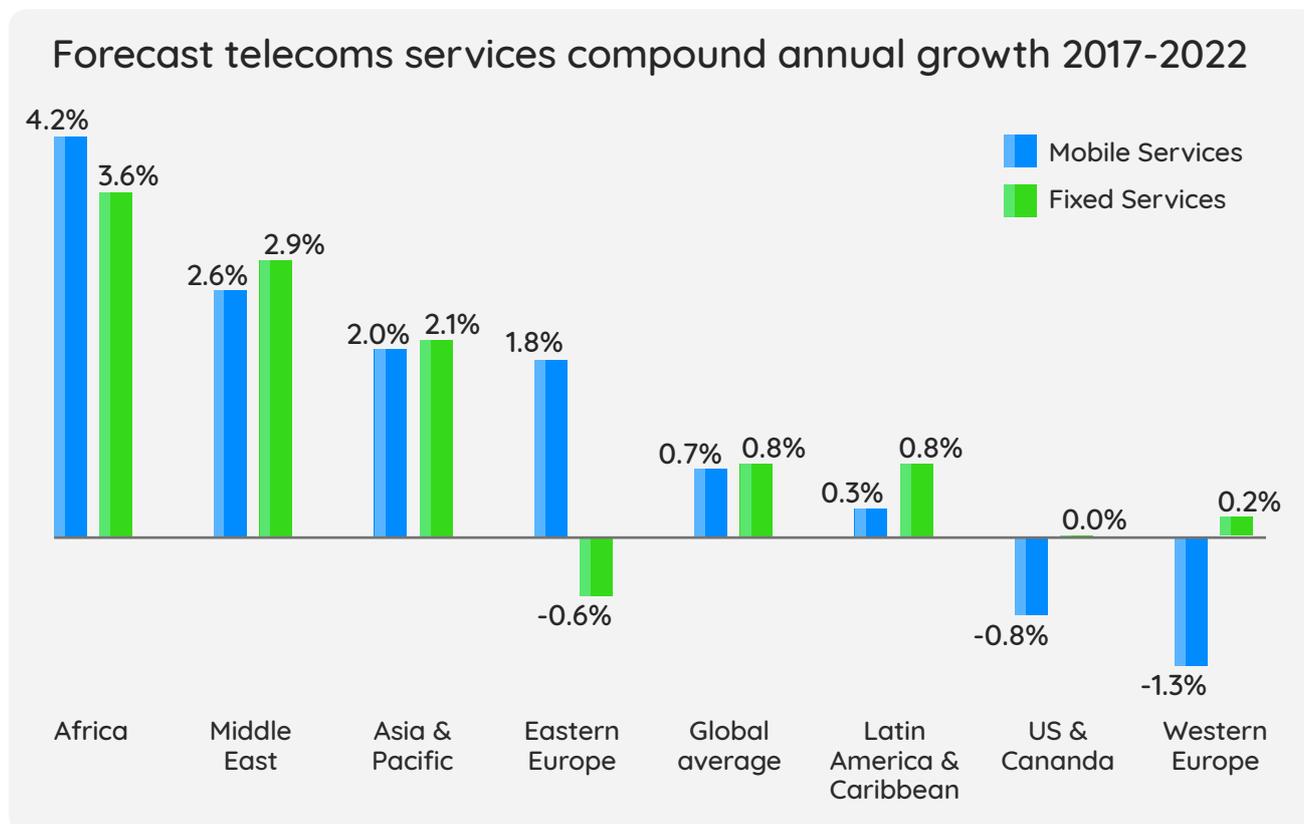




Building loyalty with pre-paid customers

How should telcos address plunging ARPU and increased churn? The answer lies in delivering experience that keeps customers engaged – even if they're pre-paid

The dominance of social messaging apps is universal and sustainable: WhatsApp, Viber, and iMessage already account for over 80% of all messaging traffic, according to a study by [PwC](#). The rise of social channels coincides with the general slowdown in mobile operator revenues. A recent [forecast](#) by STL Partners that surveyed operators in 94 countries expects a flat line in global growth in the coming years, with shrinking revenues in Western countries:



Source: STL Partners report: "Is telecoms still a growth business?", April 2019

Customer acquisition costs are hurting revenue

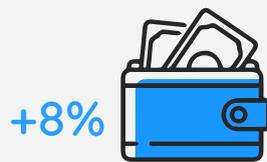
In an attempt to balance off dropping ARPUs, mobile operators find themselves in a bloody zero-sum game over customer acquisition in a saturated market. The result: more money spent on signing in each new subscriber (which, for itself, contributes less revenue than in previous years). An article on [telecoms.com](#) shows just how expensive customer acquisition has become: between 2016 and 2017, Deutsche Telekom has increased its Subscriber Acquisition Cost (SAC) by 8% in five European markets it operates in – including its home base Germany. [telecoms.com](#) estimates that this 8% CAS increase eats up more than 1% of Deutsche Telekom's annual revenue – or 750M Euros – just maintain their customer base.

As much as these figures are painful, they actually reveal a new path for potential growth: what if some of the marketing dollars spent on bringing over new customers will be diverted to retention – keeping existing customers from churning?

Pre-paid potential is huge

Customer churn is a well-known pain point for any subscriber-based business, taking a particularly heavy toll from commodity-based services. An extensive [study by TM Forum](#) analyzed 36 mobile service providers across 24 countries and found that their overall churn in 2017 was between 14%-75%. The wide range is attributed to the fact that some operators rely heavily on pre-paid customers while other operate in a near pure post-paid market. But here's the real surprising finding: even when examining only post-paid customers, all of which signed on annual contracts, churn rates were between 5% and 32%. In other words: some operators are losing a third of their contractual subscribers every year!

Customer loyalty programs are commonly used to keep churn rates down, but these tend to be limited only to post-paid subscribers. It's easy to see pre-paid customers as being fickle, driven primarily by value offers. But these people represent a huge segment: pre-paid customers accounted for 71% of all mobile connections and 32% in service revenues in 2018 – a whopping \$265 billion market. Pre-paid dominates emerging markets: In Africa it accounts for 80% of mobile revenues, and in Latin America [90% of Telefonica's customer base](#) is pre-paid.



Increase in Deutsche Telekom's subscriber acquisition spending

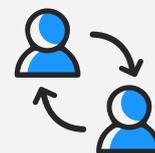


The range of overall annual churn in 36 operators

Pre-paid global presence is huge

-  **71%** of global mobile connections
-  **32%** of global revenues
-  **\$265 Billion** market size
-  **80%** of Africa's mobile revenues
-  **90%** of Telefonica's LATAM market

Pre-paid churn



37%-80%
Range of annual churn in pre-paid markets

Unsurprisingly, customer churn in pre-paid markets is high. According to a [TM Forum study](#), it ranges between 37%-80% annually. But what if this can be changed? The benefits for retaining pre-paid customers are huge, considering the sheer size of this segment. And customer experience is the key for unlocking pre-paid loyalty.

The CEO of UK-based operator Three, Dave Dyson, is a big believer in customer experience – whether these customers are pre or postpaid. “We are quite agnostic, so we just view it as a payment method,” he said in an [interview](#) last year. “As long as you create a good customer experience you shouldn’t have to worry about the flight of customers.”

The building blocks of customer experience

Customer experience is formed from countless touchpoints with the mobile provider: every interaction with the call center, every store visit and every self service interaction with the operator. These are the building blocks of customer engagement.

A proven way to create a positive customer experience is to make the service as smooth and frictionless as possible. Think of the top-up process, the bread and butter of all pre-paid operators: it’s a critical junction for customers, in which they decide whether to stay with their current provider or go elsewhere. Sadly, many operators are forcing their subscribers to go through a lengthy, high-friction procedure when they wish to top-up.

Top-up pain: there must be a smarter way

To understand this process, put yourself in the shoes of Bettina, a 17-year-old girl from Columbia. She’s chatting on WhatsApp with her friend, who sends her a video from a party she went to last night. Just before clicking on the video, Bettina realizes she just ran out of data. She now needs to leave the chat, launch the mobile provider’s app, go through a menu of services to find the top-up option, choose a payment account and the amount she wants to top-up, and authenticate the transaction. And for what? Just to add \$10 to her balance. What makes things worse, is that many users aren’t even aware that their service providers are offering a top-up option on their app. These people end up having to go to a physical store down the street to buy a top-up scratch card. This is simply not the way to

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We are quite agnostic to pre-paid and post-paid. As long as you create a good customer experience you don’t have to worry about the flight of customers”

Dave Dyson,
CEO of Three - UK



build customer experience. This is also exactly the spot where pre-paid customers fall into the churn trap, once exposed to competing offers by other operators.

One way to fix this and keep pre-paid customer onboard is offering an engaging service that delivers the kind of experience customers expect today. What if Bettina could instantly top-up, straight from the chat, without ever leaving WhatsApp?

Here's what [telecom.com](https://www.telecom.com) has to say on this kind of experience: "By implementing the top-up process directly with the consumer through their mobile device, operators meet the consumer at their time of need... Operators are able to engage with a customer early and take the power away from the agent and place it firmly back in their hands. This type of early interaction and focus on customer engagement, rather than a preoccupation with "churn", can assist in stopping the bucket from leaking",

Many pre-paid users end up going to a store to buy a scratch card. This is not the way to build customer experience

[PayKey's Social Telco Solution](#) does exactly that. It enables users to instantly top-up and access key account services provided by their mobile operator – from ANY app, directly from their smartphone keyboard. No need to drop everything else they're doing just to find their operator's app – these services are literally always in front of their eyes anytime they pick up their phones.

A proven way to create a positive customer experience is to make the service as smooth and frictionless as possible

