COMMUNICATION SERVICE PROVIDERS

THE RISE OF THE PLATFORMS

accenture

01

COMMUNICATIONS & MEDIA INDUSTRY TRENDS

COMMUNICATIONS SERVICE PROVIDER

(CSP) growth depends on finding a tailwind from global industry trends

TELECOMS

1 SHIFT AND DISRUPTION OF VALUE

- Commoditized core not profitable
- Ongoing substitution with low cost & digital alternatives
- Pressure - keeping shareholders with dividend yields and share buybacks

2 CHANGING THE RULES OF THE GAME

- Barriers to entry and market boundaries collapsing
- Traditional approaches to growth no longer sufficient
- Existing asset value and historic positions of strength eroding

3 LIQUID CUSTOMER ON THE RISE

- Incumbency no longer an advantage
- Ongoing reduction of customer stickiness and loyalty
- Not an essential part of the users' daily digital routine

4 THE WORLD GETS CONNECTED

- Low value connectivity focus
- Credibility as security players
- Devices that can turn into trust anchors (Physical and virtual)
- Proximity increases convenience and reliability

DIGITAL DISRUPTERS

1

- Subsidize services to monetize data
- Shift consumption away from incumbents
- Access surplus via platforms
- Appropriate future industry value

2

- Grow asymmetrically in new customer driven domains
- Leverage Platform and scale to win
- Compete globally with divergent business models

3

- Generate a new value equation
- Establish standards incumbents cannot easily match or exceed
- "Consumerized" – serving B2B & B2C with same services

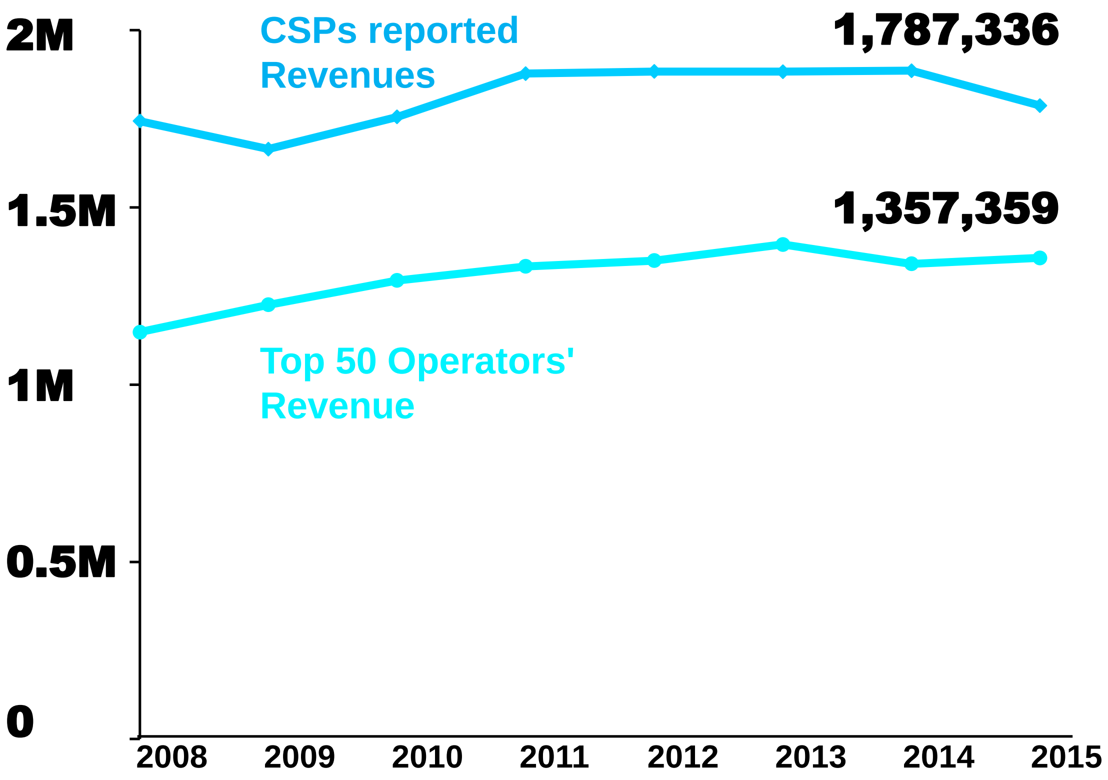
4

- Scale driven by platform & ecosystem interoperability
- Customer centered, data driven
- Aggressive move into ambient devices
- Challenged on trust and security

GLOBAL CSP REVENUES STAGNATE

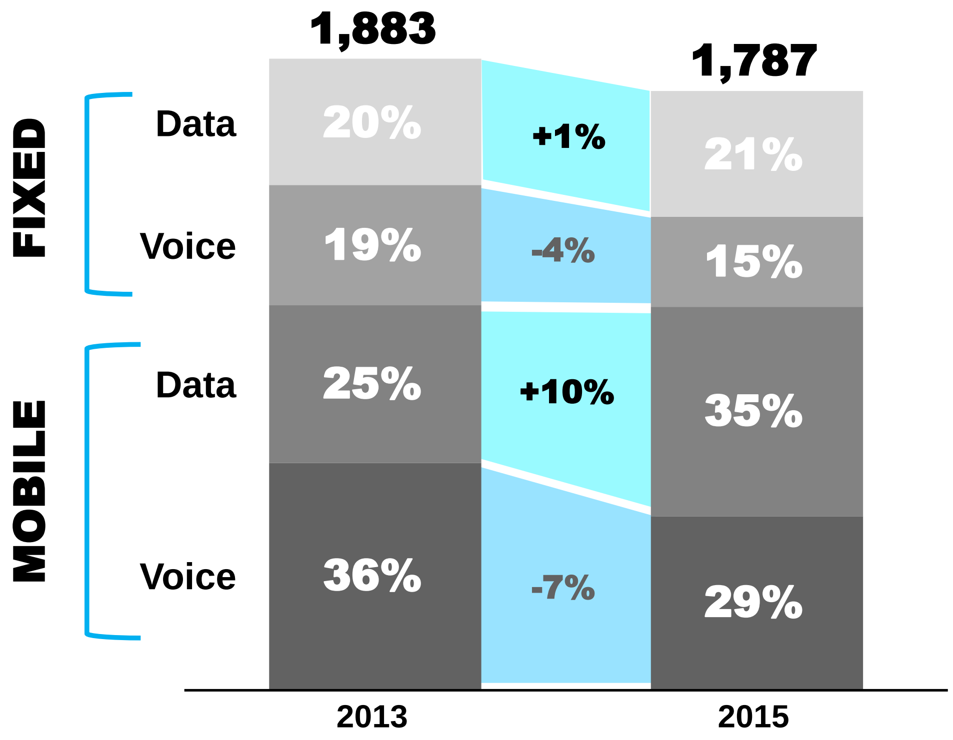
for almost a decade

Industry revenues showed a turning point in the last few years and are starting to decline…



Communications Industry, Traditional Business $m
Source: Reported revenues, Accenture analysis

And significant changes in the revenue mix are appearing



Segment Contribution – 2013 vs 2015, calculated on reported revenues

DISRUPTERS

continuously undermine traditional sources of strength

VOICE & DATA PRODUCTS

High consumer engagement for social apps such as Facebook, Whatsapp, and YouTube

>$100bn of CSP revenues at risk in 2017

LAST MILE OPERATORS

internet.org OneWeb PROJECT LOON SKYBENDER

Structural separation to provide an open playfield. Provision of internet access to remote populations using emerging technologies (e.g. drones)

$15bn per year estimated by Google Project Loon**, **3,75X** Youtube Business

HYBRID WIFI / WIRELESS MODELS

FreedomPop SCRATCH WIRELESS republic WIRELESS

'Wi-Fi First' providers of connectivity, utilizing 'freemium' business models

Rising risks of connected devices bypassing 3G/4G LTE network, where Comms will invest **>$170bn in NA** in 5 years to 2020

HOME DEVICES

amazon Google

Home devices designed to be at the center of any customer digital need and powered by AI

Increasing incumbents spending in Home. **+14,3% YoY Comcast CAPEX to evolve STB and X1 Platform*****

Source: comScore, Traction metrics, The Economist; oneweb.world; Accenture
*$110-120 in cities without Google vs $70 in cities where Google offers its fiber patch.
**Google estimate of $5 per served customer up to 120M served customers. ***Comcast Capex FY15, only Cable Business

THIS NEW CLASS OF COMPETITORS

has established standards that CSP incumbents struggle to match: customers expect more

DIRECT COMPETITORS

Products or Services that directly compete with yours

ADJACENT COMPETITORS

Products or Services that provide experiences that compete with yours

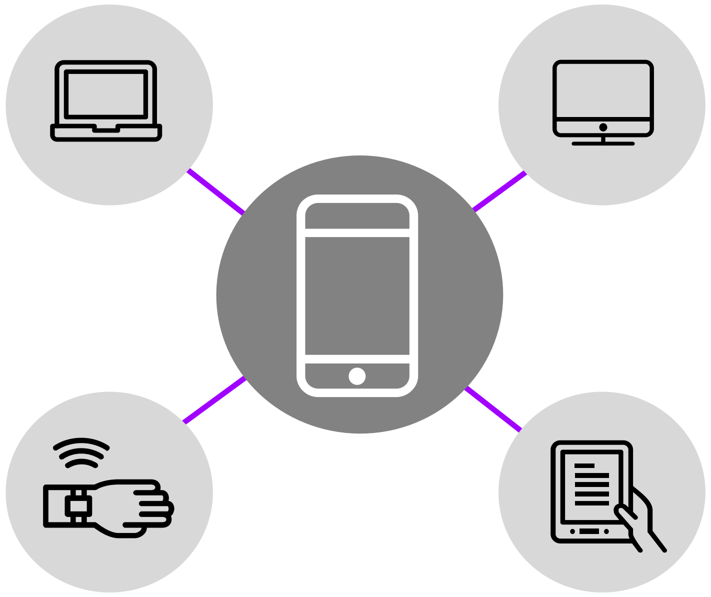
PERCEPTUAL COMPETITORS

Companies that CHANGE customer expectations

THE PHYSICAL WORLD GETS CONNECTED

to the internet 2.0

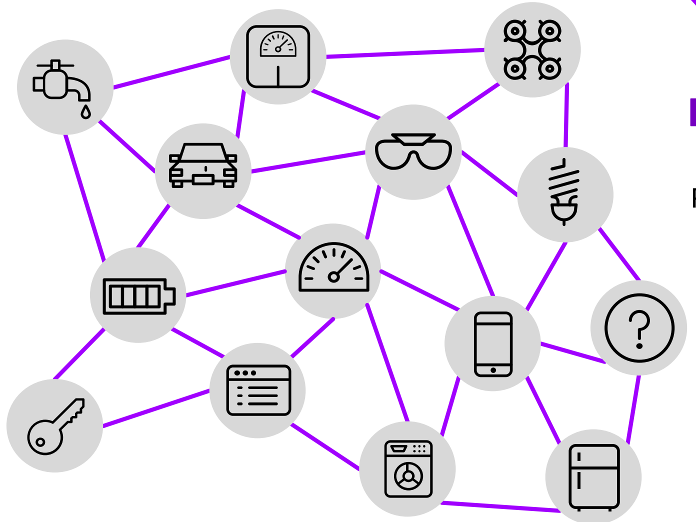
THEN…



NOW…

Sensors 30B
expected
by 2020

4G Networks 53%
Of all mobile connections
by 2021



Mobile Data CAGR 47%
From 2016 to 2021

5G Networks 4.7x
more mobile data traffic than an average 4G connection by 2021

Video >75%
of mobile data traffic by 2021

Data 49EB
Exabytes of mobile data traffic per month by 2021

Sources: World Economic Forum: Digital Transformation of Industries Program, Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2016–2021

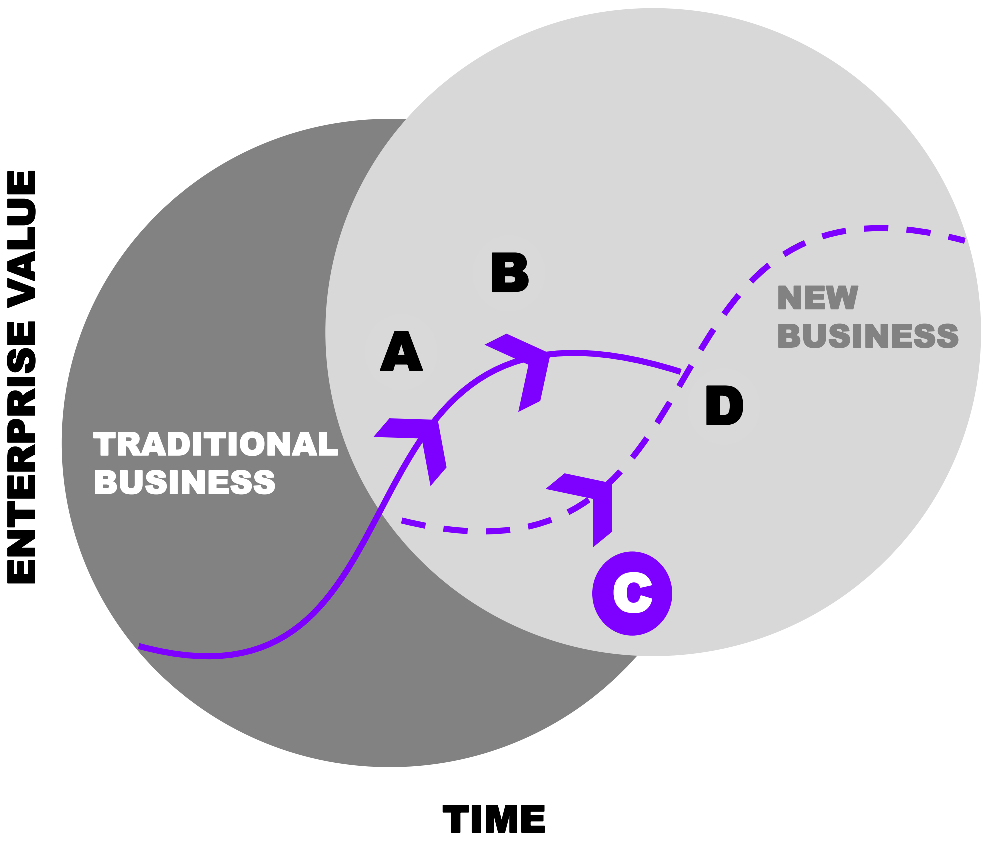
02

CSP TRANSFORMATION JOURNEY

CSPS WILL NEED TO START SCALING

to new growth models and wisely pivot to the new

S-CURVE OF TRANSFORMATION



A	**TRANSFORM THE CORE**	Drive optimization to fuel growth
B	**GROW THE CORE**	Release trapped value to sustain growth
C	**SCALE THE NEW**	Respond to headwinds in legacy business by leveraging advantages in new models
D	**WISE PIVOT**	Get the timing right to minimize risk

ALONG THE CONTINUUM

between platform and infrastructure based plays, four dominant scenarios emerge for CSPs to rotate to the new

SCALE THE NEW

CUSTOMER BASED ECO SYSTEM PLAY

CONTINUUM OF OPTIONS

INFRASTRUCTURE-BASED NETWORK PLAY

SCENARIO	DESCRIPTION	EXAMPLES
MULTI-SIDED PLATFORM MODEL	Establish cloud-platform business enriched by OTT/industry partners	COMCAST LIBERTY GLOBAL
DIGITAL MOBILE ONLY ATTACKER	Monetizing core with digital services and customer interactions	T · · Mobile · Jio FreedomPop giffgaff
VERTICALLY INTEGRATED SERVICE PROVIDER	Monetizing core with differentiated services / content bundles	at&t BT
PERVASIVE NETWORK PLATFORM PROVIDER	Managing intelligent, open, self-service digital networks	ngena The Shared Network ALLIED FIBER cellnex

TO MAKE IT HAPPEN

CSPs need to modify their DNA

CORE CAPABILITIES FOR ROTATION TO NEW GROWTH

CUSTOMER ENGAGEMENT

API Enabled B2X Personalized Experience

BUSINESS MODEL

Data Monetization driven by Reach over legacy metrics (i.e. ARPU)

OPERATING MODEL

Shift to new workforce with engineering & tech dominance and adoption of new ways of working (agile & DevOps)

TECH STACK & NETWORK

Decoupled, agile, PaaS