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See. Control. Secure.

How Can Security Improve Telco Business Results?

Consumer Security Survey

Telco Security Trends, H1 2023



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Executive Summary

It turns out that built-in security is the secret formula for both top and bottom-line growth for Communication Service Providers (CSPs).

In December 2022, Allot partnered with Coleman Parkes Research to talk to consumers and get their insights on cyber security and understand their experience with their mobile service provider. 7700 smartphone users from 7 countries were surveyed about their security posture, the importance of cybersecurity for their mobile plans and loyalty, and their likelihood to churn.

What did we discover?

First, consumers are more confused than ever. They still don't know how to secure their mobile phones. A third of respondents (rising to 40% of UK respondents!) are not even sure whether they have a security application on their device. However, they are willing to pay for a solution that would give them security against cyber threats.

Second, consumers value security, they want to receive it from their service provider, and they are willing to pay for it. Third, lack of security can impact customer retention.



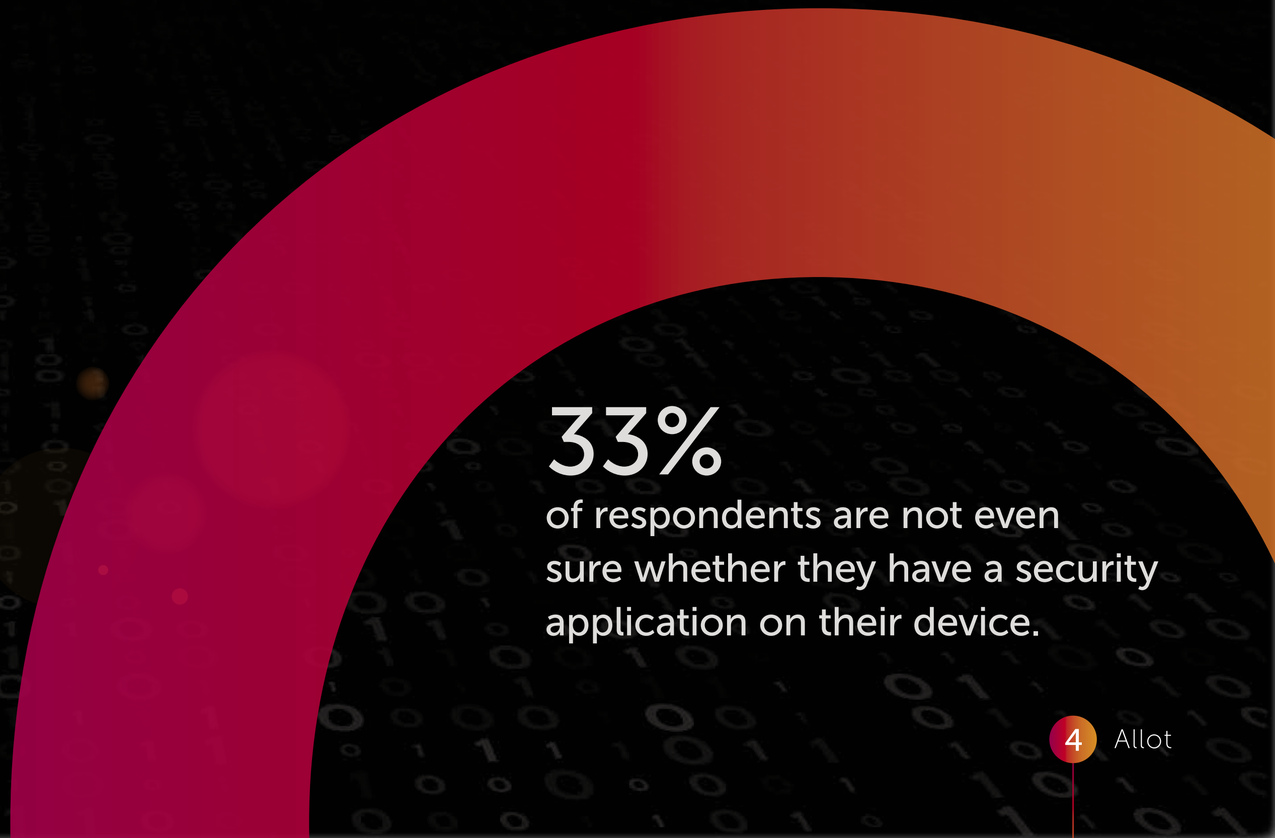
The survey clearly indicates that built-in, core security can drive incremental revenue opportunities. Consumers are willing to pay for security, they are willing to pay more when security is part of the bundle, and they are more open to service upselling when the services are perceived to be secure.

In addition, the survey indicates that consumers have switched to providers because they had a better security offering. Some segments – 18-44 year-olds, males, heavy data users, and victims of cyber attacks – are even more likely to churn. The flip side of people leaving for better security is that your own customers are presumably likelier to stick with you if you offer built-in security - and by the same token, security can help capture new users from other providers that don't offer security services.

Even the smallest reduction in churn is big money for service providers. It's well established to be cheaper to retain an existing customer than to gain a new one. In addition, in saturated markets, new customers have to come from competitors – service providers need to play defense and make sure that they don't lose subscribers to their competitors.

So, it appears that security can boost business results; it offers incremental revenue, product and brand differentiation, and even appears to impact customer acquisition and retention. Significantly, it positions the service provider as the "secure service provider."

In short, in a changing and increasingly competitive market, security is becoming a key differentiator and driver of better value and increased revenue – from multiple directions.



33%

of respondents are not even sure whether they have a security application on their device.

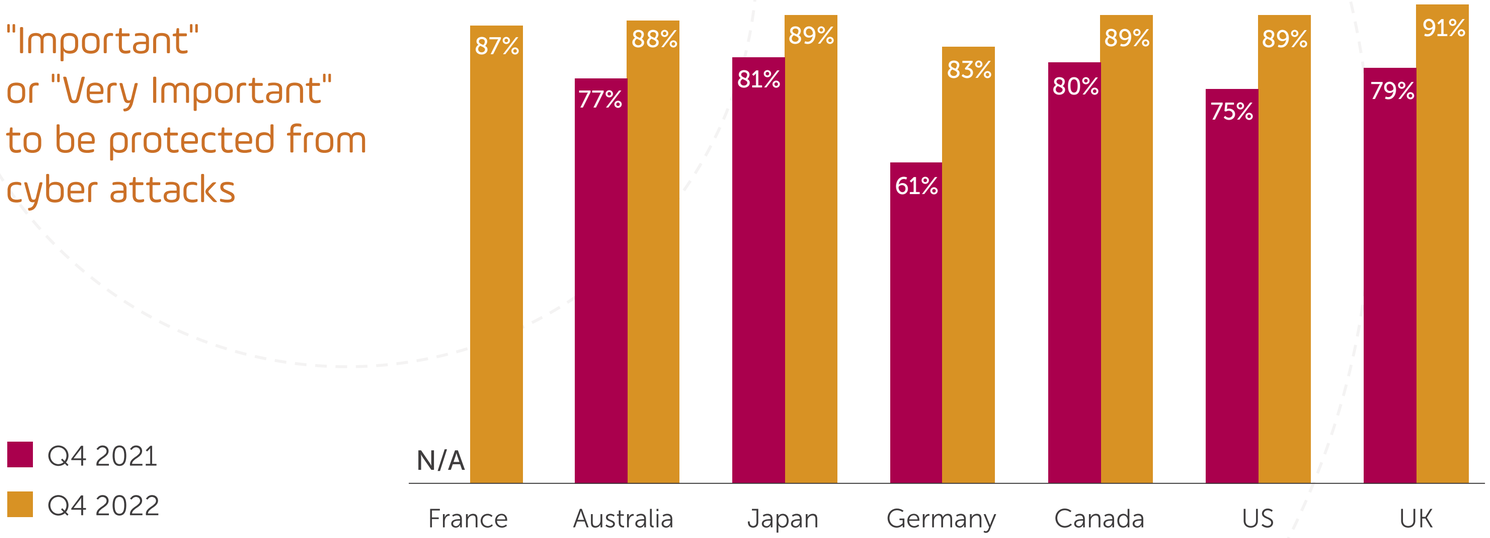
The Consumer Security Paradox

Consumers Value Security

Although consumers increasingly recognize the importance of staying safe from cyber attacks, they are not better protected. Almost 9 in 10 respondents say that it is important to be protected from cyber attacks, up from 6-8 respondents only a year ago.

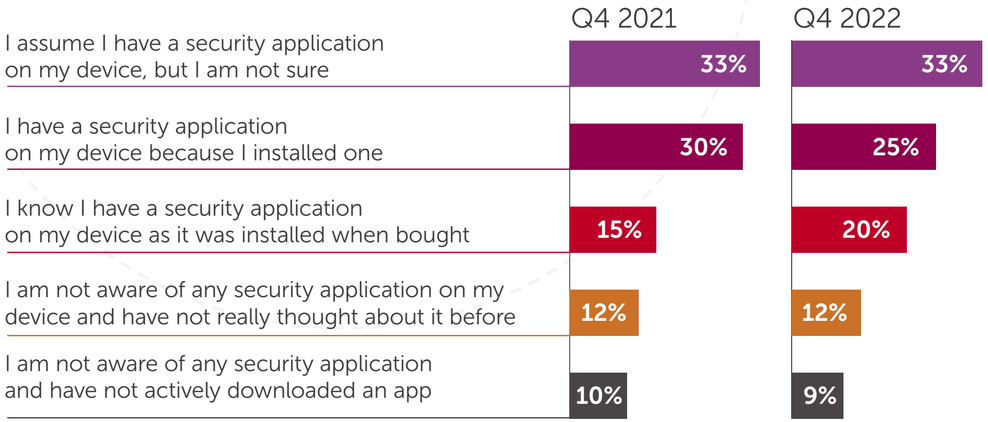


"Important" or "Very Important" to be protected from cyber attacks



And while 32% of respondents report that they have been victims of cyber attacks, the percentage of subscribers with a security application on their mobile device has remained constant, with only a slight increase in subscribers who had an application pre-installed when buying their mobile device.

A minority of customers are certain their smartphones have security on them



35% fewer tablet users report a pre-installed security app,

40% fewer installed one themselves, and

33% fewer assume there is a security app on their tablet.



Subscribers Remain Unprotected

Consumers know that they need an anti-virus solution, but they are vulnerable to other threats.

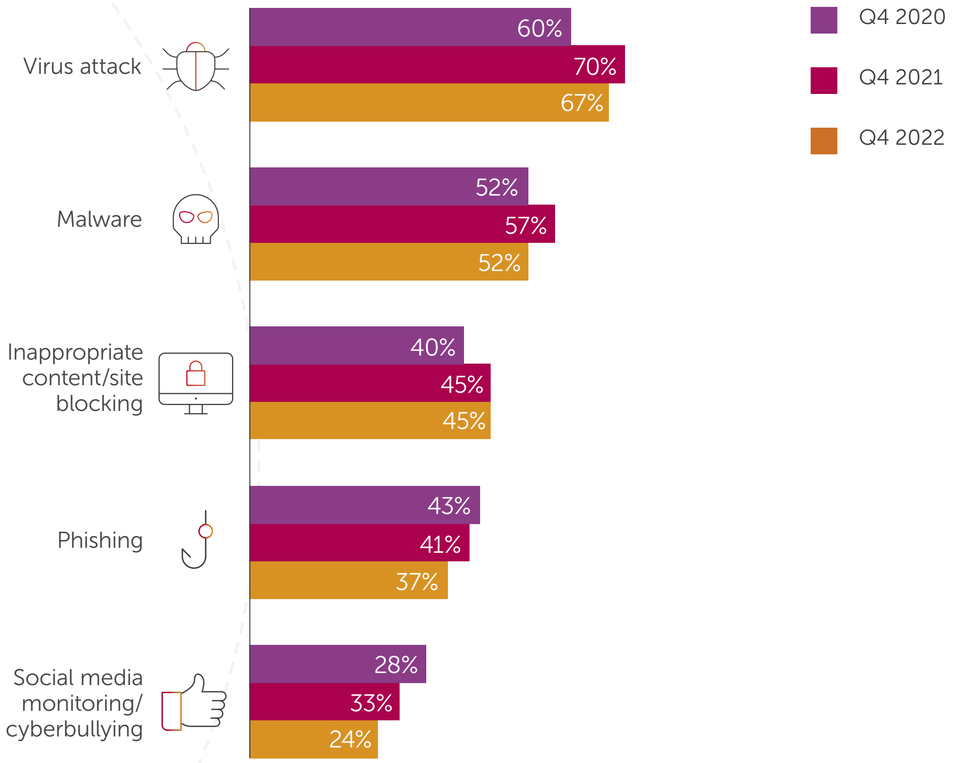
Of customers who have a security application installed, 67% of them have anti-virus solutions. This is an increase from Q4 2020 when 60% reported that they had an anti-virus solution installed, but a slight decline from the 70% reported in Q4 2021.

However, protection against other types of attacks has remained relatively constant or even declined. Less than half of the respondents (37%) are protected from phishing attacks, a steady decline.

Yet, phishing attacks continue to skyrocket. According to the Anti-Phishing Working Group Q2 2022 report, phishing attacks reached a record high, with 1,097,811 attacks observed and was the worst quarter that the APWG had ever observed. These attacks are expected to continually increase.

APWG Phishing Activity Trends Report Q2 2022

Participants with security applications on their devices for different types of threats



The Business Benefits of Security

Security is a Differentiator

CSPs can differentiate through security. As mentioned previously, consumers remain unprotected but value security.

A provider that brands themself as the “secure service provider” will stand out from their competitors and gain new customers.

Service providers that offer converged security – across fixed, mobile, and converged networks – have additional opportunities to stand out. Security that provides ease of management improves customer experience. This can accelerate retention and acquisition across fixed and mobile networks, driving further loyalty. With converged security, consumers are incentivized to use the same service provider for their home phone, Internet, and mobile communication services.

Living Up to the Brand Promise

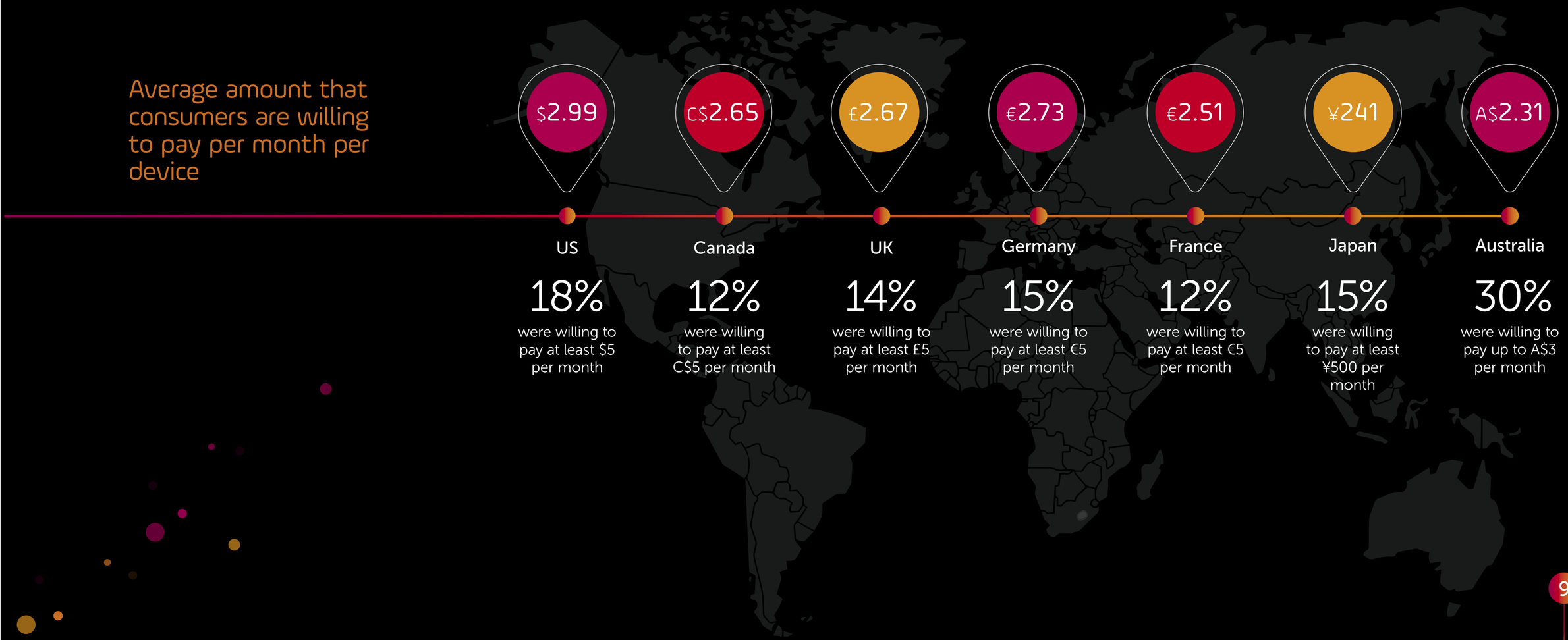
Are service providers living up to their brand promise?
There is a gap of 11% between the proportion of customers rating security as important and feeling protected by cyber threats. In other words, 11% of customers who value security don’t feel protected and are therefore at higher risk to leave.
It is clearly more cost-effective to protect them than to lose them.



Willingness to Pay

Cyber security solutions are becoming an expectation and subscribers are willing to pay for them. While there will always be some fluctuations, incremental revenue is significant. If 3 million subscribers of a small CSP pay $3 more per month, that is an additional $9 million monthly / $108 million annually in revenue.

Average amount that consumers are willing to pay per month per device

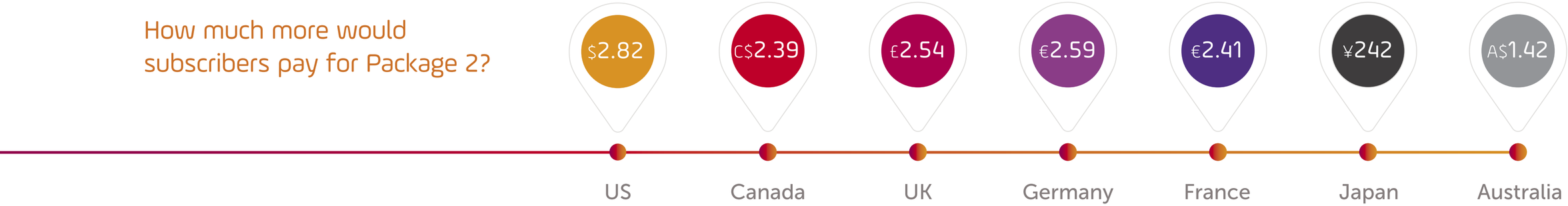


Security as a Core Offering

One way to provide security as a core offering over a wide subscriber base is to bundle it with other offers. In this survey, subscribers were asked how much they would pay for two different packages:

	Package 1	Package 2
Data	✓ as per your current plan	✓ extra 20% of data
Calls+Text	✓ as per your current plan	✓ as per your current plan
Security app to protect from cyber threats	✗ Not included	✓ included

How much more would subscribers pay for Package 2?



Increasing Upsell Opportunities

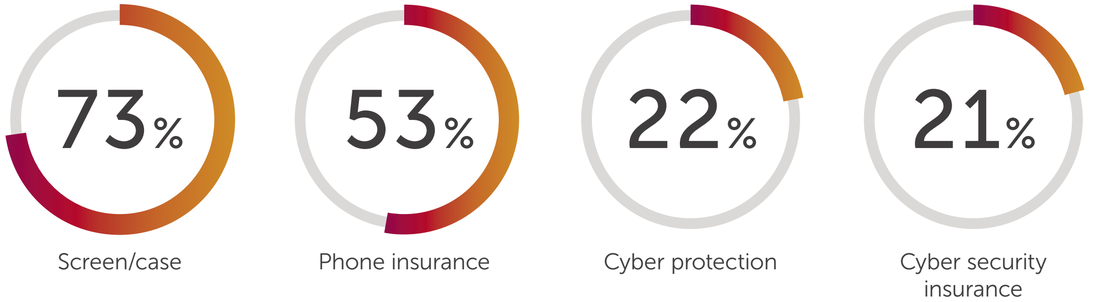
Security also offers upsell opportunities to target segments. According to the survey, 68% of customers are more likely to buy additional products/services if a CSP offers security. This rises to 70% for customers aged 18-44, 72% for heavy data users (making up 51% of subscribers), and 74% for subscribers who were previously victims of cyber attacks.



Optimizing the Point of Sale Instead of "Leaving Money on the Table"

Service providers are missing out on opportunities to promote their existing offers at the point of sale. While 73% of consumers were offered a screen or case to protect their devices and more than half were offered insurance for lost or damaged phones, less than a quarter were offered cyber protection or cyber security insurance.

Offered at Point of Sale



Attracting and Retaining Customers

Accelerating Net-Adds

From other customer and prospect interactions, Allot estimates that CSPs can improve their net adds, via a converged security offering, by an average of 6%-7%. This can have significant impact on revenue.

For example, for a hypothetical CSP with 10M subscribers and average annual growth of 100,000 net ads, 6% represents an additional 6000 net-adds. Multiplied by an estimated monthly ARPU of $35, over the course of 3 years, yields an additional $7.5M in revenue.



Consumers Switch Providers

44% of respondents have switched mobile providers in the past three years.

Security Can Reduce Churn

While brand loyalty exists, consumers responded that they frequently switch mobile providers. Yet, security services can reduce customer churn.
According to Coleman Parkes Research, a security solution offered and explained to customers by a CSP can decrease churn by up to 13%. Their research showed that, on average, 13% of customers churned to a CSP with better mobile security offers – and this was significantly higher in certain markets.

21% of US respondents reported that they switched because "the new provider included security protection."

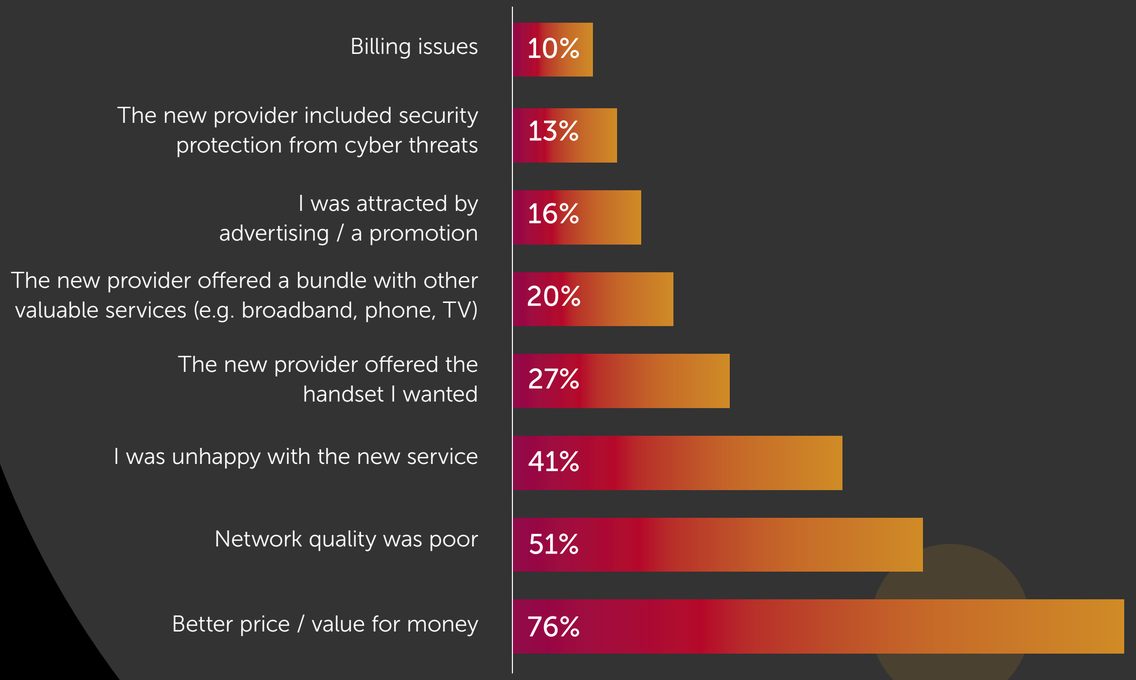


Will Customers Really Leave for Better Security?

Worldwide, 13% reported that they left because the new provider included security from cyber threats. While the largest reason given for consumer churn was the ambiguous “better price/value for money” this also provides an opportunity for service providers to position security as an added value for their customers. With proper positioning, combined with a promotional offer or advertisement, and the right go-to-market strategy, there is a significant opportunity to gain new customers. Conversely, if a competitor does this, watch out! Losing subscribers is quite pricey.

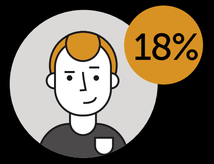
> It costs nearly 50 times less to keep an existing wireless customer than to acquire a new one.”
>
> | Financial Post

Why did you choose a different mobile provider?



Targeting High-Risk Customers

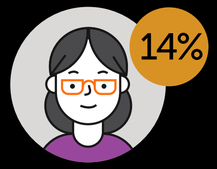
Certain segments have a higher-than-average risk of churning. This provides an opportunity for service providers to target these segments to amplify their revenue potential to upsell, cross-sell, and reduce lost revenue due to churn.



of 18-34 year-olds and 16% of 35-44 year olds previously churned to CSPs with better security.



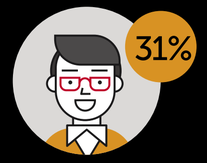
of males previously churned to CSPs with better security – males are more likely to churn than females.



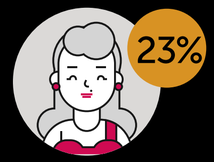
of heavy data users churned previously – heavy data users are more likely to churn.



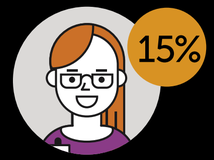
of households with 3 mobiles and 18% with 4 or more previously churned to CSPs with better security.



of affected (i.e. that had clear consequences to the attack) victims of a cyber attack previously churned to CSPs with better security.



of unaffected (i.e. there were no consequences to their attack) victims of a cyber attack previously churned to CSPs with better security.



of customers overall, have suffered negative consequences of a cyber attack. They are 2.4 times more likely to switch to a CSP offering security compared to all customers.

The Secret Formula: Security as a Core Service

Allot Secure

Allot Secure is a network-native, security service delivery platform designed for CSPs to offer multilayer, multivendor security to their consumer and SMB customers. Field-proven in multiple markets, it can be your secret formula to gain revenue from core offerings, new packages, and add-ons, while improving customer loyalty. Allot Secure helps service providers stand out from the crowd by delivering automatic and comprehensive 360˚ security.

Protect Customers

When your customers know that you are protecting them against online threats and harmful content, increased brand loyalty and incremental revenue follow.

Consumers and SMBs need help staying secure. CSPs are in a prime position to meet this need. Allot Secure protects mobile devices, smart home appliances, and connected business devices through the network and offers extended protection on end-user devices.

Drive Revenue

Allot Secure's Security-as-a-Service (SECaaS) solution unifies network-based security with CPE-based security, enabling operators to deliver branded security services to the mass market. Provisioned and activated through the network, Allot Secure delivers the built-in security that consumers and SMBs are happy to pay for.



Allot Secure Can Drive Revenue

Let's examine a hypothetical European service provider with 10 million post-paid subscribers which, before implementing a security service, has a typical churn rate of 0.8% per month.

The figures below show that if a built-in security solution reduces churn by only 0.05%, the CSP will save $63M over 3 years, assuming a monthly ARPU of $35.



10 M × 0.05% = 50K

Post Paid Subscribers | Churn Reduction | Subscribers Retained

50K × $35 = $1.75 M × 12 = $21 M

Subscribers Retained | ARPU/Month | per Month | Months | Retained Annually

Key Takeaways



Security can drive increased revenue

Consumers are willing to pay

Consumers know that security protection costs money and they will pay for it as part of their core service, driving significant added revenue.

Security offers upsell opportunities

Offering security also provides an opportunity to upsell other services. 69% of respondents said that they would be more likely to buy additional products and services from a mobile provider that offers security protection. Offering a security solution provides opportunities for service providers to increase ARPU.



Security improves brand image

By offering security, service providers improve their brand image by positioning themselves as the secure service provider.
This can both attract new customers and help retain existing ones as victims of cyber attacks and other important customer segments are looking for CSPs that can keep them secure.



Many report leaving for better security

Consumers are open to switching providers

44% of consumers have switched providers within the past 3 years. According to the survey, security is one of the drivers that increase retention and decrease churn. Even small shifts in churn have a critical financial impact. Don't ignore them.

Some market segments are quicker to jump ship

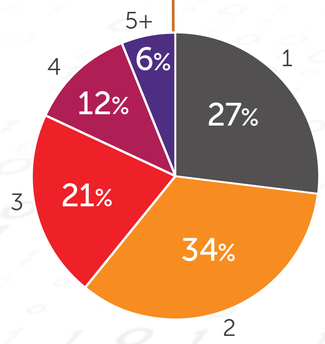
Service providers can target at-risk segments like younger, more tech-savvy, and heavy data users by offering a comprehensive, built-in security solution.

Survey Methodology

In October and November 2022, Coleman Parkes Research set out to talk to consumers around the world and find out what they think about cybersecurity and their service providers.

7700 smartphone users from 7 countries were surveyed about the state of cybersecurity, their security, and the impact of service provider security on their spending and loyalty.

Phone Ownership



Age

25% 18-34
25% 35-44
25% 45-54
25% 55 and over

Gender

50% male
50% Female

Mobile providers

North America

US: AT&T | Verizon | T-Mobile

Canada: Bell | Rogers | Telus

Europe

UK: O2 | EE | Vodafone

Germany: Vodafone | Deutsche Telecom | Telefonica

France: Orange | SFR | Bouygues Telecom

APAC

Japan: NTT | KDDI | Softbank

Australia: Vodafone | Telstra | Optus

Resources

The following resources provide additional insight to CSPs looking to secure their consumer subscribers.



Security for Connected Homes and Mobile Devices

Learn more



Consumer Digital Life Protection

Learn more



Integrating Cybersecurity Into Telecom Service Infrastructure

Learn more



Network security for consumers

Learn more



NetworkSecure

Learn more



HomeSecure

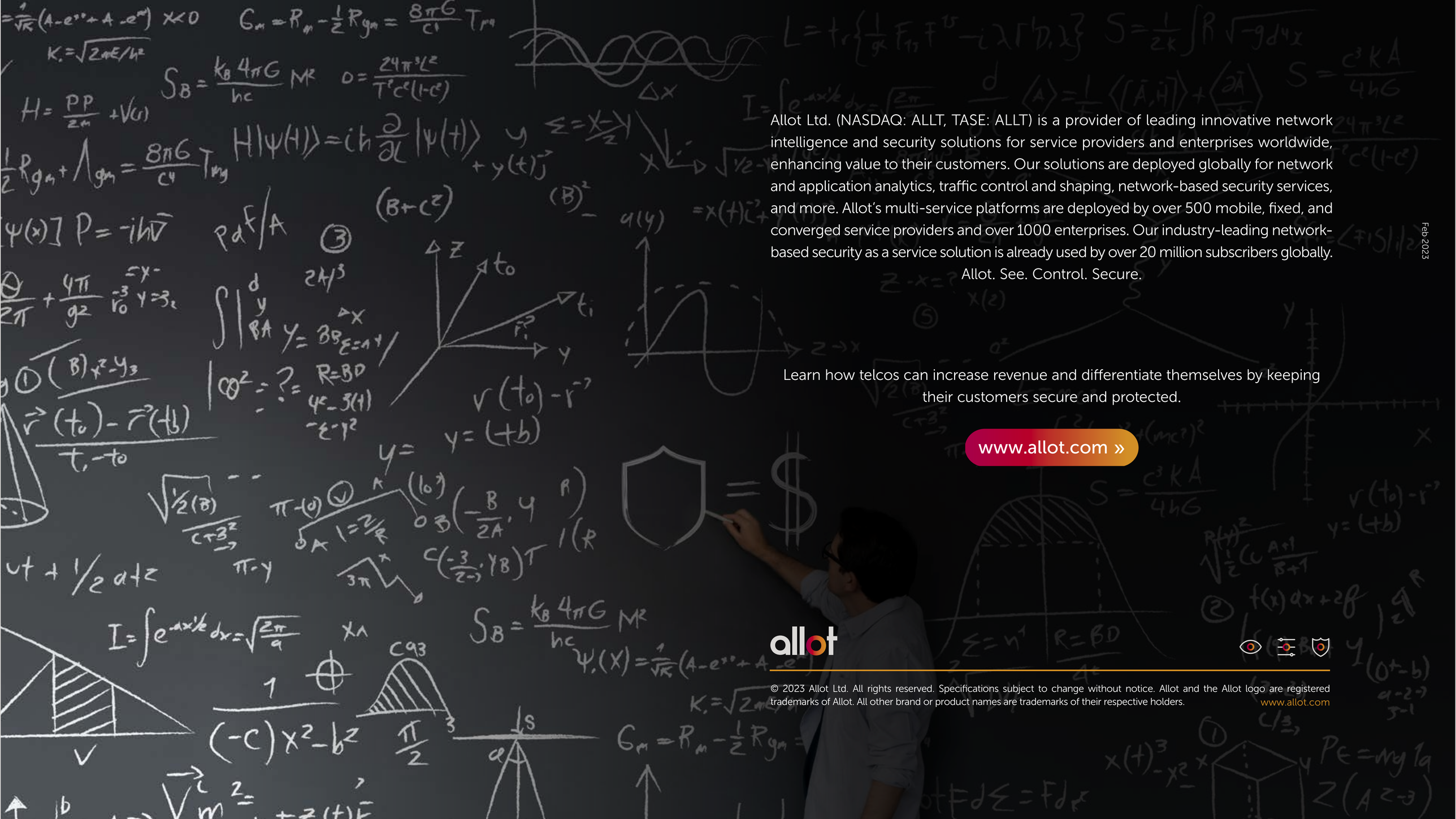
Learn more

Allot Ltd. (NASDAQ: ALLT, TASE: ALLT) is a provider of leading innovative network intelligence and security solutions for service providers and enterprises worldwide, enhancing value to their customers. Our solutions are deployed globally for network and application analytics, traffic control and shaping, network-based security services, and more. Allot's multi-service platforms are deployed by over 500 mobile, fixed, and converged service providers and over 1000 enterprises. Our industry-leading network-based security as a service solution is already used by over 20 million subscribers globally.

Allot. See. Control. Secure.

Learn how telcos can increase revenue and differentiate themselves by keeping their customers secure and protected.

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