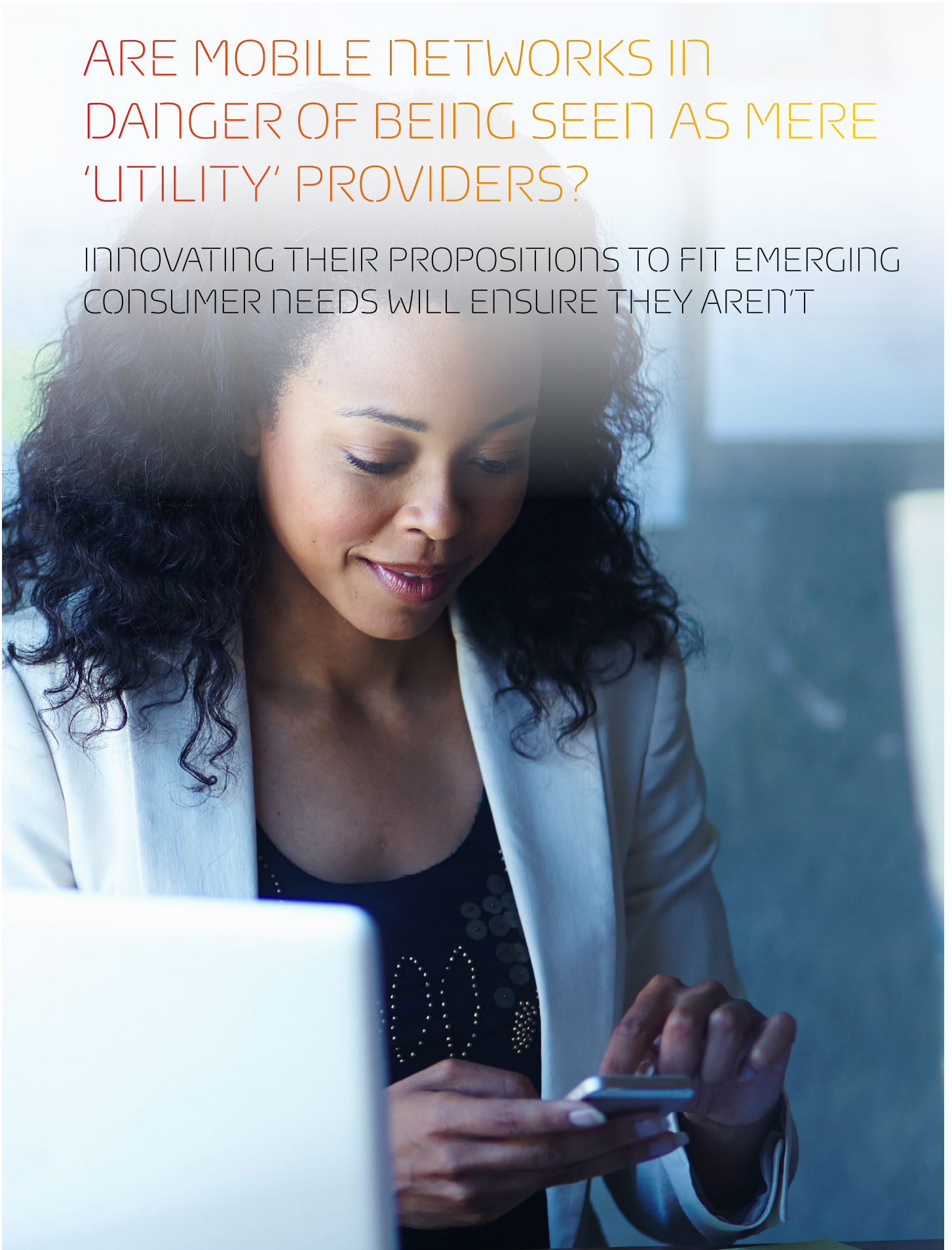


# ARE MOBILE NETWORKS IN DANGER OF BEING SEEN AS MERE 'UTILITY' PROVIDERS?

INNOVATING THEIR PROPOSITIONS TO FIT EMERGING  
CONSUMER NEEDS WILL ENSURE THEY AREN'T





Mobile network providers are missing out on an opportunity to better meet evolving consumer needs. Adopting a more proactive and innovative approach to proposition design and architecture could lead to greater market share and consumer engagement. With Ofcom having announced that from July 2019, consumers can 'text to switch' provider, it's going to be more important than ever to have compelling propositions to keep customers on your base. Can the industry reverse the 'race to the bottom' or will it become just another 'utility' provider, where the key players are competing on price alone?

**We think there's room for optimism, but it will require some bold moves.**

Historically, the core value proposition of the mobile industry has been the bundling of handset with a tariff plan. Customers were either on a contract with an annual/24 month upgrade cycle or a prepaid tariff. Over time, propositions have evolved hand in hand with advances like the development of smartphones and 4G data connectivity....and, as we know, the mobile phone became an indispensable part of our daily lives.

Fast forward to today and things aren't quite as simple. GfK consumer insights and sales data in 2017 showed that more and more consumers were separating their mobile phone purchase from their tariff plan. The drivers behind this growing behaviour include a variety of areas that networks and retailers need to understand if they are to successfully position themselves in this part of the changing landscape.



This trend to de-couple the handset from the tariff continued to gain momentum across 2017 suggesting something clearly isn't working for a portion of the market when thinking of traditional contract propositions. With so many tariffs and handset deals to choose from, many consumers are unclear what's best for them and are put off from undertaking the process of finding the best deal. GfK Tech Consumer 360 data shows that 26% of UK contract handset upgraders didn't even consider switching network because of the effort involved in finding an offer that might be better suited.

Whilst many avoid the complicated process of finding a new deal that's best for them, there are growing numbers who are taking matters into their own hands and favouring non-traditional tariffs and deals as they realise these best meet their needs rather than the traditional propositions out there.

So what can network and service providers do to better address individual consumer needs? And how can they futureproof their propositions, stop competing on price and significantly improve margins, to avoid becoming just another utility provider?

Our data for the first quarter of 2017\* shows that:



19%

of smartphone sales were SIM-free devices, a growth of 20% year-on-year



25%

of SIM-only customers came from a contract handset



39%

of SIM-only customers came from a SIM-only deal



Sleepers are becoming more prevalent as consumers hang on to their devices for longer

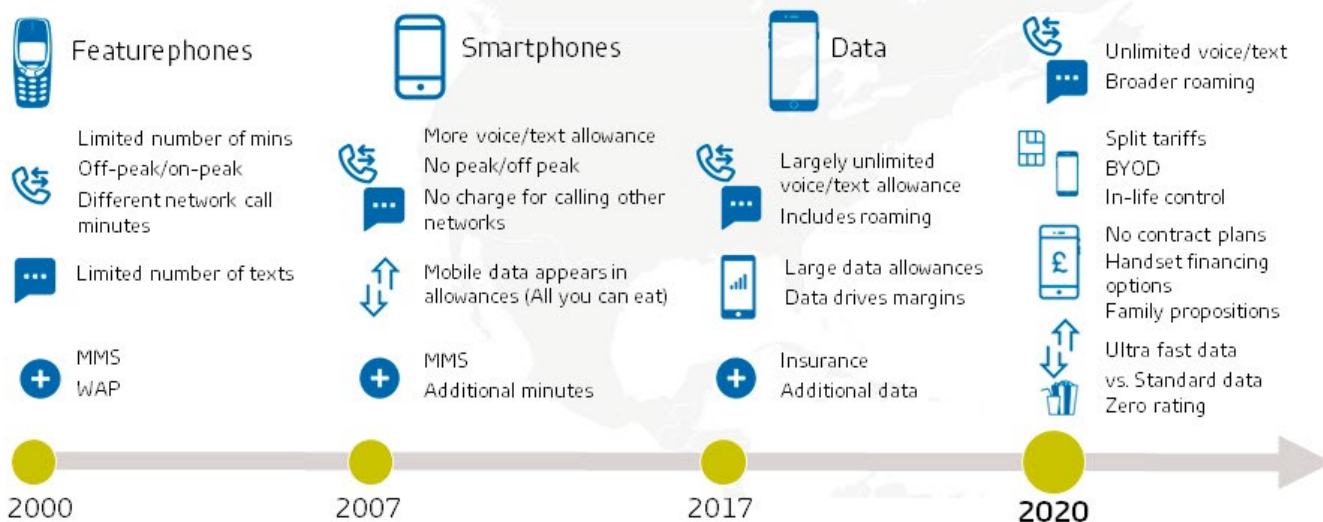
Source: GfK POS and GfK Tech Consumer 360

## HERE'S SOME THINGS TO CONSIDER...

Taking on board what's happening in other countries, we believe the following elements will become more important in the market and will better fit to evolving consumer need states.

1. Be transparent
2. Give customers a greater sense of freedom and control
3. Think differently about data
4. Empower consumers
5. Personalise propositions

## The evolution of mobile propositions





## 1. BE TRANSPARENT

Consumers value transparency. Clearly showing them how much the device costs per month and how much the tariff costs are, will bring clear dividends. However it's not just the constituent parts of the tariff that need greater transparency. There's also a growing need to be clearer on the lifetime spend throughout various tariff options. A contract offering a device that charges £100 upfront and £35p/m for 24 months ends up costing a consumer over £1300 across the lifetime of the contract. By making this aspect clear, networks and retailers can ensure their customers are on the right tariff to suit their needs and financial situation. We believe this current lack of transparency with regards to lifetime cost across contract durations has led many consumers to take matters into their own hands and de-couple the handset purchase from the tariff purchase completely, in a bid to lower lifetime spend.

**Recommendation:** *Communicating around the lifetime cost throughout the duration of the contract is something you should consider. By being transparent on this aspect consumers don't have to calculate this element themselves and you can be part of the decision making process as a trusted partner through the path to purchase. For some, their financial situation will mean they prefer a higher lifetime cost in favour of a lower upfront cost and clear messaging around the total cost across the term of the contract can reinforce the consumer is making the decision that suits their needs and financial situation best. By being proactive now, networks and retailers can ensure even in a market where more and more consumers de-couple the handset purchase from the tariff, they can be central in both.*



Tariff cost



Handset cost



Lifetime cost

## 2. GIVE A GREATER SENSE OF CONTROL AND FREEDOM

When approaching their next purchase, it's likely that many consumers will be thinking hard about their current and foreseeable situation. Given the wider economic conditions and the concerns around Brexit, some consumers will be unwilling to commit to lengthy contracts.

**Recommendation:** *Reposition rolling SIM-only and prepaid tariffs to be sold as 'no credit check' or 'no contract' plans. By promoting the sense of freedom and no commitment, there's a better chance of resonating with a consumer need.*

'No credit check'

'No contract'

More and more consumers want in-life control and flexibility around their tariff.

**Recommendation:** *Explore the possibility of allowing consumers to carry over unused data from month-to-month or to adjust the amount of data they are paying for each month. This is beginning to happen but needs to become the norm. Networks should explore ways of going one step further – in other markets, some networks are planning the use of AI analytics to automatically recommend the best tariff for each customer for the month ahead based on usage so far. There's also room for further innovation as networks could offer tariffs that charge less than the agreed monthly amount if the full data allowance that month hasn't been consumed. We've seen this kind of tariff innovation begin to show up in the B2B space in some parts of the world\* so networks should begin to explore this for their consumer propositions as well.*

\*<https://www.nineoclock.ro/vodafone-romania-offers-dynamic-subscriptions-for-the-business-environment-with-adaptive-costs-according-to-the-monthly-communication-needs/>

### 3. THINK DIFFERENTLY ABOUT DATA

Talk and text have become unlimited in the most part on most plans and have become a hygiene factor as consumers expect to get both in abundance. Data, however, is still a differentiator and data plans need to be crafted to address user requirements. Innovation now will avoid this aspect of the tariff becoming commoditised much like voice/text has. The consumer use case should determine what kind of data provision is on offer. Rather than trying to educate consumers on how many gigabytes of data watching an episode on Netflix uses – a tough task at best, why not remove this burden from consumers?

**Recommendation:**

*Promote more zero rating without falling foul of regulations. By allowing consumers to use popular streaming services without eating into their data allowance, you remove the risk from the consumer. We know this is beginning to happen, and more of this tailored to specific services will lend for more room for proposition development.*



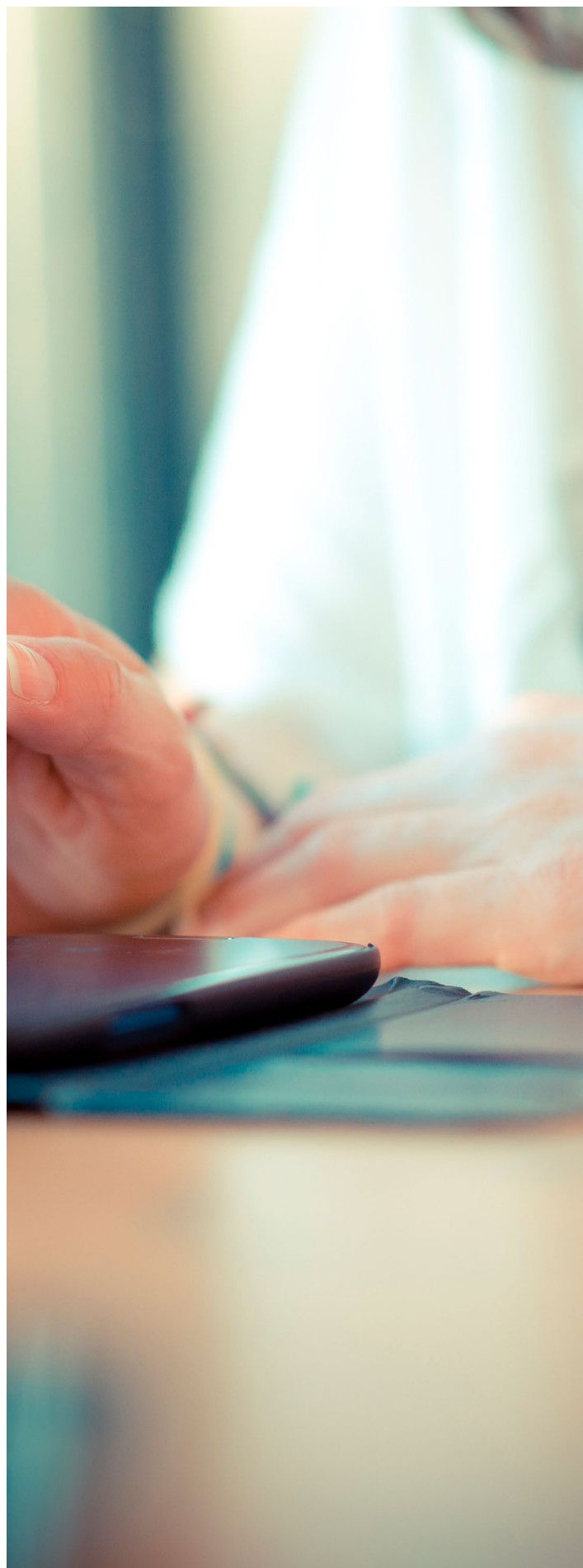
Ofcom earlier this year published data\*\* suggesting consumers are unaware of their usage making it hard for them to be on the optimal tariff.

**Recommendation:**

*Proactively suggest the optimal data tariff for the months ahead, by recommending an in-life tariff change if usage allowances are not being used. With the onset of 5G in the coming years, set expectations now on the emerging data attributes your future propositions will be differentiated on. Position data plans in relation to consumer behaviours that suit music streamers through to HD video content streamers.*

*There's also an opportunity for MVNOs to think outside the box and to distribute their finite data supply more effectively by exploring the option of allowing their subscribers to sell data to one another if they haven't used up their allowance by the end of their month. This not only finds a better way to match demand with supply when it comes to data hungry consumers, but it can be a more effective way for MVNOs to manage their overall data supply.*

\*\*Source: Page 27 – [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0028/98605/Pricing-report-2017.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0028/98605/Pricing-report-2017.pdf)





## 4. EMPOWER CONSUMERS

Many consumers are happy with their existing device and shouldn't be forced to consider propositions that don't match their need.

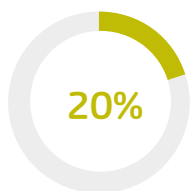
**Recommendation:** Consider positioning SIM-only propositions as Bring your own device (BYOD)– a term known in the industry but not to many consumers in the UK. By highlighting the advantage this type of proposition holds for consumers, in utilising their existing device, it creates a positive message.

For others a new device would be top of their wish list. But they find it increasingly difficult to stomach the eye-watering costs associated with such a purchase, especially if they have to wait two years to upgrade again. Phone leasing deals have become more popular in the UK in a bid to address this pain point but they are often tricky to understand.

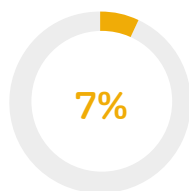


**Recommendation:** Be much clearer on how consumers can finance new devices, where leasing is just one option from a range of financing methods to best meet the consumer need and circumstance. This has worked in other markets where some networks sold SIM free devices through various financing methods after realising that some consumers will always have a separate purchase for the handset and the tariff.

When looking at the UK mobile installed base, of all the consumer subscriptions being used, our research reveals that disruptive handset payment methods are beginning to grow.



Of handsets are leased or can be returned after a year for upgrade



Make a monthly payment for their handset on other forms of financing



## 5. PERSONALISE PROPOSITIONS

The market impact of mobile tariff propositions in the UK will increasingly depend on individual adoption behaviour rather than on aggregate consumer perceptions. As networks test their value propositions, they are discovering that many propositions that perform well in traditional tests do not meet revenue goals and are not sufficiently differentiating.

**Recommendation:** *Act more like smaller MVNOs. Today's consumers buy propositions that they believe will improve their lives. Smaller MVNOs are often more innovative in their proposition and go-to market strategies as they have less to lose.*

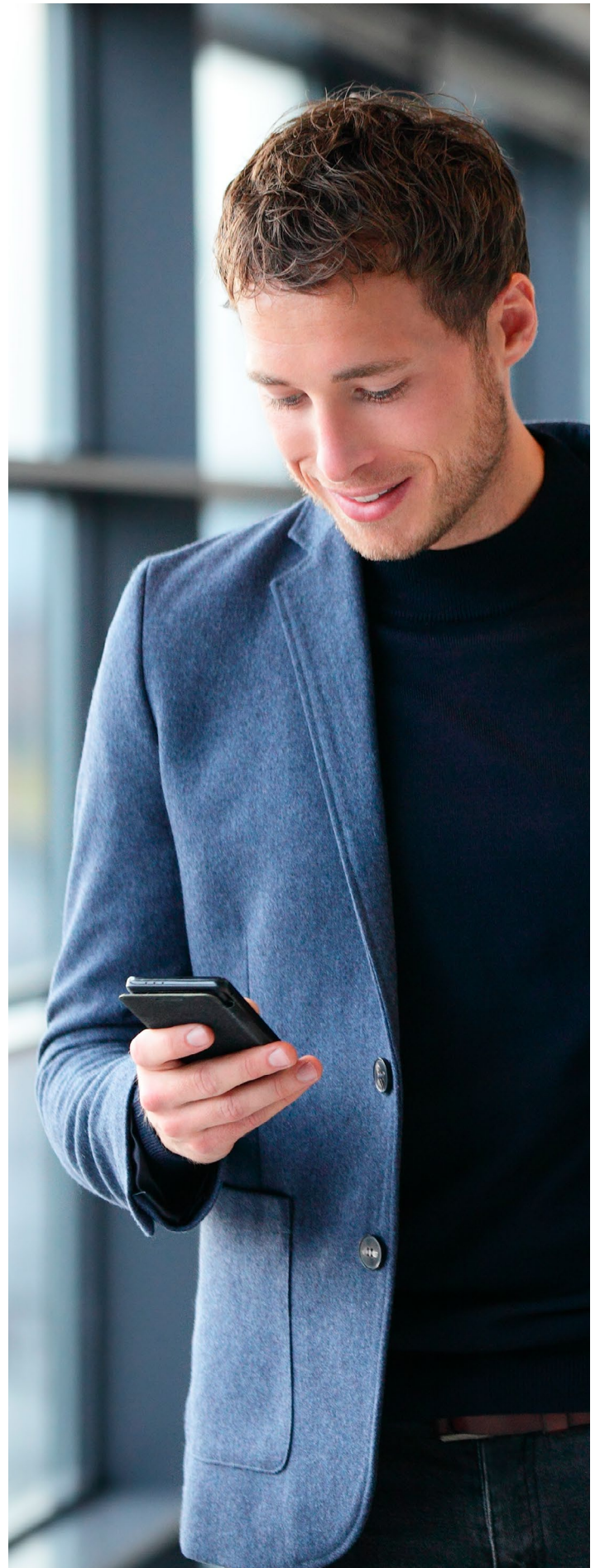


*Our fundamental belief is that if the industry was providing propositions that better met consumer needs, we'd see a simpler path to purchase that involves less effort for the consumer.*

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In our next paper, we'll explore how you can test specific propositions to find the optimum range that works best for you.

We're asking you to innovate and in turn we've been busy innovating too.





### **Turning research into smart business decisions**

GfK's technology research experts provide insights into today's markets and consumers' demand of tomorrow by looking at mystery customer, retail audit and consumer trends data. Combining deep global industry skills with proven market research expertise. GfK turns research into smart business decisions for clients to create winning strategies that translate into revenue.

### **About Tech Consumer 360**

GfK Tech Consumer 360 is the largest study of its kind providing quarterly analysis of market landscape, market dynamics, purchasing and consumer information for the UK mobile, mobile broadband, landline, home broadband, Pay TV and multiplay/quadplay markets. Each quarter 50,000 nationally representative consumers aged 16+ are interviewed. The data shown is for calendar Q3'17. Acquisitions trends work alongside GfK's PoS data providing clients with the most accurate and actionable insights.

### **About GfK PoS**

We have the world's largest retail panel. We track products and deliver insights based on both retailer and reseller actual sales data. Using this intelligence, we can help our clients align product availability with expected market demand, as well as optimize product assortment, distribution and pricing strategy.

### **Questions? Contact us!**

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