How Recession and the Empowerment of Consumers Impact the Telecommunications Industry: A European Perspective

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ABSTRACT

IBM’s most recent global telecommunications consumer survey reveals that the deteriorating economic conditions in many European countries and the empowerment of the consumer exert negative pressure on the business of communications service providers. The results shed light on a budget-conscious, demanding consumer spending an increasing amount of time online, more apt to interface with their friends and family over social networks sites about their services rather than communicate directly with the provider. Many consumers’ are growing less loyal as their expectations rise and as they take advantage of new channels of information. The paper gives recommendations how providers can gain competitive advantage by deepening their consumer insights, encourage interactions and create an emotional connection to their consumers as seen in other industries.

Keywords: Business Analytics, Consumer Behavior, Consumer Survey, Customer Advocacy, Customer Experience Metrics, Customer Insight, Digital Channels, Social Media

INTRODUCTION

The IBM Institute for Business Value (IBV) recently surveyed over 13,000 consumers in 25 countries to understand consumers’ spending priorities, adoption/perception of communication products and services, information sources for products and services, attitude towards communications service providers (CSP) and purchasing values (IBM, 2011). The survey revealed that CSPs are facing tough times as consumers are becoming increasingly informed, empowered and demanding, and at the same time more price-conscious due to economic conditions.

The results indicated that in many mature markets levels of consumer confidence and purchasing intent are quite low. In particular
in West-European countries, consumers expect to cut spending on almost everything, including services of CSPs. In Greece, for example, 56% of consumers surveyed said they will spend less on mobile telephony in the next two to three years, while only 5% expect to increase spending in this category, resulting in a net decrease of 56% as depicted in Figure 1. In Italy, Portugal, Cyprus and Spain the net decreases are 30%, 29%, 22%, and 19%, respectively. This trend continues in the other communications categories – fixed telephony and mobile broadband – reflecting the impact of the European debt crisis in these countries.

**OVER-THE-TOP COMMUNICATION HAS BECOME KEY**

Many consumers have switched to or increased use of over-the-top (OTT) communication services as cheaper alternatives to traditional communication services. The trend of consumers increasingly using instant messaging, social networking, Internet video streaming and downloads, and Voice over Internet Protocol (VoIP) to communicate with each other is clearly visible from the results of the consumer survey. For consumers having (fixed or mobile) Internet access, social networking has become a key communication channel, with 60% of consumers using it on a daily basis in emerging markets, and 45% accessing social networking sites daily in mature markets. In Europe, Greece has the highest usage of social networking (Figure 2). In Sweden, social networking as a means to communicate is ranked number 2 in the under 25 age group, with 91% using it on a daily basis.

The OTT providers have proven adept at dreaming up compelling new online experiences for consumers. The growing importance of this enhanced consumer experience is affecting the communications industry. Connected devices as PCs, smartphones and tablets allow consumers to surf the Internet, communicate

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*Figure 1. Question: Compared to previous years, are you likely to spend less, the same, or more on mobile telephony in the next 2-3 years?*
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