

Telcos at risk if they don't keep up with rapid industry change

By [De Wet Bisschoff](#)

12 Dec 2016

Over the past two decades the telecommunications industry has been driven by new and faster technology, coupled with strong demand for connectivity - moving from the wireline arena to the mobile boom, and finally to the convergence of voice and data services.



©altomedia via [123RF](#)

While this period was largely characterised by fast growth and high margins, telecommunications operators (telcos) risk becoming single-digit-margin businesses unless they prepare to keep up with changes that will shape the future of the industry in the next few years. These include:

- **Evolving customer needs:** Customers are empowered and more demanding, with an increased appetite for multiple services and providers. For instance, retail customers are seeking more machine-to-machine (M2M) applications that will enable them to track goods in transit and monitor their conditions, as well as manage resources such as water and electricity. Farmers are looking for solutions that will enable them to make informed decisions when planting, cultivating soil, and observing the movements and health of their livestock.

Other customers – businesses and individuals – are demanding quality, convenience and affordable video services across all network and device types.

- **Erosion of their core business:** Telcos' core services – such as voice and data – are being eroded, resulting in flat growth rates, declining revenue per customer and challenges to monetise 4G services. Industry analyst [Ovum forecasts](#) that global mobile revenues will decline in 2018, marking the first time that the mobile industry will see a year-on-year drop in service revenue contracts.

- **New competitors:** Technology companies specialising in internet-related services and products are driving over-the-top innovation to offer competing telco services such as voice, messaging, content (video, music and image), and cloud-based solutions, including storage. Services such as IoT, cloud and security – among others, are also in high demand and

represent a multi-trillion-rand market, but telcos are losing ground against technology companies.

- **New regulations:** Not long ago the government introduced the [*Integrated ICT Policy White Paper*](#) that proposes, among others, the nationalisation of spectrum and deployment of a wireless open access network (WOAN) – an ecosystem that is untested and a significant departure from what is currently in place in South Africa.

Building blocks of success

Faced with these threats and opportunities, every telco needs to react decisively and manage the risks and stormy seas of the coming years while simultaneously capitalising on the new opportunities. Each telco will follow its own dedicated strategy, and no one size fits all.

Regardless of the individual strategic direction, there are some immediate “no-regret moves” that can act as the building blocks to help the telco succeed in the future. These include:

- **Delivering seamless customer engagement:** Seamless customer engagement provides a cohesive or frictionless customer experience where every interaction is captured and translated into data – with all data associated with customers’ journeys then available to all other channels. The goal is to improve the experience by eliminating breakpoints between channels, making interaction data and history available on all channels, and using analytics to continuously improve the experience. Telcos must develop a rich omni-channel discovery, support and service experience to deliver seamless customer engagements.
- **Leveraging actionable analytics:** Actionable analytics enables businesses to make the right decisions through big data and a 360-degree view of the customer (aggregating data from the customer’s various touch points will lead to smarter business decisions being made in real time). Investing in actionable analytics will enable telco operators to be more agile, effective, responsive and foresighted – a key capability required to manage effectively in the coming years.
- **Implementing lean operating models:** A lean operating model enables long-term value creation for telcos through fundamental business transformation. Using lean principles, the telcos must redesign operating models around customer journeys, ecosystems and external disruption – which will lead to lower costs, enhanced customer experiences and improved cash flow. A fundamental requirement to weather the storm, a lean operating model eliminates waste; drives speed, simplicity and discipline; and enables continuous improvement across the business.
- **Making the necessary investments in new technologies:** The digital revolution continues to affect how operators are investing and managing their infrastructures. To survive, telcos must be willing to invest significant capital in future technologies such as fifth-generation networks (5G), network functions virtualisation (NFV) and software-defined networks (SDN). This transformation will require new approaches and priorities. Service providers and customers alike will reap many rewards, such as improved bandwidth, constant connectivity, more flexibility, improved security and better traffic control.

- **Delivering smart consumer services:** In order to accelerate growth, telcos need to capitalise on the demand for e-health, smart home, wearable and video services. This is a very contested space and telcos need to act quickly.
- **Hiring and training the 'virtual workforce of the future':** Telcos must fundamentally rethink how to unlock human capital and embrace the virtual workforce of the future. In order to move to a lean and innovative structure, telcos must embrace the virtual workforce of the future enabled by human capital, digital technology and cognitive computing. Emerging digital technologies are enabling organisations to redesign their workforce structure and company culture while leveraging new artificial intelligence technologies.

One needs look no further than the electricity industry for a cautionary tale: Electric utilities companies that failed to transition to smart electricity distribution were left behind and ended up as commodity players supplying 'dumb pipes' to the rest of the industry, which hurt their profitability. To avoid the same fate, telcos must keep up with the industry changes and take immediate actions in order to remain competitive as well as profitable.

ABOUT THE AUTHOR

De Wet Bisschoff, managing director of communications, media and technology at Accenture in South Africa.

For more, visit: <https://www.bizcommunity.com>