Telecommunications

The "services supermarket": Generating growth in emerging markets

By Fernando Usera and Miguel Fraga

Emerging markets are a key to growth in the telecommunications industry. Over the past decade, mobile penetration in these regions has skyrocketed—by 68 percentage points in Africa and 75 points in Asia Pacific. In Latin America, mobile penetration was just 19 percent in 2002 but now stands at 114 percent or even higher. Developing a broad range of innovative services to serve those consumers is an urgent imperative.

However, as providers survey this competitive landscape, several marketplace and consumer trends are of concern:

- Mobile markets in some emerging nations are at or beyond saturation, so more focus needs to be placed on developing value-added services beyond communications and data, supported by cross-selling or up-selling campaigns.
- Since 2000, providers operating in emerging markets have seen a decline of 77 percent in average voice revenue per minute. Because margins are eroding, finding ways to keep costs low will be increasingly imperative.
- Mobile providers can no longer assume that they will be the first choice for consumers looking to buy mobile voice and data services. In the age of convergence, multiple sectors are competing in the market spaces long dominated by communications service providers. In fact, according to the Accenture 2013 Mobile Web Watch survey, 31 percent of emerging-market consumers would think first of a device manufacturer as their source for communications needs. Service providers need to make sure they have an increasing presence in the minds of consumers as innovative players in the mobile marketplace.

The good news is that service providers have significant assets, reach, consumer bases and brand equity to drive a new kind of digital business—what Accenture calls a “services supermarket.” The “supermarket” analogy is appropriate—a place where consumers go to meet a variety of their needs. From a telecommunications perspective, a supermarket approach means that communications providers are meeting their customers’ needs through one or more of several strategies depending on where a provider wants to sit in the overall value chain:

- Reselling its own or a third party’s services individually or as bundles.
- Enhancing products and services in the convergent marketplace.
- Inventing and marketing new services.
Becoming the service provider of choice

Given the commoditization of traditional voice offerings, developing a "services" mindset is vitally important to success in emerging markets. Significant opportunities will come from a dual strategy—one that focuses on developing innovative digital services that become new sources of revenue, while simultaneously monetizing network bandwidth.

From an emerging-markets perspective, many opportunities exist to develop services that generate new revenue streams while simultaneously improving the quality of life in these areas. Unlike in mature markets, significant service gaps exist in traditional sectors such as retail, banking, insurance and healthcare. This situation presents opportunities to communications service providers.

Because of their assets and reach, these companies are often well positioned to become services supermarkets across a range of offerings—media and entertainment, retail, advertising, travel, financial services, security, education and more. Consider health services. In rural areas, emerging-market citizens tend to be underserved in terms of available doctors and hospitals. This represents a huge opportunity in telemedicine. The global telemedicine market, which was $9.8 billion in 2010, is expected to grow to $27.3 billion by 2016. The telehospital/clinic market segment is expected to be $17.6 billion in 2016.

Because communications networks cover 92 percent of the population, with an average of 84 percent mobile penetration, providers are particularly well positioned in the area of mobile payments. For example, consider the innovative money transfer and microfinancing services provided by Safaricom and Vodacom, the largest mobile providers in Kenya and Tanzania. Safaricom's M-PESA, one of the most innovative money transfer and microfinancing services provided by Safaricom and Vodacom, has partnered with Commercial Bank of Africa (CBA), one of Kenya's oldest commercial banks, to offer mobile banking services called M-Shwari, offering interest-bearing deposit accounts and loans.

How to be successful as a services supermarket

Early experiences with the services supermarket strategy, as well as lessons from similar initiatives in mature markets, suggest several keys to success:

Institutionalize and incent innovation to make it mainstream. Lessons from some Internet players are important here. Google, for example encourages its engineers to take up to 20 percent of their time to work on projects that are important to them and that also could deliver benefits to the company, in the belief that personal passion often translates into unexpected innovations. Collaboration platforms should also be made more open to encourage work across corporate boundaries, including work with educational institutions.

Take a strong partnering approach. Service providers should not try to own the end-to-end value chain of services; instead, they should take flexible approaches to joint development, with reselling and enhancing partners’ products as part of the strategy. By their nature, digital services are a strongly collaborative endeavor; companies that do not partner well are less likely to succeed.

Open up platforms to partners. Providers' technology platforms need to be flexible and extensible—based on open standards to allow plug-ins of different modules from partners and service providers. Platforms must also have a well-defined set of interfaces to support easy integration and the rapid deployment of products and services from different industries. They must also support flexible billing capabilities—for example, customers from multiple companies—or different billing strategies (e.g., billing for voice and data usage but also for events).

Leverage an established retail presence. Service providers' retail presence through both formal and informal channels is also strong. Brand recognition is high and providers have extensive business relationships across both the private and public sector. Their ability to harvest and analyze consumer data is another competitive advantage—data collected through mobile activity as well through billing and CRM systems.

Choose services wisely and set appropriate financial targets. It is important to find the right value proposition with the right set of services, avoiding "me too" offerings launched in crowded segments. Unrealistic financial targets for both revenues and margins can cause a loss of momentum with a services supermarket strategy especially first-year targets that do not account for the time needed for market take-up.

Create a more entrepreneurial culture. With such a culture, leaders and employees all understand that a certain percentage of project failures are necessary before hitting "the big one." It is good to start small and fail quickly, then pick up the pieces to figure out what's been learned. It is often wise to perform focused market tests for services rather than commit to large-scale infrastructure investments too quickly. Initial successes can fuel interest and confidence, both internally and across the partner ecosystem.

Invest in new capabilities. A services supermarket will be founded on strong capabilities in areas such as analytics, Big Data, service creation, product lifecycle management, shared services, customer operations and the governance of new businesses.

Conclusion: Meeting the needs of emerging markets

Achieving success in emerging markets will require considerable technical expertise but also a unique approach to service creation leveraging proven tools and methods in open innovation. So-called "frugal innovation" approaches are also important to reducing the complexity of services as well as development costs.

Analytics solutions geared to emerging markets can help companies create new services based on more limited data about customer lifestyles and purchasing habits. Analytics delivered as a managed service can be a way for service providers to quickly assess opportunities and get services to market faster.

As with grocery markets, services supermarkets in the communications industry will depend on speed, convenience and appeal. Services delivered in this way are an important opportunity for communications service providers to generate a new period of growth.

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