

Nokia Siemens
Networks



2013 Acquisition & Retention Study Report

Key trends show that quality
drives loyalty

for a
world
in motion™

Key findings of the 2013 Acquisition & Retention Study Report

- More people are using advanced mobile services: In mature markets 2 out of 3 people are now heavy users, an increase of 37% from the previous year.
- More people care about quality: For heavy users in mature markets, Internet quality is a deciding factor in their choice of operators. Voice quality is key in other markets.
- More people are ready to churn: Across all markets and subscriber groups, 39% of people are likely to churn, an increase of more than 20% from the previous year.

The high impact on retention of network coverage, voice and data quality and calling plans continues to grow. According to customers, the key areas for improvement are contracts, device portfolios and costs. For operators focusing on increasing customer loyalty, the study results highlighted the importance of attractive data rates and incentive programs, and better messaging and Internet quality.

Comprehensive survey of customer experience

To help operators build more valuable customer relationships, Nokia Siemens Networks conducts a global Acquisition & Retention Study to identify the key drivers for a positive customer experience.

The study, which has been conducted every year since 2005, looks at the main reasons for churn and identifies measures operators can take to build customer loyalty.

The most recent study is based on the results of 8700 interviews of customers in mature, in-transition and emerging markets during December 2012. This is one of the most extensive research projects in the industry on the drivers of customer retention and acquisition in mobile markets.

This executive summary summarizes the main findings of the study and explores how operators can generate customer loyalty and win new customers.

Countries included in the study

The findings of the 2013 Acquisition & Retention Study Report are based on 8700 interviews conducted in nine countries grouped according to the International Telecommunications Union's ICT Development Index:

Mature markets:

Denmark
South Korea
Japan
UK
US

In-transition markets:

Brazil
Colombia
Russia (Moscow)

Emerging markets

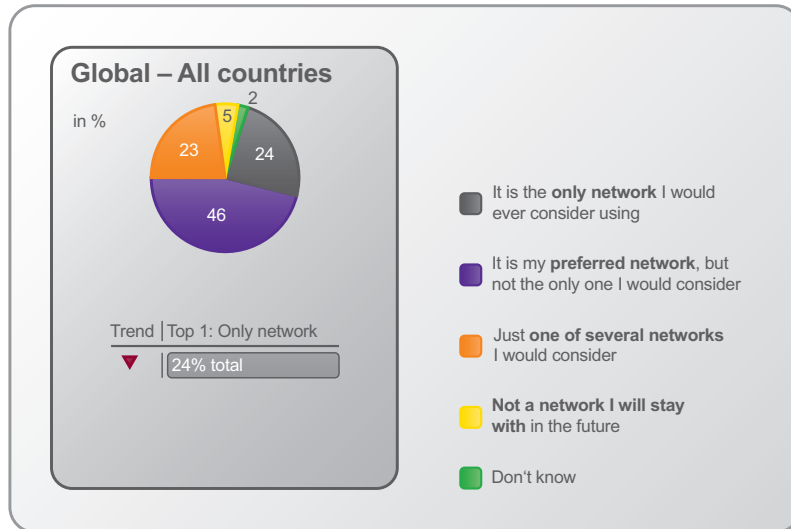
India

Customer loyalty continues to decline in mobile networks

Customer loyalty is waning globally. Across all markets and subscriber groups, 39% of people are likely to

churn, an increase of more than 20% from the previous year. On average, just 24% of mobile customers are completely satisfied with their operator.

End-user attitudes towards their operators



Only one in four mobile customers is completely loyal to their operator; loyalty is lowest in mature markets

Main reasons behind customer loyalty

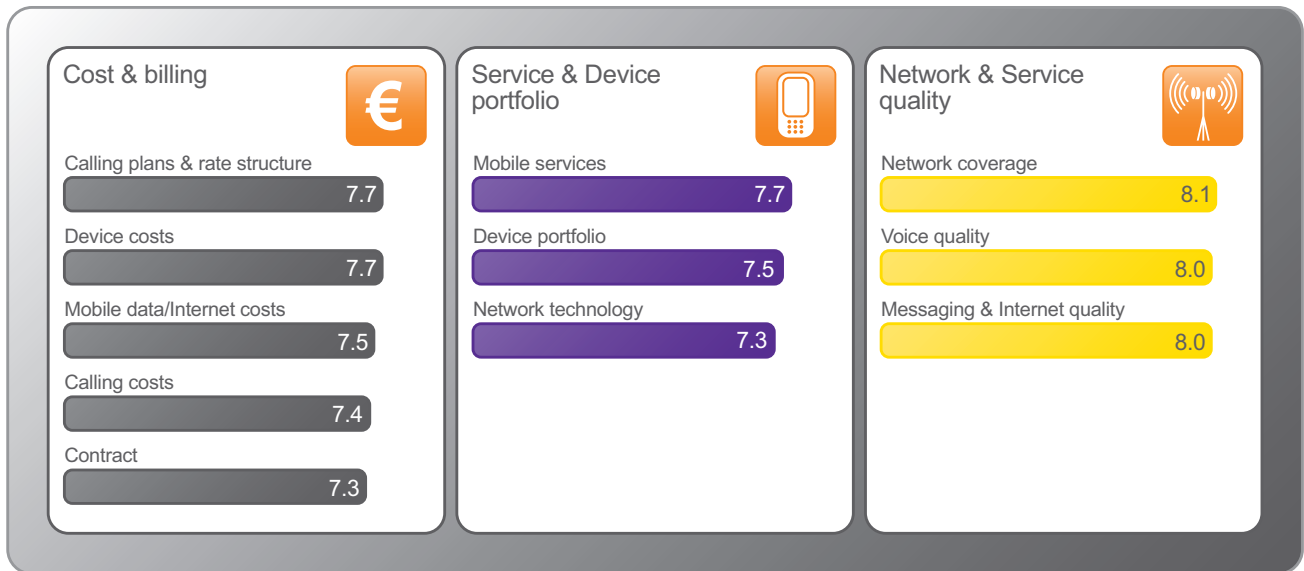
Many factors affect the willingness of customers to stay with their operators. On a global level, voice quality, network coverage and calling plans/ rate structures have the highest impact on customer loyalty. The study results showed that mobile customers are generally quite satisfied with voice quality and network coverage, which is a positive indicator for retention.

For high spenders, who account for 23% of the heavy users, network and service quality tend to be a somewhat more important than for other users. Although calling plans are less of an issue for high

spenders, they report lower satisfaction with customer care, device costs, billing, and contract conditions.

The global economic situation, which is another factor in the equation, has increased cost-consciousness, particularly among customers in mature and in-transition markets. This is reflected in their attitudes towards the pricing of their mobile services and has an impact on their loyalty.

For operators focusing on increasing customer loyalty, the study results highlighted the importance of attractive data rates and incentive programs, and better messaging and Internet quality.



Key factors driving customer loyalty

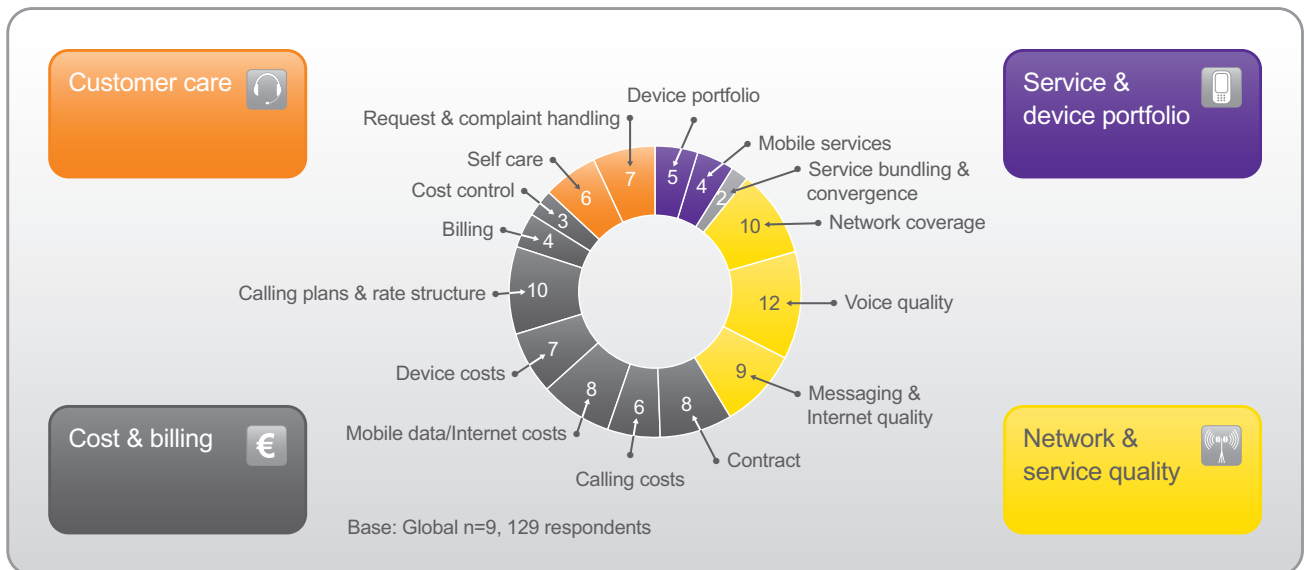
Quality drives decisions to churn and attracts new customers

When they choose a new operator, customers focus on network and service quality, and in particular on network coverage, voice quality and messaging and Internet quality

Other relevant factors in their decision are the availability of high-speed mobile Internet access, services such as GPS navigation, and dedicated security packages.

Network & service quality help retain customers

When customers churn, they are typically looking for a better experience. Measures to improve the customer experience are most effective when they target resources at those areas that are most important to subscribers and have the highest impact on churn.



Network coverage, voice quality and calling costs have the highest impact on customer retention

New revenue opportunities

The study findings for mature markets revealed that more people are using advanced mobile services. Two out of three people are now heavy users, an increase of 37% from the previous year.

In addition, almost one-third of customers (29%) are **willing to pay more** for special mobile services, and an impressive 47% of respondents believe that operators should **offer excellent network quality** even if they charge a higher price for it.

According to the study results, network coverage and voice quality have the highest impact on customer retention, so these are key factors in customer decisions to stay with their current operator or churn to another operator.

Satisfaction with calling plans and rate structures is low and has a correspondingly high impact on retention, so this is another area for operators to prioritize to reduce churn.

Service configuration, on the other hand, can take a lower priority for action as it has less impact on retention even though levels of customer satisfaction here are generally low.

Differentiate with mobile broadband

As mobile broadband becomes an increasingly integral part of people's lives, their expectations for quality and performance are growing at the same time. On average, customers stay with their operator for 38 months in emerging markets, 47 months in in-transition

markets and 46 months in mature markets. Improving quality, reducing churn and extending this customer relationship are key opportunities for operators.

To succeed here, it is crucial to focus on experience and expectations, as well as network performance. This way operators can differentiate with a 'business class' mobile broadband experience.

Nokia Siemens Networks addresses this opportunity to help operators make more money from their mobile broadband investments. Together with our customers, we are developing the mobile networks that address the trends revealed in the Acquisition & Retention study, helping our customers meet the growing demand for higher quality and driving loyalty, efficiency and revenue streams.

With our broad Mobile Broadband and Customer Experience Management portfolios and our focus on innovation, quality and efficiency, we help operators ensure that networks deliver the superior mobile broadband experience that people expect.

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