TRASH THE RULEBOOK
WINNING IN THE DISRUPTION ERA FOR COMMUNICATIONS SERVICE PROVIDERS

BORIS MAURER
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#NewAppliedNow
INVESTOR OPTIMISM HAS WANED
WHILE DISRUPTORS HAVE SEIZED THE FUTURE

CSP Future Value Erosion 2012-2017

Disruptor Future Value Accretion 2012-2016

INCREASING INVESTMENT IN THE PIPE HAS LED TO DECLINING PERFORMANCE

Rising investment levels have yielded lower returns…

And marginal returns have declined

Source: Company reports, Accenture Analysis

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TELECOM COMPANIES ARE LAGGING IN READINESS FOR DATA-DRIVEN TECH CULTURE

14% OF TELCO WORKFORCE WITH ENGINEERING AND/OR ANALYTICS SKILLS COMPARED TO 53% FOR DISRUPTORS

Source: LinkedIn, Accenture Analysis

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CSPS RISK MISSING FUTURE GROWTH OPPORTUNITIES FROM RAPID ADOPTION OF NEW DIGITAL SERVICES IN BOTH B2C AND B2B

While the overall industry is growing, CSPs are predominantly caught in the stagnating traditional core.

In 2020 addressable market potential: Gartner: Market Opportunity Map for Communications Service Providers, Worldwide (February2016); 2016–21, Nov 2016, incl Q4 2016 updates; Accenture Analysis.

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Network Innovator, Ecosystem Player? We believe there are four scenarios emerging for CSPs to **scale new growth models**.
## TELCO EVOLUTION INTO ECO-SYSTEM ORCHESTRATORS

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<th>Scenario</th>
<th>Description</th>
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<td>MULTI-SIDED PLATFORM MODEL</td>
<td>Establish cloud-platform business enriched by OTT/industry partners</td>
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<td>DIGITAL MOBILE ONLY ATTACKER</td>
<td>Monetizing core with digital services and customer interactions</td>
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<tr>
<td>VERTICALLY INTEGRATED SERVICE PROVIDER</td>
<td>Monetizing core with differentiated services / content bundles</td>
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<tr>
<td>CONNECTED INDUSTRY ORCHESTRATOR</td>
<td>Managing intelligent, open, self-service digital networks</td>
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### Continuum of Options

- **CUSTOMER BASED ECO SYSTEM PLAY**
- **INFRASTRUCTION-BASED NETWORK PLAY**

### Scale the New

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CSPS CAN MONETIZE THE ECO-SYSTEM BY EITHER PROVIDING SERVICES DIRECTLY TO CUSTOMERS OR ENABLING PARTNERS

CORE ECOSYSTEM SERVICES

- Security & Authentication, e.g. make edge devices trust anchors
- Supply & Demand Matching, e.g. B2B market places
- Create Interoperability, e.g. data exchange across verticals along the value chain

VALUE-ADDED SERVICES & ECOSYSTEM SUPPORT

- Service Integration Mgmt, e.g. for E2E traceability across various data sources
- Collaboration Tools and transaction engines, e.g. open source & crowd dev
- Remote Management, e.g. service components of engines without touching
- Predictive analytics, e.g. predictive maintenance & demand simulation
- Immersive reality and simulation, e.g. ubiquitous AR/VR enhanced support

VALUE CREATION VIA ECO-SYSTEM SERVICES

- Application Software Provisioning: Development of problem-driven software applications (e.g. matching)
- Network Provisioning: Eco-system value creation through the enablement of data exchange by provision of network bandwidth (e.g. DTAG, Telefonica & BT)
- Professional Service Provisioning: Deployment and integration services, consulting services, and support & maintenance services (e.g. Telco PS & Accenture)
- Platform Provisioning & Operations: Eco-system value creation through the provision, maintenance and support of a cloud-based platform (e.g. Microsoft, IBM & Accenture)
THE OPERATING MODEL MUST SUPPORT ONBOARDING AND CULTIVATING DIGITAL SERVICE PROVIDERS

DECOUPLE FROM ECO-SYSTEM

ORCHESTRATOR

COUPLE TO ECO-SYSTEM

EMERGING NEW PRODUCTS & SERVICES

SERVICES

TELEPHONY

INTERNET

TALK TO ECO-SYSTEM

DATA

SECURITY

TV

INDUSTRIAL IoT

BILLING AS A SERVICE

DIGITALASSISTANT

TELCO

CONNECTED HOME

MESSAGING

PAYMENT (NFC)

TV ENGAGEMENT

WHOLESALE TV

MOBILE PHONE

ROUTER

RETAIL STORES

TV/STB

SIM-CARD

CONTENT SUBSCRIPTIONS

MANAGED WORKPLACE

IN-HOME NETWORK

IN-HOME NETWORK

MANAGED WORKPLACE

IoT NETWORK

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POLICY-DRIVEN NETWORKING & MEC ALLOW CSP’S TO CONQUER CRITICAL CONTROL POINTS

Key Policy Alignment Points – CSP specific
Key Policy Alignment Points – Enterprise on prem workloads
Key Policy Alignment Points – Enterprise off prem workloads
TECHNOLOGY REVOLUTION WITH 5G DRIVEN BY DATA IN A DISTRIBUTED CLOUD TOPOLOGY

% OF ENTERPRISE-GENERATED DATA
processed outside traditional data center or cloud

X7.5

10%  75%
2017  2022

New capabilities required in distributed computing architectures, remote management and edge security

TELCOS INCREMENTAL REVENUE POTENTIAL from 5G

BUSINESSES
23%
CONSUMERS
14%
GOVERNMENT
69%

Source: GSMA, Global Mobile Trends 2017, September 2017
VALUE CREATION IS EVOLVING FROM COMPETITION WITH OTT TO A COMPLEMENTARY MODEL

PAST

- Services and Connectivity strictly bundled through a closed Network Technology
- Limited competition, strongly dominated by Network Incumbents
- High barriers for new entrants

PRESENT

- OTT players compete with Telcos to sell content/digital services over the IP Layer. Limited/zero cooperation with operators
- Operators strategies not well defined, struggling to define how compete on services, while monetizing the physical network asset

FUTURE

- Operators newly a key actor of the digital marketplace providing:
  - Premium infrastructure (Network Slicing, MEC)
  - Common platform/enablers for Industry X.0
- Enhance cooperation with partners through the Telco open-platform:
  - Content/Media (OTT players)
  - Home service providers (home automation, home security etc.)
  - Public administrations (e-Health, Smart cities etc.)
  - Industry X.0 vertical partners

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CREATING MARKET VALUE IS SHIFTING TO A TRANSACTION BASED REVENUE MODEL

FROM
stand alone, one-product service provider

TO
one to many, diversified communication services enriched with eco-system originated offers

Key Value Elements

- Service Access
- Recurring charges (per service and contract commitment)
- Number of transactions
- Value per transaction
STEP FORWARD

It’s time to lead or lose.

boris.maurer@accenture.com