

Telia – Improving Customer Loyalty



Introduction

The company NetCom was founded in 1989 and began its operations in 1993, breaking the mobile phone monopoly in Norway. The company was acquired by the Swedish company Telia in 2000, and in 2016 NetCom took the name Telia. This case is written for Telia Norway, based on the Norwegian market for mobile services. The results you find will probably apply to all the Telia companies.

The people at Telia are anxious to improve their customer loyalty and your task is to help them.

This case is related to the private mobile market, excluding the business to business market.

This is the “warm up” case for the BI International Case Competition 2018.

Oslo, January 2018

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The situation

In Norway, as in many countries, the market for mobile services is highly competitive. There are 17 service providers in Norway competing in a limited market (Norway has a population of about 5.3 million inhabitants). The market is saturated and growth can only be obtained by taking market shares from other companies. Customer loyalty is therefore of the utmost importance to mobile companies.

Norsk Kundebarometer		
Company	Satisfaction	Loyalty
Chess	82,5	88,1
OneCall	76,3	83,5
Telenor (mobil)	73,1	84,7
Telia	72,1	79,8
EPSI		
Company	Satisfaction	
Talkmore	75,1	
OneCall	74,8	
Chess	74,3	
Telenor	70,3	
Andre	69,8	
Telia	69,4	
Ice.net	67,8	
Branch average	71,0	

The tables above show the results of the ratings done by Norsk Kundebarometer (a research project at the Norwegian Business School that annually surveys and ranks Norwegian businesses according to customer satisfaction and loyalty) and EPSI in 2017. Norwegian mobile customers were surveyed and asked how satisfied they were with their mobile provider. Norsk Kundebarometer also surveyed the customer's loyalty. According to this survey, about 80% of Telia's customers say they will remain loyal to the company.

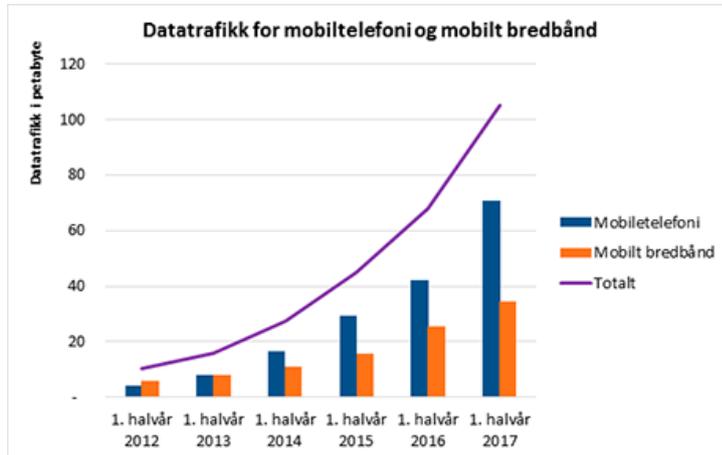
Changing to another mobile company is easy in Norway. You get to keep your telephone number – all you need to do is to put a new sim-card into your smart phone. A number of smart phone producers are now planning to launch phones without sim-cards. All you will need in an electronic update to your phone when you change companies, making it even easier to change.

Most mobile companies offer deals that tie the customer to the company for a certain period. They will sell you a new smart phone which you pay in monthly instalments over two years,

binding you to the company for those two years. The question is, how do you get the customer to sign up for a new two-year period when they want a new smart phone?

The growth of data traffic on mobile phones and mobile broadband is growing at an exponential rate, as the figure below illustrates:

(<https://www.nkom.no/marked/ekomtjenester/statistikk/ekomarkedet>)



“1. halvår”=1st half; blue – mobil telephone; orange – mobile broadband

There is almost no growth in the number of mobile phone calls made and messages sent, and pricing of these services do not differentiate the providers. What now differentiates the subscriptions the different companies offer is the number of gigabytes of data included in the subscription. Both Telia and Telenor are losing market shares to Ice-net. This is probably due to the fact that Ice-net operates its own 4G net and offers lower prices than Telia and Telenor.

Data traffic on mobile phones will continue to grow as the Internet of Thing (IoT) grows. The trend is clear as you will see in a later chapter of this text.

The competition for the customers is now all about packing gigabytes of data into the different subscription being offered. The trend is to make it as flexible as possible: for the customer with a family subscription to be able to transfer data usage between family members, for the customer with a holiday home with a 4G-router to be able to “roll over” unused capacity from one month to the next, etc. The fight for new customers is hard, therefore retaining your current customers will be even harder. This is your task, finding a plan to increase customer loyalty.

The people at Telia are greatly looking forward to your plan.

The History

In 1989 the companies Nora, Orkla and Kinnevik for the company NetCom GSM AS. This was a major breakthrough in the Norwegian telecom market as it broke the monopoly held by the state run telecom company Telenor. In 1993 NetCom opened its GSM-net and the monopoly was finally broken.

In 2000 NetCom was bought by the Swedish company Telia and taken off the stock exchange. In 2015 NetCom acquired the companies Tele2, OneCall and MyCall and reached a 4G coverage of 90% of Norway's population, exceeding Telenor's coverage for the first time. NetCom continued to operate under the name NetCom until 2016 when it changed its name to Telia. In this year it also reached the goal 98% coverage of high-speed mobile data, two years ahead of the deadline set by the government.

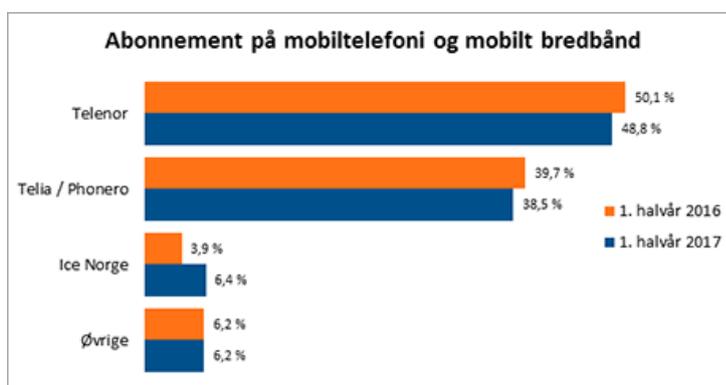
(https://beta.telia.no/om-telia/telias-historie?utm_expnid=.Xr6vZN7cSfOCVVkTut94Zg.1)

The market

There are three companies running mobile networks in Norway: Telenor, Telia and Ice-net. Ice-net runs a pure 4G net and uses Telia's infrastructure for their other services. There are a number of other service providers in Norway, but they again rent network services from either Telia or Telenor. According to Wikipedia there are 17 mobile companies operating in Norway (<https://no.wikipedia.org/wiki/Kategori:Mobiloperat%C3%B8rer>). These companies target different groups – young people, families with teenage children, families with holiday homes, etc. – and compete mainly on price. Norway's geography, a long stretched out country with fjords and mountainous regions, makes coverage an issue when choosing a service provider. The situation now is that both Telia and Telenor seem to have an equally good coverage. The difference between the two depend on very local variations, and it is not given as to which will offer the best coverage.

The figure below show market shares of subscriptions of mobile telephone and data traffic. (NKOM – Norway's National Communication Authorities)

(<https://www.nkom.no/marked/ekomtjenester/statistikk/ekommarkedet>)



Market shares based on combined mobile telephone and mobile data traffic
orange – first half 2016, blue – first half 2017, "Øvrige" = Other

As we see, both Telenor and Telia are losing market shares to Ice Norge.

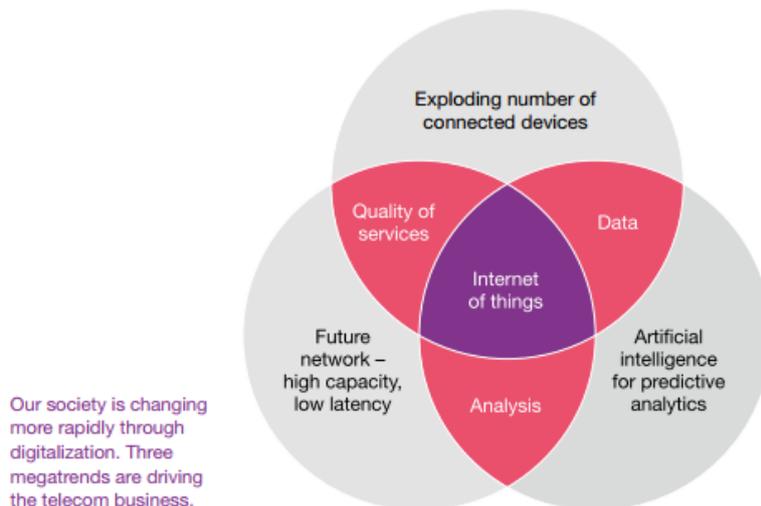
Trends

To quote from Telia's Annual Report 2016:

https://www.teliacompany.com/globalassets/telia-company/documents/reports/2016/annual-report/telia_company_annual_and_sustainability_report_2016_en.pdf

Our society is changing more rapidly through digitalization. This might be a shift as big as the industrial revolution. The shift is enabled by the radically reduced cost for storage and computing, exponentially increasing number of connected devices combined with advanced analytics and artificial intelligence. This is what we believe will lead to the tipping point. As other technologies are becoming generally available the digitalization will take further steps. The sweet spot will be the intersection of these trends.

These trends are illustrated in the following diagram:



When we combine the three megatrends: Exploding number of connected devices, high capacity of future networks and Artificial Intelligence, we see that the “sweet spot” is the Internet of things (IoT). When physical objects with each other and the outside world, they are said to be connected things or smart objects. (*Connected Things, 2017 Edition, Arthur D. Little, Telia*) (<https://www.teliacompany.com/en/about-the-company/publications/connected-things--2017-edition/>)

CONNECTED GROUPS INCREASINGLY INTERCONNECTED

	Today	In the future	Regional frontrunners
 Vehicle	Focus on navigation and e-call, services such as usage based insurance and predictive maintenance are emerging	Vehicles will form intelligent transportation systems where they communicate to optimize mobility on a city/country level	Volvo
 People	Single use cases focused on fitness applications with very little integration to healthcare providers	Wearables will connect patients to physicians, the hospital and analytics enabling advanced remote examination and monitoring as well as preventive care	Kry
 Consumer Gadget	Segment is dominated by audio visual displays and personal multimedia	Consumer gadgets will increasingly talk to each other, e.g. the smart watch will be alerted by the fridge when restocking is needed	Electrolux
 Money	Segment so far dominated by payment terminals resulting from laws requiring card payments to be exercised at customers' tables	More things being connected means any asset will become as easily indexed, searched and traded opening up an "economy of things"	iZettle Klarna
 Building	Security applications have been commercialized for some time, HVAC and building automation applications are emerging	The smart home and smart building will be seamlessly integrated with other segments such as infrastructure, forming smart cities	Minut
 Industrial Process	Mainly single use case supply chain tracking and process monitoring applications, a small share of the collected data is used	Companies will use IoT to collect and share data that will be used to optimize processes value networks	ABB Scania
 Infrastructure	Several countries in the region have installed Smart meters, driving the growth of the segment	Smart grid development will enable distributed production and increased efficiency	Fortum

Examples of connectivity

A lot of the examples above relate to private customers using smart phones and mobile data traffic. This is the future, and Telia is committed to be part of this future.

Conclusion

Telia is Norway's second largest mobile company. As the company NetCom it broke Telenor's monopoly, building its own infrastructure, and bringing competition into the Norwegian market.

The market for mobile data and mobile broadband data traffic is growing exponentially and the competition amongst the service providers is hard. Telia is determined to maintain its position, or even increase its position, in this market.

In this saturated market, keeping one's customers is a key success factor. So this is your task:

Present a plan for Telia to increase its customer loyalty.

Good luck.