Vicki Brady, Managing Director, Customer, Optus

Keynote Speech

CommsDay Melbourne Congress 2012

9 October, 2012

Good morning everyone.

I'm conscious you've all been sitting very patiently for an hour and a half so I want to start with a question.

I want you to turn your mind back over the last month and see if you can think of a particularly bad customer service experience you've had, not necessarily in the telco industry, but across any product or service or company you've dealt with in the past month. Just a show of hands - I'm not going to cold call anyone, I'm just interested in who can think of a particularly bad experience?

Wow. Okay. I thought there'd be a lot but that's probably more than I expected.

One that stands out for me actually happened just over a week ago. Last Monday, public holiday Monday in Sydney, I was having a lovely day sitting on a ferry with my two small daughters and my husband heading to Circular Quay.

A text arrived on my mobile phone just simply telling me that my flight that I was due to catch the next morning early, in fact, to be in Melbourne last Tuesday for commitments I had down here, had been cancelled and I should please call this number immediately. So,

of course, I did exactly what the message told me, feeling pretty anxious now about whether I'd be able to make my commitments in Melbourne.

So, I rang the number, I got through and I spent a couple of minutes ID-ing myself and actually explaining why I was calling the number. Once I got through that, the person on the end of the phone said oh yes, yes, I've found it. Your ten past seven service has been cancelled tomorrow morning so we've put you on the 7am flight instead.

I sat back and thought well, I feel okay. I was anxious; now I'm on the right flight, they've actually looked after me. But the experience was a bad one. If they'd simply told me your flight has been cancelled and in fact, it's okay, we've looked after you, you're a valued customer and we've just moved your flight 10 minutes earlier, it wouldn't have been a big deal.

And just to add insult to it, about four hours later I got another text saying you need to call in regarding your flight tomorrow morning. Of course, I did it again and went through the same process to find it was just a duplication.

That brings me to my topic of today which is Australian consumer expectations. At the end of the day, no matter what role we hold in telco companies, in regulators, in the media reporting on the telco industry, we are all consumers at the end of day.

We've just finished an extensive piece of research looking at Australian customer expectations, in particular what are their views of service industries across Australia and where do we stand as the telco industry within those expectations.

So, there's actually three areas I want to cover off today. Firstly, I do want to delve in a little bit to the insights out of that research, and what Australian consumer expectations are like today. I also want to have a look at future expectations, how likely are they to change in the foreseeable future? And finally, what are we doing about it at Optus?

So let's turn to, firstly, where we stand as an industry relative to other service industries in the Australian market today. You'll see the two coloured bars - the sort of blue colour reflecting loyalty and the yellow bar is reflecting advocacy. What jumps out?

Firstly, when you look at loyalty and you look at the telco industry in the middle of that graph, we stood at about one in four consumers today showing any loyalty towards the service provider they have selected.

The one that irks me here is you compare us to the finance sector. Nearly 60 per cent of Australian consumers today actually are pretty loyal to the bank they've selected to be with.

Now, I know banks put plenty of barriers in place to switch between banks or financial institutions but, you know, we don't make it all that easy all the time either on certain products and services we supply. And 60 - up in the 60 range versus the 25 per cent range is a pretty drastic difference.

You then look at the yellow bars around advocacy and that's where it is also a very stark difference. What jumps out?

Well firstly, as a telecommunications industry today we're shown as negative on this slide. What does that mean? It means there are more active detractors of telco service providers today than there are advocates. And you can see there's only one other service industry that we tested that sits lower than that today and that is the utilities.

In fact, I've seen numerous pieces of research - this is the most recent research we commissioned, which actually interviewed 5000 consumers across the Australian market. I've seen other pieces of research that actually has us in the more negative. It has our industry sitting somewhere in the realms of minus 20 to minus 30 per cent.

We don't sit in a really good place today. In fact, I would say, bar a few exceptions in our industry, all of the major brands have failed to build trust with Australian consumers.

We also wanted to understand how this looked by a generation, by age bracket within the Australian market today. So again, you can see the same bars - blue being loyalty and yellow being advocacy - but this time it is split from Gen Y all the way through to the silent generation and you can see the four groups. What stands out there?

Well, firstly Gen Y and Gen X, when it comes to loyalty, they sit at around that one in four level of having any loyalty to any of the service organisations that they deal with today. If you compare that to some of the older generations where it basically doubles.

Then in terms of advocacy - Gen X, Gen Y, in fact, largely are detractors - more detractors than advocates for any of the service organisations that they actually choose to interact with today. What does that mean? Does it mean Gen Y and Gen X are a lost cause? That we shouldn't focus on them and that in fact, we will never build their loyalty or advocacy?

I would argue definitely not. But what I would say is we certainly have a job to do across our industry to really understand, particularly Gen Y - different generation, everyone has views on them but I think they do demand a different type of engagement. They want a say, they want to be heard and they want to have influence in the products and services that they get.

There are brand names around the world that when look at them, they have loyalty and great advocacy from that generation. You know, brands like Facebook. So, we have a real job to do, I think, when it comes to those younger generations.

We also wanted to have a look at customer preferences in terms of engaging with us as service organisations. How do they prefer to interact with us? Now, going into it I would have to say in my mind I had a view that online would be a key piece of the equation and I'm sure many in the room today would probably have a similar view.

Now, these are interesting stats. So again, we've split it by generation on the take out here. The yellow bar actually reflects the customers propensity to want to engage in service organisations online, and the blue bar shows their perspective of how aggressively us as service organisations are actually pushing them to engage online with us.

Now, firstly Gen Y. So, it's the only one on the slide where in fact, the yellow bar is higher. In other words, they are telling us you're actually not moving fast enough online. We want to do more with you and interact with you online and you're failing to meet that need.

With every other generation you see the reverse. In fact, they feel like we are pushing them more aggressively to interact online than they would like. And you know, for me a real surprise.

It's always, I think, with this sort of research you immediately go to the generation you sit within, and I happen to sit in Gen X and I love online engagement. I would prefer to deal with any of the service organisations I have to deal with, whether it be banks, whether it be utilities - I would much prefer to engage online and that's sort of my mindset.

And then look at the results across. You know, a big sample of consumers and in fact, the Gen X are getting the feedback that perhaps we're pushing them too hard online. They actually demand other ways to interact with us.

We then delved in a bit deeper and said well, does if vary? Does it vary by the reason you're engaging with us? Do you prefer different ways of engaging with a service organisation?

Now, I've chosen just two here and they're two that are quite starkly different. When it comes to managing their account, consumers are saying yeah, sure, absolutely. If you can give me a good online experience, let me do it online. And you can see nearly half of the people that were involved in this research said yes, that would be my preference.

We then turned to problem resolution. So, I've got a problem right now. Actually, I don't want to go online, I don't want to wait, I want immediate attention and I want to be able to pick up that phone and speak to someone straight away. So, you can see the shift there on problem resolution where it jumps up. Over 40 per cent actually want to pick up the phone and talk to someone that can help them and only around - just over 10 per cent are happy to do that online.

That's all really interesting. What does it tell us? So firstly, it tells us as an industry we're ranked pretty low today, in fact, towards the bottom of that pile with only utilities beneath us. I think that also draws out that customer expectations today are quite diverse and they demand different ways of interacting with us. It's not one size fits all.

So, how is that likely to change? Now, we did test some future expectations and I know we had Alison who's quite an expert on research. And I'm sure she would jump up and say it's really hard to test future expectations and it is true, but we wanted to explore a few areas with consumers and now, to get them in the frame of reference.

Because we all know we lead busy lives and dealing with a telco may not be your top priority in life. So, when someone comes and talks to you about future expectations it's very much framed in today.

So, we started out by asking them a question around how willing would they be to adopt future technologies. Now, we used mobile payment as a way to make that tangible and there's certainly nothing earth shattering on this slide.

No surprise when you go from the youngest generation we tested, Gen Y, more than 60 per cent of those people are willing and eager to adopt something like mobile payments, right down to just under 20 per cent with the oldest generation we tested.

Not earth shattering, it just reinforces again that there will be consumers who demand the latest, expect us to be at the forefront and then there are groups of consumers that actually will want to interact and expect more traditional ways of dealing with us.

We then went a little bit further and we said okay, what about how you interact with these service organisations in the future? What do you expect? Is there anything different?

Well firstly, there was an acceptance that online would play a greater part in the future for all of the generations that we tested, but there was some increase in demands.

Firstly, you can see up there that people actually expect us to be able to integrate channels together. So, I want to be able to shop online but actually, I expect I can walk into your retail store and it will be like the show room. In fact, 50 per cent of respondents said I actually want the best of both worlds - give me great online experience but let me go and touch and feel it in store.

The other one up there, an increasing demand that actually if you're going to provide products and services to me, then you need to be confident enough to let me try it before I buy. And you can actually see almost 40 per cent of respondents said that as a future expectation of service industries.

We then said okay, well, how confident are you that service industries will be able to deliver on your future expectations and there were some interesting insights out of that.

Firstly, just when it came to the basics. So, can I have one log in to manage all of my products and services and accounts with you today? Can I have that in the future? In fact there was really low confidence. You can see 38 per cent of people said I actually don't even - I have confidence you can do that, so the majority were not confident.

Can you actually deliver me basics like if I pick up the phone and I don't have to wait and I don't have to queue up to get someone on the phone to help me? A pretty basic

requirement. In fact just over a third of people were confident that as cross service industries in Australia we would be able to deliver on that in the foreseeable future.

Forget their future expectations, just some of the real basics, Australian consumers have very low confidence that we can actually step up and deliver on those needs and expectations.

So, what do you take out of the future? What I take out of it is firstly yes, their expectations will remain diverse and they expect us to be able to deliver on that and also the bar will keep lifting. People will expect more integration of channels, the ability to try before they buy, so it doesn't stand still.

As an industry, if we're struggling to meet those expectations today we certainly need to do something about it because the bar will only continue to lift as we move forward.

Customer insights are fantastic and I also adore research and find it a great thing to be involved in but at the end of the day you've got to do something about it. It's great to have insights and to sit back and say we're falling short but what do you do about it?

Well, at Optus I want to talk about some of the things that we're doing about it right here, right now.

In April we went through a change in our organisation and we formed a customer group. You may sit there and say well big deal, organisations restructure all the time, that doesn't actually solve anything. I want to talk to you why we did that and what makes up that group.

Well firstly, we said we know as an industry we have challenges and consumers are telling us we need to do things differently and better. So, we actually formed a customer group with end to end accountability. From the first day a customer is with us until that unfortunate last day if they decide to leave us.

And in putting this group together to ensure it can actually execute on end to end accountability we put a few teams together that have never sat before together in our organisation. We started with customer insight, because we said if you're going to be brilliant at delivering on customer expectations you better understand them and not just understand them today, but get good at actually trying to predict and help these customers

solve problems that we're struggling with today. So, we brought our customer insights team in.

We then said if we're going to be brilliant at looking after customers you need to ensure there is an absolute focus on your existing customers, in terms of their lifecycle with us, how we retain them and how we focus on them. So, we brought in our customer life cycle and retention team to the group.

We obviously said if you're accountable for customers end to end you've got to have your customer care organisation, they play a massive role in day to day in those experiences. We also said billing plays a big part in the experience that customers have with us, so we'll bring that team in.

And finally we brought in the teams that have the capabilities and the thinking around how do we transform and change an organisation? So, we brought our customer experience transformation teams together.

Yes, it is a re-organisation and it on its own does not solve the problem but I can tell you it is making a difference now. Having one group in the company that has that end to end accountability to be able to look after our customers is changing the way we operate and what our priorities are in the company.

The second one there, you've got to have customers at the core of your business and in fact they need to have a strong voice in setting your priorities and your goals.

We've changed our key metric around customer experience. It is no longer customer satisfaction in our consumer business, it is a net promoter score. And again, that on its own doesn't change a thing. What is different?

Over the last six months we are now in a position where net promoter score is in fact embedded at every touch point a customer interacts with us, so we get real time feedback each and every interaction with a customer.

Now, for our frontline teams we've also made a drastic change in terms of what their key KPIs are and what they need to focus on. No longer if you're one of the agents sitting on the phone, taking customer calls and trying to assist them every day, are you trying to balance half a dozen metrics including average handling times and logged in hours.

In fact, your one metric you focus on right now is your net promoter score. How have you rated from customers who have interacted directly with you in terms of their willingness to recommend dealing with Optus?

I was in one of our call centres just a few weeks back and I was sitting with one of our agents listening to some customer calls and a call came in. It was one of our older customers. They'd been having a challenge and it was in fact their third call in to try and get this issue resolved. It was reasonably complex. She had to talk this person through about 12 steps in order to unlock a prepaid phone off our network to travel overseas.

I've got to say she was extraordinary. She was incredibly patient. She played back the instructions and made sure that this person understood and then at the end did a double check to make sure it had been successful.

You could hear in this customer's voice almost relief that this had been resolved and then the call hung up - was being ended and I said to her do you think we're going to see a rating? Because obviously the customer gets offered the chance to give a rating and they don't always do it. She looked at me and she said I think he will and a few seconds later it popped up and he had rated her a 10 out of 10.

As that screen popped up I could see all of her ratings for that day in all of the interactions she'd had. Now, no big surprise when an exec comes in to listen to calls of course they had chosen someone who gave a good performance, lots of nines and tens of course. They're not silly, they're not silly.

But I looked at her and I said so tell me, what's changed? Now, how different is it now that, you know, that net promoter score is your key focus and you get this real time feedback? What does it mean for you? And she actually looked at me and she gave me the biggest smile, this genuine smile and she said it just actually makes me want to take more customer calls.

For me, yes changing a metric is never going to solve it but how you embed it and how you make sure from a people standpoint that it is the key focus, that's the bit that gives me confidence that we're on the right track to now change things for our customers.

The third one up there, the customer focused capabilities. Obviously you've got to invest in the things that are important to your customers. Our customers, certainly at Optus and I'm confident across the industry have made it loud and clear that one of the things that they're most unhappy about right now is excess charges on their mobile bill, in particular excess data charges. And I don't blame them.

Who wants to receive a bill at the end of the month that is hundreds of dollars more than they anticipated?

So, we certainly listened to this and we've invested in capabilities. In August we completed the roll out of usage alerts to all of our eligible capped plans across our consumer and small and medium business customers. That's over two-thirds of our post-paid customers today.

And what we do is we let them know when they're at 50 per cent, 85 per cent, and 100 per cent of their capped inclusion. And even having rolled that out early August and we're now in October, I can tell you I already see drastic results from that. Things like the volume of customers getting referred through to our financial services area because they've had bill shock and an unexpected amount that is simply - is beyond their means to pay. We've seen that drop in the order of one-third in terms of that volume.

So, it is important, you've got to listen and you've got to invest in the things that are important to our customers.

I have our people up there and I've already talked a little bit about our people with out NPS and how we're imbedding that in the behaviours at our frontline. We've made another recent change and it came back loud and clear from both our people and our customers and it goes to that heart of trust.

If you want us to do a great job and deliver great outcomes for our customers then actually trust us to do that. So, we've recently increased empowerment into our frontline customer care team to enable them to be able to deal with key issues with customers then and there, not have to refer it through to a team leader or a manager.

It might be something as simple as a customer on the phone may have had a charge - a $2.50 charge let's say - and they're particularly upset, it shouldn't have been levied on

them and they feel it's unjust. Our agents in our frontline being able to deal with that then and there is really important from both the people and from a customer point of view.

Trust on both sides that we will empower them to do that, and trust our customers enough when they're telling us there's an issue and it made sense on our side to correct it, that we do it.

And then finally, prioritising our existing customers. It all sounds nice in theory, yes, yes, our existing customers are top of the list. Well, it's not just a theory. It is being implemented.

I look at the most recent iPhone 5 launch. The approach we took - we knew from talking to our existing customers, there were a big group of them, that in fact the most important thing to them was to make sure they had access to that device as early as possible.

We all know, every time there's a new iPhone launched there's always a shortage of devices available in the market. So we took the step of actually allowing our existing customers to pre-order and to allocate our stock that was in short supply, in fact to existing customers first.

You might say well that sounds pretty logical. But I have to say as an industry if you look back over the last few years, has that been normal behaviour? I would say not. I would say the normal behaviour in our industry has in fact been a scramble for new customers.

As a result we might have gone out there and offered something better to a new customer and actually prioritised something that was desirable like an iPhone 5 that was in short supply and we might have gone and actually given that to new customers first.

Well, that's not what we've done this time. As I said we've deliberately allowed our customers to pre-order and we deliberately allocated stock in to our existing customers rather than new.

So, we don't underestimate we've got a challenge ahead and I think there's a fairly big challenge to us as an industry from Australian consumers today but we certainly had a transformation underway in our business to head us in the direction of not just meeting customer expectation but ultimately in the future to exceed them.

Just to sum up, firstly, I think we can all agree that our existing expectations of consumers today are pretty diverse and they set a pretty high standard for us across all service industries in Australia.

I think it's also fair to say that as a Telco industry we're pretty poorly rated. In fact, with only utilities rated lower on loyalty and advocacy than we are as an industry today. Those future expectations look set to remain pretty diverse and in fact that bar will keep lifting. If we're falling short today and we don't do anything about it we can be sure that in the future that gap will become wider.

At Optus, we absolutely have heard this and we have a transformation underway. So as an industry, Australian consumers I think have told us loud and clear we don't measure up and as I said at Optus we've certainly heard that.

We're excited about the future because that ability to shape and transform our business around what customers care most about is absolutely what we're focused on.

Thank you.