Digital Performance in the Communications Industry:
Time to Rotate to Integrated Digital Services
Communications Service Providers (CSPs) are already well aware of the disruption from digital, with constant fierce competition from digital giants for alternative access, messaging and voice services.

Most are already making large-scale commitments to digital technologies such as cloud, big data, robotics and the industrial internet: positioning themselves as the enabler at the centre of the digital economy. The transformation begins when CSPs update core technologies to digital, and thereby leverage existing assets to compete more effectively. These assets include strong and trusted brands, unique locality, established customer relationships, robust networks and large quantities of unique customer and usage data.

But transforming the core business is only the first step towards the future; rotation to the new requires growing the core business while expanding into new, digitally contestable markets.
The interplay between digital and financial performance

Using a systematic, data-driven approach, Accenture has assessed the digital performance of companies across industries, from an ‘outside in’ perspective, focusing on capabilities across four business areas: PLAN, MAKE, SELL and MANAGE (Figure 1).

The study included a strategic assessment of 50 communications service providers globally, across three industry segments—mobile, fixed and cable—creating a Digital Performance Index for the Communications Industry.

Our results reveal four performance segments across 50 CSP companies:

- **Digital Leaders**, companies that have made significant progress in digital capabilities, but failed to translate that into financial strength
- **Business Leaders**, companies that have achieved strong financial performance without prioritising digital
- **The Rest**, companies that have survived in the past without building up digital capabilities
- **Digital High Performers**, companies that have achieved both strong digital performance and financial performance

Many businesses continue to apply digital only to drive efficiencies, digitizing core operations only to improve short-term competitiveness, typically through lower cost structures and leaner operating models. Therefore, these companies are failing to unlock what we call “trapped value” within their own business, which in turn limits their ability to drive new business growth and replace declining voice revenues.

While the communications industry is doing better than many others, only a few companies have a clear and disciplined focus on digital performance to drive growth and transformation, which is reflecting in their financial results.

**Figure 2: Digital Performance Index for Communications Service Providers**
About the Research: The Digital Performance Index (DPI)

The Accenture research study is based on a sample of the leading 50 communication service providers globally, operating in 26 countries and representing almost 80% of industry revenues.

The Digital Performance Index (DPI) was created to quantitatively assess the level of digital investment and progress across four business functions, each broken down to three key action points along the value chain. Forty-two further business activities and 117 detailed behaviour metrics are also evaluated to support the DPI framework. This multi-pillared structure enables a comprehensive view of companies’ digital integration across the full breadth of business activities.

DPI has four pillars in its structure. At the overall level, it looks into four dimensions, each with three components representing key action points along the value chain.

- **Plan** looks into how digital trends are reflected in strategic plan and implementation. It assesses whether the company sees digital as a key trend for their business and industry, whether it plans strategies and budgets for digitization and digitalization, and whether it acts to enhance digital within and outside of the organisation.

- **Make** assesses the use of digital technology in innovation, production and delivery. It looks at whether companies integrate digital into the design and manufacture of their products and services, and how digital streamlines activities across the supply network.

- **Sell** evaluates customer experience management across digital channels. It looks at how digital is used to engage customers, to sell through multiple channels, and to serve customers after the transaction has been completed.

- **Manage** examines presence of digital technology and mind-set in corporate culture and internal operations. It evaluates how companies assess their own digital culture and infrastructure, how they improve their operating efficiency, and how they renew their resources with the aid of digital.

The overall structure is supported by a further 42 specific business activities (such as “Business enhances digital capabilities through collaboration”), for which specific metrics were assigned to gather evidence on companies’ behaviour. All evidence for scoring was gathered from public sources, mimicking the perspectives of investors and customers.
Digital High Performers and Digital Leaders

In our study, we found that there are currently only two communications companies who have strong performance across both the four dimensions of the Digital Performance Index and the five dimensions of the High Performance Business Framework, which measure sustained financial outcomes (see About the Research).

Digital High Performers differentiate themselves by:
• Acting decisively on digital trends rather than over-contemplating.
• Using technology to unlock new revenue streams rather than focusing narrowly on cost cutting.
• Anticipating customer preferences rather than reacting to them.
• Renewing their business model rather than over-emphasising incremental improvement.

Twenty percent of communications companies in our study sample were identified as Digital Leaders; these companies have managed to implement digital capabilities with both superior quantity and quality. As a result, they are well positioned to replace declining legacy revenues with “digital dollars” in the future.

Make: Focusing on product development of digital services, with help of crowdsourcing, strategic partnerships and platform creation.
• Telus introduced IoT Marketplace, an online space offering a suite of cross-industry wireless solutions enabling businesses to incorporate Internet of Things solutions. Offering 38 solutions when it launched in Dec. 2014, it doubled in size over the following 6 months.4
• Singtel, Sony Pictures Television and Warner Bros. Entertainment have established HOOQ, a joint venture start-up, to offer a regional over-the-top video service in Asia. The solution initially included over 10,000 movies and TV series of video-on-demand content and adaptive streaming.5

Sell: Digitizing the customer-facing process in order to deliver a seamless, customized experience.
• Telefónica have created an end-to-end customer experience across mobile data, mobile voice, IPTV, high-speed Internet, cable, satellite and voice services. This allows Telefónica’s customers to troubleshoot and manage their digital experiences through devices such as mobile phones, laptops and IP set-top boxes, via Telefónica’s web portal and apps.6

Manage: Digitizing internal operations through the assessment of current operations, automation of day-to-day processes and digitally based internal collaboration.
• Vodafone has developed its “Project EVO” business transformation to encompass leading digital ERP facilities including SAP HANA, a cutting edge high-speed analytics platform to accelerate financial processes and employee support. Vodafone has also used enterprise mobility to transform the way its workforce interacts with finance and human resource processes, rolling out mobile apps to over 50,000 employees.7

The interplay between digital and financial performance

We have identified a number of leading actions that operators have taken and are taking on their paths to digital leadership:

Plan: Incorporating digital into growth strategy and internal operations through the creation of dedicated organization roles and open innovation.
• AT&T, which as of Dec. 2015 counted 7 million connected cars, announced with Ford in Jan. 2016 its plan to offer its SYNC Connect service in at least 10 million vehicles over the next five years.1
• Deutsche Telekom developed open multi-manufacturer smart home platform Qivicon. The company has successfully built up a partner ecosystem with more than 30 companies from a variety of industries, including EnBW, eQ-3, Miele, Samsung, Huawei and others.2

Figure 3: Digital High Performers versus the Communications Industry Average

Scores awarded 1-4 (from lowest to highest)
Rotating to the New: what should Communications Service Providers do next?

In order to release value using digital technologies, we believe that CSPs need to focus on four key areas:

1. **Infrastructure** – further and fully exploiting the benefits of cloud, continuing to introduce SDN/NFV technology into networks, powering IT with multi-speed architectures to bring speed and agility into channels and interactions with customers.

2. **Operations** – exploiting big data technology, tuning in to customer offers and creating more efficient and effective processes. Building a partner capability for third parties to provide their services through the CSP as a channel.

3. **Customer engagement** – creating a 360-degree view of the customer in a tuned and effective way, delighting customers through being easy and attractive to deal with.

4. **Services** – digital service provision including digital video propositions, over the top and enabled for different devices. Provision of end to end security from the device to the connectivity and applications. Exploiting the Internet of Things with industry-specific solutions—a journey which is accelerating and disrupting every industry.

With a clear ambition in mind, the future is bright for CSPs who seize the digital opportunity.

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**Opportunity to extract value from the digital ecosystem**

Breaking free from the digital and financial performance paradox, companies must move beyond restricting digital to cost cutting. Instead, they should take cue from the Digital High Performers, and use digital technology and capabilities to unlock value trapped in their own business, value chain and the wider ecosystem within and across industries.

CSPs have the potential to become the enabler at the middle of the digital economy. By operating with a fully transformed digital core, operators will be able to compete as a disrupter and win against the digital giants.

Figure 4: CSPs at the middle of the digital economy
References


2. "Qivicon, the platform for Smart Home", https://www.qivicon.com/en/


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