

'No Fault Found' returns cost the mobile industry \$4.5 Billion per year.

Doug Overton of WDSGlobal investigates the causes behind the mobile 'No Fault Found' phenomenon.

One in seven mobile phones are returned within the first year of purchase by subscribers as faulty (Which Survey 2005*). Along this statistic will doubtless raise eye brows and drive speculation over product design flaws and standards in build performance. However further analysis into the nature of these returns reveals the even more disturbing statistic that 63%[†] of the devices being returned are done so without fault.

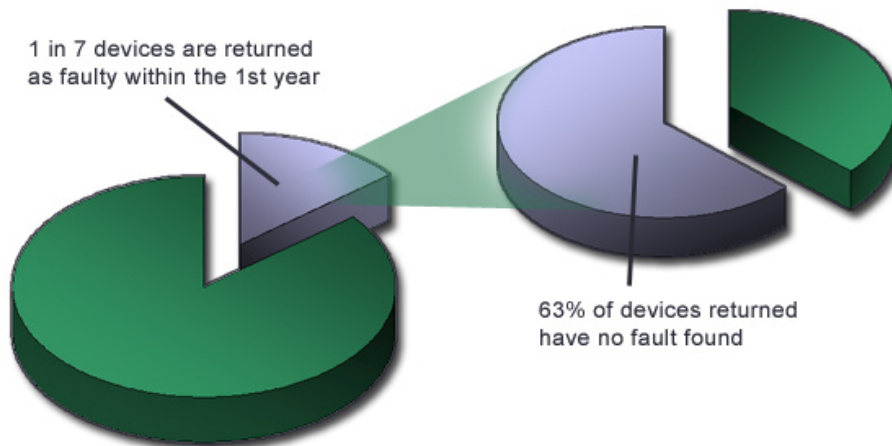


fig 1. The scale of the 'No Fault Found' phenomenon

This figure, unearthed by WDSGlobal as part of a study into mobile device returns trends in the UK, places mobile phone 'No Fault Found' returns at a level 13% above the average within the consumer electronics sector[‡].

With Operators, manufacturers and retailers collectively covering administration, shipping and refurbishment costs approaching £35 per device this equates to a potential cost to the UK mobile industry of £54,016,200 and more significantly a global industry cost of \$4,5 Billion.

Getting to the root of the problem

So why are so many devices returned without fault?

WDSGlobal are working alongside a leading UK mobile retailer to implement mechanisms and services to significantly reduce the impact of the NFF phenomenon. Analysis of over 15000 monthly calls arriving at the specialist retail returns / diagnostics line provides a valuable insight into the causes behind the trend.

The chart in *fig 2* below shows the breakdown of the calls arriving into the support line, with the three blue and green segments (63.65%) representing calls in which no fault was present.

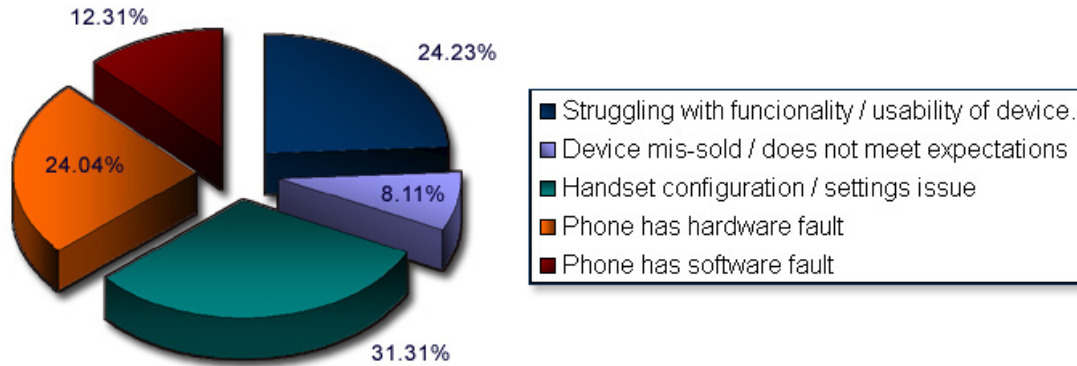


fig 2. The root cause reasons behind mobile phone returns, from analysis of 15000 monthly calls.

In some of these instances (24%) the user had resorted to abandoning the device after a lengthy and frustrating battle with the usability of functions or applications. This provides a clear indication that manufacturers still need to invest considerable time and effort into the user centred design and modelling of device software.

A recent study in the Netherlands[†] reported a 20 minute average time in which the user will attempt to use a service before abandoning it. Alarm bells should be ringing for the industry when the manual set-up of an e-mail service on a device alone takes a minimum of 20 minutes even before the user attempts to understand how the program works.

8.11% of users were simply attempting to return a device on the basis that it did not fulfil the purpose for which it was sold. This may be a consequence of inadequate marketing on behalf of the manufacturer, but is more often than not attributed to a knowledge deficit at the point of sale. The majority of mobile retailers are not equipped with the expertise to provide informed advice on the more complex features of mobile devices. Many high-end mobile phones are now differentiated through data communications technologies including GPRS, EDGE, UMTS and Bluetooth which are complimented by an equally confusing array of applications such as WAP, MMS, e-mail and Streaming media.

If the mobile retailer is anything short of fully briefed on the benefits and application of these technologies they are highly likely to be furnishing the customer with inaccurate or insubstantial advice. A recent mystery shopper survey^{**} carried out by WDSGlobal identified that only 20% of retail staff could provide a moderate description of what 'BlackBerry' functionality could provide within a device, despite its prevalence as a powerful differentiating business function.

For some retailers, the provision of inappropriately positioned devices to customers is also a reflection of store policies to ship specific models based on margins, stock levels or promotions rather than matching requirements to solutions. The same retail survey alarmingly identified that only 60% of leading high street retailers adopted an impartial customer focussed approach to sales, based upon listening to the requirements of the customer.

It is little wonder that angry and frustrated customers try to return devices as 'faulty' when they were ill advised at the point of sale. The more astute retailers are already embracing instore kiosks and other knowledge based point of sale platforms in an effort to prevent this happening.

The most significant contributor to the 'No Fault Found' problem derives from users who – quite understandably - diagnose lack of connectivity to services such as WAP or E-mail as a fault. The reality however is that many devices are purchased in an un-configured state for use with these services. While many operators attempt to setup services for immediate 'out of the box' usage the more popular applications such as e-mail will be left to the 'DIY' devices of the user.

Subscribers who swap networks while maintaining their equipment, or those who purchase imported, second hand or SIM free equipment will comprise the growing number of users who will be in an 'unconfigured' state for all services.

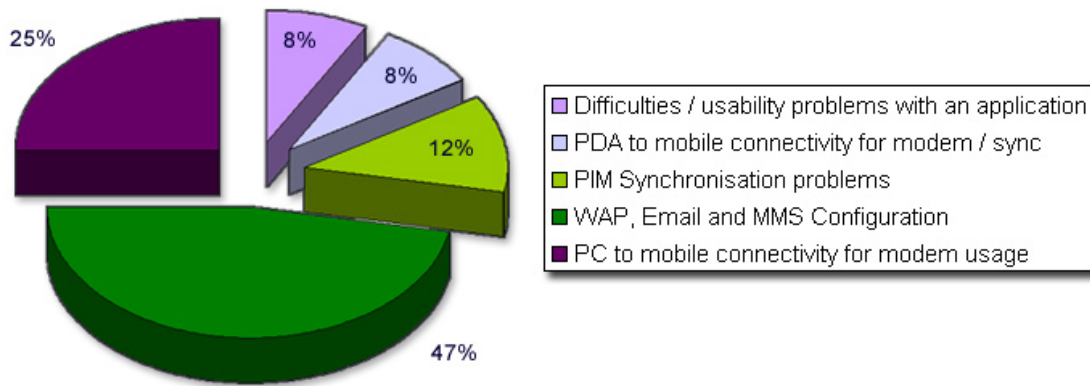


fig 3. Breakdown of problem types within a mobile tier 2 (technical support) environment, from analysis of 300,000 calls in Q2 of 2006.

Out of the 300,000 calls received by WDSGlobal into a specialist tier 2 support environment in Q2 of this year, 47% (*fig 3*) of the issues faced related to problems associated with mobile service configuration. This in itself is a major concern, even more so when it presents a 2% increase on the same statistic drawn in 2000. The problem is not going away and as device and service complexity continues to develop at an unprecedented rate the user experience only stands to worsen.

The true cost of the problem

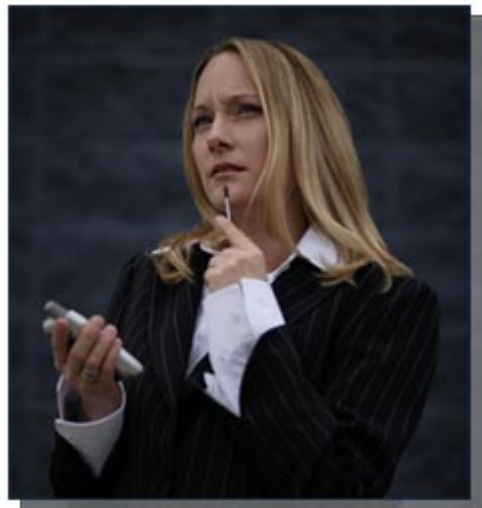
Working within the industry it is often hard to empathise with the pain experienced by mobile subscribers. Assumptions that users will embrace complex device configuration menus or self-serve portals often fail to recognise that most users simply expect devices to work without understanding the underlying complexity. This is not difficult to understand when all other consumer electronic devices including MP3 players, portable gaming units and digital cameras simply work when they are taken from their boxes.

A user spending £500 on a sophisticated mobile device is doing so in the understanding that it will improve their personal productivity or simplify part of their lifestyle. However when this benefit comes at the expense of time spent elsewhere engaging with customer service agents or ploughing through convoluted instructional guides the exercise becomes counterproductive.

The result is that either the device is abandoned (returned without fault) or the service itself is abandoned, relegating a potentially powerful communications tool to the status of an expensive personal organiser; neither situation is healthy for the consumer or the industry.

The \$4.5 Billion quantitative cost of this problem is easily recognised, and for mobile Operators and Manufacturers can be easily absorbed into the growing overhead associated with launching new products, or in many cases simply hidden within the an inflated consumer price tag.

What is of greater concern is the less tangible qualitative issues at stake. Mobile subscribers are becoming increasingly despondent with mobile technologies, and a frustrating user experience has sadly become the rule and not the exception. Brand loyalty and subscriber churn once again come under fire as mobile users migrate between device vendor and mobile operator brands in an ostensibly eternal quest for an optimal user experience.



The mobile phone has become the poor relation of its consumer electronics cousins, and while many parallel sectors receive recognition and accolade for innovation and design, the mobile industry continues to draw bad publicity.

In an age of rapid innovation, where industry prophets foretell of entirely converged consumer electronic devices in the near future it is ironic that the mobile phone appears to be at the hub of the convergence. If mobile manufacturers and operators truly wish to form the vanguard of convergence innovation then there is still much to learn from their consumer electronic counterparts.

Mitigating the 'No Fault Found' risk

The NFF problem is not going to be solved overnight. It is a problem that has developed and festered over many years in conjunction with rapid industry growth and technology innovation.

The root causes however are not shrouded in mystery, they can be catalogued and analysed systematically with a view to preventing them in future product launches. Most operator support centres will carry detailed call records, explicitly capturing the frustrations faced by subscribers at the coal-face; similarly most reverse logistics organisations or departments will accurately log the inherent drivers behind NFF returns.

It is this data that provides the market intelligence for mobile industry Product Managers to mitigate problems with the launch of future products. Every problem can be traced back to a deficiency in the device design or the channels, processes and mechanisms that surround its launch and in-life support. Most of these issues may be addressed through stringent device testing and usability modelling prior to the launch of the mobile device. Furthermore, the effective empowerment of sales channels and support centres with specialist knowledge will help to assuage much of the NFF problem.

It is a simple and logical process, which if pursued on an ongoing basis should realistically show a reversal in the trends of high volume customer support calls and No Fault Found returns inside 2 years.

Sources

	Handsets shipped in Year	1 in 7 * returned 14.29%	60% of ** returns have no fault found	@ £35 per device.
UK	18 Million	2,572,200	1,543,320	£54,016,200
Global	815 Million	116,457,000	69,874,200	£2,445,597,000 \$4,499,898,480 (@ 1.84)
* Which report, August 2005				
† WDSGlobal analysis into the reasons that subscribers contacted a returns line looking to return a mobile device as faulty. Study performed over 15000 calls received in May 2006 from major UK retailer.				
‡ Elke den Ouden reported an average of 50% in the consumer electronics sector as part of a thesis analysis at the Technical University of Eindhoven				
** WDSGlobal Mystery Shopper campaign across 32 UK retailers (multiple and independents) in Southampton, Winchester and Bournemouth areas.				

WDSGlobal Company Overview

Established in 1995, WDSGlobal are considered to be pioneers in the field of complex data service support for the Mobile industry.

Throughout the 90s WDSGlobal rapidly developed a reputation as the first choice throughout the Tier 1 Manufacturer and Operator market for the outsourced provision of data support services; with a specific focus on handling complex customer queries relating to the set-up, usage and troubleshooting of mobile devices and services.

Beyond the provision of customer support, the WDSGlobal service portfolio rapidly extended to include a range of other complimentary services, each of which was engineered to support the market with the promotion, adoption, uptake and usage of complex data services. These services - collectively referred to as the WDSGlobal Service Framework* – have all been developed with the emphasis on empowering the channel to manage the support of the end-customer in a cost effective way, whilst increasing the revenue potential of each mobile subscription.

Perhaps the most significant development in this period, took place with the launch of a pioneering mobile OTA Configuration service, which has subsequently gone on to serve many of the major industry Manufacturers and Operators through the automated trouble-free configuration of millions of mobile subscriber devices world-wide.

WDSGlobal are today perceived throughout the industry as the 'Knowledge Experts' in the field of complex mobile devices and services. This knowledge is regularly imparted through WDSGlobal consulting services, which help to guide mobile operators through the minefield of supporting a product launch.

WDSGlobal consultants regularly work with industry organisations to analyse the impact of a product, both commercially and operationally, throughout its lifecycle from inception to obsolescence.

The WDSGlobal vision is to ensure that the industry can launch complex new devices and services in a timely fashion, without incurring a backlash in operational support costs. This can only be achieved through refinement of the user experience, a vision which will ultimately enable consumers to embrace sophisticated mobile applications unhampered by underlying technicalities or convoluted usability.

The notion of a 'ready to run' data subscriber, without a support cost overhead may seem fantastic, but it is rapidly becoming a reality as WDSGlobal work with industry leaders to shift the support focus from one of 'Problem Management' to one of 'Problem Prevention'.

Today, WDSGlobal employ over 750 staff, operating from seven international offices spanning a total of five continents worldwide. This global footprint is critical for the company to collate, author and maintain the global knowledge base that underpins the many components of the WDSGlobal Service Framework.

*The WDSGlobal Service Framework:

- Consulting and Analysis – *Including Problem prevention, Device Management, Self-Service and User Centered Design*
- Self care portals and retail kiosks
- Configuration Services and Setup Guides
- Usability and Interoperability device / service testing
- Product testing and endorsement programmes
- E-learning, classroom training and seminars
- Tutorial Driven Interactive Simulators and On-device tutorials
- Knowledge feeds and APIs
- FAQs

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