



Regaining eminence & emerging stronger

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OUTMANEUVER UNCERTAINTY



SHIFTING GLOBAL CONTEXT

Looking at past recessions

There have historically been five types of recessions in the past 100 years (Figure 3). Recessions driven by financial or asset bubbles have been the most common since 2000 as the level of financialization grew globally.

Recessions driven by adverse monetary policy (inflation) have largely taken a back seat as central banks have kept inflation rates at historic lows.

US recessions since 1970 with impact to S&P 500 Index (% change)

	Industrial	Oil	Monetary	Fiscal	Asset
1973 OPEC Oil Crisis		-42%			
1980 Oil Crisis/Iran		-7%			
1981 US Fed raises rates		-21%	-21%		
1990 Invasion of Kuwait		-18%	-18%		
2001 Dot-com Bubble					-22%
2008 Global Financial Crisis					-54%

Source: Goldman Sachs Economic Research on recession types; S&P 500 data from Thomson Reuters; Accenture analysis.

Figure 3: Recession archetypes

Industrial shock

- Frequent in early 1900's and driven by industrial shocks or imbalances in inventory
- Improved supply chain and reduction in cyclical sectors make them less common

Oil shock

- Driven by significant shift in oil prices
- Common in the 1970's – 1990's: 1973 OPEC Oil Crisis and the 1990 Iraqi invasion of Kuwait

Monetary

- Economic strengthening typically leads to rising inflation as the economy “overheats”
- Relevant in 1950's – 1980's; less relevant today given low inflation rates

Fiscal retraction

- Driven by a reduction in fiscal expenditure
- Largely driven by post-war demobilisations: WWII, Korea and Vietnam, and more recently, US federal shutdowns

Financial/Asset bubble

- Main cause of recent recessions – 2001 Dot-com bubble and 2008 GFC
- The “financialization” of the economy means asset bubbles are more common

Sector impacts by recession

Industry impacts are often correlated with the type of economic recession that is playing out

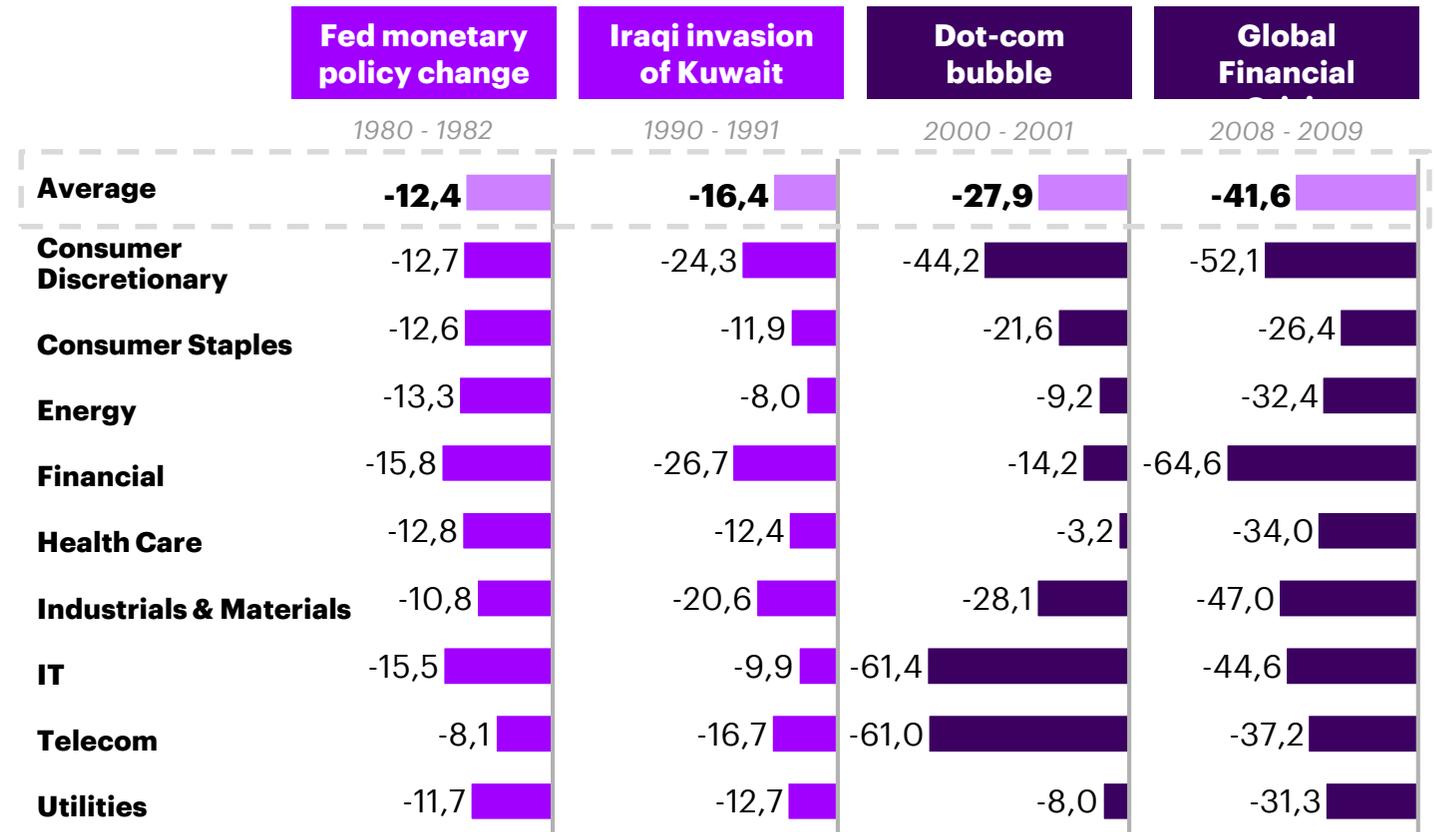
In the 2008 Global Financial Crisis, financial services industry returns saw the biggest decline (-64%) given the crisis started with sub-prime mortgages.

Similarly, the 2001 Dot-com Bubble saw IT (-61%) and telecom (-61%) sectors most impacted given the bubble was caused by an asset bubble within the world wide web and technology start-up sectors.

Recessions caused by an adverse monetary policy have typically meant impacts are more evenly spread across the economy with a focus on consumer durables.

Source: CapIQ, Goldman Sachs Economic Research, Accenture analysis.

Figure 5: Total shareholder returns by sector during recessions, %



COVID-19 is unique

A COVID recession has no historic parallels—the scale and speed of the economic impact are unprecedented.

The scale and velocity of which this happened are also unprecedented. US weekly unemployment claims spiked to 16m as of 1st April—none of the recessions since 1980 ever surpassed 700K weekly claims.

This explains why central banks are pulling out all the stops to stabilize national economies—so far, over five trillion dollars in stimulus has been announced.

COVID-19 doesn't fit past recession archetypes

A forced shut-down of large parts of the private sector doesn't have any historical parallels to past recessions.

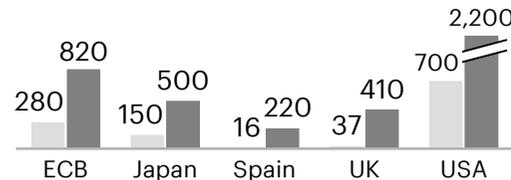
Figure 7: Recession archetypes



The size of the government response is unparalleled

Central banks are pulling out all stops to stabilise economies. The current US stimulus is 3.1x greater than '08.

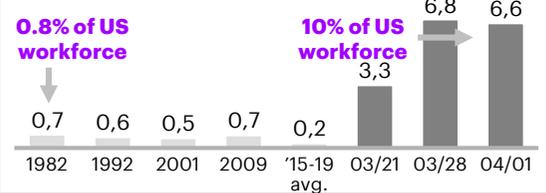
Figure 9: Recently announced stimulus vs. 2008 GFC, \$USD bil.



The scale of economic impact is unparalleled

Weekly claims rose to 16m+ by 1st April. Nearly 10% of the US workforce became jobless in about one month.

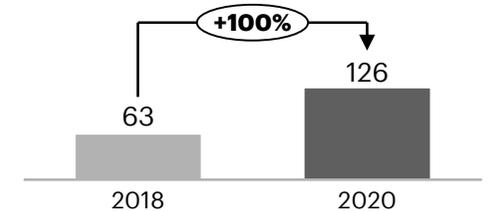
Figure 8: US seasonally adjusted initial weekly unemployment claims, millions



Consumer spending habits are changing

UK households are spending an average of £63 more a week on groceries

Figure 10: UK Household Weekly Grocery Spend, 2018 and March 2020

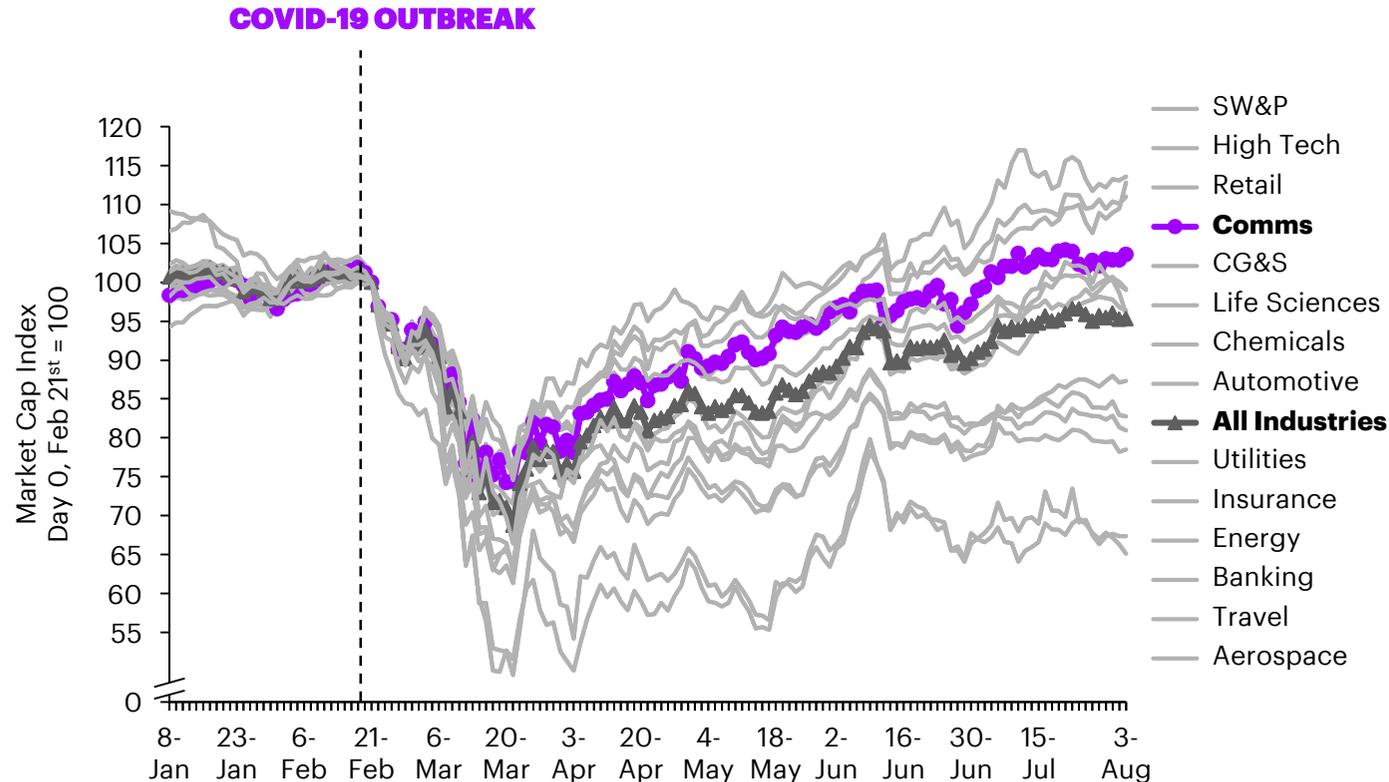


Source: World Bank, US Department of Labor, UK Office of National Statistics, Financial Times, Accenture analysis.

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INDUSTRY IMPACT

COVID-19 has impacted all industries, but CSPs have fared better than most



Source: Accenture Client Value analysis based on iShares Global Comm Services ETF for Communications.

A cross-industry view of the impact of COVID-19 on market capitalization shows that the **communications industry has fared better than other industries**, seeing a recovery in market capitalization to +3.6% compared to a sharp decline across other industries, especially Travel (32.6% decline) and Aerospace & Defense (34.9% decline) since February.

While there has been short-term disruption to infrastructure and device supply chains as well as negative revenue growth, **investors remain confident in the ability of CSPs to navigate the crisis.**

The surge in voice and data traffic and decline in churn has not always led to revenue growth...

01

Data and voice traffic surge as broadband delivers growth

Up to 70%

increase in data and voice traffic volumes has been observed since the crisis began.

However, this is not expected to drive significant revenue growth as monetizing this increased usage is challenging given the popularity of “all you can eat” voice and data packages and the fact that much of this increased consumption has been over Wi-Fi in the home. Many CSPs have also removed voice/data caps to support customers during the crisis, limiting revenue growth.

CSPs have witnessed strong growth in broadband with Charter reporting 850,000 new internet subscriptions in Q2 2020 vs 258,000 in Q2 2019. In Europe, Vodafone delivered a record 429,000 NGN broadband additions in period April-June.

02

Roaming collapse

60-80%

decline in roaming revenues reported by CSPs due to lockdowns, travel restrictions and fall off in international travel. There is also an impact on business revenues as a result of the severe curtailment of business travel.

Deutsche Telekom’s retail roaming revenue declined by 80% during mid-March to end of April 2020.

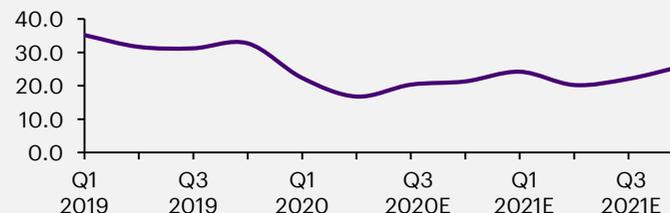
03

Decline in churn

13%

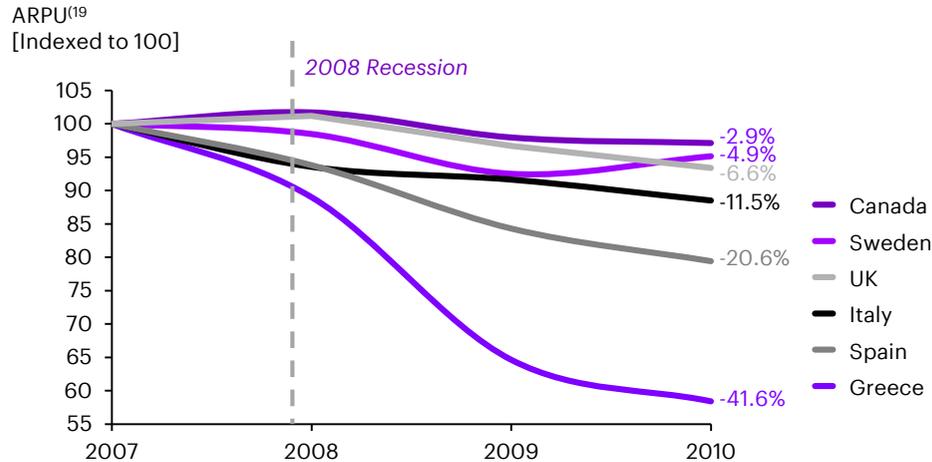
decline in expected mobile phone shipments in 2020¹⁷ vs. 2019 as major manufacturers, including Samsung, Xiaomi and Apple, have been forced to delay launching flagship phones. This delay combined with retail closures and consumers spending more time at home has significantly reduced churn. This allows for higher ARPU as customers are not switching to lower-priced tariffs and telecommunications have reduced sales and marketing spend on new customer acquisition.

Net Additions of Unique Mobile Subs [in mn]¹⁸



...but despite the risk of price wars, the crisis is generating new opportunities

During previous crises, CSPs had a dual-shock, the economic downturn and the ensuing price wars.



The last recession in 2008 resulted in communications industry price wars across many markets as restrained consumer spending and aggressive discounting by new market entrants resulted in significant decline in ARPU. While the current recession is very different in nature to 2008, CSPs must build defensive strategies and take advantage of new commercial opportunities to avoid similar decline in ARPUs.

COVID-19 is providing new opportunities for CSPs:

30%

expected sales surge in voice control smart home devices in the coming months.²⁰

59%

of consumers plan to invest in home automation systems in the coming year.²¹

40-50%

of consumers stated preference of CSPs to be the provider of digital services like smart home, e-health and digital payments.²²

48%

of SMBs expect to increase spend on broadband after the crisis.¹

63%

of SMBs expect to increase use of public cloud in the next twelve months.¹

54%

of SMBs expect the usage of network security to increase in next twelve months.¹

20%

increase in smart city spending expected in 2020 vs. 2019.²³

CSPs have re-gained eminence and asserted relevance in their positive response to the crisis, supporting people, businesses and governments



Connecting People

1. Suspension of usage limits:

Many CSPs temporarily suspended data caps for consumers while others provided free data packets

2. Priority for health and social services:

CSPs ensured zero-rating of health and social service as well as removing fines and out-of-bundle charges for access to critical services

3. Financial support:

CSPs provided waivers for late fees and overage charges on top of support for low income households

MTN announced investment of ZAR 150mn (~USD 9mn) to support customers through free packages, zero-rating of health, educational sites, etc.²⁴



Supporting Businesses

1. Financial support:

CSPs offered payment concession and waiver of late fees for businesses impacted by COVID-19. CSPs also accelerated payment to suppliers and partners

2. Service extension:

Businesses were provided with access to 6 months of free unlimited broadband usage

3. Provision of new products and services

CSPs introduced new conferencing and collaboration tools, supported remote working set-up for business customers

Telia provided six months free access to Telemöte remote working solution and offered advice to improve home working productivity.²⁵



Helping Society

1. Free capacity expansion:

CSPs expanded the network capacity for essential service providers, including hospitals, social service agencies and other first-responders

2. Special offers and support:

Municipalities, educational institutions and other public sector firms were provided with connectivity services at no cost while students and teachers were given increased data allowances

3. Monetary and in-kind donations:

CSPs set up funds to provide donations for first-responders

AT&T committed USD 15.5mn to support first-line responders and created a fund to support parents, teachers and students with home learning.²⁶



Protecting Employees

1. Safety-first approach:

CSPs ensured a rapid transition to remote working for all workers, with specific focus on the health and safety of the field workers

2. Incremental pay:

Many CSPs provided a pay rise to frontline workers, including engineers and call center workers, due to the increased workload from COVID-19

3. Protecting employment and reskilling:

Some CSPs made a commitment not to lay off any employees as well as reskilling retail workers as stores closed

Virgin Media raised salaries by 2.2% for its frontline and customer service workers.²⁷

A man with a beard, wearing a dark blue suit jacket over a light blue shirt, blue jeans, and black sneakers with white laces, is sitting in a wooden chair. He is wearing large black over-ear headphones and looking down at a smartphone in his hands. The background is a blurred home office with wooden shelves holding books, a red lamp, and other decorative items.

EXECUTING TO WIN, WHAT TO DO NEXT

Framework for CSPs to emerge stronger



New Growth Opportunities



Zero-touch Customer Experiences



Culture & Digital Workforce



Pervasive Networks



Cloud Business Model

1

New Growth Opportunities

1. Enable the work-from-home economy with enhanced connectivity, security and remote working solutions
2. Grasp second chance at Future Home by placing the user at the center
3. Power SMB digital transformation through local partnerships and ecosystem orchestration
4. Play a strategic role in the development of connected industries (e.g. telemedicine/ education/public service)
5. Become an active player in the ecosystem to leverage increased investment in smart infrastructure



2

Zero-Touch Customer Experiences

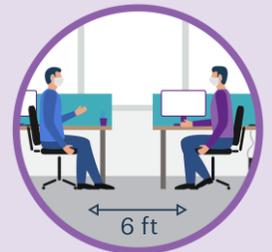
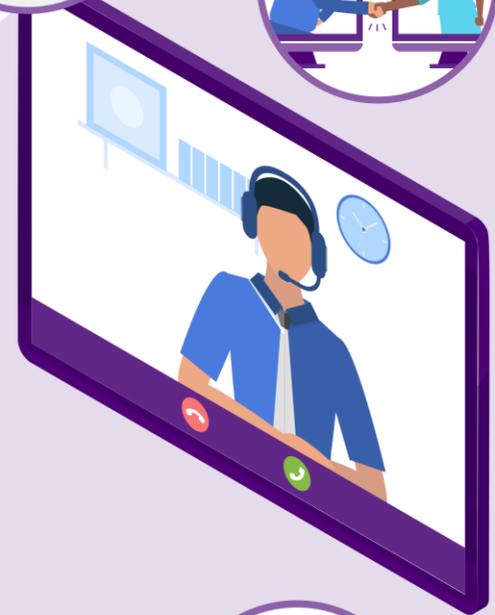
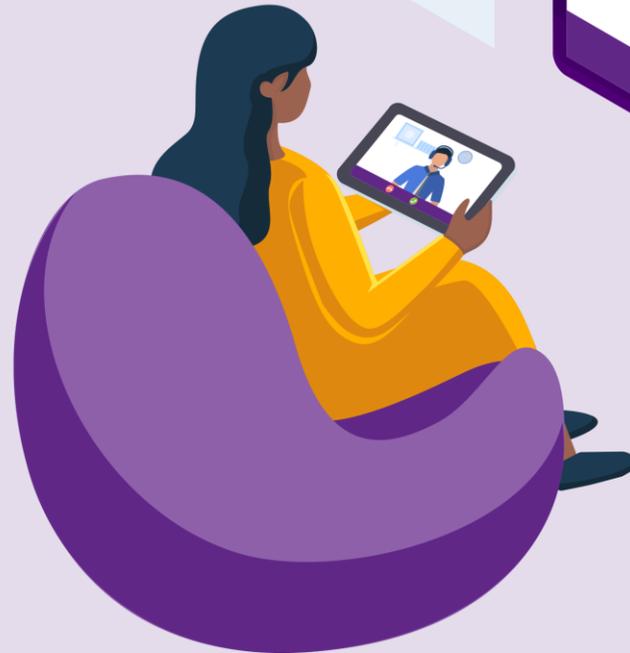
1. Advance AI care maturity and improve chatbot experience
2. Reduce truck rolls, improve NPS and enhance workplace safety with remote visual assistance for device installation & support
3. Deliver next-generation retail omnichannel experience and accelerate customer migration to digital with the immersive Virtual Store
4. Redesign Customer Operations operating model to support remote working



3

Culture & Digital Workforce

1. Revisit company mission and purpose
2. Improve productivity and collaboration via new tools
3. Safeguard trust and prioritize safety in return to workplace
4. Lead with compassion and re-invent employee experience
5. Double down on capability development



4

Pervasive Networks

1. Create incremental revenue opportunities leveraging 5G and cloud
2. Partner with governments to accelerate, extend and enhance connectivity
3. Generate cost savings through virtualization and AI-powered networks
4. Accelerate 5G cloud NW deployment to reinvent product development
5. Partner and shed non-strategic network functions



5 Cloud Business Model Transformation into a modern telco-tech - What to do ?



Technology Stack

Reduce vendor dependency with modern technology stack

FROM - CURRENT:

Poorly Mapped System; End of Life Platforms

- Siloed stacks with duplicated functions
- Legacy impeding innovation
- No clear target state

TO - TELCO TECH:

Supporting Modern SW Engineering

- Decoupled and microservice-based architecture
- Technology simplification
- Open Platforms for ecosystem contribution



Operating Model

Innovate quickly with an outcome focused Operating Model

FROM - CURRENT:

Ill Defined Processes with too many Handoffs

- Heavy on waterfall
- Friction internally (Dev/Ops) & externally (Digital, R4B)

TO - TELCO TECH:

Outcome Based and Business Driven

- Digital Hub to build own IP with an new agile WoW
- Collaborative decision-making
- Focus on speed-to-value & Innovation (try & fail)



Skills and Talent

Rapidly build new skills in key technologies

FROM - CURRENT:

Unempowered Resources with Outdated Skills

- Core capabilities outsourced
- Limited incentives to innovate
- Resources more vendor managers than technologist

TO - TELCO TECH:

New Workforce with Tech Dominance

- Build skills and talents to reduce vendor dependency
- Co-sourcing with a strategic partner



Ecosystem Partnership

Collaborate and co-create with the ecosystem

FROM - CURRENT:

Fragmented Vendor Landscape

- Few vendors at scale to act as strategic partners
- Rigid contracts, rigid solutions
- Ecosystem held at arms length from tech org

TO - TELCO TECH:

Platform Approach

- Vendor consolidation initiatives
- Service co-creation and product innovation with selected strategic software vendors



Outcomes and Measures

Shift from operational to value metrics

FROM - CURRENT:

Lack of Meaningful Delivery Metrics

- Reporting manual and inconsistent across the organization
- Frequent cost and schedule overruns
- Blackbox investment model

TO - TELCO TECH:

Business Outcomes Focus

- Value-driven measurement model
- Maturity model: Efficiency and output

Thank you