

Mobile Network Operators:

Customer Retention amid Increasing Regulatory Changes

The naturally monopolistic nature of network industries means there is a greater need to regulate Mobile Network Operators (MNOs) globally in order to limit the occurrence of economic harm that could be caused in the absence of regulation. As such, Telecommunications regulators across the world continue to share the common goal of improving competition, driving innovation and placing consumer welfare at the heart of how the industry is governed. These strong regulatory headwinds coupled with the constant evolution of the mobile industry presents an unprecedented challenge for MNOs. As their margins tighten, MNOs will place more importance on the generation of ancillary revenue streams and its contribution to driving consumer loyalty.

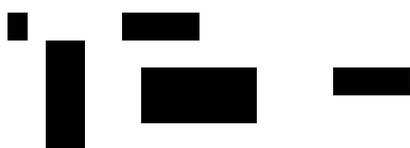
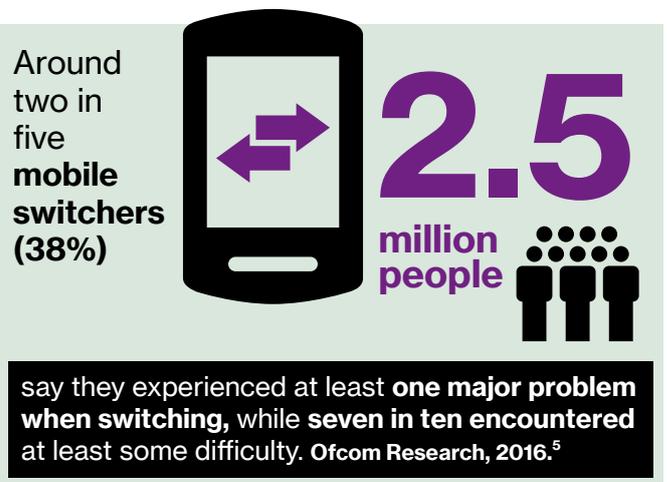
Within Europe, ambitious targets for the development of 5G technology have been set by the European Commission and are supported by their 5G for Europe Action Plan and European Electronic Communications Code (EECC). According to GSMA, a leading industry association, by 2025, 5G coverage is forecast to reach three-quarters of the population in Europe, with the region accounting for the third largest share of 5G connections, behind Asia Pacific and Northern America.¹ To enable MNOs to capitalise on and support the growth of Europe's 5G network, pro investment policies and a modern regulatory framework are essential.

It has already been estimated that the rollout cost for 5G across Europe will be significantly higher than for 4G at between 300 and 500 billion euros.² As European MNOs start to make their initial 5G investments, it has been predicted that the majority of the capital outlay will actually come in the post-2020 period.¹ However, the current European regulatory framework has come under criticism for not being sufficiently supportive of this network investment. As many European MNOs will continue to experience a squeeze on their traditional mobile revenues beyond 2020, a lack of supportive governmental intervention will stretch their financial resources even further.

In recent years, European MNOs have also faced new regulatory reform impacting on mobile roaming and termination rates. This included the introduction of the

EU's Roam Like at Home rules bringing an end to roaming charges on 15 June 2017,³ as well as the capping of Intra-EU communications as of 15 May 2019.⁴ There is no doubt that the introduction of such legislation will have put downward pressure on MNOs margins as the impact of this regulation will have had to have been absorbed within their business in the face of slowing unique subscriber growth.

New regulation has also recently been implemented by the UK telecommunications industry regulator Ofcom in order to simplify the mobile phone provider switching process. Armed with statistics to prove consumer's dissatisfaction, it is no surprise that Ofcom have introduced this new regulation which allows consumers to switch mobile provider by simply sending a free text. There is no longer any need for consumers to speak to their incumbent provider in the process, thus eliminating the anti-competitive behaviour of providers withholding their best deals for consumers on the cusp of switching network. This was aimed to enhance consumer welfare and encourage competition transparency within the industry. With the effective implementation date of 1st July 2019 having just passed, it will be important to review the impact this new regulation will have on UK MNOs, particularly in assessing its effect on customer retention rates. Understanding the ways in which UK MNOs can maintain customer loyalty during these extremely challenging times will remain relevant and hugely valuable to MNOs operating across the globe.



Regulatory uncertainty was actually rated as the number two perceived challenge amongst global telecommunications business leaders according to a recent EY study.⁶ Despite the form in which regulatory intervention manifests itself, its sheer power to increase competition, spur on investment and disrupt customer loyalty within the industry is great. Therefore, the ability of MNOs to provide superior value-added services outside of their core business area in order to increase revenues and maximise customer retention rates is hugely important.

“ Consumers have a strong need for high-quality product information, personalised recommendations and helpful, knowledgeable sales associates, backed up by a unified omni-channel experience.”

Conversity's Customer Behaviour and Attitudes in Teleco Buying Report, 2018.⁷

Customer experience management is a key strategic priority for MNOs across all of their distribution channels, including value-added services such as insurance. Even though the provision of these services alone can contribute towards gaining consumer loyalty, it can be further enhanced by also providing exceptional customer service and a seamless user journey. A fully integrated insurance programme that has been designed with the 'user experience' very much at the forefront of the development process will certainly assist in improving service standards and the ability to retain a loyal customer base.

There is no doubt that the unpredictable regulatory environment remains a significant threat to MNOs business operations worldwide. Regulatory intervention, such as the new Ofcom regulation in the UK, encourages MNOs to pursue diverse business strategies in order to mitigate any adverse impact to their bottom line.

During these uncertain times where regulators across the world are taking more of a consumer-focused and proactive approach, it has never been more important for MNOs to deploy effective strategies to increase customer loyalty. Willis Towers Watson Affinity consults with MNOs to ensure that their insurance programmes serve as a valuable and credible extension of their business, able to improve customer satisfaction rates and drive long-term customer retention.

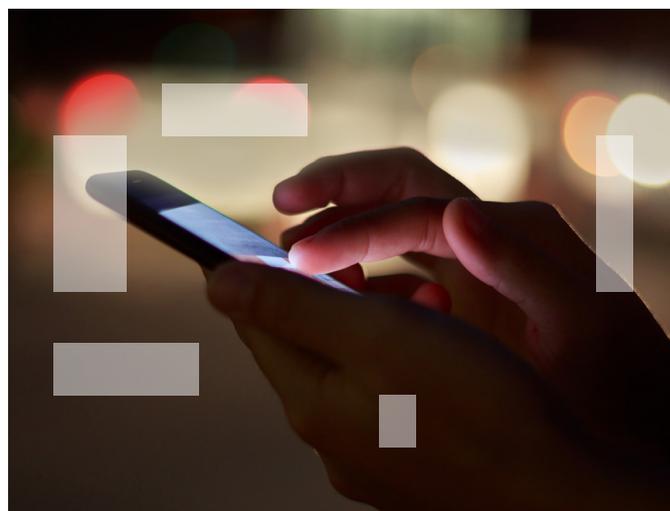


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¹ GSMA Intelligence, "The Mobile Economy, Europe 2018", 2018.

² "Modernise Regulation to Deliver Europe's Digital Future Calls GSMA", GSMA, last modified 26 February 2019.

³ "Roaming" Digital Single Market, European Commission, last modified 28 June 2019.

⁴ "Intra-EU communications" Digital Single Market, European Commission, last modified 10 July 2019.

⁵ Ofcom, "Ofcom Mobile Switching Quantitative Research", 2016.

⁶ EY, "Global telecommunications study: navigating the road to 2020", 2015.

⁷ Conversity, "Supercharging Personalisation: customer behaviour and attitudes in telco buying decisions", 2018.