The Digital Imperative

Exploring what it means to adopt a Digital Strategy within the telecommunications sector and the implications for Learning and Development

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The “Digital Imperative”

The mass market adoption of the smartphone has given rise to an explosion of digital content and services, fundamentally changing how customers connect with brands. Companies now serve hyper-connected “Digital Natives” with expectations of 24x7, real-time availability of digital services for whom a tape cassette is a quaint relic of a bygone era.

The ability to offer a personalised, digital experience has become a key differentiator across multiple industries. Businesses successfully embracing the new digital reality are being richly rewarded. Disrupters such as Google, Netflix, Amazon, Spotify, AirBnB and Uber continue to experience rates of growth that are five to 10 times that of their analogue competitors.

The “Digital Imperative” is the necessity for traditional businesses to adapt to this new, digital reality. Failing to adapt risks obsolescence. It is simply no longer viable for traditional businesses to continue doing the same things, the same way. Businesses can actively embrace new digital capabilities and position themselves as agents of change or they can procrastinate, do nothing and inevitably become the victims of change. In sector after sector, companies are asking how they can adapt to the digital world, how can they build digital capabilities, create more digital offerings and become “digital first” organisations? The “Digital Imperative” is particularly acute in the telecommunications sector.

Telecommunications and the Digital Imperative

Competition from “over-the-top” players, an increasingly mature industry and the requirement to invest continually in the latest generation of technology, currently 5G and counting, represent an existential threat to the telecoms industry. The industry was once at the vanguard of technology and new service development, but this is no longer the case. Although the industry has been developing and launching new “Value Added Services” for almost two decades, they still only account for a depressingly low, single digit percentage of total revenue. Operators are losing the “right to sell to customers” and are being replaced by digital players who “just do it better” (i.e. Skype, WhatsApp, Viber, WeChat, FaceTime). The sector has been almost entirely “commoditised” with slowing top-line growth, declining margins and falling valuations. There is something about the current DNA and culture of the telecoms industry which is inhibiting their ability to evolve and compete effectively with the new generation of technology companies. The importance of embracing the Digital Imperative has now moved centre stage and into the Board Room. Most Executive Teams now include a Chief Digital Strategy Officer (“DSO”) charged with the task of implementing the companies “Digital Strategy”. However, the Board often finds it difficult to articulate what “being more Digital” means and this partly explains why the industry is struggling to respond to the existential threat it currently faces.
What is a “Digital Strategy”?  

The telecoms industry has been in a state of continual re-organisation and re-structuring for more than a decade in response to increasing competition and maturity. The industry seems to have largely accepted low, single digit growth (at best) as the basis for its revenue targets and that growth in profitability and cash generation can only come from increased operational efficiency. However, there is now little left to outsource, offshore or right-size / down-size and network sharing, in its various forms, is increasingly the norm. Despite all these measures, the returns on the enormous amount of capital employed in the industry remain under pressure. There is a limit to how much the cost and capital base can be rationalised. As these limits are rapidly being approached, a company’s Digital Strategy provides the basis for future growth and success.

One of the key challenges for the industry is that there is no single, unified definition of what “being more digital” or “digitisation” means and what are the elements of a successful telecoms Digital Strategy. It can be useful to distinguish between the inward looking, internal business process aspects and the outward looking, customer facing elements.

- **Internal Digitalisation**: A fundamental shift in the mode of operation whereby the latest digital technologies are used to transform and effect cost savings in the core business and / or to enhance customer experience (Cost Reduction)

- **External Digitalisation**: Developing a broader and more dynamic customer-facing product portfolio (i.e. expanding beyond the pure provision of “bit-pipe” voice and data connectivity) by expanding into new ‘digital’ service areas with a view to developing entirely new streams of revenue (New Revenue)

In light of the rapidly changing nature of the Digital World it is hardly surprising that companies are struggling to articulate their Digital Strategy. Like their competitors in Silicon Valley, the telecoms industry will have to:

- learn how to exist with a much higher level of strategic ambiguity;
- make bold decisions, quickly, on the basis of limited data and in the face of significant uncertainty; and
- reduce the fear of failure, to learn quickly from mistakes, iterate and try again.

Despite the high-level of ambiguity and the evolutionary nature of a Digital Strategy development most telecom’s companies Digital Strategies today encompass most, if not all, of the following elements.
A transition towards simple and modular (digitally enabled) products

There is a move away from operator-centric tariffs and products towards a customer-centric experience where all services can be configured and managed by the customer, online and in real-time. This implies a direct connection between user interfaces and IT systems so that customer interfaces can speak directly to operator systems without human intervention. The benefits are:

- products which are easier to explore, buy and use;
- greater choice, flexibility and seamless switching;
- intuitive, transparent and straight-forward pricing; and
- a modular approach to product and service deployment allowing from rapid deployment, learning and iteration for the operator.

An increasing focus on Digital Marketing

Telecoms companies have largely relied on expensive, above-the-line advertising campaigns to drive sales through a range of retail channels. A Digital Marketing strategy involves more cost effective, targeted social media marketing with conversion-based partner incentives.

A move towards “Simple and Digital” customer journeys or “episodes”

Customer episodes in a Digital world are:

- effortless (seamless, “right first time”, easy to use);
- personalised (proactive, context / preference-based); and
- digital with a human touch (positive, transparent)

Enhanced focus on deploying new e-channel capabilities

Telecoms companies are implementing a “Digital First” strategy through the development and launch of new, device agnostic digital customer self-management platforms (e.g. e-commerce, self-care and Mobile Apps). The platforms automate the majority of sales and service transactions. This migration, from high-cost physical stores to low-cost digital channels, make it easy for customers to self-manage their account through intuitive, real time tools and channels such as electronic billing and payments. The strategy is supported by promotions and incentives to encourage customers to migrate to e-channels.

Increasing customisation will be a feature of the Digital World

Distribution will move increasingly away from the physical World
Convert the Call Centre from a Cost Centre into a Profit Centre

Digital strategy sees:

- reduced Customer Care costs through the development of digital care interaction capabilities to handle routine transaction requests (which reduce call volumes and operating expenses by 25 to 30 percent); and

- the launch of enhanced website FAQ and Customer Care IVR and Chatbot capabilities to liberate Customer Care from general enquiries so headcount can be reduced or diverted to focus on sales transactions (upselling and cross-selling of services) and offering superior customer experience management (one to one, contextual marketing and pre-emptive account management).

Data monetisation and the launch of new data-based businesses

Telecoms companies are developing wholesale gateways to 3rd party digital services such as M-Advertising and M-Location supported by the development of one single API integration layer.

- Partnerships with Content Players (Music, Gaming, Video etc)
- Enablers of the smart economy (Mobile Connect, IOT, MFS, Smart Health, Smart Education) and meeting the need from B2B customers for one-stop-shop ICT solutions

Customer Base Management powered by advanced data analytics

Many Digital Strategies include a transition away from mass-marketing based on generalised and historical client profiles towards targeted one-to-one individual customer marketing based on intelligent algorithms analysing real time / personalised / contextualised CRM / CVM / CLM data. Digital customer base management will include:

- Enhanced customer life-cycle management involving the granular targeting across customer lifecycle stages;
- Onboarding and experience treatments;
- Automated campaign management;
- Next best activity optimisation;
- Contextual targeting;
Real-time marketing and CEM actions;
Real-time analytics to increase sales through contextual recommendations;
Digital tracking of customer experience though Customer 360 social media dashboards; and
Predictive churn and next generation loyalty programs.

**Merger and virtualisation of IT and Network businesses**

Ageing and complex legacy IT systems are a major hindrance in competing against nimble digital rivals. Telecoms companies will look to streamline their IT infrastructure with the removal of redundant platforms, automation of core processes and the consolidation of overlapping capabilities. IT build and run costs will be further minimised by a move to a flexible network virtualisation (NFV / SDN) architecture where key network functions and service offerings are virtualised providing immediate scalability against demand at much lower price points.

**Digitally enabled organisation and processes**

A Digital Strategy will see the deployment of new capabilities and agile ways of working within the Digital workplace.

- General administrative expenses can be minimised via the development of fully automated backend processes. Robotic Process Automation can provide circa 80% savings while increasing quality at the same time with virtual assistants applied to automate repetitive tasks.
- New internal digital capabilities (intranet and workplace collaboration tools).
- Digitalised e-Workflow processes (procurement, HR, etc.) can significantly reduce bureaucracy and speed up decision-making.
- Digital collaboration: Centralised knowledge management enables faster and more effective collaboration for employees, helping them connect with what matters for their customers.
- Process automation and digitization: Automate key processes to provide a real-time fulfilment experience for customers and front-line staff.
- Field Services digitisation: Help to create a more dynamic workforce, optimised in real-time for customer service.
What are the implications for Learning and Development?

The implementation of a Digital Strategy involves significant investment in IT infrastructure and technology. The significant levels of investment and implementation risk mean that the employee related aspects of the Digital Transformation often do not receive sufficient focus. The successful implementation of a company’s Digital Strategy depends critically on ensuring that employees are equipped to make the Digital Transition.

A key element for the successful implementation of a Digital Strategy is expectation management of both Executive Management and Shareholders. It is vital that the wider business commits to the Digital Transformation and Executive Management and Shareholders understand and commit to a realistic timeframe over which the success of the transformation will be judged. Many telecoms companies develop a Digital Strategy, invest both cash and time but then suffer from “cold feet” and begin to retrench when they do not see immediate results. The Executive Management Team, the Board and Shareholders must realise and accept that the move to Digital is a long-term transformation programme (albeit and ideally, with some initial quick-wins along the way) requiring a commensurate long-term commitment of budget and resources. It is often difficult for the Board and Shareholders to accept the added burden of transformation costs for a revenue stream that currently may only amount to 5% of their total revenue. However, if the industry is to survive and for there to be any chance of the revenue contribution increasing to 10%, 20% and beyond then it is a burden that the business must be prepared to shoulder.

Part of the burden is ensuring sufficient investment in employees to support the success of the transformation. The Learning and Development priorities for successfully implementing a Digital Strategy are described below.

Building understanding and consensus around the company’s Digital Strategy and what it means for the business, employees, behaviour and decision making

“Digital” means different things to different people, even within the same company, and so a key L&D priority is to build understanding and consensus around what the company’s Digital Strategy means. Coleago’s experience of delivering our Telecoms Mini MBA has highlighted how few employees understand how a traditional telecoms business makes money and how their decisions impact performance. Fewer still understand these aspects in the Digital World. Managers therefore need to understand the strategic, commercial and economic implications of their company’s Digital Strategy so they can change their behaviours and cascade the key messages to their direct reports.
Developing a Digital Mindset to support the Digital Transformation

Having understood the strategic rationale for the company’s Digital Transformation, employees need to develop a Digital Mindset to support its successful implementation. A Digital Mindset is characterised by:

- A powerful conviction to think and behave differently;
- High-levels of autonomy and creative and innovative thinking;
- An organisation-wide perspective and the ability to collaborate across functions;
- Being comfortable making decisions fast, with little information and facing a high-level of uncertainty; and
- Not being afraid to try, fail, learn and try again.

Finding new ways to crowd source ideas and adapting decision making to the needs of the Digital World

In a world of widely distributed knowledge and experience companies cannot afford to rely on their Research and Development department or the marketing function to innovate. Successful companies will harness the ‘intellectual knowledge bank’ of their entire workforce and crowd source new business ideas. Companies will need to implement collaborative Innovation Tools, such as the Coleago Innovation App, and new find new ways of quickly developing ideas such as Hackathons and Innovation Events. Ideas that show promise will then need to be evaluated using techniques which eschew the traditional, detailed five-year business cases with their reliance on traditional investment appraisal techniques and rely on start-up based evaluation approaches.

How Coleago can help?

Coleago has developed a range of Digital Learning and Development modules which can be configured into a programme to support telecoms companies through their Digital Transformation. The programme is supported by collaborative innovation tools such as the Innovation App and experiential learning events such as the Innovation Game which blends learning with real, practical new Digital Service business idea generation.

To learn more about how Coleago can support your Digital Transformation please contact:

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