

2019 Trends & The Threat of Digitalization

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Everywhere we turn, there is constant industry chatter around the leap to 5G, or the paradigm shift to Software Defined Networks (SDN) and Network Function Virtualization (NFV), or even the explosive growth in the Internet of Things (IoT). These are all valid issues facing operators, yet they aren't the issues that will have the largest, most significant impact on their bottom lines. Impacts are measured in revenue stability, decline, or preferably, growth. These issues have a far greater chance of causing revenue declines if not adopted and implemented properly; in fact, they may fuel little, if any, revenue growth. Revenue growth and margin improvement will come to those operators that successfully learn how to efficiently deliver and then monetize new, in-demand, digital products and services.



Technology Transformation – A Question of Necessity

The mobility industry has experienced technology transformations on an almost continual basis since the late 1980s. Revenue increased significantly only when subscriber growth occurred. The march through 2G, 2.5G, 3G, 4G, and now into 5G has only served to advance the demands of the users. ARPU however, has not necessarily grown; in many markets it has actually *decreased* over the decades. The conclusion? Technology transformation becomes a necessity to stay in business. Pressure on improving margins, however, must be relieved elsewhere.

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Moving to SDN/NFV Networks – An Exercise in Operational Agility

If there is one constant that the industry can count on, it is the growth in traffic. Standard voice-based traffic has quickly given way to data traffic, and the consumption of data by the consumer has grown almost exponentially. Additionally, customers have grown to expect near real-time fulfillment of services, even at the enterprise level. This has forced networks to continually increase bandwidth, performance, and automation, which consumes budgeted Capex at an astonishing rate

and has subsequently created a market opportunity to revolutionize network operational agility. SDN and NFV have emerged in direct response to these needs. By deploying SDN and NFV technologies, operators can now virtually (and even automatically) provision and de-provision products, services, and even capacity, while also replacing costly specialized network systems with less expensive and often higher-performing commodity platforms. Even with all these network advancements, however, the conclusion still remains the same: Operational agility, like technology transformation, is also a necessity to stay in business. While some incremental growth in revenue and decrease in internal costs are realized, market pressures will erode those gains quickly as those same networks must invest and expand to support surges in demand.

Providing IoT Support—An Industry Evolution

Many experts have labeled IoT as the new source of excitement in the industry. While there is some validity to that storyline, realistically the growth in IoT started years back when we Wi-Fi- and Bluetooth-enabled devices playing a key role in our lives. IoT took this a step further by accessing mobility networks directly while simultaneously broadening the categories of devices and sensors that were available to be deployed. But most IoT devices are extremely small producers of data. As a result, many of these devices are landing in low revenue-per-unit plans. The net result: The anticipated growth in revenue by supporting IoT will only serve to offset the expense incurred to expand and support the networks to which those IoT devices are connected. Put more simply, operators still haven't moved the margin needle in a positive direction.

The True Opportunity in Digitalization

Everything discussed to this point has been about maintaining market position, but what needs to happen in the business to actually grow and prosper in a digital world? Operators battle constantly against the label and position of being the “dumb-pipe provider,” but operators still hold a significant set of keys that nobody else has access to, including:

- Operators see all the data traveling across their network
- Operators own the network, which is the access point to *every customer*

These factors need to be kept in mind when determining and pursuing monetization strategies. Operators need to then define and disseminate their digital product strategy more in depth. While there is a wide range of digital offerings appearing on the market each day, the focus of this conversation isn't which products to choose; instead it's how to adequately, effectively, and profitably deliver those products to the customers. Operators need to take a hard, practical look into their digital adoption and distribution strategies and answer these specific questions:

1. How do you attract digital product providers? Do you have automated onboarding strategies?
2. How well can you integrate external products into your library? How do you vet and measure partner performance?
3. Many of these new products are high-volume, low-cost items that are purchased in real time. Does your network support immediate fulfillment?
4. Do you offer cloud-based customer portals for billing, content acquisition, and prepaid account management?
5. Are you prepared to manage cryptocurrency transactions with partners? For example, are your teams versed in and prepared for blockchain technology?
6. Are you prepared to manage cryptocurrency transactions and account management for your customers?
7. Do you offer cloud-based loyalty program incentives? Does your loyalty program offer the ability to extend to “shared” loyalty with other enterprises?
8. Are your internal data sciences in a position to monetize the data transiting your network, without breaching privacy regulations? Has your marketing team developed a “Data-as-a-Service” strategy?
9. And most importantly, from a purely IT perspective: Is your IT infrastructure integrated through a proven, robust, microservices or service-oriented architecture that facilitates and manages

API-based integrations across all the new digital platforms (internal and external) that will be necessary to support? This capability should not be underestimated.

Unlike the previously discussed technology transformations, moves to SDN/NFV Networks, and support for the onslaught of IoT, a well-planned and properly implemented **digital delivery strategy** is the one domain which can result in significant revenue growth with a surprisingly low ongoing cost burden.

Operators will need to look beyond their legacy partner channels to also encourage and attract a new generation of Digital Entrepreneurs and their innovations. Onboarding, distribution, billing, and partner management within these relationships must be (mostly) automated, as the sheer numbers of partners and products will easily be in the tens of thousands. Imagine your partner support operations today, where one agent manages fifty partners. A new digital delivery strategy may require an increase in that ratio to five hundred partners for that same agent. In this new paradigm, however, most of these partners are designated as “micro partners” due to the significantly smaller billing they produce. But ultimately revenue generation remains key, and connecting customers to these products while also delivering a satisfactory experience will be crucial to success.

Looking Ahead

Operators all over the world are finding new revenue streams through forward-thinking digital delivery teams. Personal transportation booking, online music services, streaming sports and movie content, bill pay services, voucher management and redemption, cryptocurrency transactions, loyalty accruals and redemptions, fleet management, data analytics marketing, and a wide array of other opportunities are being implemented in ways that are attracting customers away from traditional purchasing channels. This places the operator directly in the purchasing stream, which can lead to gaining a larger share of wallet from customers and ultimately building a significant brand loyalty that is no longer strictly associated with being a “dumb pipe.”