2024

TELECOMMUNICATIONS, MEDIA & TECHONOLGY

Guide to Next.

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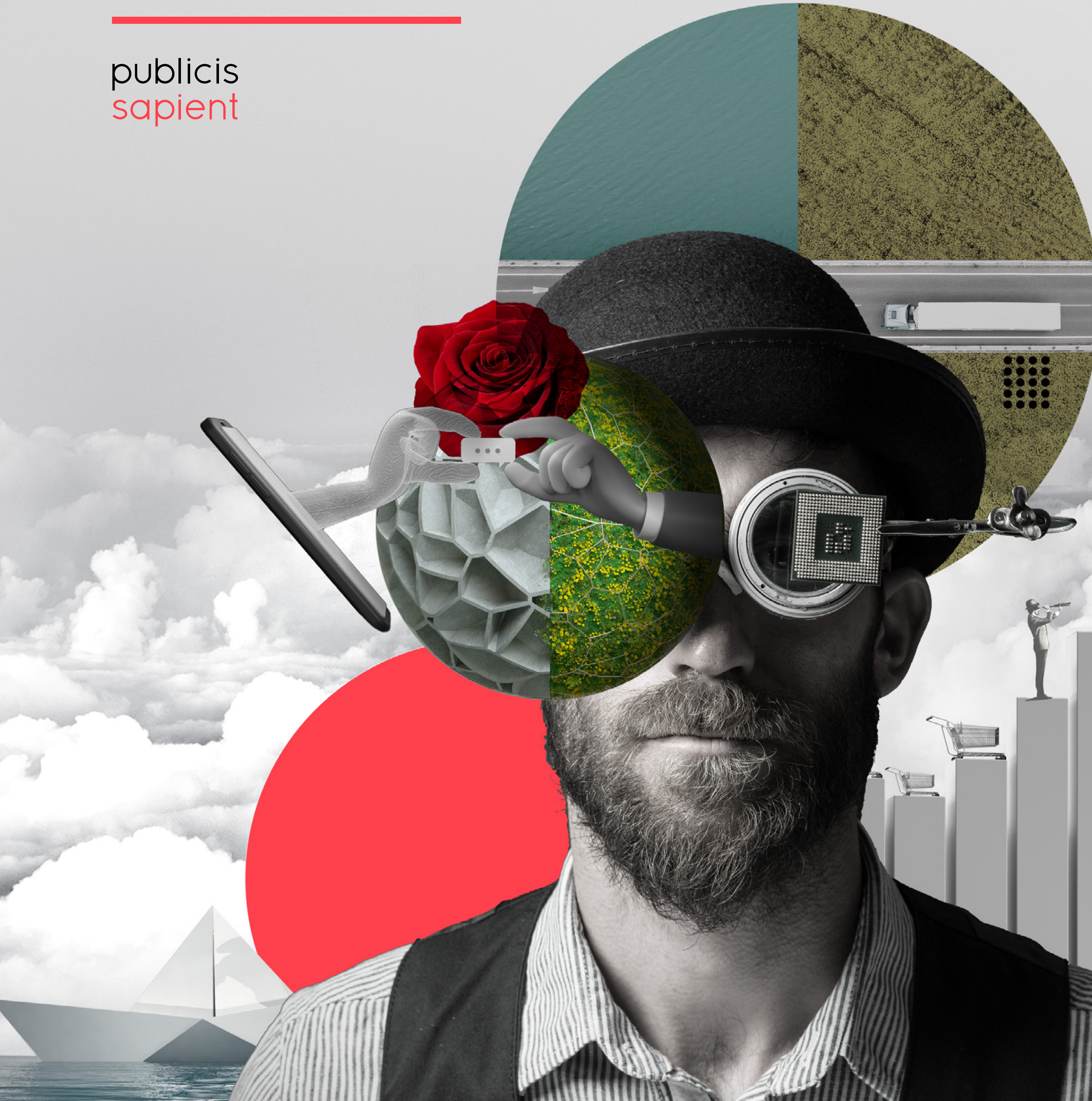

2024

How Telecommunications, Media and Technology companies can create the most impact in the coming year—enhancing customers' lives and achieving sustained profitability.

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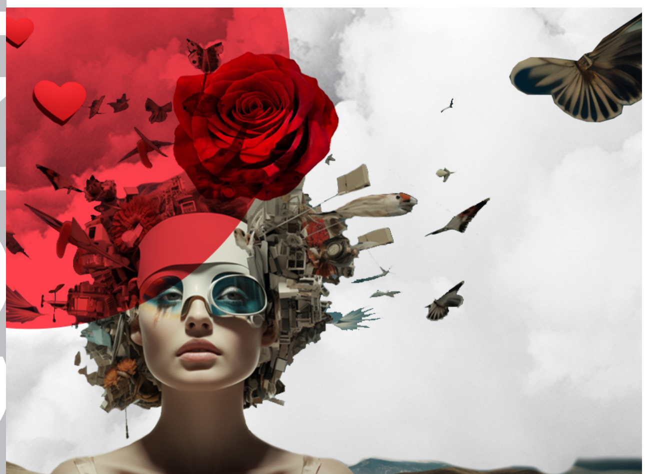


Customer Lifetime Value

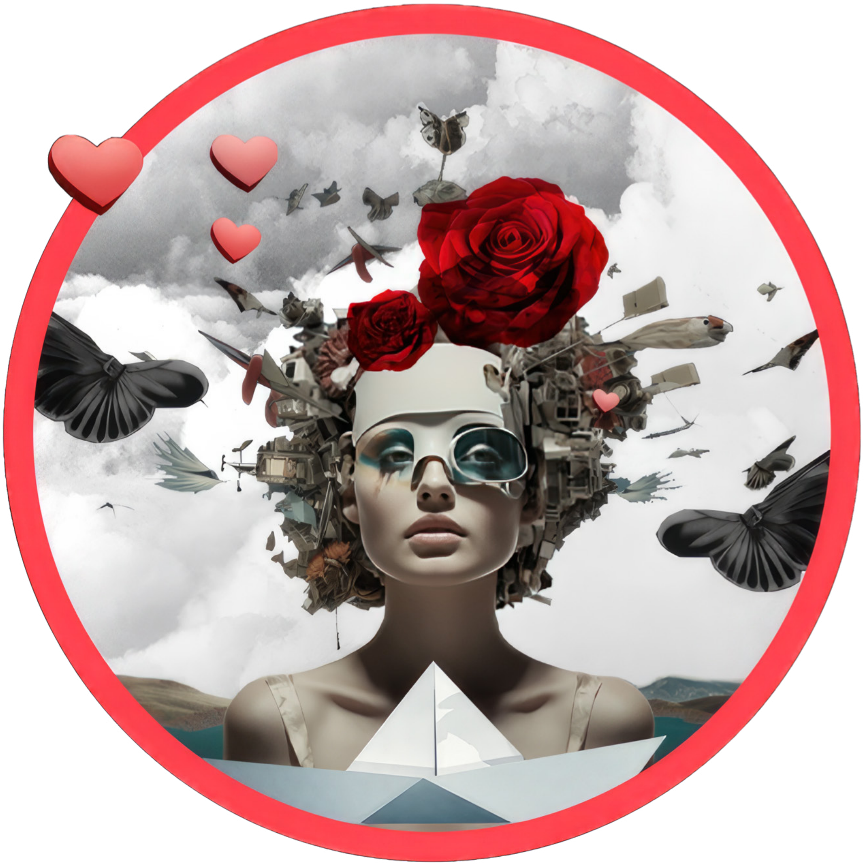
Successfully measuring CLV is a nuanced issue. Telco companies that get it right will truly enhance customers' lives—and achieve considerable return on investment (ROI). Here's how to analyze and improve CLV for sustained profitability in the telco sector.

HOW TELCOS CALCULATE AND INCREASE CUSTOMER LIFETIME VALUE

On paper, customer lifetime value (CLV) sounds like a straightforward metric to assess—simply sum up the total amount that a customer has spent with you. But how CLV—or Lifetime Value (LTV)—is used in an organization is just as important as knowing what its value is.

Ultimately, CLV is about revenue. It's a business metric. One tactic to increase CLV is increasing personalization, which can drive cross-sell and upsell opportunities or reduce churn probabilities. This can be achieved by connecting customer experiences through an omnichannel lens and ensuring that it is holistic, bridging in-person and digital worlds. Frictionless experiences through customer journey transformation work are therefore an important element of CLV.

> "CLV is a business metric. It's about increasing how much a customer spends with the telco over time."
>
> **RAJ SHAH**
>
> Telecommunications, Media & Technology Lead, North America



Why customer lifetime value is an important metric

Telco brands continue to face the most disruptive market conditions in decades. It's clear that reevaluating approaches to thrive in an unpredictable business landscape remains imperative. Typically, to grow their business, telcos rely on two main factors—new customer acquisition and existing client retention by increasing customer lifetime value.

But with the growth rate of telco subscribers plateauing, and churn remaining quite low, focusing only on growing the customer base does not necessarily drive growth for telco companies. Additionally, the cost of acquiring customers is about five times the monthly average revenue per customer and telcos need to look to the other side of the PxQ (Power Shares Exchange) equation to drive their growth. This means that industry leaders like Comcast, Verizon and T-Mobile have been looking at increasing the CLV by increasing ARPA (average revenue per account) or ARPU (average revenue per user), to drive overall revenue of the company, while also looking at ways to decrease the cost to service a customer to increase overall profitability.

One of the keys to using CLV is to recognize that it will change over time. Telco companies can use first- and third-party data to project the potential CLV of a customer over time, and adjust pricing, offers and other strategies over the years. As an example, CLV can increase at certain lifetime moments. These are key moments for telco companies to act.

For example, a student graduating from school may switch from their parents' cellphone plan and is likely to have budget limitations—the customer's CLV may go down with their slimmer budget, but this budget will likely increase over time as their earnings and budgets increase. Telcos can create a great experience and retain the customer by doing things like moving them from one brand to another, such as from a high-cost prepaid to a lower-cost prepaid, no-frills plan. In doing so, the telco can retain that customer and, by predicting that the customer's CLV is going to increase, can avoid both the cost of churn and reacquisition and be poised to offer new pricing and deals as the customer's needs and budgets increase. It's about moving the customer from their current CLV to their projected CLV.

This is why CLV is a business metric, not a satisfaction metric. Obviously, the more satisfied customers are, the higher their CLV should be. But it's not a direct correlation to satisfaction, it's about increasing how much a customer spends with the telco over time.

In 2024, telco companies need to seriously consider CLV as a top-level metric in order to meet targets and measure revenue generation capability more than net subscriber additions. CLV is clearly starting to rise to the forefront of how telco leaders are thinking about customers.

How to increase telco customer lifetime value

To increase CLV in the future, there are a few challenges that telco leaders should consider.

CHALLENGE 1:

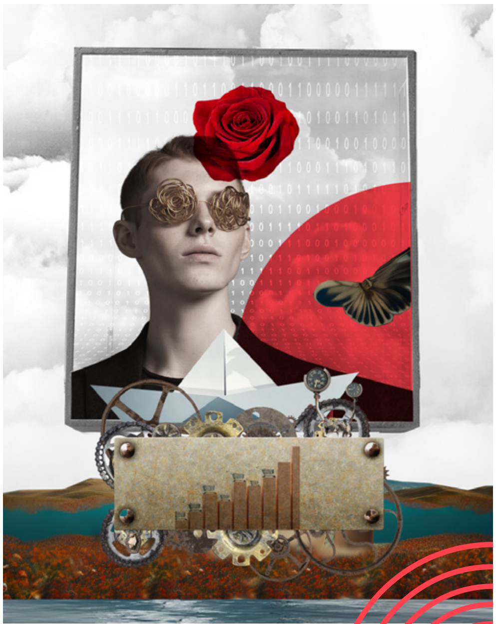
Identify potential CLV, not historical CLV

Telcos must identify the potential CLV (as opposed to the historical CLV) of a customer. Using predictive AI and machine learning, combined with first- and third-party data, will give telcos a series of projections about a customer's potential CLV and the factors that may impact it. Customer segmentation allows companies to identify additional markers in a customer's behavior and customer's history that indicate that they could have a higher potential CLV. Telco companies can take a "test-and-learn" approach to see whether or not customers are responsive to various initiatives that could be offered to them.

With data spread across customer service systems, legacy OSS/BSS (operations support and business support) systems, and digital touchpoints, telcos need to unify their data. Having a customer data platform (CDP) is foundational in order to have a 360 view of a customer. It allows businesses to know where their customers have been, where they are now or where they could go, in real time.

CHALLENGE 2:

Bridge the gap in customer experience



After calculating the potential CLV of a customer, how do telcos go about driving new campaigns, products and experiences to improve CLV in the market?

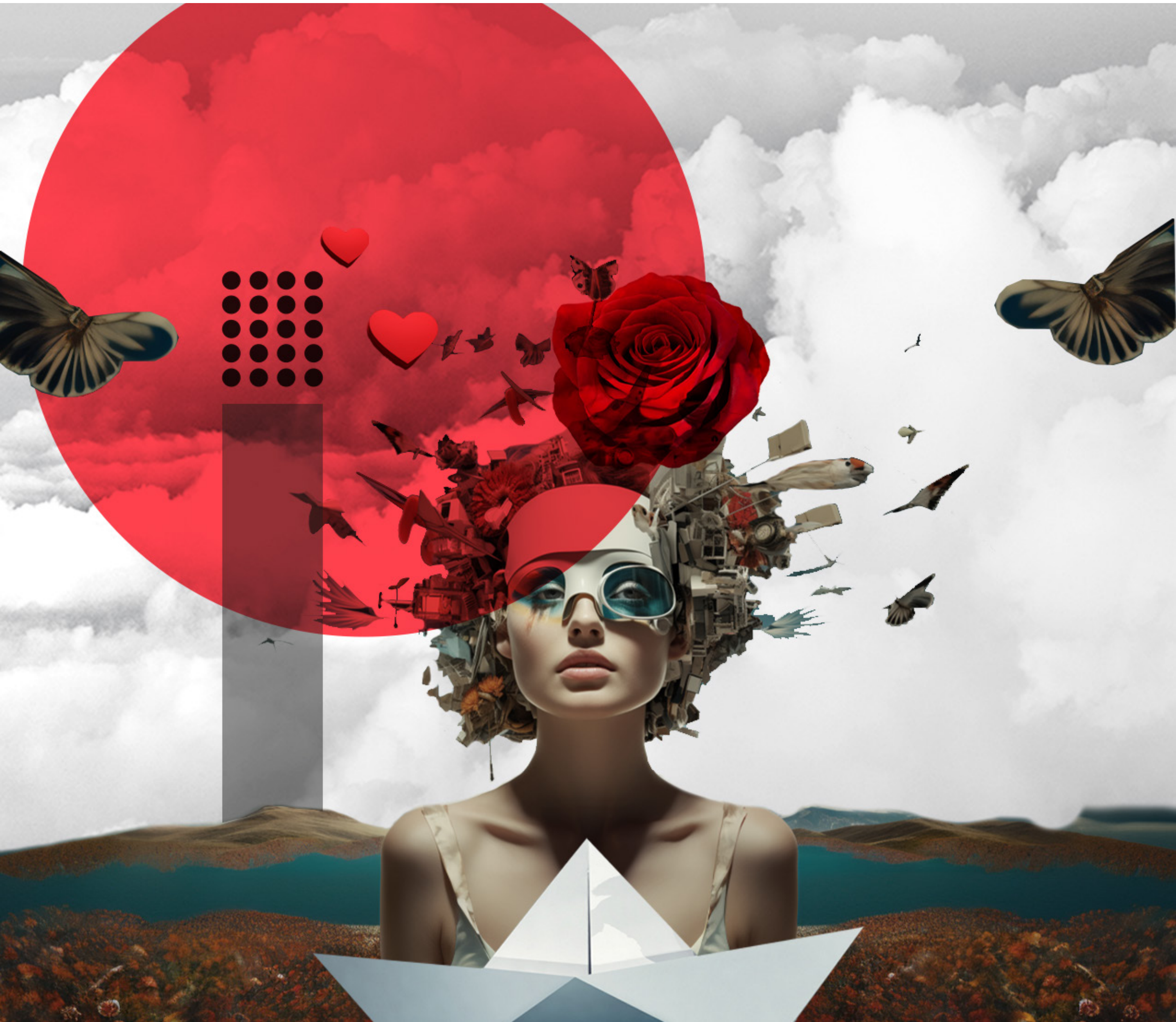
First, combining customer data and unifying experiences helps customers understand telco company products, services, third-party offers and other value-added services. This will help increase ARPA or ARPU which will help increase CLV over time.

Second, using a test-and-learn approach will allow telcos to see which experiences will move the needle. Small, agile experience groups, or pods, should be able to quickly run tests to see if consumers react well and move to purchase new offers.

Finally, as telco customer bases measure in the millions, a small incremental move in the ARPA or ARPU in the top five percent of the customer base can create massive revenue and profitability swings. But the key is knowing which five percent to target. Telcos need to identify customers whose current CLV lags behind their potential CLV and create campaigns and experiences that help bridge that gap for those customers.

It’s time to seize the moment and drive CLV

Telco companies should focus on growing average revenue per customer with additional value-added products and services. Those that drive CLV to enhance customer satisfaction will strengthen relationships, and ultimately increase customer lifetime value.



Sustainability

Tomorrow's leading brands should prioritize sustainability as a part of their future-facing core business strategy to help them maximize returns and thrive in the long term. The question to ponder remains—how will investment in sustainability amount to substantive and scalable gains in profit for consumer technology companies?

CONSUMER TECH COMPANIES MUST PRIORITIZE SUSTAINABILITY IN 2024 TO REMAIN PROFITABLE

Historically, anything outside the realm of maximizing returns has remained outside the focus and attention of the C-suite. That is beginning to change as corporations grasp the importance of investing in sustainability and appointing a C-suite chief sustainability officer (CSO) with the responsibility of driving the planning and execution of a company's sustainability strategy.

However, the CSO and their team remain a relatively low proportion of an organization's workforce. Moreover, CSOs are often relegated to a narrow scope of influence and impact, making sustainability a departmental responsibility instead of something that can create real impact across the organization. The reality is that sustainability is seen as a far-away aspiration, cost center or, at best, a strategy much lower on the priority list—especially in an uncertain economic climate.

In the current business climate, no business can afford to be short-sighted.

Early adopters, new entrants, digital native brands and disruptors are taking a leadership position by making sustainability a competitive advantage that differentiates them and positions them to drive profitable growth in the years to come. Here are three imperatives for change in sustainability that organizations should take note of in 2024.

Imperative 1:
Talent demands sustainability

Hiring and retaining top talent today requires that organizations think beyond compensation packages and perks and focus instead on the issues that are important to them.

In addition to making up more than half of the workforce, according to some sources, millennials are also keen to consider a company's social and environmental commitments when deciding where to work. As millennials continue to increase and dominate the lion's share of the workforce, their buying power and, by association, influence will grow.

Millennials already make up the largest proportion of the U.S. workforce. Pew Reasearch Center

Imperative 2:

Consumers make their preferences known through their wallets

Consumers are also making their intentions known through their purchase decisions, as 66 percent of U.S. customers and 80 percent of millennials and Gen Z are willing to pay more for sustainable products compared with less sustainable competitors. And 64 percent said that products branded as environmentally sustainable or socially responsible made up at least half of their last purchase.

A concerted focus on and investment in sustainability can also provide savings and operational efficiencies over the long term, thereby positively impacting profitability that cannot be easily met by the competition. Those moves will ultimately help to create brand affinity and increase customer lifetime value by reinventing the value exchange between businesses and their customers.

"By 2030 there will be a massive transfer of wealth beginning from baby boomers to millennials," says Raj Shah, telecommunications, media & technology lead, North America

Imperative 3: Investors see sustainability as a strong investment

The investment community is also keen to understand how companies will make net zero commitments a reality in 2024 and beyond, protecting against future economic shock with updated environmental regulations and compliance. The leaders in sustainability will consider how to best achieve long-term cost reductions through identifying environmental operational efficiencies, all of which make organizations moving towards sustainability an attractive investment prospect.

Investors want to see commitments that exhibit stronger governance frameworks around the impact of their operations on climate change, tangible actions to reduce emissions across the entire value chain and enhanced disclosures that go beyond regulated mandates that will assist in tracking the progress a company is making.

Now's the time to chart a sustainable path forward for consumer tech companies

In the hyper-competitive category of consumer technology, innovations are quickly copied, market share marginally moves between the same players and consumers see little difference beyond their own experiences and price promotions. Publicis Sapient can help chart a plan for organizations looking to introduce and evolve sustainability at their organizations for today's needs and tomorrow's future.

Next starts now.

Contact one of our industry experts to assess how your unique business can apply these insights to realize high-value outcomes.

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Or learn more about the proven offerings that help retail businesses transform at **publicissapient.com/tmt**

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