Episode 19
Double Your ARPU
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Speaker 0   00:00:00
I'm Danielle Royston, and this is Telco in 20. Last week I had another kick-ass talk about Totogi this time with Mobile World Live's Justin Springham for their MWC preview.

The other day I was watching TV, and a Verizon commercial came on and it was all about their awesome 5G network, pictures of cell towers, and cool techie data centers, and people with hard hats and glasses looking super smart, trying to sell their great network. And as I was watching this commercial, I literally laughed out loud because it highlights everything in my talk, which is, telcos are network people. They aren't customer people. Every single telco commercial in the United States is about how great their 5G network is, and how much better it is than the other guys, and never do they talk about what a great experience they are driving for me, the subscriber. Well, I think telco carriers need to change from being network-centric to being way more customer-centric.

Telcos are losing ARPU, not to the other MNOs – they're losing ARPU to tech companies. The funny thing is, they could utilize their most valuable asset, the thing they're most proud of – their network – to deliver a more personalized and enriching experience for subscribers via a super app. I'm not talking about twenty-five percent ARPU growth. I think carriers can double their ARPU when they leveraged their networks for customer love.

But that's not the only exciting thing about my talk. I am announcing massive investment in a public cloud startup Totogi. So for the next 15 minutes or so, shut down your email and close your chats. I'm so excited to share this talk on our podcast. So here it is in full with minimal editing. We also have a link to the original video version in our show notes. Are you ready?

Speaker 0   00:02:10
Hi, I'm Danielle Royston CEO and founder of TelcoDR. But you can call me DR. Ready for some more straight talk about telco? It's go time. Let's do it.

Holy shit. It sure is a great time to be a tech company. I mean, if you're Amazon, Microsoft, Google, Grab, DoorDash or Uber, life's pretty great. Just look at these stock prices over the past five years with their shareholder value, going up and to the right. Totally amazing. But where's telco? Dare I add our stocks to this awesome chart?

Let's compare these fabulous tech stocks to AT&T, Vodafone, Telefonica, TIM America, Movil and Zain group. Not so great, right? Yep. I'm talking to you, senior telco execs. I'm here to wake you up. Why is it that Wall Street doesn't see you as tech? Why aren't CSPs seen as driving all the tech change? Why is it always Apple, Amazon and Google who get the big buzz? But more importantly, why isn't it you?

Before I came to this industry, I always thought of carriers as tech companies. I gave more of my money to AT&T than to Apple because I really cared about the quality of the network. But I also wondered why on earth the carriers allowed all the other tech companies to take center stage after spending the last few years in telco. I now understand why – it's because you are network people. You are not customer people.

Speaker 2   00:03:47
I get it. You have the security blanket. You're a network oligopoly. It's crazy expensive to build a network and it's expensive to buy spectrum. It takes operational chops to run a killer network and it takes great skill to convince Wall Street to finance all of it. You telco execs are amazing at all of those things, but because you focus on the network, it means you don't focus on the customer. And so far you haven't had to. Every Telco's KPI is to be less shitty than their next competitor. You don't have to be the best. Just don't be last.

Everyone else's NPS is in the thirties to their mobile operations are just as terrible as yours. Everyone sucks at customer satisfaction and it's widely acknowledged and accepted. Let's talk about the cost of that. This is not measured on market share against other MNOs. The cost is measured in lost ARPU that the tech guys are getting.

Everyone knows about the loss of texting to WeChat, WhatsApp and the other OTT apps. But it is not just texting the total addressable market, or TAM, of the mobile app. Disruptors are huge. Instead of remaining network focused, you should be leveraging your network into a premier position. And because you're network people, I bet you think I'm talking about coercive network leverage. That is not what I'm talking about. I'm talking about love. Customer love.

Speaker 0   00:05:26
There is one thing the highly valued tech companies all have in common. They all crush it on customer love. They look at every interaction with the customer and say, how do we make the customer love this? Like Netflix has easy monthly cancellation. Amazon does no-questions-asked returns. Uber gives users a real-time view into driver rating and availability. Compare those ideas to the standard telco customer interaction. The highly valued tech companies don't have the network oligopoly to fall back on like you do to survive. They must make customers love them. So they focus on it in a big way and it pays off. Their NPS is close to seventy and they have app ratings of 4.5 or higher – a far cry from your thirties NPS and app ratings of 3.5. If you want to have those huge tech multiples for yourself, you have to start thinking about these guys as your new competition, not the other telcos in your market. The crazy thing is if you give up using your network as a crutch and put all of your focus on the customer, the network becomes an asset worth more than all the super apps.

Speaker 0   00:06:44
Let's step back and talk about the value of super apps and becoming customer-centric. Retooling around the customer is a huge change. So let's make sure it's worth it. We aren't talking about twenty-five percent improvement. I'm going to show you that if you become

customer centric, you can double your ARPU, double your multiples, and drive big shareholder value. Just like the tech companies on that chart.

Now let's talk about the customer-focused super apps. There are hundreds of companies and a variety of categories vying for your subscribers' disposable income – movies, food delivery, financial services – who are they and why does Wall Street give them such high valuations and like them so much?

Well, first look at what they are telling Wall Street about their TAM. They broadcast ridiculously huge TAMs that are greater than the telco TAMs. You know, who should have a ridiculously huge TAM? You. Hello? What I'm saying is that if you got what's yours, you double in size. And if you take the TAMs they throw around, you'd be five times as big. When I think about the opportunity to double ARPU, without having to double the CapEx to build out the network, I say to myself, hell, we should totally go do it and do whatever it takes to get it.

For example, let's talk about Grab. Grab is a Southeast Asian super app company with an expected $40 billion valuation. Grab's customer focus started in rideshare, but then it leveraged its customer love into wallet, deliveries, hospitality, and investing. Their ARPU is now larger than the telcos' ARPU in countries where they compete, and they have a higher valuation than those telcos, too. Imagine if you could combine a great user experience with valuable services that helped grow your ARPU … that would be huge.

So how do you build a super app? I bet right about now you're wishing you had a super app. Everyone wants a super app. A lot of money has been unsuccessfully spent by telcos trying to build their own. I bet you're saying to yourself, "DR, your pie in the sky sounds great, but it has no chance of success." Well, I'm betting things are about to change. There is a public cloud startup called Totogi that is going to help carriers build world-class super apps.

To have a successful super app, there is one key metric you need to know. It's the KPI that determines if your super app will be a success or a flop. It's not about the daily active users, it's not the average order value, it's not even gross merchandise value. It's all about the frequency of use per day by the user. That's the metric that matters.

How many of you use that metric in your telco apps? Do you have a team driving up user app interactions? Every day, most telco apps are used for a top-up or to check a bill. This is a huge missed opportunity. Super app companies excel at building great experiences and driving a huge amount of interactions. They have to. Their business depends on it. They have to be customer focused. They have to keep bringing the user back to the app every day, multiple times a day. And you know what? They do a great job. Customers love their super apps. They have great user experiences like Apple credit card's no-information-required application process. They have high net promoter scores because of customer-friendly policies like how DoorDash retroactively credits fees when you move to a better plan. They have great app store ratings because they do simple things like remember your last order, or allow you to use the

app rather than force you to call customer service. Customers of successful super apps love it when new services are added.

Speaker 2   00:10:52
And because of the customer love every time something is added to the app, customers adopt it immediately. New services drive frequent daily user interactions. So our problem in telco is we have an app that is only open once per month, not multiple times per day. And without frequent opens, there is no super app.

Hm. What do we have in telco that we could use to help with this problem? I wonder. While you don't currently have a mobile app that subscribers use multiple times a day, you have something that's 10 times better. You have a network. Subscribers already interact with your network 10 times more frequently than any user with any of the super apps, but telcos don't leverage those interactions into the insanely valuable engagements. Even if you wanted to, your crappy over-customized, on-premise solutions make it impossible. Thankfully, there's this new tech that's come around. You've heard of it. The public cloud.

Speaker 0   00:11:59
When you bring the enabling technology of the public cloud, you can turn your network interactions into valuable super app interactions. And there's a special new startup it's going to help you do it – Totogi. Totogi will leverage all those network interactions and turn them into valuable customer interactions. Let me repeat that: Totogi will leverage all those network interactions and turn them into valuable customer interactions.

Totogi allows a carrier to leverage its network and all the network interactions into customer engagement. This is something that's super apps don't have, but wish they did. But this magic technology is not enough. Telcos also need to move from being network-focused to being customer-focused. Totogi enables telcos to chase exciting revenue growth without that annoying, massive CapEx investment. Totogi is going to help you transform your sucky mobile apps with the crappy customer ratings into something your subscribers want to open multiple times a day and become a platform for growth. I'm so excited about Totogi that I'm investing $100 million into it. You heard me right. $100 million. Is this what it feels like to be SoftBank?

Speaker 0   00:13:21
I'm investing in Totogi because it's going to enable tacos to leverage network interactions into super app usage, which will lead to an improved subscriber experience and give you a massive jump in your ARPU. And once you do that, all those telco valuations will go from down here, to up here.

And so I've been talking to some folks, you know, checking in, feeling them out, getting their thoughts, and I've been asking them, what do you think about telcos building super apps? And the response has been, no way, telcos can't do it. Zero chance, total goose egg. One suggested I build a bonfire with a hundred million dollars, because then at least I wouldn't waste years of my life.

Well, I think those people are dead wrong. I do believe that telcos can build super apps and make them super successful. The public cloud is changing all parts of telco and Totogi and super apps are fundamentally changing the customer relationships. In one month at MWC, people will see what Totogi has to offer, and they will understand why I'm making this bold call. Because Totogi takes the value of the network and the power of the public cloud to help telcos move from being network-centric, to being customer-centric. Boom.

Speaker 0   00:14:46
You want to make this transformation and reap all the financial benefits, you will have to focus on a whole new set of players. You will no longer compete with the network-focused guys like the other telcos. Instead, you will be competing against the customer-focused companies.

These players don't have a network to fall back on like your old competitors. They know they have to make customers love them. Their customer loyalty is off the charts. Their customers are called fans. So if you want that big money, you will have to compete on their turf and make the customers want to choose you. You need Apple-level loyalty. That bar is Uber high.

We will have to give up the security blanket of the network and change. Instead of NPS of the thirties, it needs to be in the seventies. Instead of mobile apps rated in the threes, they need to get five stars. I'm betting big that Totogi will make that possible. Totogi is in stealth mode, but will be launching an MWC. Check them out at Totogi.com. And while you're hanging around online, don't forget to visit TelcoDR.com and subscribe to my newsletter. Let's connect on Twitter or LinkedIn. Thank you so much for your time today. Later, nerds.