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# The future of telecommunications is **all digital**



How new market leaders win  
at customer experience

If you are a telecommunications industry executive in 2019, it is likely that rapid digital transformation is something you've spent a lot of time thinking about. The pain points of your industry are very familiar to you, and we are certainly not the first consultancy to highlight the urgency of turning things around.

So, why is this particular white paper worth your while? We are looking to distill the confusion into decisions that make business sense. Instead of imagining the apocalypse, we want to outline a bulletproof solution.

We believe that going fully digital is the only way to be reborn as a market leader. Actually, in the coming years, it's the only way to remain a relevant player. In these chapters, we will take you through the process of becoming an all digital telco: the challenges and questions that need to be addressed, and the steps that need to be taken.

**Happy reading!**



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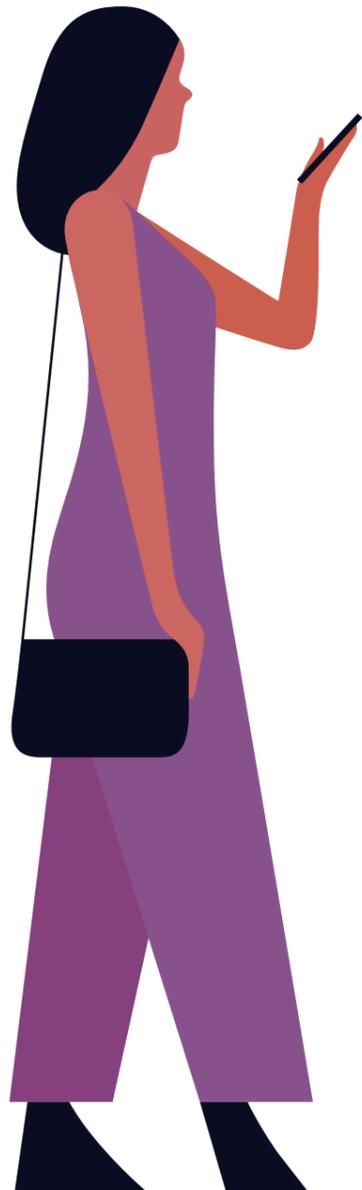


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# Dealing with a data-hungry, disloyal customer base

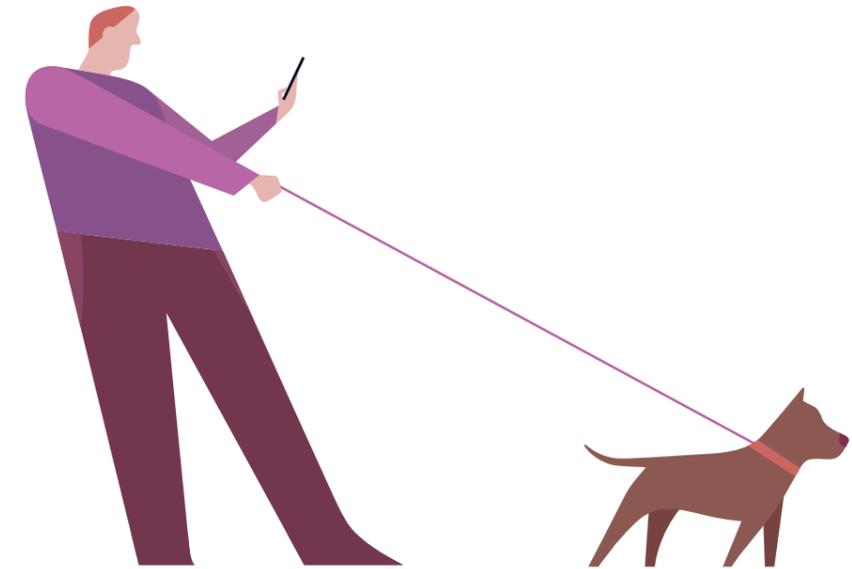
The main challenges of the traditional telecommunications industry center around three main trends.



## 1 Telcos experience shrinking revenues despite constant, global growth in data traffic.

Demand increases, yet profits don't follow. Many operators have found themselves in the ungrateful role of a digitization enabler that keeps losing money. Companies end up in this preposterous position mainly because the bloody battle for market share easily leads to intense price competition.

Price competition combined with external factors, such as the EU roaming regulations, setting a price cap on calls, and roaming within the region don't make the task of navigating the market any easier.



## 2 Customers are dissatisfied with their operators.

Customers are not happy with the service telcos provide, and that's that. This means that both churn rates and customer acquisition costs are very high. When customer journeys are found dissatisfying, consumers turn to new disruptors entering the market with personalized, flexible digital services.

The challengers will come from outside of the industry, too. They define the new normal by providing customers with new value propositions and seamless digital experiences. Think Amazon revolutionizing the concept of retail, or Airbnb making people comfortable with offering their homes to traveling strangers.

## 3 Actors experience constant pressure to transform and acclimatize.

Learning to play by the ever-changing rules of a newly digitized business is not easy. However, if telcos fail to make their moves now, they might fall into the role of sole network providers for more dynamic, customer-facing brands.

Take the eSIM, for instance. Disruptors like Google, Apple, and Samsung are entering the market, looking to claim a wider role. For telcos, this amps up pressure to uncover the potential in, for example, the Internet of Things.

Another major shift the industry is preparing for is 5G, expected to reach 340 million people in 2021 and 1 billion users by 2025.<sup>1</sup> 5G, the latest generation of mobile broadband, demands heavy investment in infrastructure and will only penetrate the market in a few years' time. Meanwhile, telcos are offered a golden opportunity to strengthen their customer relationships before the take-up is complete.

# Ode to an all digital telco

## Making digitalization work for you



New actors enter telecommunications with the purpose of disrupting the industry. Therefore, traditional actors need to find new ways of putting their strengths to creative use. Good news is, we genuinely believe traditional telcos have a head start everywhere it matters.

For over a decade, Reaktor has supported telcos in their digital transformation journey. Over the years, we have worked on a simple concept that can make customer pains go away, reduce costs, and serve far-reaching strategic goals of all telecommunications business.

We call it the digital telco.

It is a service that adapts to its users, prides in premium customer service, and supports building long-term customer relationships. It is smart, convenient, and reduces operational costs at all levels. And, it has already been done and tested.

Telcos are key drivers and witnesses of the massive change in markets that digital ecosystem brings globally. There is no reason why telcos couldn't claim their rightful place as the go-to digital service providers – and disrupt their own market.

The way to that disruption, flipping the business over from inside out, is going completely digital, plain and simple.

### Why all digital?

We already know that through digitalization, telcos could improve their profits by 35%. With rising customer expectations, we are seeing clearer signals than ever before that customers prefer fully digital telco services. 76% of customers appreciate all digital over services in traditional channels.<sup>2</sup>

When services are bought through a mobile app, stores are rendered unnecessary – unless, of course, they are connected to new value streams. CCall volumes to customer service centers reduce dramatically when customer relationships can be cared for through messaging features. Naturally, this requires redesigning and streamlining customer support to ensure speed and quality of e-care services.

Reduced costs of customer acquisition and care only make up the tip of the iceberg. In fact, most benefits of a digital-only offering are reaped under the hood. Invoicing processes can be simplified, operating expenses reduced, and the customer experience measurably elevated.

Mobile data traffic is constantly growing and the eSIM is starting to penetrate markets, opening doors for new disruptors. However, telcos are well-equipped to turn their data ownership into future-proof business models. Their core strengths lie in their technological capabilities and in their existing, vast customer-base – something new actors can only dream of.

Telcos have the chance to claim an omnipresent role in the digital economy and create the most convenient service channels in the world. This is especially evident with the promise of 5G networks enabling nearly real-time speeds and genuinely disruptive tech that supports, for example, self-driving vehicles. And, as 5G adoption will mainly be seen in mobile broadband access (estimated to make up 99% of total 5G connections by 2025), focus on mobile solutions is taking central stage.<sup>3</sup>

So, once more for the cheap seats: digital-only, mobile telco offerings is the way to go. Next, we will look at the more specific aspects of making it work in practice.

These are the three big steps to be taken in order to make a fully digital proposition come true.

### 1 Create the ultimate digital customer experience

So long churn and high acquisition costs, hello self-serving, loyal customers.

### 2 Reimagine business models

Assessing the many faces of fully digital offerings.

### 3 Future-proof tech capabilities

A solution with embedded intelligence = preparedness to take on whatever the world throws at you.

<sup>2</sup> "How telecom companies can win the digital revolution", McKinsey, 2016

<sup>3</sup> CCS Insights 5G Forecast, 2018

# The ultimate digital customer experience

## So long churn and high acquisition costs, hello self-serving, loyal customers.

The digital-only solution elevates operators' relationship with their customers, providing a vast opportunity space for flexible, data-driven, and intelligent services.



Fully digital propositions win customer satisfaction surveys globally, and existing digital mobile telcos are following the same trend. The demand for flexible, highly personalized services is customer-led, and expectations are sky high. Meeting them is all about partnering with the customers, giving them what they need at the exact moment they want it.

Sounds simple? Once the customer experience is redefined and every touchpoint is honed to excellence, it actually is. At times, the level and nature of customer expectations take service providers by surprise. Consumers compare digital services across sectors, changing the playing field from a customer experience point of view. Suddenly, operator services are benchmarked against Spotify and Apple – and vice versa.

Expectations are on the rise throughout the customer relationship. According to an international study conducted by the Ericsson Consumer Lab, 57% of telco customers say that understanding mobile data plans feels difficult or confusing.<sup>4</sup>

Luckily, a digital telco provides value for its users from many points of view: people are rather happy serving themselves in mobile apps, as long as the buying and payment process is intuitive and easy. Another important value creator is giving customers transparency and control over the services, since it supports loyalty and trust.

Customer satisfaction also translates to profits. The Ericsson ConsumerLab report concluded that users who believe they are already on the best network spend 17% more per month on operator services than less satisfied customers. They are also 1.7 times less likely to churn.<sup>5</sup>

### Defining the service promise

The aim of reworking the customer experience is to increase loyalty and discover ways for the service to support people in their daily routines. It also works wonders in discovering connections to other parts of the company's service ecosystem.

Telcos are currently pushing their way into the video content business, either by setting up their own production departments, or by offering content from the likes of Netflix and HBO. In order to define the service promise, there needs to be a clear strategy for bridging the core offering with other services.

The first phase of envisioning a fully digital offering involves rethinking the customer journey, by plotting it out as a digital happy path. This can, for example, be based on a vision for what the touchpoints could be, empathizing with customers, and defining how current pain points could be resolved.

### How to get started:

To get to the point where a fully digital proposition matches existing and emerging customer expectations, it is smart to start the process by painting a comprehensive picture of the future.

- **Dream big.**  
What would be the most seamless imaginable digital customer experience in your ecosystem?
- **Define the standards for your ideal service promise.**  
Which steps would it require? Where could you begin?
- **Mobile apps are four times more engaging than mobile websites.**  
How will you encourage customers to interact with you in a way that strengthens positive brand awareness?

# Reimagine business models

## Assess the many faces of digital offerings.

There are many important questions for operators to address when selecting strategies for taking on a digitizing market. How to make the growing data traffic translate into revenues is, potentially, the most pressing one.



Working out what subscriptions to make available for customers depends on market positioning. Building a market position for the digital mobile offering starts with platforms, content, and customer experience. Customers are looking for added value and expect reduced offerings, and purposeful bundling with other services.

As both voice and SMS services are currently difficult to monetize on, it is crucial to follow the development of data-only users. Decisions on the digital offering will rely heavily on the behaviours and needs of the data-only segment. What are the emerging trends in its way of using connectivity?

With the smart home and IoT industry evolving at a rapid pace, operators should now be on the lookout for new, disproportionate advantages in the digital market. One tangible example of looking at particular segments of data-only users is assessing the rising consumption of video content in some of your all-digital propositions. Purposeful content makes consumers want to be and stay with you. Investing in it offers telcos a unique opportunity to build more long-lasting relationships with different kinds of users.

### Pricing models and packages

Operators and their services are perceived as uninteresting, untrustworthy, and difficult by customers. Generally, the large majority of users is looking for hassle-free and convenient digital services that they feel do most of the work for them. Choosing between packages that don't feel right makes the customer uneasy.

Customers rarely know which data package would be optimal for their needs, and often end up paying for more than what they actually use. There are already many operators offering data rollover plans, allowing customers to store or be compensated for the data they've saved or left unused. This provides an added value layer of flexibility for customers' changing needs.

Whichever pricing model you end up choosing, customers will love you more if it provides emotional value, such as an increased level of trust, too.

### How to get started

Before moving forward with designing and building your digital product, there are some core questions you ought to dig into:

- Do you want to focus on long-term or short-term customer journeys? How does your business model serve new and old customers?
- Which customer segments would it be most purposeful to focus on first?
- What do you wish to gain from the customer relationship? Do you want to enter the market with a value promise of quality, simplicity, peace of mind, or a lower price point?

# Future-proof tech capabilities

A solution with embedded intelligence = preparedness to take on whatever the world throws at you.

The biggest value promise of a fully digital proposition is that it is built for the needs of the future. In order to understand what it takes to stay ahead, you need to take a long, hard, and holistic look at the potential of the combined impact of 5G, eSIM, and data-driven services.



5G is both a huge infrastructure investment and a value promise for the most ubiquitous network the world has experienced. According to a study on the economic impact of 5G, the 5G value chain in itself is expected to generate \$3.5 trillion in revenue by 2035.<sup>6</sup>

Another focal point in the upcoming years is set on the preparedness to create offerings fit for the eSIM. An increasing number of operators already offer phone plans for the embedded SIM card, and as more devices adapt to the eSIM, operators will find it easier to expand to emerging markets like the Internet of Things.

It is clear that the business of wireless will continue its growth, and migrating users to speedier networks will be a long process. Carriers follow the adoption of the new network closely in the early 2020s, and finding the most valuable forms to cover the costs of the investments will be crucial.

Being prepared to answer to new kinds of customer-led demands, like supporting customers with IoT-fuelled homes, requires a mature, all-digital service ecosystem. Having explored digital offerings is essential for discovering what the role of telcos will be in this emerging market.

## Intelligent by design

Making services data-driven involves embedding intelligence as deep down in the systems as possible. This enables context-aware personalization and will provide valuable insights for new operating models. In 2021, two thirds of analytics processes will not only describe past events but also prescribe action – if done right. As we know, just processing data won't be enough, but human curation is needed to gain valuable insights that support learning about customers.

Staying ahead of customer expectations and spotting problems before customers notice them are some of the main benefits of leaning your digital telco on modern analytics. To ensure that services provide value throughout the service ecosystem, we need a well-developed data-strategy that is, above all, purposefully aligned with identified needs.

## How to get started

In order to make sure that your all-digital offering is fit for the future, start with looking into these questions:

- Which technological capabilities need to be validated to enable a lean and effective process in building new, all-digital solutions? Start with mapping the current situation.
- How could we harness AI to elevate the customer relationship? Is our business ready for AI?
- What kind of synergies can we find with other industries interested in 5G research and development?

<sup>6</sup> "The 5G Economy: How 5G will contribute to the global economy". IHS, 2017

# Conclusions

The foundation for becoming and remaining a customer-facing, holistic service provider is going fully digital. To get there, we've suggested a threefold approach: first, redefine your service vision and elevate the digital customer experience to excel rising expectations; second, thoroughly iterate and validate the business logic of the offering; and third, ensure your technological capabilities are in place for a 5G-powered, smarter, more connected world.

Naturally, this entails a lot of work, but the reward is a flexible and future-proof digital foundation for practically any offering your company might imagine. And, building it can start right away, or as soon as the mindset of your organization is ready to embrace the inevitable change.

The opportunity exists for your company to be among the first in the world to establish a new paradigm. With more than a decade's worth of experience in solving telco problems, Reaktor is here to help.

# Thanks for reading!

## Do you want to see what we could do together? Get in touch with us!



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### **About Reaktor**

Reaktor is a digital partner for forward-thinking companies. Based in Amsterdam, Helsinki, New York, Dubai, and Tokyo, the company creates digital products, experiences, and business tools for a global clientele.

Reaktor's work has been globally recognized with awards such as the Red Dot, Emmy for Interactive Media, Webby Award, German Design Award, and Apex Innovation Award.