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Subscriptions: The Future of Telecom Services?

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In the constantly evolving telecoms market, there are some things we presume to know with a degree of certainty. Among them are that the future lies in digital services; that competition for the subscriber is fierce; that walled gardens don't result in healthy, flowering plants (and they never will); and that strong and attractive (to the end user in particular) partnerships are table-stake requirements for success.



There's a trend hidden in all of this, and beyond. That is, flying solo is no longer the route to success. Yet despite these realities, many CSPs are still struggling to capitalize commercially on the exciting opportunities presently on their doorstep. We know why this is the case: because being experts in networks and infrastructure is the traditional industry strength. But the successful modern CSP is a marketing organization and the transition from one to the other has been, to put it mildly, a challenge for many.

The new digital landscape

If we're going to think about the future of telecoms services, as good a starting point as any is defining the incoming and increasingly familiar characteristics of the new digital landscape. What are the infrastructure changes with which end-user services must both keep up and capitalize on? First, it's a shift from discrete network elements to an independently managed, virtualized communications and cloud infrastructure. The benefit here is a shift from expensive and hard-to-manage discrete network elements to a virtualized environment that's easily run at a far lower cost. The first manifestations of this transition were driven by Network Function Virtualization and Software Defined Networking.

Second, there is a move to uniformly orchestrated security. Digital services have higher security requirements, so security needs to support the full technology stack, the data, the service creation process, the partners, and the physical environment. The increasing importance of IoT adds to this challenge.

Third, a change in data usage comes from a limited to a uniformly orchestrated, data-driven enterprise. Central to the digitally transformed telco is a consistent approach to the collection, analysis, distribution, security and monetization of data collected from multiple sources. Digital success is largely dependent on how well data is leveraged, both for internal business optimization and external monetization.

Fourth, we're seeing the emergence of an Open API platform architecture. Digital transformation means an end to traditional telco closed IT architectures. Open platforms and easily accessible APIs are required to support the development of both internally developed own-brand services and externally developed third-party services.

Fifth, the service revolution means a diverse portfolio of digital services. Digital transformation enables telcos to expand their service portfolios to offer new suites of digital services and address new vertical markets with strong revenue growth potential. And sixth, building and supporting a vibrant ecosystem of partners is crucial. Transformation means CSPs ceding control of traditional relationships with vendors and partners and replacing these with a more diverse ecosystem in which partner relationships are managed in new ways.

There is more, such as replacing a limited set of business models with multiple, innovative business models across the market. It's critical for telcos to develop new flexibility in how they create value for both themselves and their partners. This means new operational models and new business processes are table stakes. This shift will require a culture change. Taking all the above into account, culture change—the shift from being a traditional, network-centric organization to partner-driven, diverse service portfolio company—requires a totally new mindset, particularly to compete effectively with OTT players.

Meeting expectations in a new era

Further, abandoning tradition and leveraging new ways to market is inevitable. Digital transformation revolutionizes how telcos sell. Finding new communications and partner channels to drive the CSP's brand and maximize digital services and products revenues is critical to success. This will lead to a 360-degree omnichannel customer experience, which must replace traditional, more limited relationships. User expectations increase in the digital world and, to meet them, seamless, integrated experiences must be supported if the telco is to accrue benefits in increased customer satisfaction and reduced customer churn.

The key point about these shifts, perhaps better described as advances, in infrastructure is the (service) benefits that accrue to the service provider once they have been made. The advantages are multiple. The transformation of customer experience is a given. The promise of digital transformation is that it delivers an easier life via the usage of new technologies (think social media, apps, and so on). Customers can in theory address problems quickly and efficiently. But this means redesigning digitized customer journeys, increasing the speed and agility with which insights are accrued, driving the adoption of these new journeys by customers, and providing agility within the journeys themselves.

Unlocking data agility

A premium will be placed on the accrual of data-driven insights. Arguably the greatest benefit of digital transformation is the ability to track metrics and analyze data surrounding the customer relationship. Doing this means gaining insights into behavior that let telcos optimize their strategies and processes to achieve ever-better results in areas like subscriber acquisition and retention.

To take advantage, telcos need to leverage both structured and unstructured data and use it in both innovative and decisive ways. The reward if they do so is dramatically increased return on investment.

Collaboration is also set to increase, with a 'new' telco emerging. When pretty much all a business' processes and strategies are reinvented, organizational culture change also has to evolve. When a network organization becomes a marketing organization, it won't succeed if it still thinks and acts like a network organization. While digital transformation may as a result be a demanding process, the telco that emerges from it successfully will be better positioned than ever before to compete effectively in the modern, commercial landscape.

Enabling agility

Taking all of the above into account, it's easy to see why CSPs must become more agile and more innovative. Fast and continual improvement in the ability both to meet customer needs and to operate effectively are a fundamental benefit of digital transformation. As a result, the ability to adapt to market changes and lead in innovation are inevitable by-products of the shift. Success in the digital landscape corresponds exactly to the degree of agility enabled.

There will also be a greater demand for specialization. Successful digital transformation means staying ahead of the curve in an exponentially changing landscape where artificial intelligence, machine learning, augmented reality, advances in analytics, and other trends are coming into play at pace. These are opportunities the telco must leverage to protect and expand its market presence both now and—even more importantly—in the short-term future.

Lastly, expect a consolidation of process and operations. Digital transformation brings both workforces and technology together to better connect with both customers and prospects. This creates an organization that is outward- rather than inward-looking and in so doing focuses the organization precisely on what is required for commercial success.

To put all this in simple terms, a new generation of telecoms services is dawning. Making a success of these service is hallmarked by the need for an equal advance in how customer relationships are managed.

Priorities for the digital service provider

A few hundred words is wholly insufficient to exhaustively catalog the nature and extent of the new CSP-end user relationship that's required, but we can touch on some key points that the digital service provider must pay attention to immediately.

First, a successful service will be measured in loyal customers. CSP success doesn't start with platforms, technologies, offers, and services anymore. It starts with understanding the different types of customers in your database and realizing that each segment within it requires a different communications approach and a different marketing technique if you really want to build a loyal customer base and maximize ROI. How many CSPs have thus far dug into the weeds of customer psychology and data analysis to fine-tune their subscriber communications strategy down to a deeply personalized level?

Second, what will the industry make of (or how will it use) machine learning and artificial intelligence? Despite rumors to the contrary, the CSP marketer does not need to be a Zen master in writing code, but they do need to be able to understand the concepts, requirements, and use cases that relate to these new technologies in order to use them effectively. Traditionally, the telecommunications and Internet industries have been among the pioneers in embracing and deploying innovative technologies, especially those that leverage the large volumes of unstructured data these companies generate. The latter is a rapidly growing challenge. As the industry continues to grow, more and more complex unstructured data is being created. It will be imperative to comprehend what these mammoth volumes of data reveal if CSPs want to lead their markets by delivering better customer services, identifying needs, and offering solutions based on effectively utilizing what initially is little more than a big-data repository.

And third, CSPs will have to take far better care of self-care! Variety is allegedly the spice of life, yet telcos are not embracing this reality in the services they offer nor in the relationships they build with customers who use them. And they're not using services to actually drive digital adoption.

As evidence, let's consider mobile self-care applications, which in theory should now sit at the heart of most CSPs' digital customer-engagement strategies. Today, the global average of downloads of these apps, despite their critical importance, is low. It is typical that no more than 20 to 30 percent of the CSP's customer base has downloaded its self-care app. Furthermore, fewer than 20 percent of those who do download it will bother to open it in any given month. As a prerequisite to any digital engagement strategy and customer journey, CSPs must focus on improving app downloads and engagement statistics before being able to move the dial on ARPU or retention KPIs from the app channel. CSPs need to find effective reasons for customers to want to use their apps on a more frequent basis.

The three above examples are diverse and barely scratch the surface of the many challenges telcos now face in reorienting themselves to capitalize on the digital transformation opportunity. But in their breadth and scope, they hint at the extent of the challenge today's CSP faces in trying to deliver the right services (and offers) to the right customers at the right time.