Telecoms' blind spot

Hidden opportunities to drive revenue growth

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Foreword

When the 5G era began, more than 80% of telecom industry executives reported to the GSMA that they expected 5G to be monetized through B2Bcustomer segments. Yet expectations have fallen short and progress—though very real and measurable—has been slow.

Research discussed in this report finds CSPs may be falling into a dangerous pattern with B2B as well as other opportunities for growth—missing possibilities for new products and services where a customer-centric strategy and view of customer requirements is lacking. This places CSPs in a precarious position in a competitive arena where they often aren't necessarily viewed as the supplier of choice by enterprise customers seeking cutting-edge solutions, or where they ignore potential new consumer applications that could grow their bottom line. Meanwhile, other vendor types are poised to capture these opportunities with deep technological expertise, industry knowledge, and consumer insights.

Now more than ever, CSPs need to embrace an open innovation approach where these potential competitors become critical partners in designing and implementing the next generation of solutions. This will, of course, require a significant shift in mindset; our study shows that CSPs don't universally view partners as key to innovation. Recent GSMA Intelligence research backs this finding. When asked where investments are needed to support increased use of generative AI, for example, respondents ranked partnerships last.

CSPs are at a pivotal point. With revenue growth and customer experience as the top measures of success for transformation strategies, according to GSMA Intelligence, CSPs should heed the examples of the leaders identified and described in this report. Otherwise, they risk losing out on future revenue streams and leaving customers unsatisfied. We have every confidence that CSPs can make the changes necessary to transform to organizations focused on delivering the products and services that meet their enterprise and consumer customers' needs.

Peter Jarich
Head of GSMA Intelligence

Key takeaways

CSPs are often undervaluing the services of most interest to customers.

■ **A leader group, the In-touch Telecoms, are two times more likely to offer edge, payment, and industry solutions.**

In aligning with these enterprise customer priorities, In-touch Telecoms model a customer-centric approach to solution development.

■ **Three out of four consumers say they trust their CSP moderately or completely.**

This trust, combined with higher levels of loyalty and satisfaction, opens consumers to services from CSPs beyond mobile and broadband.

■ **Two out of three CSP business partners have expertise in an area integral to creating new revenue streams.**

Partners are poised to lead CSPs into new territories and can also leverage their access to potential customers.

Missed opportunities?

With legacy revenue streams under stress, the quest for CSPs to find growth is an ever-increasing priority. Given the telecommunications sector's fierce competition, the latest findings from the IBM Institute for Business Value (IBM IBV) are indeed surprising. Our study shows CSPs are missing key opportunities, leaving money on the table and putting hopes of expanding revenues and services beyond connectivity at risk.

To unearth potential new revenue opportunities for the industry, IBM IBV surveyed 600 CSP executives, enterprise customers, and business partners across the globe, and more than 13,000 consumers from 14 countries (see "Study approach and methodology" on page 26). We then collaborated with GSMA Intelligence to analyze the outcomes. This extensive data set was supplemented by one-on-one interviews with hand-selected industry leaders to both substantiate the results and garner deeper insights into the dynamics at play.

We discovered a sequence of disconnects—and opportunities. In both the enterprise and consumer markets, CSPs are often undervaluing—or completely missing—the services of most interest to customers. These costly misses are rooted in cultures that have inhibited certain kinds of innovation, as well as a do-it-alone operational approach that keeps CSPs from experiencing the value of partnerships.
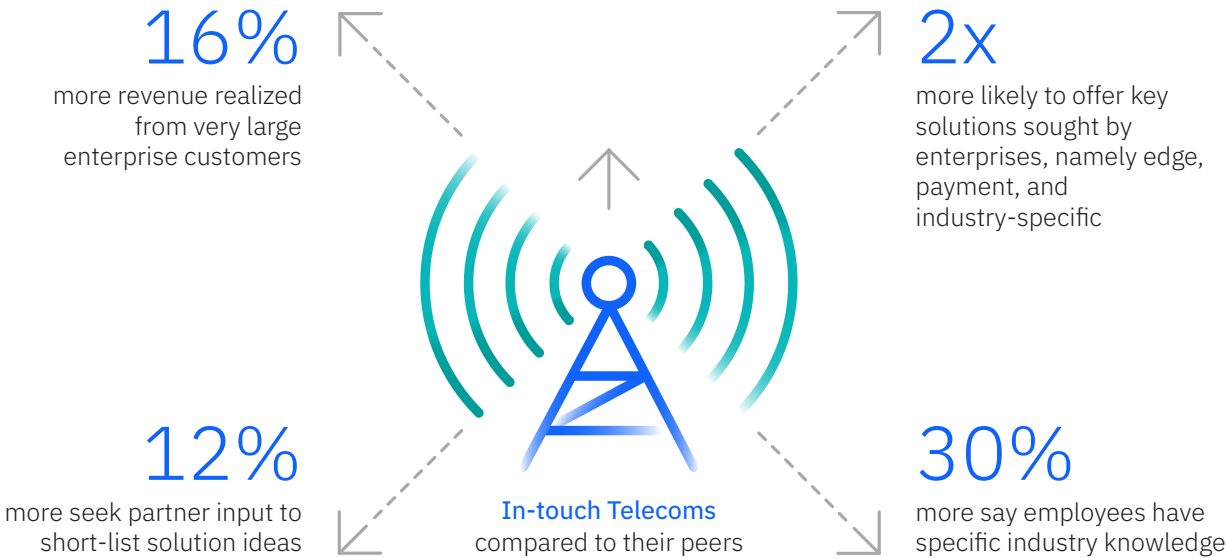
We also discovered a subgroup of CSP leaders that are defying traditions. We call them the "In-touch Telecoms." They are distinguished by several characteristics, including: a higher percentage of revenues from very large enterprise customers, better alignment of products and services with customer needs, a stronger ecosystem for solution co-creation, and a more tech-savvy workforce (see Figure 1). These leaders provide lessons for the rest of respondents—a group we call Spectators—as well as the entire industry, as they demonstrate how business value can be unlocked with:

– A more customer-centric focus

– A culture of innovation

– Stronger business partner relationships.

This report dives into topics critical for future CSP success. First, we explore the enterprise market and how In-touch Telecoms are connecting better with customers to meet their needs. Then we discuss the consumer market and potential new services that can revitalize stalled growth and differentiate CSPs. Next, we dig into two key areas critical to CSPs' revenue prospects: innovation and partnerships. Finally, we present an action guide that recommends ways organizations can recharge their mission to grow.

FIGURE 1

In-touch Telecoms distinguish themselves from their peers in several ways.

16%
more revenue realized from very large enterprise customers

2x
more likely to offer key solutions sought by enterprises, namely edge, payment, and industry-specific

12%
more seek partner input to short-list solution ideas

In-touch Telecoms
compared to their peers

30%
more say employees have specific industry knowledge

Source: 2023 IBM IBV survey of CSPs. Q. Percent of organization's enterprise revenues from your very large customers (> $100 million revenue customers) in 2021/2022. Q. Types of enterprise services/products/solutions/platforms are either currently offered or planned to be launched by your org in the next 12 months. Q. Moderately or strongly agree with the statement: get partner inputs to short-list enterprise solutions. Q. Moderately or strongly agree with the statement: skills that must be part of your org and that your employees have today - specific industry knowledge.

Nearly two-thirds of enterprise customers say they are looking for payment or industry-specific solutions from CSPs.
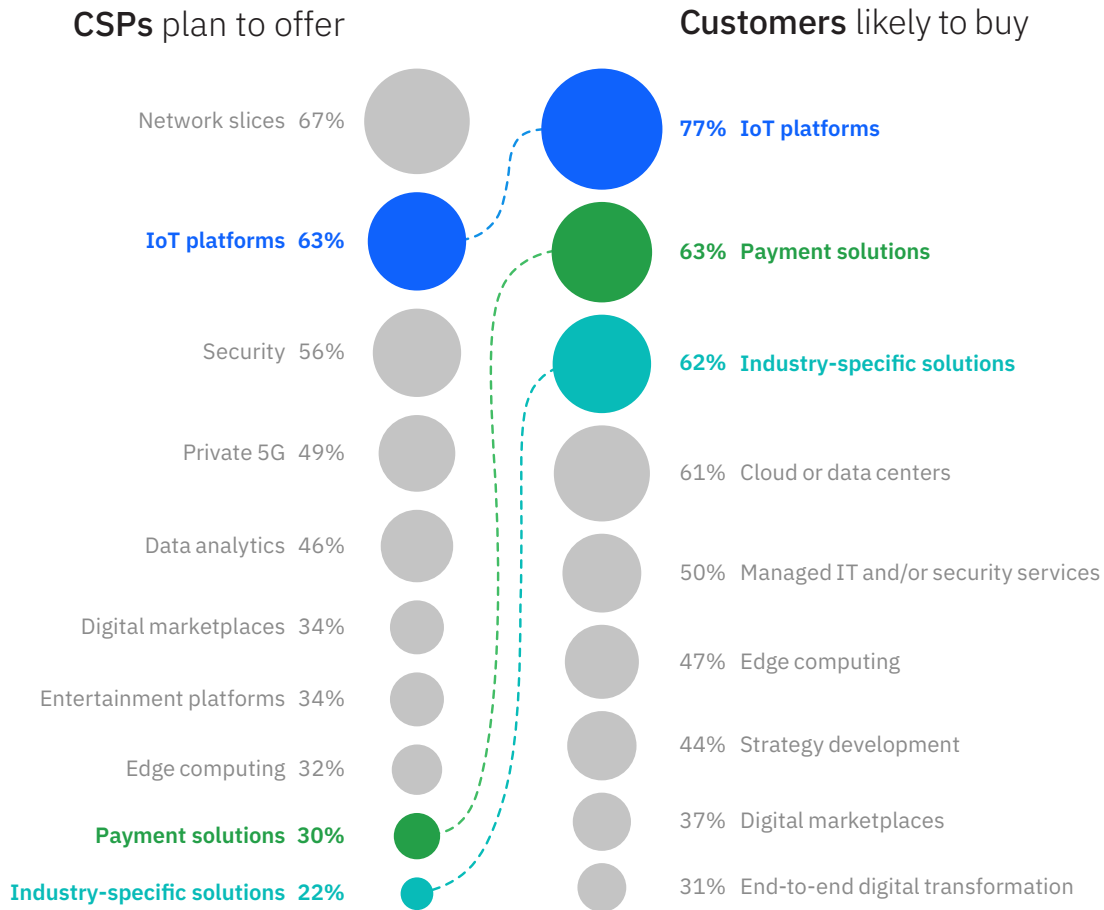
Galvanizing growth in the enterprise market

The telecom industry turned to enterprise customers over the past 10 years to boost stagnating growth rates. That has proven fruitful for our surveyed providers who estimate enterprise customers now make up 47% of their revenue share. But use cases that leverage the enhanced connectivity of 5G and the vast expansion of IoT devices and sensors are not yet delivering on their promises, and the industry CAGR is hovering around 2%-2.5%.[1] Have CSPs exhausted their enterprise options?

Not necessarily. Observations from our data indicate CSPs are failing to see additional possibilities.

For example, while both CSPs and enterprise customers continue to point to IoT platforms as an important capability for the industry, they have widely different assessments of what matters most after that (see Figure 2). Nearly two-thirds of enterprise customers say they are looking for payment (63%) or industry-specific (62%) solutions from their communications providers. But less than a third of CSPs are prioritizing those services.

Few CSPs are offering some of the solutions of most interest to enterprise customers.

CSPs plan to offer

Network slices 67%

IoT platforms 63%

Security 56%

Private 5G 49%

Data analytics 46%

Digital marketplaces 34%

Entertainment platforms 34%

Edge computing 32%

Payment solutions 30%

Industry-specific solutions 22%

Customers likely to buy

77% IoT platforms

63% Payment solutions

62% Industry-specific solutions

61% Cloud or data centers

50% Managed IT and/or security services

47% Edge computing

44% Strategy development

37% Digital marketplaces

31% End-to-end digital transformation

Sources: 2023 IBM IBV survey of CSPs. Q. Types of enterprise services/products/solutions/platforms are either currently offered or planned to be launched by your organization in the next 12 months. 2023 IBM IBV survey of CSP enterprise clients. Q. Services, platforms, or solutions that organization is likely to buy from connectivity provider now.
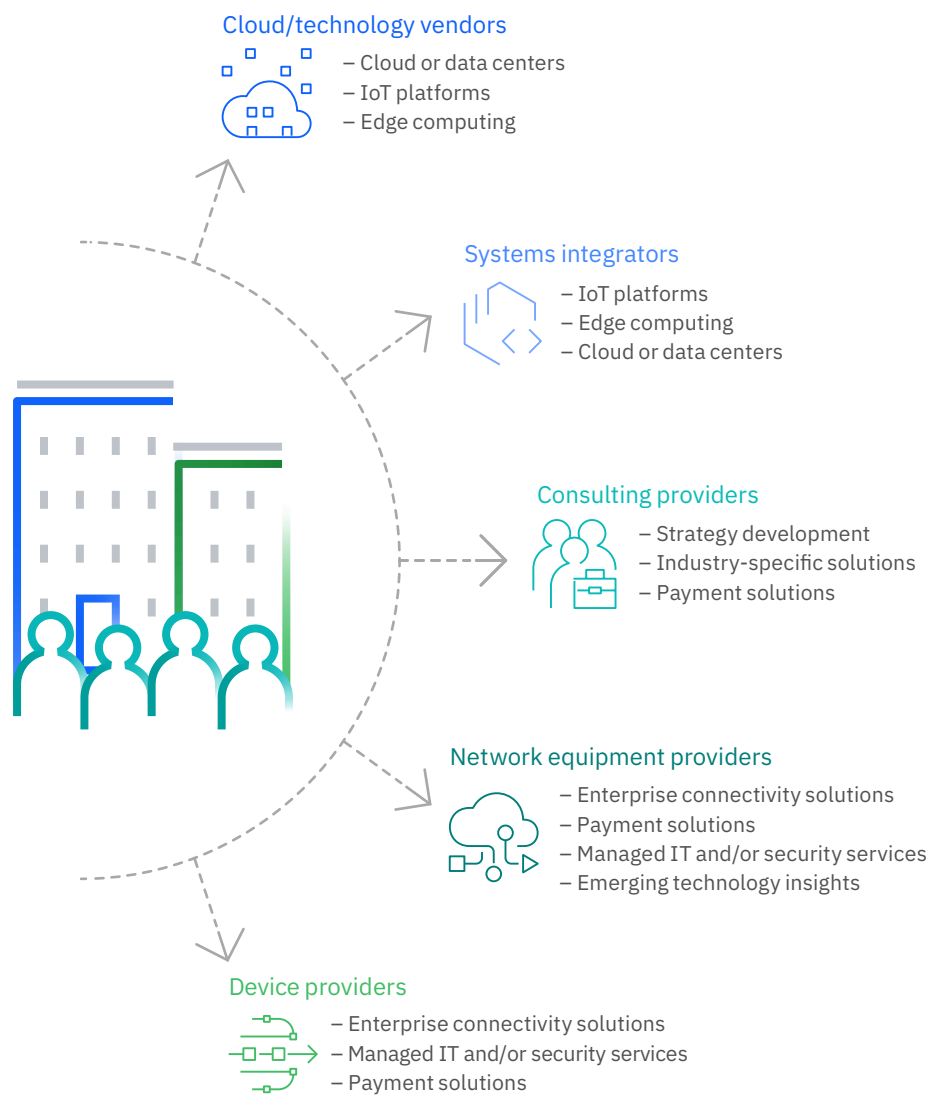
Why are some CSPs missing the mark? They appear to have a blind spot—similar to what an automobile driver may experience when there's a hidden area they can't see. Our data suggests this blind spot for CSPs is an in-depth understanding of their customers' industries and businesses—which happens to be a critical requirement of enterprise customers. As one manufacturing executive expressed at the 2023 GSMA M360 UK event, "We need telecom providers to understand our industry and the problems we face."

While CSPs have been confident in their understanding of the consumer market, too many seem to mistakenly assume that they also know their enterprise customers' problems—or they simply don't consider this lack of understanding to be a concern. In contrast, our results show that CSP business partners see this same gap between CSPs and their customers quite clearly and recognize it as an inhibitor to revenue growth (see Perspective, "Partners perceive a disconnect" on page 8).

Without this critical awareness of customers' unique challenges, how can CSPs expect to solve them? And if customer needs aren't being met, what exposure to outside competition does that create? When we asked enterprise customers what providers other than CSPs they would consider purchasing solutions from, they indicated they are more than willing to look at alternative vendor types (see Figure 3). To preserve potential business opportunities, CSPs must stay in touch with enterprise customers and their needs.

FIGURE 3

Enterprises will look to other vendor types for new services, including for those considered optimal for CSPs such as IoT and edge.

Cloud/technology vendors
– Cloud or data centers
– IoT platforms
– Edge computing

Systems integrators
– IoT platforms
– Edge computing
– Cloud or data centers

Consulting providers
– Strategy development
– Industry-specific solutions
– Payment solutions

Network equipment providers
– Enterprise connectivity solutions
– Payment solutions
– Managed IT and/or security services
– Emerging technology insights

Device providers
– Enterprise connectivity solutions
– Managed IT and/or security services
– Payment solutions

Source: IBM IBV 2023 survey of CSP enterprise clients. Q. In addition to your connectivity providers, would you buy this service from this type of vendor. Results reflect top three answers per vendor type except for network equipment providers, which had a tie for the third most selected answer.

Partners perceive
a disconnect

CSP business partners—those surveyed organizations responding that they have telecom customers—pinpoint the same disconnect between CSPs and their customers as our survey results revealed, plus other barriers slowing pursuit of new business models:

– More than half (51%) of partners cite CSPs' lack of understanding of customers' business problems as a challenge to working with them.

– More than two in three (69%) observe that CSPs prefer to stay with what they know.

– Almost half (44%) agree that CSPs are slow to make decisions (with another 40% hesitating to agree or disagree, giving a neutral answer).

Lessons from leaders

Our In-touch Telecom subgroup is eliminating the blind spot and rectifying the disconnects that plague their peers. These leaders appear to be listening intently to customer needs and better aligning their services. From edge to payments to industry-specific solutions, they are twice as likely to offer key options in these areas than our Spectator subgroup. In fact, to make sure they are developing what enterprise customers are interested in, nearly two-thirds (64%) of In-touch Telecoms say they turn to customers for new product and service ideas.

Nirupmay Kumar, Executive Vice President of Technology at Vi in India, offered an example of how they build on established relationships with customers. "On a regular basis, our teams talk with them to understand their problems from a business point of view, not from the perspective of what we can offer or sell to them," he said.

Vi also defines campaigns to help customers understand their capabilities with specific technologies. For example, one event offered a digital maturity calculator. "This helped the enterprise understand where they are and what kind of enablement they might need, and at the same time, created business opportunities for us," Kumar explained.

Kumar also pointed out a key difference between how Vi works with large enterprises and small to medium businesses. "We understand that at the very large enterprise level where they have a complete IT setup, they are clear on what they want," he said. "But for medium and small enterprises, that may not be the case, and it is helpful for both of us to share what's happening in the marketplace, what types of technologies are available, and how to evaluate this information to see what fits their requirements."

Shifting the mindset from "what can I provide" to "what do you need" opens the door to expansion. Vodafone's Chief Data Officer and Head of Digital and Transformation, Miryem Salah, explained: "Our strategy in everything that we do and everything that we deliver is to evaluate the impact on the customer and make sure the benefits are very clear. With our customer-first approach, we are always thinking: if I invest in this, is it going to have a positive impact on our customers? Is it going to be a product that solves problems for our customers?"

"On a regular basis, our teams talk with them [customers] to understand their problems from a business point of view, not from the perspective of what we can offer or sell to them."

Nirupmay Kumar, Executive Vice President of Technology at Vi in India

Modeling customer centricity

Leading CSPs deploy a range of customer-centric approaches. Some are embracing platforms as a way to offer specialized solutions. For example, a large Asian communications provider has invested in developing a cutting-edge big data platform designed to deliver a variety of industry-focused data products and solutions.[2]

Others are focusing on a specific industry. China Unicom Glo (CUG) saw potential in warehousing, so they developed an expertise in data center construction, fixed wireless coverage, security systems, smart site monitoring, and robot services. Combining this specialization with its global network resources and ICT services, CUG worked with a logistics company to develop an integrated communications platform for a 20,000-square-foot warehouse, featuring wired and wireless infrastructure, a video surveillance system, forklift charging stations, and diesel generators.[3]

In addition to industry-specific solutions, enterprise customers are keenly interested in payment solutions and IoT innovations. As trusted connectivity providers for the vast volumes of IoT devices, CSPs are well positioned to lead a transition to revolutionary payment platforms—an evolution from the Internet of Things to an Economy of Things where devices do business with each other.[4] Vodafone has seized this opportunity with the development of its Digital Asset Broker (DAB) platform, which enables trusted transactions and communication between IoT connected devices.[5]

Enterprise customers also want their CSPs to solve multicountry support challenges, with more than half (55%) ranking it as a top priority for their provider. Regulations plus technical and cost challenges make this more difficult, but those CSPs that work closely with regulatory bodies as well as other operators can develop cross-border solutions more cost effectively.

For example, Verizon has deployed eSIM technology for cross-border IoT connectivity, enabling IoT devices to be remotely provisioned and connected as if they are a local subscriber.[6] The GSMA Open Gateway framework of common network APIs also holds promise with a goal of providing universal access to operator networks for developers.[7]

"We are always thinking: if I invest in this, is it going to have a positive impact on our customers? Is it going to be a product that solves problems for our customers?"

Miryem Salah, Vodafone Chief Data Officer and Head of Digital and Transformation
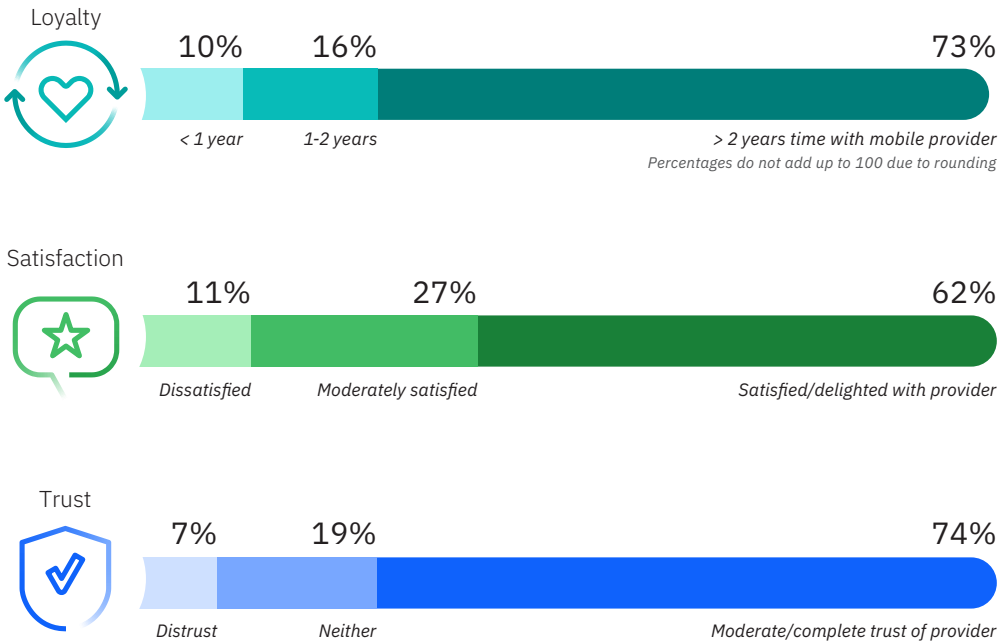
Rejuvenating the consumer market

While the consumer market is much more fragmented than the enterprise market—it takes fewer business customers to generate more revenue—consumers still constitute the bulk of CSP customers. And when enticed by the right add-on services, the financial leverage and impact can be considerable.

Contrary to popular belief that CSP consumers are fickle—one estimate places the industry churn rate around 30%—our survey reveals they are predominantly loyal, satisfied, and trusting (see Figure 4).[8]

Consumers are mostly loyal, satisfied, and trusting of their CSPs, making them open to considering additional services.

Loyalty

| 10% | 16% | 73% |

| < 1 year | 1-2 years | > 2 years time with mobile provider |

Percentages do not add up to 100 due to rounding

Satisfaction

| 11% | 27% | 62% |

| Dissatisfied | Moderately satisfied | Satisfied/delighted with provider |

Trust

| 7% | 19% | 74% |

| Distrust | Neither | Moderate/complete trust of provider |

Source: 2023 IBM IBV survey of CSP consumers. Q. How many years have you had service from these providers? Q. Thinking of last 12 months, how satisfied are you overall with your communications provider. Q. Rate your overall trust in your provider. Note: Some "loyalty" can be credited to required times of contracts to receive special pricing.

These sentiments make the consumer market ripe for pursuit of new revenue streams. In our survey, consumers indicate they are open to a variety of additional services from their provider (see Figure 5). In particular, services that help simplify the busy connected lives of established spenders—such as smart home products—or those that lend a hand to aging spenders and their caregivers—such as computer support—present interesting opportunities.

The up-and-coming group of spenders—those aged 18-25 who are on the cusp of having more disposable income—are even more enthusiastic, expressing interest in virtually every type of product or service listed.

Consumers—especially the older Gen Z group—are interested in new services that can simplify their busy, connected lives.

— 18-25 year olds   — All consumers

Cloud storage	
18-25 year olds	69%
All consumers	64%

Electronics (TVs, digital assistants)	
18-25 year olds	72%
All consumers	64%

Tablet	
18-25 year olds	68%
All consumers	64%

Smart home security	
18-25 year olds	68%
All consumers	63%

Computer support	
18-25 year olds	68%
All consumers	60%

Smart home devices	
18-25 year olds	65%
All consumers	59%

Computers	
18-25 year olds	69%
All consumers	59%

Smartwatches	
18-25 year olds	67%
All consumers	58%

Internet-enabled devices	
18-25 year olds	64%
All consumers	55%

Source: 2023 IBM IBV survey of CSP consumers. Q. Products and/or services purchased or would buy if available from communications provider.

Tapping into the smart home market

Smart home products and services have developed into a more promising business than when CSPs previously tried to offer them. Valued at $79 billion in 2021, reaching $314 billion by 2027 for a CAGR of 25.3%, the smart home market is growing as consumers rely even more on devices and digital assistants for convenience and safety.[9] CSPs have the infrastructure, expertise, and reach in place to enter this market, and consumers indicate they are interested. Most say they would consider buying or have already bought smart home devices—such as thermostats, smart bulbs, smart plugs—as well as security systems—such as alarms, locks, doorbells, videos—from their communications providers. They are also interested in digital assistants, which can connect these devices and systems into an integrated experience.

CSPs can go after the opportunities in several ways, outside of the obvious high-speed connections they already provide. For example, CSPs—on their own or with business partners—can build platforms that provide a central hub for controlling smart home devices, enabling consumers to manage many elements by voice or through a mobile application.

CSPs could develop their own home devices or partner with third parties to offer a broader selection. For example, Australia's Telstra sells an accessory line that includes smart home devices; their rewards program allows customers to accumulate points to offset the costs.[10] Deutsche Telekom also has a line of smart home products.[11]

CSPs could move into support services, as illustrated by Etisalat, a large telecom in the Gulf Cooperation Council (GCC). They offer smart monitoring, smart door, smart appliance, and smart energy services.[12]

The smart home market offers an added advantage: data. The devices and services generate volumes of data that CSPs can turn into insights for their own products and services, to target advertising, or even to feed into enterprise solutions with appropriate consent from consumers.

Consumers themselves are inundated with data, making secure storage services a top prospect for an add-on service. Bango—a leading telecom integration company—and Dropbox recently agreed to a partnership that enables the cloud storage provider to offer its subscription packages through a global network of telecom operators.[13]

Venturing into other verticals

GSMA Intelligence research shows that as CSPs began offering solutions beyond traditional core services, they started to see financial success. The average contribution to total revenue of these new solutions increased to 24% in 2021, up from 18% in 2017.[14]

CSPs are building on that progress, leveraging their name and reputation to explore options in other industries. For example, in the entertainment business, CSPs can gain brand recognition and loyalty by sponsoring venues and offering programs that give consumers early access to tickets and experiences— a tactic adopted by UK Telefónica (now VMO2).[15]

Others are pursuing healthcare solutions. Brazilian telecom Oi recently announced plans to offer telemedicine services to Oi Fibra customers.[16]

Certain CSPs are jumping into the embedded finance market, where financial services are embedded within nonfinancial platforms. Airtel has designed a suite of finance offerings for its customers, including personal loans and credit card services.[17] South African telecom MTN Group launched its Mobile Money (MoMo) applications to simplify payments for consumers and businesses.[18] Turkcell, a leading provider in Turkey, recognized an underserved population with limited access to traditional banking channels in their country, so they launched mobile payment and banking products to extend the reach of financial services to that population.[19]

Converting consumer care into value

Consumers also value an omnichannel customer service experience, cited by 76% of respondents. Hitesh TK, CIO of Vi, explained that his company has taken this to the next level by building a back-end platform that supports all digital channels seamlessly while also enabling end-to-end fulfillment. "We saw significant improvement in our NPS scores after moving to this system, not just because of the omnichannel experience but because of the end-to-end fulfillment aspect," he said.

Similarly, CSPs can enrich customer engagements by combining robust, AI-powered self-service with human agents equipped with in-depth resources and personalized recommendations. Such an enhancement could help turn contact centers into revenue generators.[20]

76% of consumers say they value an omnichannel customer service experience.

Committing to a culture
of innovation

For CSPs to solve enterprise customers' unique challenges as well as meet new consumer demands, they must move outside of their comfort zone—both in processes and products. Vodafone's Salah noted the importance of a fresh approach to transformation.

"In the past, transformation was IT oriented, integration oriented. Now we're seeing the power of looking at how we can do something differently, thinking outside the box," she said. "We have the mindset to make sure we're looking ahead and investing in strategic solutions."

Designing innovative solutions also requires time and resource investments. As revenue growth has plateaued, CSPs have struggled to find the funding for extensive development. Our respondents reported an average of 2.7% of their 2022 revenue was directed to R&D. This stands in stark contrast to the technology industry, which spends around 11%.[21] As "telcos" strive to become "techcos," limited investment in innovation is short-sighted.

In-touch Telecoms are more aggressive, fueled by a bolder mindset. These companies don't consider innovation daunting—it falls near the bottom of a list of business barriers. In fact, for these leaders, innovation comes in many forms.

"In the past, transformation was IT oriented, integration oriented. Now we're seeing the power of looking at how we can do something differently, thinking outside the box."

Miryem Salah, Vodafone Chief Data Officer and
Head of Digital and Transformation

First, In-touch Telecoms are spending about 15% more on R&D than Spectators. Nearly 70% also have a corporate venture capital arm used to identify and fund the startups that can strengthen their solution-building ecosystem (see Perspective, "Inspiring innovation by funding startups" on page 17).

Second, In-touch Telecoms have established an organizational structure to support breakthrough developments. Nearly two times more leaders than Spectators report having an internal R&D division that produces patent-worthy technology. More than three-quarters (78%) of In-touch Telecoms say they have a specialist team to create new enterprise solutions, and they tend to outsource solution-building less than their peers.

In contrast, many CSPs have relegated themselves to the sidelines with a far more cautious approach to innovation. Content to stay in their comfort zone, they are missing opportunities for several reasons. It could simply be a matter of the size of their organizations. But in other cases, their business and IT leaders are not aligned toward shared outcomes because of siloed organizational structures. Legacy development and testing cycles lack flexibility and speed, thus delaying time to market and, consequently, time to value for solutions. And they are more likely to outsource R&D.

Winning with a skilled workforce

Innovation requires a continuous reskilling of talent to keep pace with the latest technologies. In-touch Telecoms are confident in their people, ranking that issue low among business challenges. More leaders than Spectators say their employees possess industry-specific knowledge—a trait that bolsters their ability to develop tailored solutions.

Additionally, more In-touch Telecoms than Spectators say their employees are skilled in critical areas such as the latest network technologies, DevSecOps (the integration of security throughout development and operations), AI, 5G, 6G, quantum computing, and IoT. And as noted by Vodafone's Salah, "Digital leadership skills are a priority. We value people who are thinking digital first before anything."

Two times more In-touch Telecoms than Spectators have an internal R&D division that produces patent-worthy technology.

Perspective

Inspiring innovation
by funding startups

One approach to innovation for leading CSPs has been investing in startups. Tapping into the resources of these fast-paced, digitally savvy organizations can help accelerate new initiatives. For example:

– Mobily, a leading telecom in Saudi Arabia and one of the early adopters of this approach, launched a venture capital fund in 2014 to invest in promising tech partners throughout the region.[22]

– BT Group, a British telecom, announced its support of drone firm Altitude Angel, which aims to create a 165-mile drone superhighway across southern England to revolutionize the transport of goods.[23]

– BT Group has also brought in startups to build proofs of concept for digital solutions as part of its Green Tech Innovation Platform, designed to help manufacturers cut carbon emissions.[24]

Alliances and organizations are also forming to foster greater collaboration among CSPs and technology companies, such as:

– The Alaian alliance, which brings together Bouygues Telecom, Cellnex, KPN, MTN, NOS, STC, Telefónica, and Wind Tre with mobile technology leader Qualcomm to identify startups focused on augmented, virtual, and mixed reality.[25]

– TM Forum's Next20 startup program, designed to bring together CSPs and startups to solve pressing telecom industry problems.[26]

Extending capabilities
with partnerships

To remain customer-centric and deliver on innovation for both enterprise and consumer customers, CSPs must embrace the value of partnerships, as the CIO of a US connectivity provider noted: "Our strategy in general has been to leverage partnerships, leaning into partners with strong capabilities."

In-touch Telecoms live by this philosophy. Compared with their Spectator peers, these leaders leverage partners more when crafting new solutions (see Figure 6).

In-touch Telecoms work with an ecosystem of partners more so than their peers.
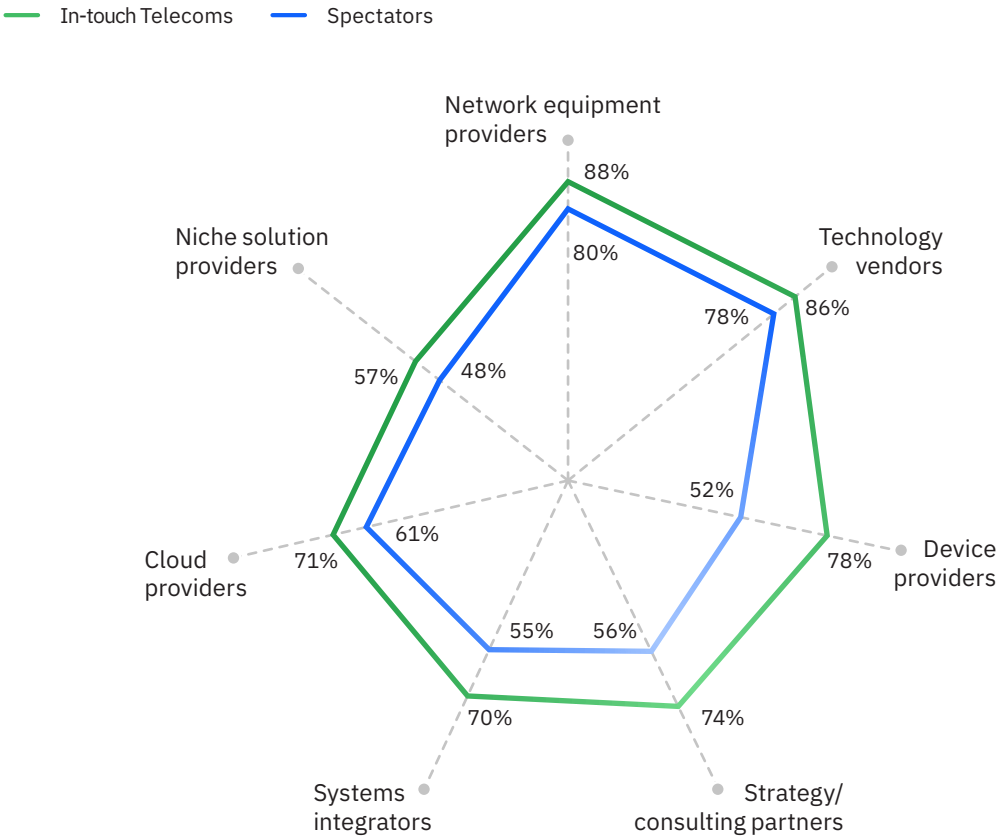
— In-touch Telecoms   — Spectators

Teaming with other companies can also help CSPs address another leading concern: time to market. 60% of In-touch Telecoms identify the length of time to commercialize solutions as a leading barrier to new revenue. Their struggle is evident in the numbers. They report the average time from concept to market for new products or services is a long 15 months. Out of all the CSPs surveyed, some say it takes almost three years, at which point the solution may not even be relevant.

By offering access to skills and technology that CSPs lack, the right business partners can help accelerate innovation. For example, teaming with cloud providers gives CSPs access to ready-made, scalable infrastructure where they can build and test new services more quickly and cost effectively. "Cloud has enabled innovation by allowing creation of proofs of concept quickly, supporting faster evaluations and capability development," said the US connectivity provider CIO. Nearly three in four (71%) In-touch Telecoms agree with the importance of teaming with cloud vendors.

In-touch Telecoms also consider technology vendors (86%)—SaaS, business support systems/operations support systems, and other technology providers— and systems integrators (70%) as key partners. These companies provide expertise across a range of areas, such as networking and security, and in emerging technologies such as traditional and generative AI. They also bring knowledge of regulations, connections to new markets, and deep experience in building end-to-end solutions.

Vi's Kumar agrees with complementing capabilities with partners, saying that for their solutions, they rely on partners for much of the technology outside of their core connectivity competencies. "The combination of IT services and core telecom capabilities plays a very vital role, such as with Industry 4.0 scenarios where IT/OT comes together and enables data-driven insights for business enablement."

To reinforce their focus on meeting enterprise customers' specific needs, more than half (57%) of In-touch Telecoms are also turning to niche solution providers. These offer in-depth expertise to help create a more tailored solution. Niche providers can also be more agile and cost-effective because of their smaller size.

Partners play different roles

Involving the right partners helps drive up the chance for solution success, but about half of both In-touch Telecoms and Spectators indicate that establishing the ecosystem for their initiatives is difficult. Perhaps this is because CSPs haven't historically needed partners. Instead, many have viewed their ecosystem as suppliers with a potentially adversarial relationship focused on price negotiation.

Transitioning to a teamwork strategy can be tougher because it requires consensus on goals and priorities as well as trust with new team members. After all, many of the potential partners can also be seen as competitors in these developing areas.

In-touch Telecoms and Spectators are taking a variety of approaches to partnerships. Roughly two in three from both groups are testing the water, using partners for demos, but then designing, building, testing, and operating the solution themselves. About four in five from each group also say they are jointly going to market with partners.

But In-touch Telecoms appear to value the expertise of partners more, involving them earlier in the development process. More In-touch Telecoms than Spectators are experimenting with a few partners to find ways to accelerate creation of enterprise solutions. That includes seeking partner input as they narrow down their list of options, build business cases, and create pilots.

60% of In-touch Telecoms identify the length of time to commercialize solutions as a leading barrier to new revenue.

Platform business models and marketplaces are proving to be particularly disruptive and valuable by uniting an ecosystem of partners. CSPs act as an intermediary, providing the infrastructure, technology, and services that enable different brands to make their services available to both businesses and consumers.

For example, India's Vi has expanded its mobile application to what Hitesh calls an "all-in-one" application where consumers can tap into multiple third-party services, such as subscriptions for movies and games. As the company works with more partners to build a marketplace of services, Hitesh noted the advantage the telecom can bring: "As a telecom, since we're already in the service industry, we know what types of services and support we need to provide when new products are offered, and it's very easy for us to stitch that into the back-end systems."

Similarly, another global CSP uses a marketplace of partners to help its customers build the networking solution that best meets their budget and needs. The marketplace integrates the company's extensive network infrastructure, cybersecurity expertise, and portfolio of ecosystem software so that customers can tailor solutions using self-service options and add-ons, including end-to-end deployment, imple-mentation, and support services.[27]

CSP partners are willing and able

From the CSP business partner perspective, those we surveyed are poised to take CSPs into new territories. As would be expected, nearly three-quarters of respondents say they have access to enterprise customers that CSPs would like to reach, and two-thirds note they have expertise in an area that could prove integral to additional revenue streams.

Partners say they are taking the initiative to educate CSPs on opportunities they can support, and they indicate they have the right access to influence decision-makers within the CSPs' organizations. Those CSPs that leverage the expertise and clout these receptive partners offer will be better positioned to grow in both the enterprise and consumer markets.

73% of CSP business partners say they have access to enterprise customers that CSPs would like to reach.

Action guide

Disruption demands drastic change. If you want radically different growth, you can't continue relying on traditional technologies and capabilities. It's time for a fresh start. CSP executives must tune into their customers' needs and reimagine what's possible—combining their companies' strengths with the right partners and the right technologies.

How to pursue growth with enterprise customers

Get out of your comfort zone

*For CEOs and Chief Data Officers:
Become more customer centric.*

– Use surveys or in-person conversations to understand customer pain points.
– Identify an area where you could help and use approaches such as Enterprise Design Thinking to co-create new solutions with your clients.

For leaders of business strategy, CEOs, and CHROs: Develop an industry focus and expertise.

– Explore industry-specific solutions, such as connectivity needs of connected cars, healthcare data transmission through smart devices, or 5G uses in utilities and manufacturing.
– Start small, exploring potential initiatives in one industry based on your capabilities or existing partners.
– Develop industry-specific expertise both in-house—through hiring or reskilling employees— and by partnering with systems integrators, niche solution providers, or consulting firms.

*For leaders of business divisions, CIOs, and CTOs:
Seize synergy with partners.*

– Pursue more complex solutions leveraging the expertise of systems integrators and cloud providers.
– Define specific technology needed to support your initiatives and identify technology providers to supplement your capabilities.

For CTOs and network operations leaders: Explore multicountry support solutions.

– Work with industry associations to determine how to provide seamless multicountry support. Learn from the infrastructure put in place for roaming charges.
– Engage in open standards initiatives such as the GSMA Open Gateway, which facilitates access to common network APIs for developers.

Action guide

How to pursue growth with consumer customers

Build on existing loyalty, satisfaction, and trust

For Chief Digital Officers and CIOs:
Create a consistent, seamless omnichannel customer service experience.

– Evaluate your current use of traditional and generative AI and virtual agent technology.

– Build more robust, AI-driven, self-service capabilities for consumers.

– Empower employees to provide better high-touch interactions with customers using AI-generated, in-depth information and personalized recommendations.

For business strategy leaders:
Anticipate the needs of various age groups as their spending power evolves and their needs change.

– Identify bundled service opportunities that allow consumers to streamline management of connectivity, including smart home and other IoT devices.

– New spenders: Test unconventional services—such as those focused on entertainment—with the more open-minded younger customers.

– Established spenders: Explore offering smart home or managed security services to simplify the lives of busy customers.

– Aging spenders and their caregivers: Consider services that would remove some responsibilities from caregivers, such as IT support.

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As a General Manager at IBM, Stephen is driving multibillion-dollar P&L delivering technology, products, and solutions to CSPs and enterprise clients. He has spent the last 20 years working in technology, media, and telecommunications (TMT) strategy consulting. He guides fixed and wireless telecom operators, industrial, webscale, private equity, and government sector clients at the intersection of business change, digitalization, and technology. He is active across academic and industry forums that are instrumental in shaping the future of TMT sector growth. He has a master's degree in strategy and organizational leadership from the University of Oxford.

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As a global industry leader, Rahul supports the IBM Consulting™ industries mission of advancing the transformation agenda, opportunities, solutions, and delivery for CSP clients across the globe while also contributing to industry thought leadership. With over 23 years of consulting experience in the telecommunications industry, Rahul has worked with leading CSPs on their digital transformation, lead-to-cash, omnichannel, and business support services (BSS) transformation engagements. He has driven significant business value together with a consistent and seamless experience for their customers and users. Rahul is also an Industry Diamond badge holder at IBM.

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Priya leads the telecom research area for the IBM Institute for Business Value. She is a telecommunications engineer by training and has worked with over a dozen CSPs across four continents. She brings her deep and broad understanding of the telecom value chain, partnerships, competition, regulation, automation, and advanced technologies to help clients understand the business value of technology. Priya has special interests in 5G enterprise commercialization and is a member of the AI Expert Working Group for UK Telecoms Innovation Network (UKTIN) and the GSMA IoT Forum as well as a mentor for the TM Forum Next20 program.

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Study approach and methodology

In June and July 2023, the IBM Institute for Business Value and GSMA Intelligence, in collaboration with Oxford Economics, conducted four global surveys to simulate a 360-degree review of communications service providers. The goal was to gain a more complete and different perspective of how CSPs are pursuing growth opportunities. Our leader group, In-touch Telecoms, was defined based on their responses to multiple questions that represented a forward-thinking approach to revenue growth. Multiple statistical analyses were applied to the data to better understand underlying attitudes and behaviors of the leader group.

Provider survey

We surveyed 400 CSP executives across 16 countries to understand the products and services they offer or plan to offer, their approach to innovation, and how they work with business partners in solution development. We also asked them about overall business challenges as well as specific barriers to new solution development.

Enterprise client survey

We surveyed executives from 100 enterprise customers from 16 countries to learn about their satisfaction with their CSPs and what products and services they would consider purchasing. We asked them about challenges they have had with their providers and where they learn about connectivity trends.

Business partner survey

We surveyed executives from 100 CSP business partners from 16 countries, including technology vendors, cloud providers, network equipment and device providers, systems integrators, niche solution providers, and strategy and consulting providers. We explored how they work with CSPs in new solution development and how they could contribute. We also asked about challenges in working with CSPs.

Consumer survey

We surveyed more than 13,000 CSP consumer customers from 14 countries, ranging in age from 18 to more than 70 years old. We asked them about their satisfaction with their providers, services they currently use, and what additional services they would consider purchasing. We also asked a series of questions designed to determine consumers' level of trust in their providers.

Interviews

From June to August 2023, we hand-selected executives from leading companies in the telecom industry to interview one-on-one to validate and explore the survey results in more depth. Their expertise is reflected in the report along with select quotes throughout the paper.

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