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TELECOMS INSIGHTS FOR AFRICA

NOV 2018

IoT, data and other business services can help South African operators to offset legacy revenue declines

Terry van Staden, Analyst, Research

Revenue growth in the South African enterprise market is weak, but there are a number of significant changes afoot. Legacy services are in rapid decline, the take-up of fixed broadband services is growing thanks to improved quality and affordability, and enterprises are increasing their use of IoT and other business services (such as cloud and security).

However, these changes are not leading to strong revenue growth for all operators. Legacy services still account for the majority of spend and their decline will have a considerable impact on overall market revenue growth. Enterprises will increase their spending on other business services, such as cloud and security, by over 7% each year. This will create a significant revenue growth opportunity, but we expect operators to receive only a slim portion of this growth and the market is relatively nascent.

The rapid developments of the market are also affecting the relative performance of the operators. Neotel Liquid Telecom's and Vodacom's enterprise businesses are growing, while the incumbents MTN and Telkom are struggling in the enterprise market.

- MTN has a struggling enterprise business. It declined by 14% in the first half of its 2018 financial year and, according to management, MTN has "neglected [its] enterprise business over quite some time".[1] MTN expects its enterprise business to stabilise and potentially grow in 2019 because it plans to implement a new strategy, including a new management team and investments in data centres.

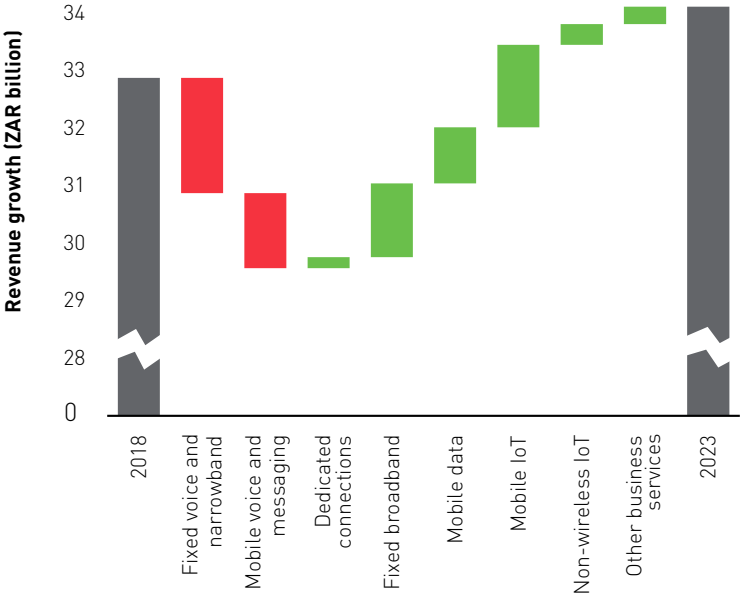

FIGURE 1: CHANGE IN TELECOMS OPERATOR RETAIL REVENUE FROM ENTERPRISES BY SERVICE TYPE, SOUTH AFRICA, 2018–2023
[SOURCE: ANALYSYS MASON, 2018]

> Revenue in the South African enterprise market will grow only marginally between 2018 and 2023 (by less than 1% each year), driven by several key, often contrasting, trends.

- Fixed operator Neotel Liquid Telecom does not report figures for its business in South Africa, but is known to be expanding its footprint rapidly throughout the country (and Africa as a whole). It has reportedly invested ZAR1.3 billion (USD110 million) in expanding its data centre business and is one of the leading challengers in the South African fixed services market.
- Telkom reported a 5% decline in enterprise revenue in its 2018 financial year. The total enterprise revenue reported was ZAR18.3 billion (USD1.4 billion), which represents 45% of the total business. A 9% decline in fixed voice revenue and a 7% decline in its managed IT services revenue are the causes of this overall decline. Telkom accounts for most of the fixed voice market in South Africa and is therefore particularly exposed to declines in this market's revenue. Telkom acquired BCX (Business Connexion), a systems integrator and managed service provider, in order to merge its connectivity business with an end-to-end IT service provider. Telkom's enterprise unit has been operating under the BCX brand since early 2017.
- Vodacom reported an 11% increase in its enterprise revenue to ZAR14 billion (USD1.1 billion) in its 2018 financial year. This represents 26% of the total business. Vodacom's expansion into the fixed services market and a growing cloud and hosting portfolio are the causes of this growth. Vodacom's mobile revenue is flat, but it has a relatively large IoT division, which is growing at 11% year-on-year and generated over ZAR750 million (USD56 million) in its 2018 financial year.

Fixed and mobile data services and IoT will be the primary sources of revenue growth in the enterprise market

Revenue in the South African enterprise market will grow only marginally between 2018 and 2023 (by less than 1% each year), driven by several key, often contrasting, trends.

Revenue will be significantly affected by the substantial decline in legacy services, namely fixed voice, narrowband, mobile voice and messaging. Legacy services currently account for 47% of enterprise revenue, but we expect this figure to change significantly in the short term, falling to 35% of the total enterprise revenue by 2023.

The number of fixed broadband connections to enterprises will increase by 7% each year and will reach over 600 000 by 2023. There will also be shifts in use of broadband technology: the number of FTTP/B connections will more than double to 100 000, and vDSL will replace ADSL as the most common broadband access type.

IoT and other business services will be the main drivers of overall revenue growth. We expect that the number of IoT devices on mobile networks will reach 29 million by 2023, resulting in connectivity revenue of almost ZAR3 billion (USD225 million) for operators. The market for other business services, such as cloud and security, will grow at CAGR of 7.4%, and will reach ZAR7 billion (USD 525 million) by 2023.

Poor and limited fixed infrastructure has led to a comparatively large mobile market and limited use of other business services

In contrast to enterprises in high-income countries those in South Africa spend almost as much on mobile services as they do on fixed. Limited access, poor quality and high prices has limited enterprises' use of fixed services in South Africa. Poor fixed infrastructure has also limited enterprises' (particularly small and medium-sized enterprises') use of other business services, such as cloud.

There is considerable scope for South African operators to do more in other business services. Operators in Western Europe generate 12% of their revenue from other business services, indicating operators' potential to expand into this market.

Operators in South Africa have already invested in areas not relating to traditional connectivity services. BCX generates almost 40% of its revenue from managed IT services. Vodacom's acquisition of Stortech provides it with managed cloud services capabilities, and its subsidiary XLink, another acquisition, provides managed IoT solutions. MTN, Neotel Liquid Telecom and Vodacom have all increased their investments into data centres in order to capitalise on the potential in the cloud services market. Further acquisitions in the enterprise market by all operators in 2019 seem likely, as we have seen elsewhere.

Operators in South Africa should increase their investments to capitalise on new growth opportunities

Operators that are still highly dependent on revenue from legacy services face a considerable threat, but there are significant growth opportunities in fixed and mobile data services, IoT and other business services. Making the most of these opportunities will require investment. IoT, next-generation fixed networks and other businesses services will lead to considerable revenue growth in the enterprise market, but will also require operators to be bold and make the required investments in these markets.

[1] For further information, please see the transcript of MTN's 2017 annual results call: https://www.mtn.com/en/investors/financial-reporting/annual-results/Pages/default.aspx

Questions?
Please feel free to contact Terry van Staden, Analyst, Research at terry.van.staden@analysysmason.com

Mobile operators in SSA have opportunities to improve customer satisfaction and data monetisation

Karim Yaici, Senior Analyst, Research

Mobile operators in Sub-Saharan Africa (SSA) scored relatively highly in terms of customer satisfaction compared to those in other regions according to our latest *Connected Consumer Survey*.[1] Furthermore, there was a visible improvement in the 4G penetration level among respondents in 2017 compared to those surveyed in 2016, which contributed to an increase in data usage and a demand for higher data allowances.

Results also suggest that operators in the region can reap higher returns for increased usage than those in other regions, thereby highlighting the importance of moving customers to higher data tiers. This comment shares some of the results from this survey and explores the drivers of customer satisfaction, the impact of 4G on data usage and spend, and how operators can improve their data monetisation.

Network performance plays the biggest part in affecting NPS in Sub-Saharan Africa, but data allowance is important too

We ran a survey of mobile users in Kenya, Nigeria and South Africa between August and October 2017, with 1000 respondents per country. Respondents were asked to rate how likely they were to recommend their mobile operators, on a scale from 0 (not at all likely) to 10 (definitely). The Net Promoter Score (NPS) results are shown in Figure 1.

Safaricom had the best performance in the region, whereas MTN (South Africa) received the lowest scores. We also observed that the difference in NPS between operators was more pronounced in Nigeria and South Africa (where small players took the lead) than in Kenya, where Safaricom (the incumbent) scored more highly than its competitors. Telkom

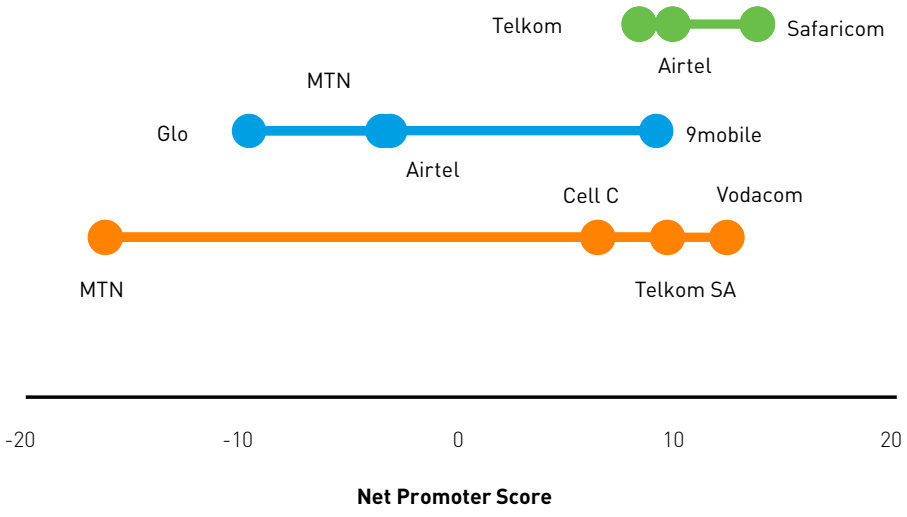

FIGURE 1: NET PROMOTER SCORE (NPS) FOR MOBILE OPERATORS, BY COUNTRY
[SOURCE: ANALYSYS MASON, 2018]

in Kenya gained 20 NPS points between 2016 and 2017, while the NPS for Airtel, Etisalat and Glo in Nigeria, and MTN in South Africa decreased during this period.

Some aspects of mobile services had a greater impact on individuals' willingness to promote (and, therefore, on NPS) than others. We analysed the NPS results against customers' satisfaction ratings for particular aspects of their mobile service. The ranking of these factors in terms of their impact on NPS, averaged across all three of the countries, is as follows (from highest to lowest).

1. Network coverage
2. Customer service
3. Data allowance
4. Price

The impact of network coverage was particularly strong in South Africa. Here, Vodacom had the best rating for this aspect, and Cell C had the worst. MTN scored well on this metric but had the lowest NPS in South Africa due to poor scores for other metrics (chiefly, customer services, data allowances and service pricing). In Nigeria, data speed stood out as the most critical service aspect.

Data allowance size has a strong effect on satisfaction, and highlights the issue of value for money in the region. Operators' poor scores in terms of price satisfaction also play a role in bringing the NPS down but are perhaps less influential overall than one might expect.

The increased level of 4G adoption has encouraged data consumption and has contributed to an increase in spend

Between a quarter and a half of the mobile data users surveyed in each country reported accessing a 4G service from their phone. This reflects the overall increase in the supply and demand for low-cost smartphones and the greater appetite for access to apps and services, as well as improved 4G coverage.

The demand for more data was high due to the large share of users on high data tiers, particularly for those using 4G. For example, in South Africa, one third of the respondents using 4G reported consuming 2GB or more each month. This could be attributed to the high usage generally associated with higher-end 4G users compared to non-4G users, but also to the high prices of smaller data bundles in South Africa. This situation makes it better value for heavy data users to purchase large data bundles rather than multiple smaller ones.

The data market is growing in SSA, creating better monetisation opportunities than in some other regions

The survey results show that the mobile data market continues to grow, thereby enabling operators to enjoy strong returns on higher-volume plans.[2] This contrasts with what is seen in more mature markets such as France and Germany, where we observed an inability of operators to reap higher marginal returns for increased usage.

It is important to note the distribution of customers across price points. We noticed a steep increase in the average spending across the region for very high data tiers (data allowance of 3GB and above) compared to that seen for the sub-1GB category. Overage policies have probably added to this trend, especially in South Africa, where more than 60% of customers on data plans of 2GB and above exceed their allowance, and where Vodacom and MTN used to charge ZAR2 (USD0.15) and ZAR0.99 (USD0.07) per out-of-bundle megabyte of data.[3]

Our results show that there is a clear demand for higher data allowances in the region. As well as satisfaction with the allowance size acting as a strong predictor of NPS, a higher data allowance is the dominant attractor for customers looking to make changes to their mobile plan. These findings suggest that mobile operators should consider the following.

- **Promote large data allowances in return for modest price increases to encourage usage growth.** Unit prices for data remain high, especially on low-data bundles, thereby restricting data usage growth in the market. However, operators should ensure that the additional strain on the network can be supported without negatively impacting customer satisfaction.
- **Provide a clear migration path to encourage light users to upgrade to higher data tiers.** Operators should introduce more intermediary and cheaper data tiers, and provide a means to enable users to manage their usage and avoid high overage charges.

[1] Connected Consumer Survey 2017: mobile churn and customer satisfaction in Sub-Saharan Africa.

[2] For more information, please see Analysys Mason's Connected Consumer Survey 2017: mobile services and devices in Sub-Saharan Africa.

[3] Vodacom and MTN have since taken steps to remedy this issue and significantly reduced their charges in late 2017.

Questions?
Please feel free to contact Karim Yaici, Senior Analyst, Research at karim.yaici@analysysmason.com

WhatsCall: the biggest OTT app that you have never heard of

Giulio Sinibaldi, Analyst, Research

WhatsCall, though unknown to many people, is as an example of a successful ad-funded[1] over-the-top (OTT) communication app. In this comment, we highlight the high levels of reported adoption of WhatsCall in the Middle East and Africa (MEA). We also investigate how the app's features may be driving its successful performance and how operators may be able to learn from its success.

WhatsCall has built a small but significant presence in the communications space in MEA

According to Analysys Mason's *Connected Consumer Survey 2017*, more than 90% of smartphone users in MEA use OTT communication apps.[2] While WhatsApp and Facebook Messenger are by far the most-popular services in these regions, other apps retain a significant, though secondary, presence in each particular country: BBM, Skype, Telegram and Viber are among the most common communication services, and they usually address a specific area of consumer communication behaviour, such as long-distance calling or video calling.

WhatsCall was developed by the Chinese company Cheetah Mobile and launched in 2015. Since its launch, the app has grown strongly and has gained significant traction in the MEA region. As shown in Figure 1, WhatsCall is consistently among the top-5 apps by reported usage in all the countries included in our survey, and it is the third-most widely used app in Nigeria and South Africa. WhatsCall's value proposition, which focuses on free national and international off-net calls, appeals to many types of customer, with reports of uniform levels of penetration for all age and gender groups in all the countries surveyed.

Figure 1: Smartphone users' reported adoption of main OTT communication apps in selected MEA markets, 2017

WhatsCall's ad-funded platform unlocks free calls to all mobile devices

WhatsCall's value proposition focuses on free national and international off-net calls,[3] and users must complete various tasks to earn 'credits' in exchange for off-net calling minutes. This feature is so essential to the service proposition that the main screen of the app displays the menu for the credit-earning tasks, while the other standard communications and app management functions are available on secondary tabs.

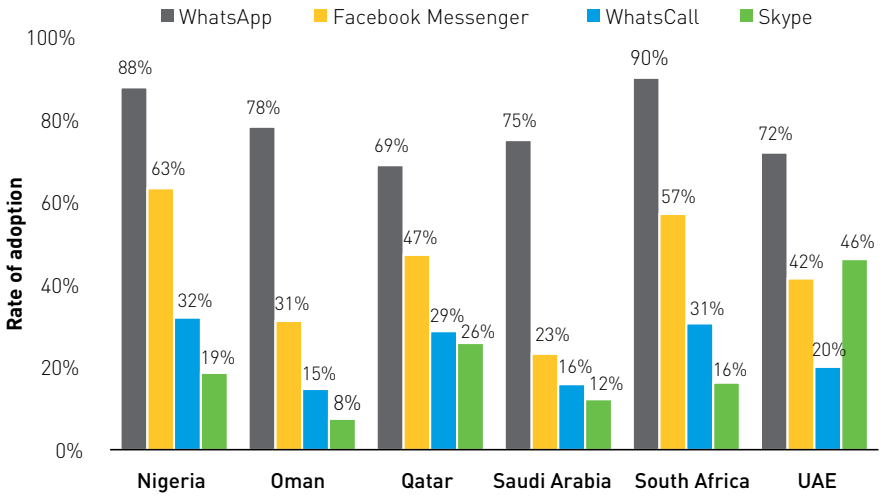

FIGURE 1: SMARTPHONE USERS' REPORTED ADOPTION OF MAIN OTT COMMUNICATION APPS IN SELECTED MEA MARKETS, 2017
[SOURCE: ANALYSYS MASON, 2018]

Users gain credit watching ads, engaging with brand-sponsored campaigns and completing actions aimed at driving up service engagement figures, such as inviting new people to download the app and opening it at least once a day. These tasks are designed to generate the advertising revenue necessary to subsidise off-net calls, to remunerate the publisher and to maximise service awareness and adoption.

The credit earned by users can be spent to call any mobile or fixed number in more than 200 countries worldwide. On average, users need between 1800[4] and 2000 credits per off-net minute and they can earn up to 28 000 credits per day (completion of a task provides an average of 100 credits). The amount of credits needed for a minute-long call varies significantly across countries and between operators of the same nation: for example, calling a US phone number costs, on average, 220 credits per minute, but 2950 credits to reach a number in the United Arab Emirates

Smartphone owners in developing countries use WhatsCall because it provides significant savings on national and international off-net calls and it is the only OTT service that enables free calls to 2G mobile devices. The other mainstream OTT services such as Skype and Viber require an upfront electronic payment, not available to large segments of the population in developing countries, to obtain credits to call 2G mobile devices. WhatsCall is positioning itself as the first provider of free calls from smartphones to feature phones - a sizeable share of the mobile voice market. In SSA, for instance, only 30% of the active handsets are smartphones.

WhatsCall is likely to face critical obstacles to its overall growth

Despite the significant success that WhatsCall is experiencing, its future growth may be limited due to four main obstacles.

- Smartphone penetration grows quickly in developing countries: +5 percentage points year-on-year in MEA.[5] The larger the community of smartphone owners, the smaller the demand is for smartphone-to-feature phone calls.
- The progressive decline of national calling charges and the increase in size of voice allowances in mobile plans will diminish the incentive for smartphone users to dedicate time to earning credits for free calls.
- The long-term service expansion may be limited by the friction to the user experience required by the credit generation process. For example, it takes 34 minutes of repetitive tasks to gather credits worth a 15-minute call to a mobile number in Nigeria.
- WhatsCall's service proposition serves a specific niche in the communications market: off-net calls. It cannot easily compete with the OTT giants on other aspects of person-to-person communication, which means that the app is at risk of being marginalised.

WhatsCall's success highlights the financial challenges that many mobile users have in emerging markets

WhatsCall is emerging as a relevant player in the communications space because it allows smartphone users to make free voice calls to 2G phones; this previously could only be done for a fee. While operators may benefit from such services, thanks to higher mobile data consumption (watching ads and outbound IP calls) and from off-net calls termination rates, the success of the service also highlights how operators are failing to cater to user demand for low-cost calls. Operators that want to recapture this segment can respond by:

- revising their mobile voice pricing at the lower end;
- offering own-branded, ad-funded communications services;
- partnering with micro-loans services to help low-end subscribers to borrow minutes allowances.

Although it may seem a marginal threat to operators' service revenue, there is a clear opportunity to experiment with new services and pricing models for their communications portfolio.

[1] WhatsCall is not the first ad-funded communications service to market: its use case is very similar to that of Blyk's, a UK-based MVNO that once offered small bundles of mobile voice minutes and SMS to consumers that, in turn, received ads via SMS.

[2] Analysys Mason's Connected Consumer Survey 2017 analyses the behaviour of 7500 individuals on connected devices in Kenya, Nigeria, South Africa, Morocco, Oman, Qatar, Saudi Arabia and United Arab Emirates.
It uses a hybrid IP-PSDN communication protocol.

[3] This calculation has been made using rates available on 3 September 2018 for both national and international calls.

[4] For more information on smartphone trends and forecasts, see Analysys Mason's DataHub. Available at: www.analysysmason.com/services/Research/DataHub/.

Questions?
Please feel free to contact Giulio Sinibaldi, Analyst, Research at giulio.sinibaldi@analysysmason.com

Safaricom's Masoko is a bold venture into ecommerce in Sub-Saharan Africa, but it will face challenges

Stephen Sale, Research Director

Safaricom launched ecommerce marketplace Masoko in Kenya on 21 November 2017.[1] Masoko follows the marketplace model used by Amazon and Alibaba. Safaricom screens merchants and provides ecommerce enablement services such as payment processing or customer support channels, but does not own the inventory on offer. Safaricom is well-placed to benefit from the growth in demand for ecommerce thanks to its dominant position in Kenya's mobile payments market. However, Masoko will require significant long-term investment to maintain a strong position, especially if Safaricom expands Masoko outside of its Kenyan home market.

Ecommerce is growing rapidly in Sub-Saharan Africa (SSA), and Safaricom has key advantages thanks to M-Pesa

Despite early challenges,[2] Safaricom is well-positioned to capitalise on ecommerce in Kenya thanks to its mobile money leadership. Safaricom's 71% mobile market share of subscribers and 19.3 million M-Pesa active users will help Masoko attract merchants to the platform. M-Pesa may also allow Masoko to provide merchants with competitive pricing for use of the platform, an advantage that Masoko will need because it will face strong competition from Rocket Internet's ecommerce incumbent Jumia.[3]

Safaricom is exploring Masoko's entry into other African countries over the next 2 to 3 years. This is a sensible move given the rapid growth of ecommerce in SSA, particularly on mobile. According to our most recent forecast, ecommerce transaction values in SSA will grow at a CAGR of 9% to 2022, to reach USD11.6 billion in 2022. We expect operators to win up to 10% of this revenue from SSA m-commerce transactions by 2022 (see Figure 1).[4]

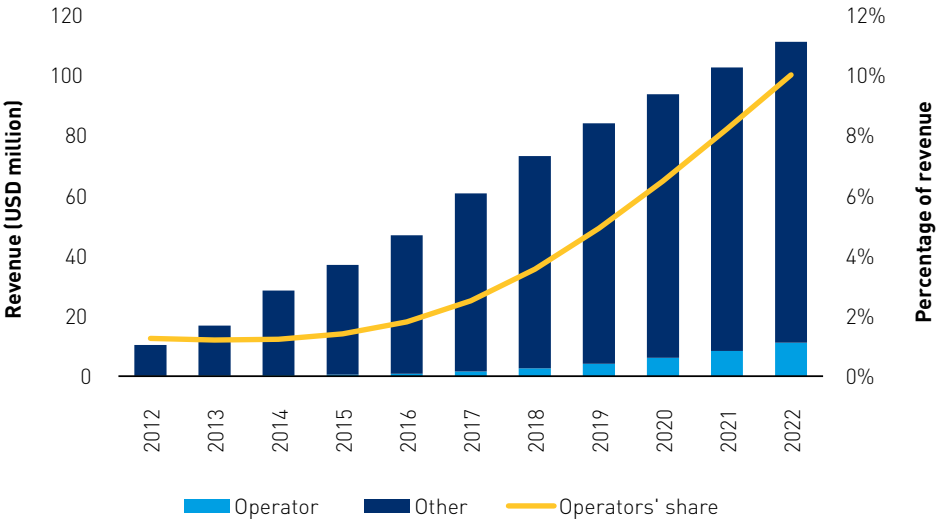

FIGURE 1: M-COMMERCE TRANSACTION REVENUE, AND OPERATORS' SHARE, SUB-SAHARAN AFRICA, 2012–2022
[SOURCE: ANALYSYS MASON, 2018]

Marketplaces are useful exploratory vehicles, but do not address the logistical and institutional challenges of ecommerce

Operators' ecommerce activities have focused on nascent ecommerce markets.[5]

- Softbank was an early investor in Alibaba, and is the majority stakeholder in Indian ecommerce site Snapdeal. Softbank reportedly also invested USD2.5 billion in Snapdeal's competitor Flipkart in August 2017 after talks of a potential merger between Flipkart and Snapdeal.[6]
- Nigeria-based Jumia (formerly known as Africa Internet Group) is Africa's largest ecommerce company, with operations in 23 countries. MTN, Millicom, and Orange have invested in Jumia, along with Rocket Internet, Axa, and Goldman Sachs. The company raised EUR225 million (approximately USD256 million) in funding in March 2016.
- Telkom Indonesia's strategic investment vehicle, TelkomMetra, launched ecommerce site Blanja.com in a joint venture with eBay in 2013. In April 2017, TelkomMetra and eBay announced a IDR310 million (USD25 million) investment in Blanja to fund growth.
- Indosat's m-commerce marketplace initiative Cipika was launched in 2014. Limited adoption led Indosat to shut down the initiative in June 2017. Games marketplace Cipika Play, however, remains active.

Softbank's sizeable ecommerce investments – over USD4 billion to date[7] – illustrate the kind of commitment that is required to compete against players like Amazon or Alibaba.

In contrast, in marketplaces like Cipika or Masoko the operator provides the platform but does not take risk over inventory and logistics (which are expensive and hard to get right). Marketplaces allow operators to take a capex-light approach to entering ecommerce. They make sense as exploratory vehicles, but Indosat's experience illustrates two key issues for operator marketplaces in emerging markets.

- Physical goods fulfilment faces significant logistical challenges which can only be alleviated through large investments that exceed most operators' appetite.
- Digital content is more-closely aligned with operators' activities and distribution channels. Localised and well-segmented digital content carries fewer risks for operators and can provide modest monetisation in a shorter timeframe.[8]

For Safaricom, Masoko's market entry may help drive awareness of ecommerce in East Africa. Safaricom may even achieve some scale as an early market entrant (as MercadoLibre did in Latin America).

In (e)commerce, however, scale is everything. Growth markets where infrastructure is a limiting factor consequently lack the critical mass of small and medium-sized online merchants that populate successful marketplaces like Amazon and Alibaba. Moreover, one of the most important roles of ecommerce platforms is to reduce merchants' costs associated with fraud, counterfeit goods and dispute resolution. It remains to be seen whether Masoko can deliver those benefits to merchants at a greater scale or lower cost than competitors Jumia and KiliMall.

Safaricom will need to defend itself against global players

India's ecommerce evolution could serve as a cautionary example – when early entrants had tested out what worked, Amazon invested heavily to take a leading position. Alibaba could also do something similar in SSA because it has direct access to the Chinese centres where a large proportion of goods sold in marketplaces are manufactured.

To maintain Masoko's leadership in the long term and fend off competition from global players, Safaricom may have to take a more significant role in ecommerce enablement services. For example, it may need to further invest in logistics, broaden its customer support capabilities or invest in identity management and fraud prevention tools.

[1] In August 2017, the launch was reported to be planned for early 2018.

[2] On 30 November 2017, the Communications Authority of Kenya questioned Safaricom's ability to offer ecommerce delivery services. Masoko partnered with Wells Fargo Courier and Sendy to deliver goods sold on the platform. Safaricom is an investor in Sendy.

[3] 30-day active M-Pesa users during the first half of Safaricom's 2018 financial year. See Safaricom's report available at www.safaricom.co.ke/images/Downloads/Resources_Downloads/HY2018/Safaricom_HY18_Presentation.pdf.

[4] See Analysys Mason's forecast Digital service opportunities for operators: worldwide trends and forecasts 2017–2022.

[5] See Analysys Mason's report Ecommerce enablement solutions: revenue opportunities for operators.

[6] The merger would have given Flipkart a stronger position in its race to compete against Amazon for dominance of the Indian ecommerce market. For a discussion of the Indian ecommerce market, see Analysys Mason's Amazon and Flipkart lead the race to dominate India's ecommerce market.

[7] This figure includes Softbank's USD20 million investment in Alibaba in 2000, USD627 million investment in Snapdeal, and a USD1 billion investment in US-based sports ecommerce company Fanatics in August 2017.

[8] Operators' with large physical retail store networks can arguably use them to strengthen their ecommerce proposition. Safaricom will use its stores as pick-up points for goods bought on Masoko.

Questions?
Please feel free to contact Stephen Sale, Research Director at stephen.sale@analysysmason.com

How mobile operators can make a difference to customer experience

Stephen Sale, Research Director

Many telecoms operators are placing customer experience at the heart of their strategies, and are seeking to differentiate themselves from competitors by better meeting the needs of their customer base. In many cases, a focus on customer experience is also helping to reduce costs through, for example, customer-driven capex programmes. Customer experience itself has many aspects including network performance, interactions with customer services and perceptions around value-for-money.

This article draws on primary research from across 21 countries to highlight how different factors are perceived by customers. Understanding how and where these factors apply can help operators to better achieve their aims to be customer-centric, and can help to set expectations for investment decisions.

Many factors contribute to mobile operator NPS

The standard industry metric for measuring customer satisfaction is the Net Promoter Score (NPS). It is widely used by telecoms operators (and players in other sectors) to assess their performance against their peers on an ongoing basis. Customers are asked how willing they are to promote their service provider on a scale from 0 to 10 (where 0 is not at all willing, and 10 is very willing). The percentage of detractors (scoring 0 to 6) is subtracted from the percentage of promoters (scoring 9 or 10) to give an NPS between –100 and +100. The scores for telecoms operators vary widely. The highest score among the major mobile operators included in our 2017 survey was +29 for Free (France).

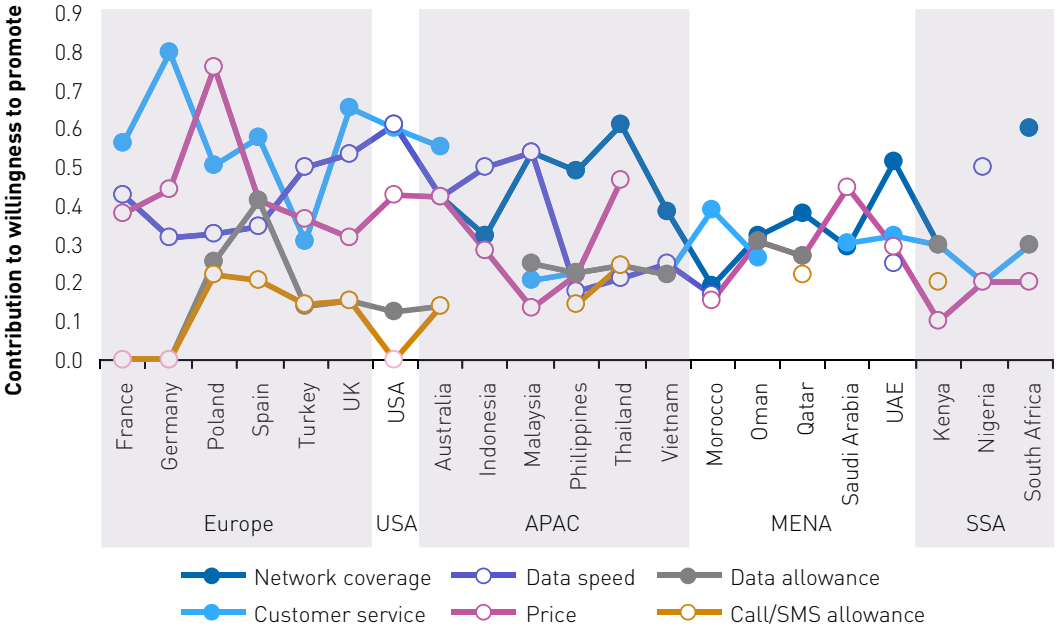

FIGURE 1: RESULTS OF STATISTICAL REGRESSIONS ON SATISFACTION SCORES AGAINST RESPONDENTS' WILLINGNESS TO PROMOTE THEIR SERVICE PROVIDER, BY COUNTRY, FOR EACH OF THE FIVE REGIONS: EUROPE, THE USA, ASIA–PACIFIC (APAC), THE MIDDLE EAST AND NORTH AFRICA (MENA) AND SUB-SAHARAN AFRICA (SSA)
[SOURCE: ANALYSYS MASON DATAHUB, 2018]

Some aspects of mobile services have a greater impact on individuals' willingness to promote (and, therefore, NPS) than others. We performed statistical regressions to assess the effect that a one-point improvement in satisfaction rating for different service elements has on the willingness to recommend, with all other things being equal. The results show the main factors that make a difference to NPS in various countries. Many factors interrelate, but the contributions show which factors are more important in different countries. For example, in Spain, a one-point improvement in one customer's satisfaction with network coverage (on a scale of 1 to 5) correlates with an average increase in willingness to recommend of nearly 0.6. This could potentially lead to a large increase in NPS (by as much as 10 to 15 points) if the benefits were fully realised across the customer base.

Network coverage is the single most decisive factor globally, but there are plenty of local variations

The results highlight many differences between countries and regions. The specific roles played by the various service elements are as follows.

- **Network coverage.** The single largest determinant of customer satisfaction across the whole sample was network coverage. This was most notable in the less-developed markets, particularly in the emerging Asia–Pacific countries. Improving coverage satisfaction leads to a greater improvement in NPS than other factors. Indosat in Indonesia is an example of where an operator's NPS was pulled down by customers' poor perception of its network.
- **Data speed.** In Europe and the USA, satisfaction with data speed and network coverage showed collinearity: they accounted for the same contribution to willingness to promote. In other words, in these countries, customers seem to have a more unified perception of network performance. In less-developed markets, there was more divergence. Some smaller operators with focused build-outs in urban areas were often able to score well on satisfaction due to their ability to meet the needs of their customers with focused investments in capacity. An example of this is 9mobile, which has the highest NPS in Nigeria.
- **Customer services.** Satisfaction with customer services shows more divergence than for most other factors, with more polarised results; a relatively high proportion of respondents stated that they were "very dissatisfied" with customer services. The level of satisfaction with this element is often a very strong predictor of willingness to promote (and also propensity to churn), particularly in the developed markets of Europe and the USA. We have been able to identify several operators that appear to have challenges with their customer service operations. We have also identified (generally positive) effects from the digitalisation of customer service functions.
- **Pricing.** We found that pricing was a less decisive factor in overall NPS than the factors already discussed, despite levels of satisfaction with pricing generally being low. This suggests that there are opportunities for operators to monetise improved network performance, for example, in many markets. There are, however, important exceptions. Price is still the main determinant of satisfaction in a few markets (Poland and Saudi Arabia). It also accounts for the NPS leadership of a few operators, where a strong performance on price overcomes weaknesses in other areas. Examples include Free (France), Telkom (South Africa) and Yoigo (Spain).
- **Allowances.** Satisfaction levels for data allowances sometimes showed collinearity with price satisfaction but were generally weaker predictors of customers' willingness to promote. Higher volume allowances are generally available to customers, though there are exceptions (where operators have tiered their plans in less customer-friendly ways). Voice and SMS allowances rarely made any difference to NPS, only featuring as a factor in a few markets.

The relative importance of the drivers of customer satisfaction in different countries can act as a guide to operators' strategies to gain advantage. The analysis of our consumer survey data points towards the potential trade-offs in investment for price competitiveness, improved network performance and addressing shortcomings in customer service, among other things. The results show what operators can do to really make a difference to their customers.

Further details on the drivers of customer experience can be found in our series of reports on mobile customer satisfaction and churn, available for Europe and the USA, MENA, emerging APAC and SSA.

Questions?
Please feel free to contact Stephen Sale, Research Director at stephen.sale@analysysmason.com

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