online users have some type of internet bundle with a telecommunications company. This is made up of 47% dual play (phone and internet), 27% triple play (phone, internet, and pay TV or cable TV) and 3% quad play (all three plus mobile). In addition, 55% use streaming in the home – this includes subscription video on demand (SVoD), and free to air, or over the air (OTA) TV programming accessed online, such as with BBC iPlayer.

With most of this online population using some form of bundled package, it is essential for telecoms to:

- Deliver a best-in-class customer experience through quality connectivity

- Offer rich content – no longer a value-added option – and do so in unique and innovative ways to capture more customers
- Become the hub for everything digital the connected consumer does

Telecoms providers will become the most important consumer brands over the next five to ten years, more so than other telco players, product manufacturers, and internet startups – even surpassing today’s Silicon Valley technology powerhouses.

**IN THE UK,
77% OF ONLINE
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Best-in-Class Customer Experience through Quality Connectivity

Marketing teams within telecoms organisations constantly grapple with the question, “What will promote improvements to our customer experience and generate revenue growth?”

As with utility brands, customer satisfaction and recommendation metrics in the telecommunications market are low. Research shows that the key driver of loyalty and recommendation is fast and reliable connectivity. While broadband is a utility product that elicits little emotional investment from consumers, if it fails to perform adequately, dissatisfaction is triggered, and the experience becomes personal and emotionally negative for the consumer.

Recent Market Data

Kantar Worldpanel ComTech US data shows that amongst consumers with bundled packages, a third are extremely satisfied with their telecoms provider.

Satisfaction for connectivity is higher than for the bundle overall. Half of the consumers surveyed were extremely satisfied with their connectivity and the reliability of the service in particular. Reliability, defined as a clear connection with no interruptions, buffering, or signal dropouts, is a fundamental aspect of connectivity (and the customer experience). Speed, another key factor in connectivity satisfaction, performed less well, with only a third of respondents describing themselves as extremely satisfied in this area.

With the growth of the Internet of Things, connected homes and cars, media streaming, and more advancements to come, connectivity perception will remain



the heart of the telecoms consumer experience – especially with regard to reliability and speed.

Quality, Speed, and Reliability

Telecoms providers can buy spectrum and invest in improving infrastructure to facilitate better connectivity and resolve performance issues. But more importantly, they must be certain their customers perceive and appreciate the quality and value of their services.

There are multiple ways providers can track consumer perceptions and leverage them to successfully transform the customer experience.

- **Through consistent measurement of connectivity satisfaction.** Kantar Worldpanel ComTech data continually tracks the performance of connectivity, speed, and reliability to detect declines in user perception. This kind of tracking enables insight teams to identify whether these declines are merely a perception, and therefore a job for the marketing team, or actual indications of larger-scale issues that must be addressed by technology and network teams. Once issues are tackled, businesses should monitor subsequent improvements to customer satisfaction.
- **Managing evolving expectations.** While over half (55%) currently stream in UK homes, bandwidth and technological advances (such as gigabyte LTE, expanding fibre footprints, g.fast) will continue to grow and, with them, customer expectations of connectivity will rise. Consumers must be educated on what drives connectivity performance – as sometimes it is the device, not the service. Information on this, as well as how to set up a device (such as a router) to minimise problems, is essential.
- **Implementing feedback systems and closing the loop.** Educating the business on common connectivity pain points, and rectifying new problems quickly through advanced feedback loop systems are effective strategies for improvement, as well as catalysts for corporate culture changes. As an example, Australian telecoms brand Telstra is known widely for its successful feedback loop programme. The company implemented ways

to send real-time feedback to call centre agents. This allowed them to improve the customer experience through resolving issues quickly and contacting customers with disappointing experiences, thus closing the loop on each issue. Others in the organisation developed improvement strategies for each step in the customer journey. Telecoms providers should look to examples like this to guarantee that their strategic roadmaps address common customer issues.

- **Root cause analysis and issue resolution.** There are examples of telecoms providers in various markets, such as Virgin and KPN, who have adopted ambitious issue resolution and root cause analysis programmes to identify connectivity problems, and subsequently implemented fixes. Brands have found that fixing common issues leads to fewer inbound calls, cost reductions, and improvements in overall customer experience.

Consistent measurement of connectivity perceptions, identifying root causes, and activating resolution programmes will help to ensure connectivity is performing well and facilitate a more positive customer experience.

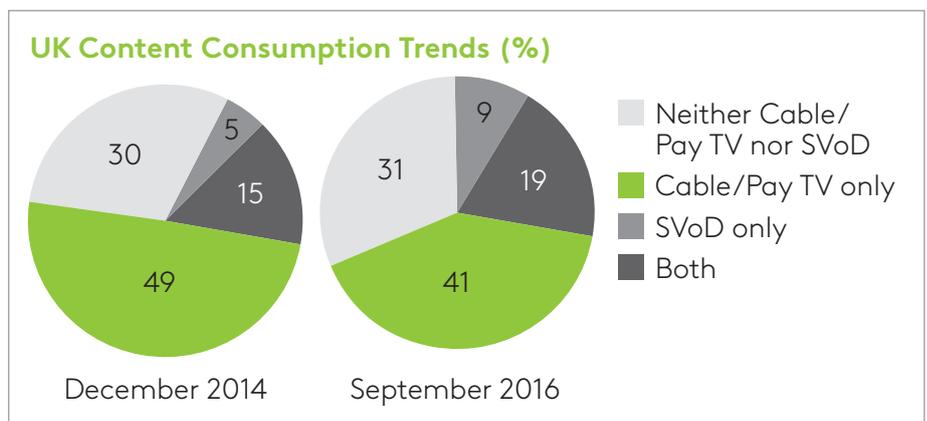
Innovative Content Solutions for Attracting and Keeping Customers

The key to attracting customers and improving the transactional broadband relationship between provider and customer is in offering products that delight and engage them. More compelling and engaging content means happier customers who typically buy more. For the provider, this means lower churn and increases in the average revenue per user (ARPU).

So, what form does this content currently take? Kantar Worldpanel ComTech insights show that this is a combination of pay and cable TV packaged with over-the-top (OTT) and streaming video on demand (SVoD).

Cord Shaving

Contrary to some popular opinions, SVoD is not causing masses of people to cancel their cable TV or pay TV subscriptions in an act known as cord cutting, but is finding success as a service that is complementary to cable. The combination offers something unique and different and makes providers less dependent on cable as the only revenue source. This trend is being referred to as cord **shaving**.





Top 10 Video Streaming Apps Used in the US (%)

Netflix	66
Hulu	19
Amazon Prime-online stream only	18
AT&T U-Verse	12
iTunes	11
HBO Go	8
Watch ESPN	7
HBO Now	6
Xfinity TV Go	5
Crackle	5

December 2016 (% is amongst those who use video streaming apps on mobile)

While streaming is very popular, there is another prominent emerging trend. In the US, as of December 2016, 51% of smartphone users created videos during the previous month. Consumers are spending time creating personal content, sharing that content, and viewing content from others as entertainment.

Top 10 Mobile Features Used in the US (%)

Taking Pictures	91
Email	84
Browsing the Internet/Web	81
Using Maps/GPS	70
Social Networking	69
Watching Video clips	59
Making Videos	51
Playing Games	51
Instant Messenger Service	48
Wi-Fi Calling	39

December 2016 (% is amongst smartphone users)

There are many well-known websites that welcome and encourage user-generated content. One example is HitRecord (www.hitrecord.org), an online collaborative production company founded by actor and director Joseph Gordon-Levitt. Launched in January 2010 at the Sundance Film Festival, this popular website enables creative developers to work together on serving up content for entertainment.

Kantar Worldpanel ComTech UK data shows that the use of cord shaving (excluding free streaming options) rose from 15% in December 2014 to 19% in September 2016. Traditional cable TV/pay TV as a standalone product dropped from 49% to 41% over the same period. This demonstrates that while declining, TV services still remain popular when offered in combination with streaming.

It is also worth noting that while SVoD usage alone remains low, the percentage of customers using this product did rise from 5% to 9% over the same 21-month period. This exemplifies that no matter what, telecoms providers will need to play in the SVoD space for future success.

As they enter the SVoD space, telecoms companies may also bring legacy issues to the streaming user experience. The common consumer objections, such as cost and the desire to watch programmes away from home, are currently impacting the cord shavers who are using both options. Customers unhappy with prices may feel they are paying more than what was initially quoted at point of sale. Those dissatisfied with limitations related to viewing

on-the-go content expect a similar experience to what other content sources provide – being able to watch what they want, when they want, wherever they want.

Telecoms that promote content plus standard pay TV and cable TV packages should make sure they are offering competitive prices, and their OTT and SVoD services are available in an on-the-go format. If they can remove these pain points, further increases in the cord shaving trend will continue.

Once these types of content strategies become the norm, the next step to attract and retain engaged customers will be to offer the next level of engagement – user-generated content and personalised recommendations on a new level.

User-Generated Content

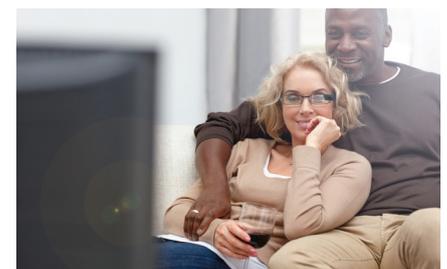
Kantar Worldpanel ComTech US data from December 2016 reveals that 23% of consumers used streaming brands on their mobile devices in the previous month. Within this group, Netflix was the top brand with 66% share amongst those who stream, Hulu with 19%, and Amazon with 18%. AT&T U-Verse came in fourth at 12%.



For example, an intelligent device could analyse a digital calendar and learn the user had a long day of meetings, and combine that with data from a smartwatch that detects elevated blood pressure. This would trigger a routine that scans their Netflix, Hulu, Amazon Prime, and other entertainment accounts, as well as their favourite user-generated sites, to locate and display a relaxing programme that aligns with their known personal preferences.

Aggregation and recommendation generation like this would instill a sense of loyalty, and lock consumers into telecoms providers – much like mobile phone operating systems today. Customers would tell themselves, “I can’t switch from my telecoms provider now – they have all my past data on how I feel every day, and they know exactly what to recommend and when.”

Emotional intelligence like this will become both a currency and sustainable competitive advantage for telecoms that execute sophisticated personalisation strategies.



Another example is Snapchat. It facilitates user and brand-generated news and entertainment. As of December 2016, 13% of those who were using social networking apps were active on Snapchat. One way in which they have facilitated growth in user-generated content is by inviting their user base to enter into their own category at the Tribeca Film Festival, called Snapchat Shorts.

Top 10 Social Networking Apps Used in the US (%)

Facebook	83
YouTube	40
Instagram	25
Twitter	23
Pinterest	21
Snapchat	13
LinkedIn	13
Google+	11
Skype	7
WhatsApp	7

December 2016 (% is amongst those who use social networking apps on mobile)

User-generated content will continue expanding. To remain relevant in the market, providers should offer this type of entertainment service, whether through acquiring user-generated startups and talent or forming their own user-generated products.

Personalised Recommendations and Content Aggregation

To enhance and deliver unique consumer experiences, recommendations on what to watch must become more personalised to the user, and focussed on aggregating all the various content available to them from SVoD, cable and pay TV through to user-generated content sources. Like the phrase “water, water everywhere, but not a drop to drink,” in a sea of content options, there is an increasing need for smarter aggregation that is effectively personalised.

Roku does a great job of aggregating content across providers, while Netflix is well known for their algorithm that displays a range of personalised viewing suggestions based on past preferences. Still missing is the ability to create recommendations based on past viewing behaviours blended with what viewers did that day, who they saw, and their current mood as expressed in their social network interactions – and potentially from their wearable devices. This would provide a level of emotional intelligence overlaid on past viewing behaviour and integrated with all relevant sources.

Telecom Growth and Expansion Strategies

To deliver best-in-class connectivity and exclusive, compelling content in unique, personalised ways, telecoms providers may need to look to mergers, partnerships, and further creative innovations.

Fuller Offerings through Mergers and Acquisitions

Mergers are rife in the telecoms business, particularly between cable

providers. Large merged brands, such as AT&T and Time Warner, as well as Charter Spectrum, Bright House, and Time Warner Cable, have greater negotiating power to secure competitive prices and terms with providers in the content industry. Ironically, they typically have more budget available to develop their own offerings, if they prefer. If developing new content is their strategy – and it should be to drive engagement and financial growth – they will need

to identify how to compete more effectively. Will they establish a new subscription content offer? Will they leverage on-demand? Will they develop their own exclusive content to become a production house as well as a telecoms provider? Some of the benefits and pitfalls of these options are shown below:

Typical Content Business Models

Subscriptions



As the most common offering in the telecoms market, subscriptions may not be able to compete with new, fresh content. Movie studios are less inclined to license their titles to subscription providers if this erodes DVD revenues and profits. But if a stronger, merged provider can negotiate a deal with movie studios, they might be able to field a subscription service with hot new titles.

Advertising Supported



Providers are purchasing digital advertising companies to help with their advertising initiatives. Will they release content products that are truly advertising supported? There is now a stronger ability to offer new content at no cost to customers, funded by large-scale advertising.

On Demand



Traditionally called pay-per-view, films and TV shows are offered a la carte at a fixed price. It can be tricky to get audiences to buy them individually, when they are conditioned to comprehensive subscription services. However, this has been successful with new titles for companies like Amazon and Google.

Exclusivity and Genre Specific



Generating exclusive content can position the provider in a specific category. SlingTV does this with sports and live TV. HBO Go and HBO Now position themselves as sources of quality HBO content. Netflix, Hulu, and Amazon each generate original content. Is the world likely to see original content from telecoms providers?

New Revenue Streams to Maintain Relevance

Product teams must develop new revenue streams to deliver greater value and motivate customers to depend on them more, if they want their companies to be amongst the dominant brands over the next five to ten years.

Telecoms providers should consider partnering with companies that are distinctively innovative and possess

unique and outstanding product offerings with strong use cases.

New offerings will need to be filtered through strict concept testing stages – with a clear evaluation of the strength and likelihood that the potential use case will drive up adoption and revenues. Evaluation and trials need to answer critical customer questions: “What am I using this for? What is the point of it? How is it adding to my life

in a way that nothing else has before?” This will ultimately deliver a compelling customer experience.

The following are a few ideas on potential new revenue streams and products for telecoms companies.

- **Selling connectivity in different ways.** Take the basic product and price it differently. Google’s Project Fi credits back customers who do not use all their data allotment.



Is there a way to do this with in-home broadband? Kantar Worldpanel ComTech research shows that, of those who have a home broadband gigabit limit, almost two-thirds say they never exceed it.

- **Marketing customer data.** A fifth of US internet users believe their speeds are slower than they should be. A speed tracker product from the provider could offer customers peace of mind or a justification of the speeds they are getting. Another idea could be to sell aggregated, non-personalised data to

educational institutions to guide learnings around online habits. Are there other ways to sell data while protecting individual privacy? This is a sensitive topic, yet is an area where future revenue opportunities exist.

- **User-generated content.** Offering these capabilities and services will go a long way to increase customer satisfaction, engagement, and loyalty.

Broadband providers are no longer operating in just the telecoms space. They are becoming home

entertainment sources, digital service providers, technology enablers, and the main gateway to the world for their customers.

While there is plenty of uncertainty as the market grows, telecoms must strive to deliver best-in-class connectivity and innovative content, and work hard to become the centre of everything for the connected consumer. This will likely lead to them becoming the most important brands over the next decade.

Telecoms providers must strive to deliver best-in-class connectivity and innovative content to become the centre of everything for the connect consumer

Kantar Worldpanel ComTech's phone, broadband, cable TV, pay TV, and streaming insights are currently available in the UK and the US

(as a pilot study). The service is launching in the US and Mexico in early 2017, with other markets to follow later in the year.

About the Author

Kantar Worldpanel ComTech Product and Partnerships Director **Mary-Ann Parlato** is an experienced consultant in the tech industry, specialising in consumer insights, product management, and customer experience for mobile, internet, cable TV, and streaming. Over the last ten years, Parlato has worked with global telecoms businesses to deliver insight-driven, customer-

focussed strategies. Parlato has held various product roles in defining, developing, and launching products in the telecoms space. Her focus at Kantar Worldpanel ComTech is on launching products that help telecoms providers to discover ways to attract new customers, retain loyal customers, and improve the customer experience. In this role, Parlato collaborates across the Kantar and WPP ecosystem using different data sources to create new

insights on the telecoms customer experience, and answer business questions from major tech brands.

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About this Report

The data cited in this report is original research from Kantar Worldpanel ComTech. In some places, the author expresses her own

professional opinions and knowledge that she and her colleagues have absorbed and captured through industry relationships, events, and conversations with clients and companies in the telecoms

industry. Some of the data is based on a 2016 online panel of 15,000 individuals residing in the UK, and 20,000 individuals residing in the US.

About Kantar

Kantar is one of the world's leading data, insight, and consultancy companies. Working together across the whole spectrum of research and consulting disciplines, its specialist brands, employing 30,000 people,

provide inspirational insights and business strategies for clients in 100 countries. Kantar is part of WPP, and its services are employed by over half of the Fortune Top 500 companies.

About Kantar Worldpanel

Kantar Worldpanel is the global expert in shoppers' behaviour. Through continuous monitoring, advanced analytics, and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts, and government organisations globally.

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