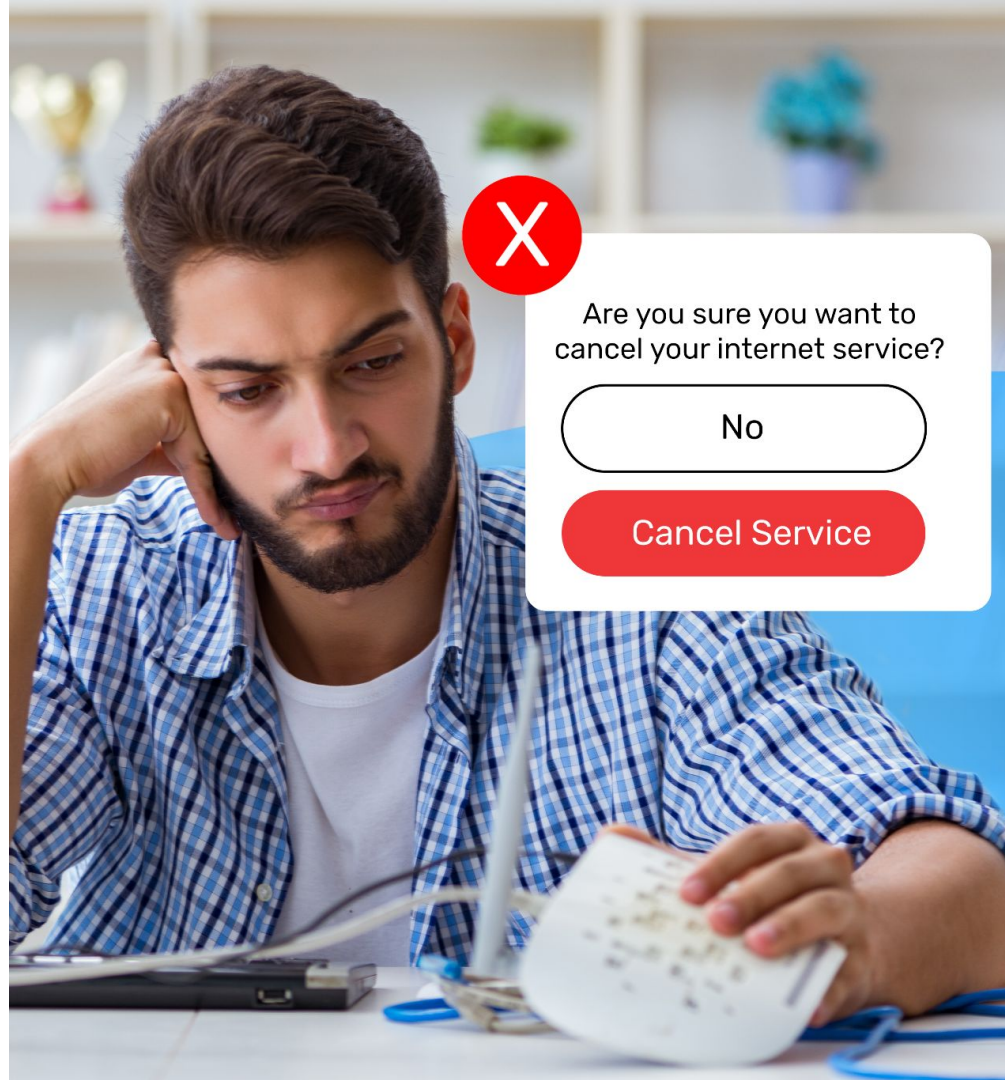# 2022 STATE OF CUSTOMER LOYALTY & CHURN **IN TELECOM**

The Impact of the Pandemic on the Telecom Customer Service Industry

Introduction:
State of the Market

The days of product-dependent brand loyalty are over. Today, consumer stickiness is impacted mostly by customer experience and service quality. Microsoft reports that **96%** of consumers say customer service is an important factor in their loyalty to a brand. And unfortunately, poor customer service increases customer churn.

While some churn is to be expected, a high churn rate can cripple growth. Telecom companies in particular struggle with reigning in churn rates. **64%** of business leaders say that customer service has a positive impact on their company's growth. Reducing customer churn is essential, with even slight fluctuations impacting profit margins significantly. With this in mind, it's no surprise that reducing churn is a top priority for many executives.

Methodology

This report is based on a total of 2,706 completed survey responses. Respondents are from an online panel with a nationwide sample of U.S. adult consumers ages 18+. The gender distribution was 47% male and 53% female. The overall margin of error for the survey is +/- 3% at the 95% confidence level.

2,706
COMPLETED
SURVEYS

U.S.A

47% MALE

53% FEMALE

95% CONFIDENCE LEVEL

Key Insights

1. **Telecom is the #1 industry hardest hit by churn.**
The telecom industry is especially vulnerable to churn from poor service quality. 46% of those surveyed report canceling a phone, internet, TV or cable contract with a company in the past year.

2. **Customer loyalty to telecom providers is down 22% post-pandemic.**
1 in 5 customers are unwilling to give a telecom provider a second chance after a poor service experience.

3. **92% of telecom customers unhappy with service quality churned to a competitor.**
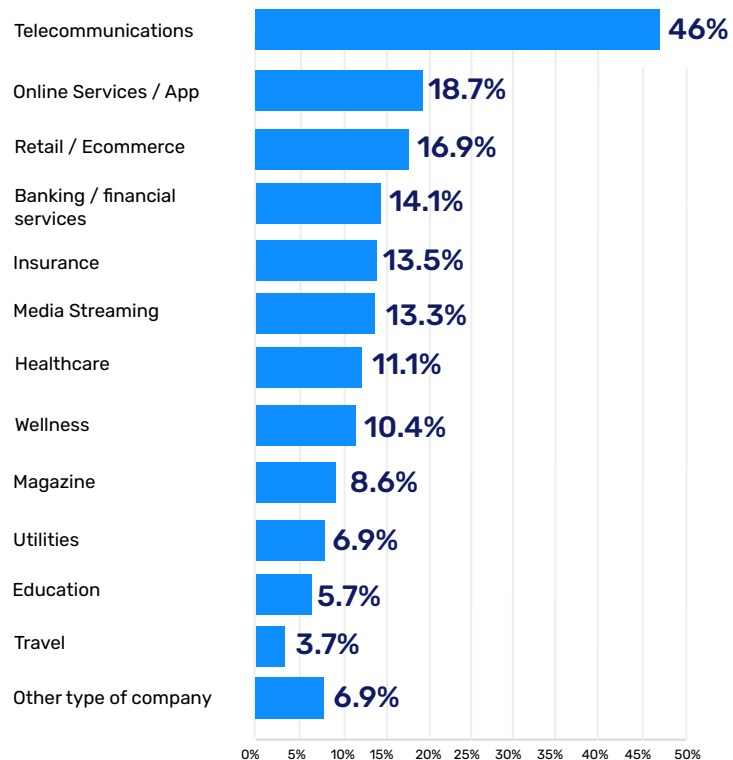48% of churned customers actively searched for a competitor. 44% did not feel any loyalty to the brand and switched to a competitor after being approached.

4. **The #1 driver churn from a poor service experience is broken omnichannel flows**.
Telecom customers report churning after having to repeat themselves multiple times when speaking with multiple representatives (44%) or moving between service channels (23%).

STATE OF CHURN BY INDUSTRY

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Churn by Industry:

Industry	Churn
Telecommunications	46%
Online Services / App	18.7%
Retail / Ecommerce	16.9%
Banking / financial services	14.1%
Insurance	13.5%
Media Streaming	13.3%
Healthcare	11.1%
Wellness	10.4%
Magazine	8.6%
Utilities	6.9%
Education	5.7%
Travel	3.7%
Other type of company	6.9%

Telecom is the industry hardest hit (#1) by churn.

The industry that experiences the highest rates of churn is telecommunications, with close to half (46%) of those surveyed reporting that they canceled a phone, internet, TV or cable contract with a company due to the quality of customer service they received.

Though churn plagues all verticals, telecom companies struggle to differentiate their products and services enough to generate strong customer loyalty. Telecom customers are therefore more sensitive to poor customer experiences, raising the importance of a good CX to critical.

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THE TELECOM CUSTOMER LOYALTY PROBLEM

Reasons for Churn:

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2019

19%	
17%	
64%	

2022

23%	
21%	
56%	

22%

- ■ Many negative experiences
- ■ A single negative service experience
- ■ No negative service experiences
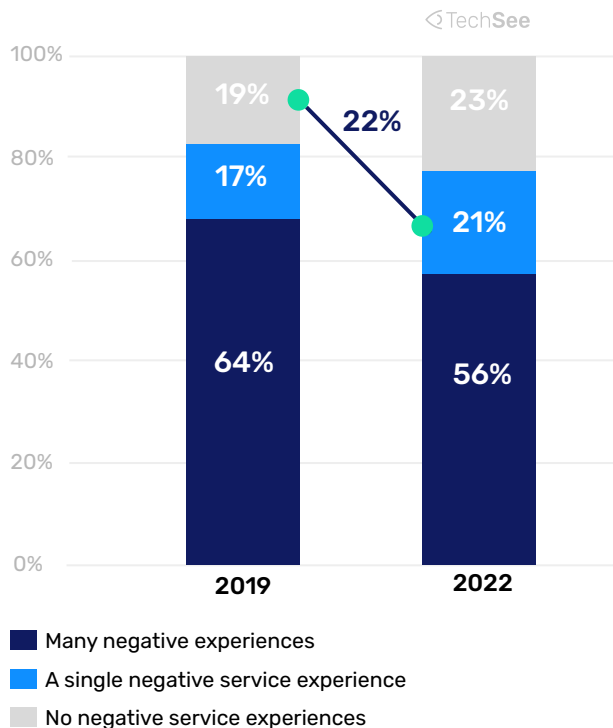
Customer loyalty to telecom providers is down 22% post-pandemic.

56% of customers post-pandemic will churn as a result of ongoing poor customer service. 21% will churn after just one negative experience, showing that these customers are unwilling to give a telecom provider a second chance. 23% churn after no negative encounters at all, indicating low differentiation between brands.

Post-pandemic, telecom customers are less loyal to their providers. Since 2019, the amount of customers churning after one bad experience or less is up 22%. This indicates that customers see telecom products and services as only barely differentiated. Customers are therefore less forgiving following a poor service experience.

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SERVICE QUALITY IS DRIVING CHURN

Reason for Changing Providers

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Chart:

	2019	2022
I actively searched for another company with better service	44%	48%
I decided I didn't need the product/service	16%	8%
I heard about another company with better service	39%	44%

Y-axis: 0%, 20%, 40%, 60%, 80%, 100%

Legend:
- ■ I heard about another company with better service
- ■ I decided I didn't need the product/service
- ■ I actively searched for another company with better service

92% of telecom customers who were unhappy with service quality churned to a competitor.

48% of dissatisfied customers actively searched for an alternative provider. While **8%** were not using the product and would have churned anyways, 44% did not feel any loyalty to the brand and switched to a competitor after being approached.

This points to the need for effective, proactive customer retention strategies in today's ultra-competitive economic environment. Implementing effective proactive customer retention strategies has been proven to increase overall revenue, and can keep customers from passively churning to a competitor.

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TOP 4 DRIVERS OF CHURN:
#1 - BROKEN OMNICHANNEL FLOWS

Service Friction Points That Caused Customers to Churn

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	2019	2022
Had to switch between channels	15%	23%
Was transferred between departments	36%	37%
Repeated myself multiple times	45%	44%
Had to call more than once	51%	47%

2019   2022
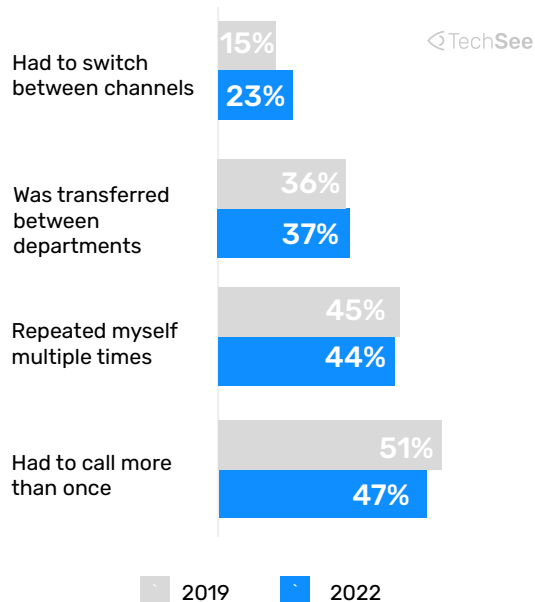
Fragmented omnichannel journeys are one of the largest driver of customer churn

Customers report omnichannel service flows as being high effort. Customers want to be able to contact brands on any channel or platform. But they also want a fast, unified, and continuous experience.

Customers report expending effort on repeating steps and information. Many report having to call more than once to get their issue resolved (47%). They also report having to repeat themselves multiple times when speaking with multiple representatives (44%) or moving between service channels (23%).

Customers report slight improvements in repeat calls and repeating themselves to agents since pre-pandemic. However, customer frustration from switching between service channels has gone up drastically from **15%** pre-pandemic to **23%** post pandemic. This shows a growing demand in omnichannel and unsatisfactory customer data transfer between channels. There is a clear opportunity to improve end-to-end customer journeys to eliminate avoidable churn.

TOP 4 DRIVERS OF CHURN:
#2 - POOR AGENT SERVICE

Service Friction Points That Caused Customers to Churn

Representatives were not empathetic to my situation
- 36%
- 30%

Representatives were rude or negative
- 37%
- 27% — 37%

Representatives were not knowledgeable enough
- 36%
- 35%

Company was unable to resolve my issue
- 42%
- 37% — 14%

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2019 2022
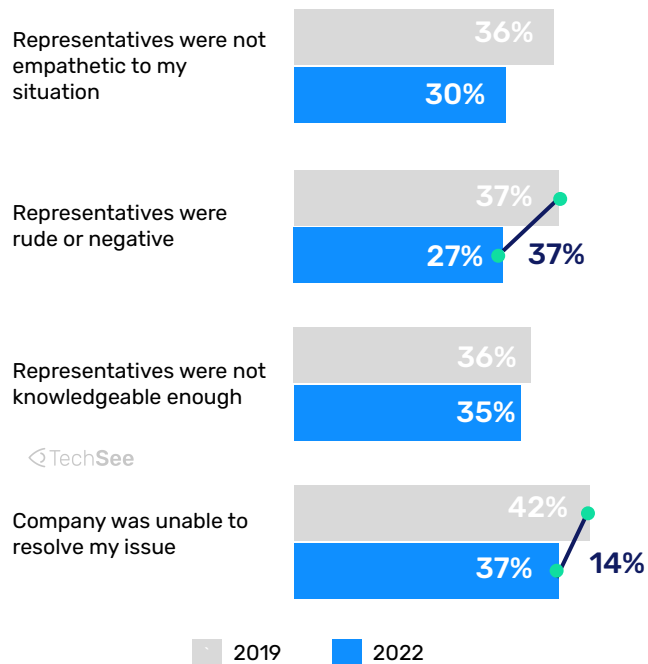
Satisfaction is improving, but customers still expect more from customer service representatives.

Respondents reported a negative experience with customer service representatives as the second most common reason for churning. Service representatives were unable to resolve their issue (37%), weren't knowledgeable enough (35%), or were rude or had a negative approach (27%). These poor experiences with live agents all increase customer effort.

CX investment in telecom is starting to pay off. Though **1 in 3** customers are dissatisfied with agent service quality, satisfaction rates have improved post-pandemic. Customers report a **37%** improvement in agent attitude and **14%** improvement in ability to resolve the issue. However, areas such as agent knowledge have seen little to no improvement. Companies should find ways to empower agents to provide higher quality service. Better agent training, knowledge sharing solutions, and tools to help agents become more knowledgeable and reduce customer churn.

TOP 4 DRIVERS OF CHURN:
#3 -WASTING CUSTOMER TIME

Service Friction Points That Caused Customers to Churn

Waited too long for a field representative to arrive
- 19%
- 29%

Waited too long to connect with customer service
- 32%
- 40%

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Resolving my issue took too much time
- 37%
- 28%
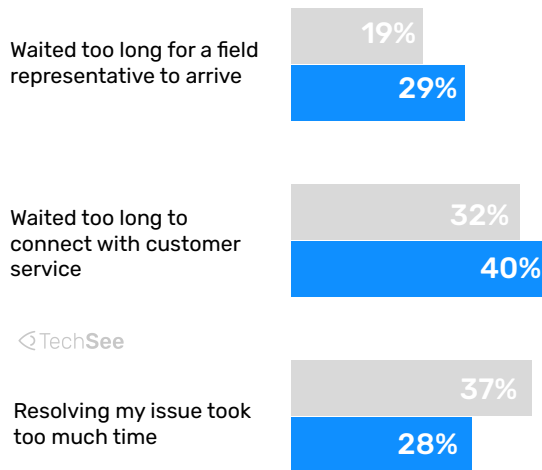
2019   2022

1 in 3 customers churn if their issue isn't resolved fast enough.

Customers cite feeling like their time isn't respected as a key reason for churning. Among the time wasting experiences customers reported, the most common was waiting on hold to connect with customer service (40%). The second was feeling that the length of time it took to resolve their issue was too long (34%). Compared with pre-pandemic sentiments, customers today feel that wait times to receive service from a representative have worsened.

Customers everywhere expect convenient and efficient customer service transactions. The data reinforces the need for self-service tools that reduce waiting times and supplement agent assistance. Key innovations such as visual assistance and AI can empower agents and improve AHT and FCR. Companies that do not provide fast, easy service are at risk of avoidable customer churn.

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TOP 4 DRIVERS OF CHURN:
#4 - INEFFECTIVE SELF-SERVICE

Customers Who Churned Because of Self-Service Friction:

21%

17%

14%

2019   2022
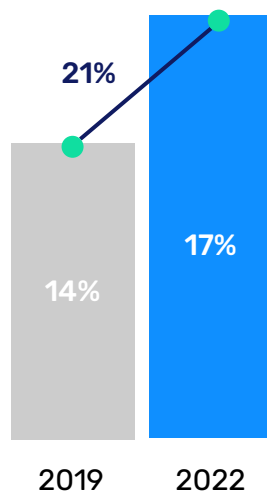
Customer demand for self-service in telecom is growing post-pandemic.

Demand for self-service is up 21% post-COVID compared to pre-COVID figures.

Directing customers to self-service channels such as FAQs, live chat, community forums, etc. can supplement contact centers to reduce call wait time. Done correctly, self-service options can reduce customer effort. Therefore, it not only reduces operational costs, but also improves customer satisfaction.

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EFFICACY OF REACTIVE STRATEGIES: TACTICS OVERVIEW

Customer Preferences for Retention Strategies

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	2019	2022
Upgrade	40%	40%
Discount	40%	34%
Free Gift	31%	29%
Promise of better service	30%	33%
Apology or Explanation	32%	23%
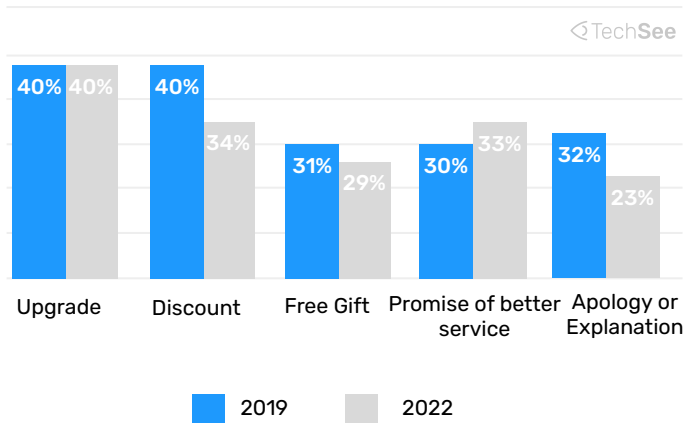
If you want to retain a churning customer, deliver value, not words.

Once poor service has been experience, customers are unwilling to remain with just the promise of better service in the future. 33% of customers in 2019 said that this promise would have changed their mind, but this has declined to 30% post-pandemic.

More and more, customers who experience poor service will look at brands transactionally. They no longer feel loyalty, and become concerned only about the money saved. Customers who churned following a negative service experience want compensation in value not words. 40% would have stayed if they had been offered a better plan. Similarly 40% said a discount would have changed their mind. This is a race to the bottom.

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EFFICACY OF REACTIVE RETENTION STRATEGIES: UPGRADES

Strategy Offered vs. Customer Impact
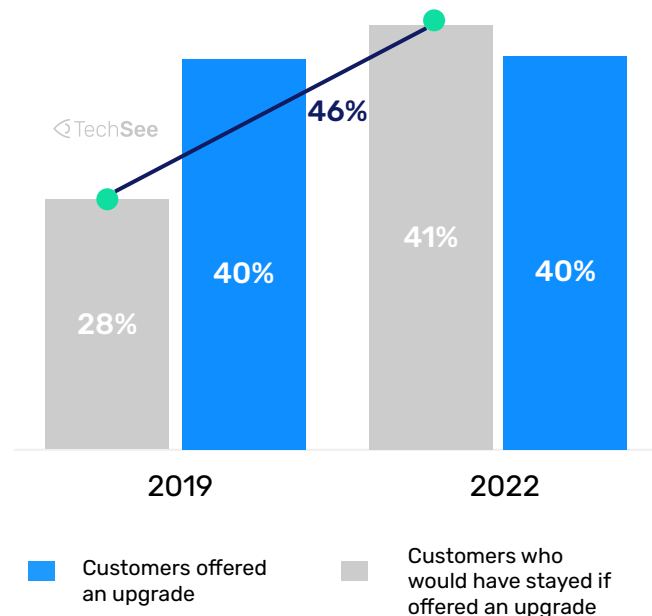
Telecom companies are are matching demand for upgrades.

40% of customers say churn could be avoided by offering them a free plan upgrade. **41%** of customers post-pandemic reported that they were offered an upgrade as incentive not to churn. This is a huge increase compared to pre-pandemic numbers.

It seems telecom companies have recognized that service upgrades are the key reactive retention strategy. Following poor service, the customer now sees the brand as a replaceable commodity. In order to gain back their loyalty, telecom companies are feeling the pressure to provide monetary incentives. This is not an effective long-term solution. Instead of focusing on reactive retention, telecom companies should focus on proactive strategies to avoid the high costs associated with convincing unhappy customers to stay loyal.

Customers offered an upgrade

Customers who would have stayed if offered an upgrade

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EFFICACY OF REACTIVE RETENTION STRATEGIES: DISCOUNTS

Strategy Offered vs. Customer Impact

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18%

47%

45%

34%

40%

2019

2022

■ Customers offered a discount

■ Customers who would have stayed if offered a discount
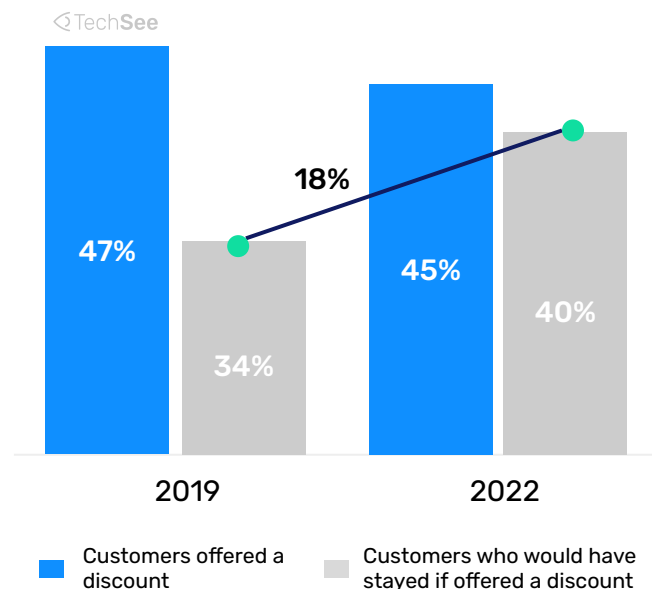
Post-pandemic, discounts have an increased impact on influencing customers not to churn.

One of the most common tactics employed by companies trying to retain customers about to churn was to offer a discount (45%).

40% of customers post-pandemic reported that a discount would have influenced them not to churn. This is up 18% from pre-pandemic numbers. Although receiving a discount is the second most effective method in retaining customers who have decided to churn, an upgrade would sway more customers. Additionally, this is still a highly costly retention tactic.

EFFICACY OF REACTIVE RETENTION STRATEGIES: FREEBIES

Strategy Offered vs. Customer Impact
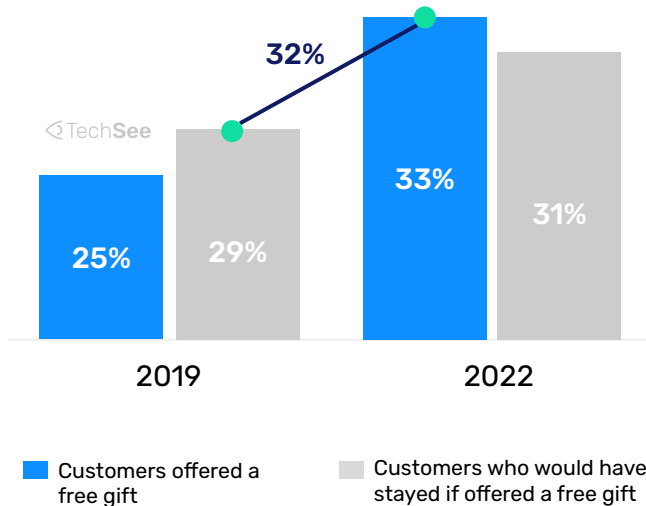
Telecom companies are increasingly reliant on freebies when trying to retain customers post-pandemic.

Companies are offering free gifts to retain customers 32% more post-pandemic than pre-pandemic. This increase has closed the gap between customer desire and freebie availability. Now, 31% of customers report that a free gift would make them change their mind about leaving, aligned with 33% of companies offering this an incentive to stay.

Though telecoms are aligning their offering with customer demand, this retention strategy is a transactional attempt to compensate for lack of loyalty, addressing the symptom but not the root cause of the problem. Telecom leaders would be well advised to both offer freebies as an interim solution, while simultaneously addressing the root causes of customer churn requests.

Chart:

32%

	2019	2022
Customers offered a free gift	25%	33%
Customers who would have stayed if offered a free gift	29%	31%

■ Customers offered a free gift

■ Customers who would have stayed if offered a free gift

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EFFICACY OF REACTIVE RETENTION STRATEGIES: APOLOGIES

Strategy Offered vs. Customer Impact

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37%

23%

33%

32%

2019

2022

■ Customers offered
an apology

■ Customers who would have
stayed if offered an apology
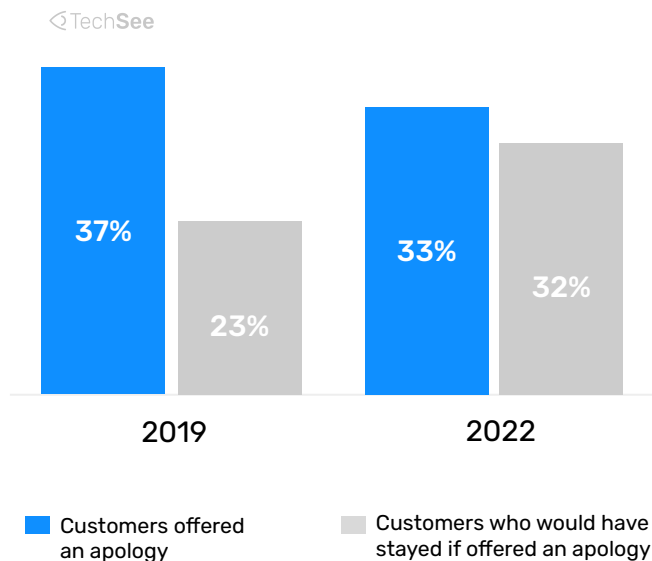
2 in 3 customers will still churn regardless of receiving an apology or explanation from the company.

Customers reported that companies tried to keep them by offering an apology or explanation. Meanwhile, though customer who want an apology went up 39% post-pandemic, only 32% feel an apology would change their mind about churning.

This suggests customers feel telecom companies are making mistakes at a higher rate than pre-pandemic, and apologies are expected. However, though an apology or explanation may be nice to hear, it has a limited impact on avoiding churn, and should not be relied upon.

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Case Study:
Vodafone Group Improves Customer Satisfaction

Impact
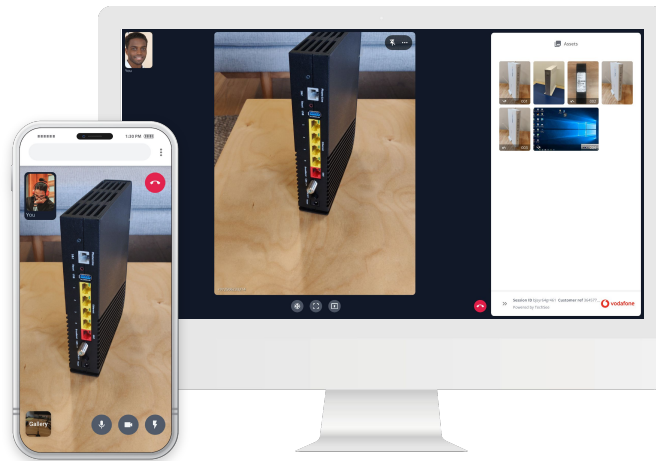
+61%
NPS

+13%
FCR

-12%
AHT

-14%
Tech Dispatches

Challenge

Vodafone Group faced with growing competition and rising churn rates wanted to differentiate their customer service and improve customer satisfaction.

Solution

- Remote visual assistance in the call center
  - Agents have the tool to *see* the the problem in real-time
- Live video interactions with AR guidance for troubleshooting and setup
- Remote technician support using visual assistance,
  - Reduced need for customers to wait for a live tech visit
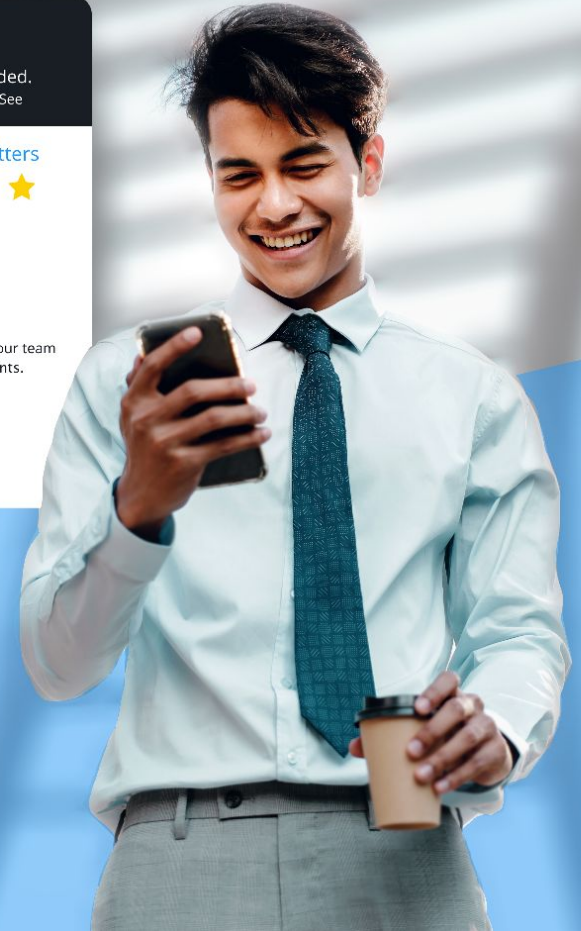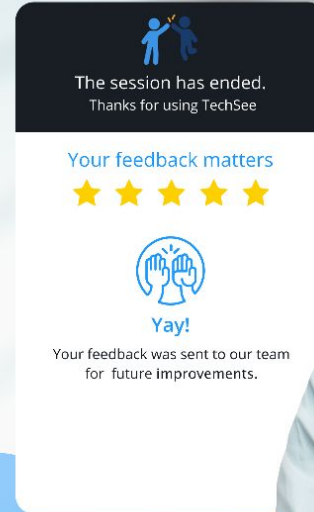
Conclusion

There is a direct correlation between customer effort and churn in telecom. Broken customer flows, long wait times, and poor self-service options all contribute to high effort. Customer Experience leaders in telecom must take a long, hard look at the overall customer journey and eliminate any friction that might affect customer loyalty.

Once a customer decides to churn, it is usually too late. Very few retention strategies have the power to consistently avoid churn. The most successful of these require are costing telecom companies money and resulting in lost potential revenue.

Eliminating inefficiencies along the customer journey can help businesses increase revenue while simultaneously lowering the cost to serve. This indicates a huge opportunity for service leaders by addressing the drivers of churn.

The session has ended.
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★ ★ ★ ★ ★

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