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RESEARCH SURVEY REPORT

CONNECTED CONSUMER SURVEY 2016: MOBILE CHURN AND CUSTOMER SATISFACTION IN MIDDLE EAST AND NORTH AFRICA

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About this report

This report focuses on aspects of Analysys Mason's Connected Consumer Survey that relate to the behaviour, preferences and plans of smartphone users in the Middle East and North Africa (MENA) region. In particular, it focuses on respondents' attitudes towards their mobile service providers. The survey was conducted in association with On Device Research.

The research was conducted in August and September 2016. The survey groups were chosen to be representative of the mobile-Internet-using population in the region. We set quotas on age, gender and geographical spread to that effect. There were 4500 respondents in the region.

GEOGRAPHICAL COVERAGE

KEY QUESTIONS ANSWERED IN THIS REPORT

- How do churn levels differ between countries and operators? What factors seem to affect churn decisions? What are churners looking for in their next tariff?
- What is the Net Promoter Score (NPS) of different operators? What seems to affect it? How do operators perform in different parts of the country and what demographics are they strong in?
- How does data consumption correlate with customer satisfaction? How do different data pricing strategies affect customer experience and satisfaction?

WHO SHOULD READ THIS REPORT

- Operator-based strategy executives and marketing managers who are interested in understanding consumer market trends, the changing role of data services and the impact of differing approaches to pricing on customer satisfaction.
- Market intelligence and research executives in service providers that are responsible for understanding end-user trends and supporting business units in identifying and addressing new opportunities.
- Equipment/device manufacturers and software providers that want to identify end-user trends in service and device usage and help their operator customers to improve their ability to address market opportunities.

Individual consumers appear to apply different criteria when deciding whether to change operators, making it difficult to gauge churn risk

Being a large operator with an extensive network does not necessary guarantee higher customer loyalty. For instance, respondents from Etisalat were much more likely to churn than those at du. Nearly a third (32%) of potential churners from Etisalat cited price as a motivation.

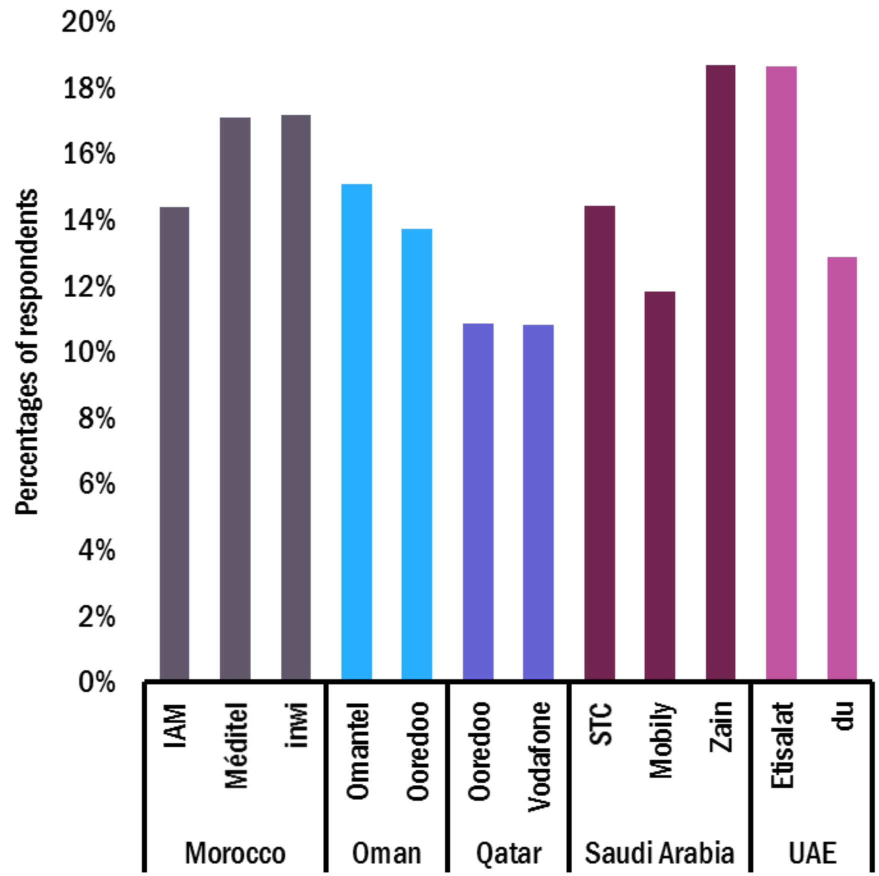
The more agile and youth-oriented operators had higher churn risk in other markets. For example, inwi and Méditel in Morocco and Zain in Saudi Arabia fared relatively poorly. This is likely linked to poor network coverage, which was regularly cited as a reason to churn (31%, 37% and 32%, respectively).

Consumers also act opportunistically to benefit from offers and discounts advertised by operators.

- More respondents in Oman than in any other market were considering switching operators to get a different plan (39% for Omantel and 36% for Ooredoo). Since both operators offer similarly-priced packages, consumers could be looking to take advantage of time-limited offers.[1]
- Ooredoo and Vodafone have similar potential churn rates in Qatar. However, Ooredoo's subscribers are more likely to churn to get a better mix of minutes, messaging and data. Vodafone offers a richer set of postpaid tariffs and introduced its "Connect Plans" in May 2016, which offer flexible allocation of voice, messaging and data allowances.

[1] For example, Omantel's unlimited access to WhatsApp for OMR1 per month or Ooredoo's bonus credit and access to WhatsApp with every recharge

Figure 6: Intention to churn within the next 6 months by operator[2]



Source: Analysys Mason

[2] Question: "Do you intent to make a change to your mobile service within 6 months?"; n = 5000.

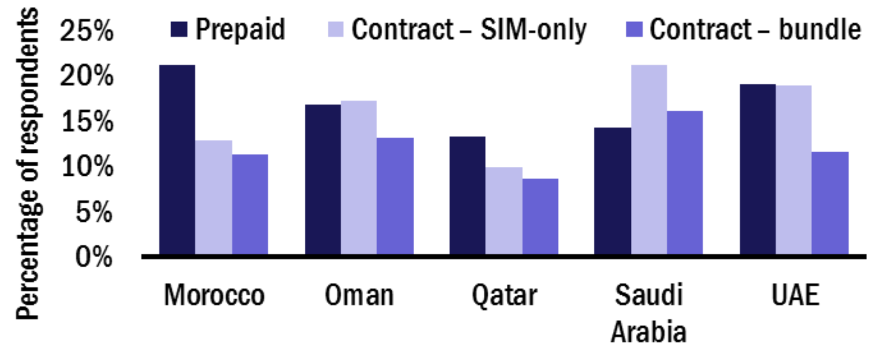
Customers on contract plans with bundled handsets tend to award the high NPSs and exhibit lowest churn levels

Contract penetration in the region is relatively low – an average of 30% of our panellists were on standard or SIM-only contract plan. This figure is higher than the market average as our sample is comprised of smartphone users, which are more likely to be on a contract plan than the general population.

Intention to churn and customer satisfaction levels vary significantly by type of contact and the two are not necessarily correlated.

- **Prepaid customers** generally have a high propensity to churn in the region. The motivations for churn are broadly in line with the market average, though pricing motivations are cited more frequently than on average for all users in most countries. The exception is Saudi Arabia, where potential churners among the handset contract base are most aggrieved by price. Prepaid customers are also less likely to churn because of data speeds.
- **Standard contract customers** with handset plans generally reported a lower intention to churn rate, likely due to these customers being tied into long-term deals, although Saudi Arabia is again the exception. Customer satisfaction is generally high for contract customers in Qatar, Saudi Arabia and the UAE, despite the lack of flexibility, perhaps because they often enjoy good-value tariffs and discounts on the latest handsets.
- **SIM-only contract customers** have higher intention-to-churn rates than standard contract customers and are generally less likely to recommend their operator to friends.

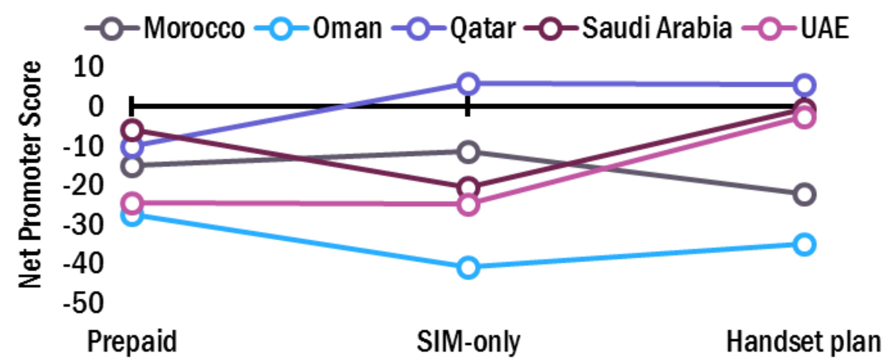
Figure 9: Potential churn rate by type of mobile plan and country[1]



Source: Analysys Mason

[1] Questions: "Do you intend to make a change to your mobile service within 6 months?", "What kind of mobile service plan do you have?"; n=5000.

Figure 10: Net Promoter Score by type of mobile plan and country[2]



Source: Analysys Mason

[2] Questions: "On a scale from 0–10, how likely are you to recommend your mobile service provider to friends or family members?", "What kind of mobile service plan do you have?"; *n*=5000.

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About the authors

Stephen Sale (Research Director) oversees Analysys Mason's consumer research and is also the lead analyst for the *Future Comms and Media* research programme. His primary areas of specialisation include next-generation communication services, OTT player strategies and mobile pricing. He also has extensive experience in analysing operator strategies and forecasting fixed and mobile service markets. Before joining Analysys Mason in 2004, Stephen worked in the industry on areas that include VoIP, next-generation service architecture and broadband access. He has a degree in economics and an interdisciplinary MRes from the University of London.

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Aris Xylouris (Research Analyst) is a key contributor to Analysys Mason's primary research for the Consumer Services research practice and manages our *Connected Consumer Survey*. His work involves in-depth coverage of issues such as consumer behaviour, convergence and bundling, and mobile and fixed service pricing. Aris also contributes to the *Fixed Broadband and Video*, *Mobile Services*, *Digital Economy* and *Mobile Devices* research programmes. Aris is a trained economist and before joining Analysys Mason he held internships as an economic analyst in the media sector, working on market analysis, financial evaluation, profitability analysis and business plan development. His wider experience includes quantitative forecast modelling and computer simulations using agent-based models. Aris holds a Bachelor in Economics from Athens School of Economics and Business, and an MSc in Behavioural Economics from Warwick University.

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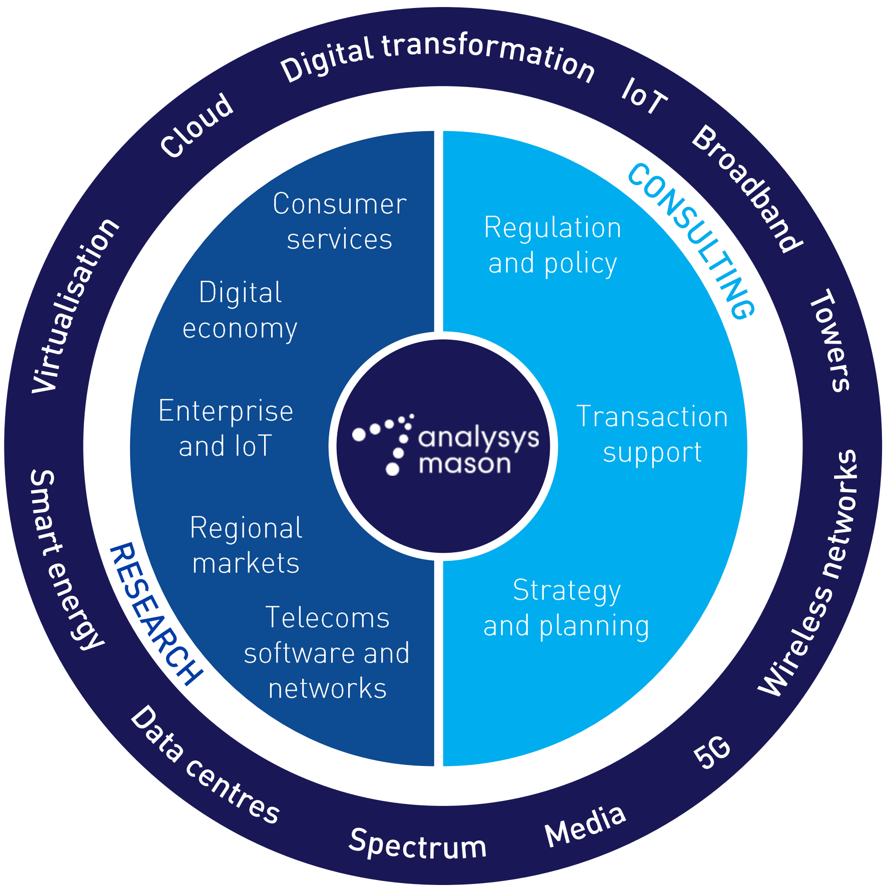

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