

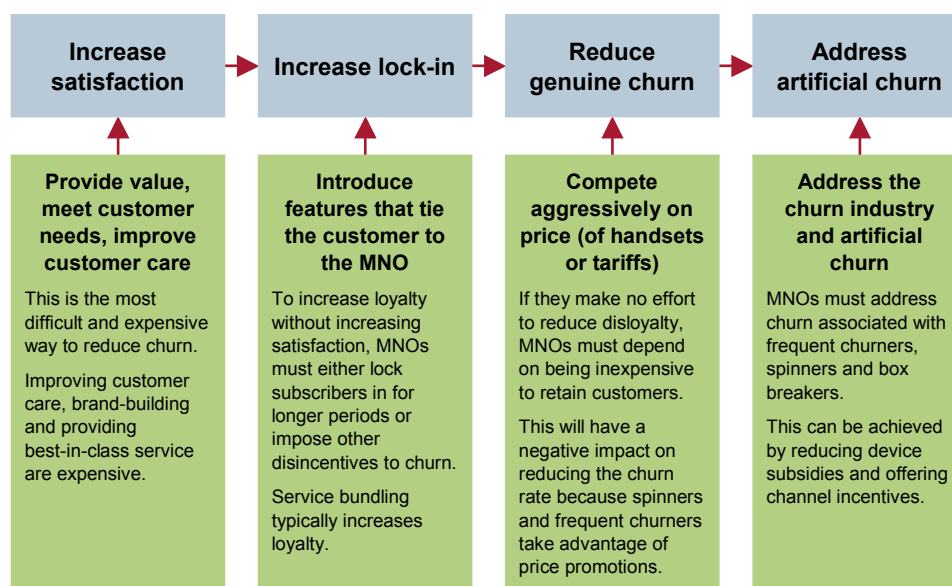
2 Addressing mobile broadband churn

MNOs can address churn in four ways, by:

- increasing subscriber satisfaction
- increasing subscriber lock-in, independent of satisfaction
- launching measures that specifically aim to improve customer retention
- addressing the artificial forms of churn, such as box breaking.

The four strategies can be pursued independently, but MNOs need to be aware that they are interlinked and each will have an impact on the others. Specifically, the measures are part of a linear development, as illustrated in Figure 2.1: improving subscriber satisfaction will increase lock-in and lead eventually to lower churn rates. However, operators can increase the amount of customer lock-in without improving satisfaction – for example, through the use of longer contract periods or the bundling of multiple services. Alternatively, MNOs can seek to address churn directly without addressing the underlying issues of subscriber satisfaction or loyalty, typically through heavy price discounting.

Figure 2.1: Strategies for reducing mobile churn [Source: Analysys Mason, 2009]



In addition, MNOs can make the task of retaining subscribers easier by building a customer base of loyal subscribers. To achieve this, MNOs should focus attention on genuine acquisition events, such as the first time a customer adopts a mobile broadband service.

This section examines which customer retention and churn reduction strategies can be used to achieve each of these goals in the mobile broadband market.

2.1 Increase satisfaction

The most effective way of retaining a subscriber is to make them not want to churn. This is best achieved by delivering a compelling user experience that is difficult for competitors to replicate. Such a strategy could focus on several aspects of the user experience, including service innovation, network quality and customer care. MNOs can also reduce subscribers' propensity to churn by building their brands – subscribers with an emotional attachment to a brand are less likely to abandon it. The problem with these approaches is that they are expensive, untargeted and their return on investment is difficult to quantify. MNOs are at risk of subsidising a superior user experience for subscribers who are not at risk of churn.

Network improvements

Several factors influence subscriber satisfaction with mobile services in general, but one is the dominant driver for mobile broadband: network quality. MNOs may be able to use value-added services or customer care as competitive differentiators to some extent in the future, but mobile broadband is a largely commoditised service and the most important factors that govern its user experience are coverage, capacity and contention. Network quality is most important in markets where mobile broadband is positioned as a replacement for DSL-based services and the risk of unsatisfied subscribers switching from mobile to fixed broadband is high.

During the past two years, MNOs have focused a lot of attention on upgrading their 3G networks to support mobile broadband services (see Figure 2.2). Most 3GPP operators in developed markets have upgraded to a variant of HSPA and are progressing towards HSPA+. Some MNOs have also started to announce LTE deployments, such as TeliaSonera in Norway. 3GPP2 operators, such as Verizon Wireless, are also poised to start overlaying their CDMA 1× EV-DO networks with LTE during 2010.