Operating from the middle of the digital economy:
Integrated Digital Service Providers
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The growth of digital is resulting in a tremendous amount of disruption for telecommunications operators and wireless carriers. As Accenture research confirms, competition has become fierce, especially from digital giants as consumers consider turning to companies such as Google and Apple for broadband, voice and messaging services.¹

Customers are no longer "owned" but shared across multiple providers, including over-the-top players such as WhatsApp, Skype, Waze and Netflix. Alternative short-range, public hotspot and white label networks are emerging. And operators' traditional business model—founded on revenue from voice and messaging—is under assault with industry analyst Ovum predicting more than $80 billion of operators' revenues at risk in 2015 alone.²

Figure 1: Percentage of consumers that are considering turning to digital giants for communications services

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1 Accenture Digital Consumer Survey 2014
2 www.ovum.com
Becoming an Integrated Digital Service Provider

In order to thrive in the digital era, operators must re-imagine their core businesses and find ways to turn disruption to their advantage. Historically, operators enabled the economy via communications. Now they have the potential to become the enabler at the middle of the digital economy, providing the network for other companies to deliver digital services and customer experiences.¹

This transformation begins when operators update core technologies to digital and leverage existing assets—strong and trusted brands, unique locality, established billing relationships, robust networks, and a large quantity of unique customer and usage data—to compete more effectively. The enablement continues when operators become Integrated Digital Service Providers (IDSPs), operating as a platform for all things digital for both their own and third-party services.

IDSPs are an example of the 'Platform (R)evolution' trend in which companies use digital technologies (social, mobile, analytics and Internet of Things) to build a business architecture and set of services that enables other businesses to rapidly develop and deploy the products and solutions needed to drive their digital strategies.²

Research from Accenture shows that companies can open up higher rates of growth by working with other industry sectors in digitally contestable markets, in which different industries collaborate to serve rapidly evolving customer needs and expectations.³ IDSPs that can function as facilitators in the middle of the digital economy will have a distinct advantage.

By re-imagining their core business, operators can start to expand into new services and become disruptors themselves.

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Re-imagine core business

Operators can start by evaluating their assets and strengthening internal capabilities to become as digital on the inside as the disruptors. Three ways to accomplish this are:

Deliver seamless customer experiences

By creating digital and delightful customer journeys across all channels, operators can sell more efficiently while increasing customer loyalty. This omni-channel capability includes designing innovative and consistent experiences across web, mobile, social, retail, in-store, call center and other channels, as well as imagining new engagement strategies for different subscriber segments, such as gamification for the Y generation.

Specialize the networks

Operators have traditionally worked to unify network infrastructures, but that is a strategy for commoditization. Differentiating network capabilities, capacities and solutions are a means to attract premium revenue. Case in point, Verizon has established an evolved Multimedia Broadcast Multicast Service (eMBMS) video network to cost effectively deliver mobile TV from one broadcast signal to many mobile phone subscribers at once.5

Accelerate to multi-speed IT

In order to create and enhance business services by leveraging ecosystem relationships, operators must calibrate the IT operating model to bring together legacy, cloud and omni-channel-based components. This includes employing IT governance to support multiple ways of operating, as well as multiple methods of development (agile, iterative, waterfall). It is also critical to simplify legacy architecture for greater agility, invest in new digital technologies and build an API layer to expose core data to faster-moving digital channels and ecosystem partners.

Be a disruptor

Operators can continue by growing beyond their core business and becoming IDSPs that compete as disruptors. Routes to achieve this expansion strategy include moving into digitally contestable markets, monetizing assets and capitalizing on the Internet of Things (IoT) as follows:

**Extend reach through new partnerships for mutual benefit**

By forming business relationships across multiple industries (banking, insurance, retail, healthcare, government and entertainment), IDSPs can provide a palette of apps to deliver the outcomes that customers want. For example, Vodafone enabled subscribers in 10 countries to date to transfer money and pay bills on their mobile phones with its M-Pesa app, and Verizon partnered with the NFL to deliver exclusive live streaming of football games.

**Expand into new businesses**

Nearly a third (32 percent) of consumers surveyed trust network operators the most with their personal data. To maintain and build on this trust, IDSPs have an opportunity to establish separate security—or privacy-related businesses to enhance security across networks. As more and more critical industry components are getting connected (e.g., in healthcare and transportation), the importance of security is strongly increasing. IDSPs can also embed security mechanisms in every device they sell and service.

**Monetize specific sets of data in action**

Provided they meet regulations in their operating geographies, IDSPs can manipulate their customer and usage data into real-time insights. Other businesses can leverage this information to develop location-based services, innovations based on how customers use existing products, or personalized advertising, which can be sent directly to mobile devices. IDSPs can also use the data as a bargaining chip when forming relationships with new business partners. For instance, a broadband provider could offer data about how consumers use devices in their homes to a connected home device manufacturer. This exchange could enable the manufacturer to bundle products that appeal to consumers.

**Enable Internet of Things (IoT) integration**

IDSPs can provide a set of innovative services for consumers, enterprises and governments that leverage IoT devices and sensors. For example, IDSPs could function as a digital home integrator with an operating system that ties together disparate IoT devices over a home WiFi or broadband network, enabling a manufacturer to create innovative services. Other examples of IoT integration include facilitating services for a home healthcare integrator, customized cloud provider, virtual interaction provider, smart city provider or road tolling partner.

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6 http://www.vodafone.com/content/index/about/about-us/money_transfer.html
7 http://www.verizonwireless.com/mobile-living/inside/nfl/
8 Accenture Digital Consumer Survey 2014
Operate from the middle

Customers have already put mobile into the middle of their lives. Now it is time for operators to move to the middle of the digital economy. By operating with a fully transformed digital core and as an IDSP, operators will be able to compete as a disruptor and win against the digital giants.

Lining up industry partnerships

Here are ways in which various industries view operators as potential platform partners:

**Consumer home**

Deliver home security, home automation or other home hub services as Comcast is doing with its Xfinity Home business. AT&T has also signed a deal to connect GE’s connected machines to AT&T’s wireless and cloud networks, allowing users to remotely track, monitor and control their GE devices.

**Insurance**

Use telematics to modify underwriting assumptions with real-time information to personalize auto, home and life insurance premiums. Metromile, Inc. offers auto insurance on a per-mile-driven basis, securely tracks where customers drive their cars and then prices their insurance bills accordingly.

**Logistics**

Add intelligence to the movement of products (such as embedding intelligence into a route planning system or GPS fleet tracking system) to improve service levels, reduce inventory, leverage capital assets and enhance sustainability.

**Pharmaceutical**

Help patients adhere to medical treatment regimens to improve healthcare efficacy and reduce costs. Proteus Digital Health inserts a tiny, inert sensor in the pills it produces. The sensor acts in concert with a wearable device and mobile app to provide full “adherence transparency” for patients, healthcare providers and payers.

**Media**

Provide content platform to serve on-demand video, television and music services, such as offering a digital box that plugs into broadband services at home for live TV.

**Retail**

Use customer preferences and actions data to enable location-based marketing and customized pricing. Macy’s and Apple are using in-store beacons to provide personalized offers directly to customers through their mobile devices.

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10 [http://about.att.com/story/att_and_ge_alliance_leads_to_smart_energy_solutions.html](http://about.att.com/story/att_and_ge_alliance_leads_to_smart_energy_solutions.html)


13 Accenture Technology Vision for Retail 2015