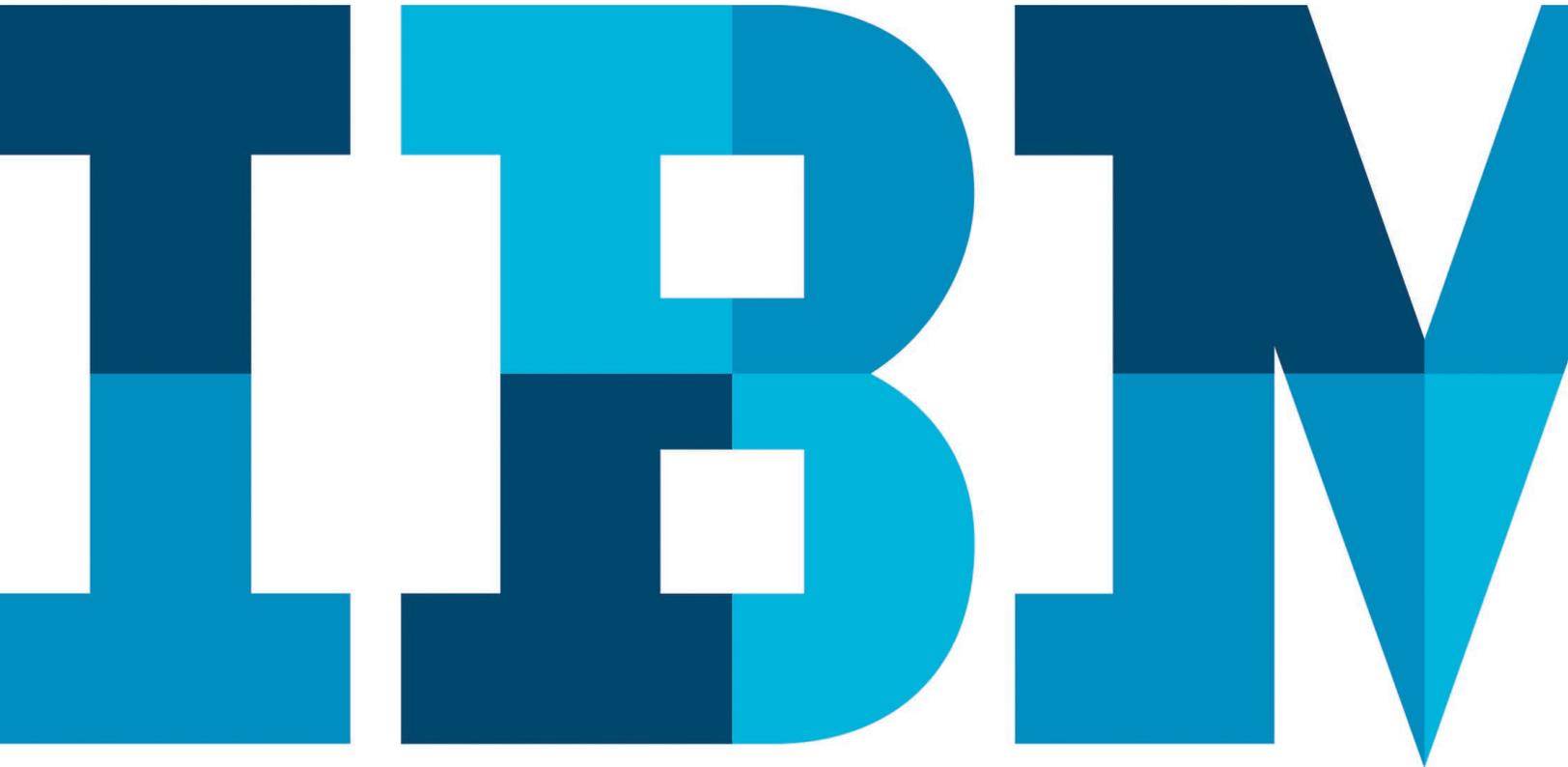


The communications service provider roadmap to becoming a digital service provider

New pathways to satisfied customers in the digital economy



The role of the communications service provider (CSP) has changed dramatically and continuously since the popular adoption of cellular technology. CSPs around the globe have made investments to advance the speed, number and types of services available. However, customers are increasingly impatient and will not settle for delays or hiccups that prevent completion of an activity on their schedule. That means your delivery model must be smart enough to understand what users are looking for in near real-time and provide the appropriate response quickly. To remain relevant in the ever-expanding digital economy, your path is clear. Your business must transform into a digital service provider (DSP).

The CSP's roadmap to the future

Here's the first thing you should know about the future: it is here ... today. Already, 50 percent of CSPs today have an integrated digital-physical strategy. In two previous white papers from IBM, "Why CSPs should re-invent themselves as retailers" and "The digital service provider," we covered aspects of why your enterprise should make the transformation from CSP to DSP and offered a snapshot of what actions and activities might define a DSP. Links to these previous papers are listed at the end of this one.

In this installment, we explore the steps you can take today to begin evolving your business into a true DSP and ways other CSPs are facing this transformation challenge. There are three key requirements or steps you should take that can help you successfully accomplish this makeover process:

1. Determine what you expect your transformed DSP business to look like.
2. Establish beachheads for your chosen route, not simply waypoints.
3. Implement your program, repeat your successes, analyze missteps.

While you may be a successful CSP today, it is vital that you begin to take steps toward becoming a DSP tomorrow to help ensure you maintain and grow your position in the marketplace. This transformation can help you become something more than a pipeline for voice and data, something more vibrant and disruptive than a utility, something more profitable than pure commodity. It's time for some practical ideas on how you can begin your transformative journey to becoming a digital service provider.

The best way—perhaps the only way—for CSPs to maximize new revenue sources and business models in the future is to become a digital service provider.

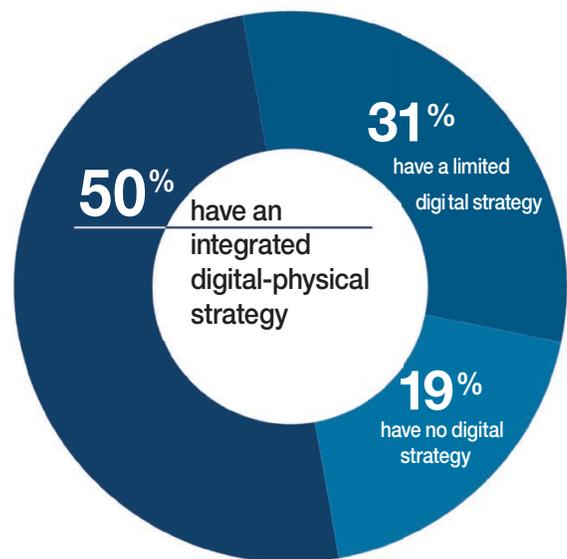


Figure 1. Many CSPs have yet to plot their evolution in the digital connected era (Source: IBM Institute for Business Value)

Step one: Decide what your transformed organization will look like

As was outlined in the previous papers, a DSP applies the principles of Internet service delivery, meaning its delivery architecture is integrated, seamless, intelligent, automated, simple and in near real-time. Several exemplary DSPs like Uber, Apple, Netflix and others also employ additional game-changing attributes such as self-service capabilities—a data-driven customer experience along with the advertising and monetization of customer data. Many of today’s successful DSPs also take advantage of an interconnected ecosystem where working partners earn revenue through connected businesses.

“Organizations face a choice: They can wait for the entrance of a strong new competitor to spur them to action. Or they can push past institutional inertia and transform now.”

—Reinventing the rules of engagement: CEO insights from the Global C-suite Study
IBM Institute for Business Value, 2013

As a DSP, you must provide digital services using a variety of business models built on a networked ecosystem of consumers and other service providers with a laser focus on driving almost every interaction online and across devices. But many CSPs may find that easier said than done. This is especially true when facing continually rising costs while traditional revenue streams trend flat or downward. And those over-the-top (OTT) providers keep coming, seeming to spring up from nowhere and move at the speed of light.

However, you should be optimistic because you are in control of your own DSP destiny and, for now, your own timetable. Previously, traditional revenue generators such as adding new subscribers or upgrading service packages helped you achieve success. But as we move faster and further into a truly digital economy, the key question is, “What will you replace these previous revenue sources with?” Opportunities for growth in the digital services domain will likely continue to multiply, especially for DSPs who can increase their value proposition to customers and gain a bigger share of wallet.

And the best way—perhaps the only way—for CSPs to make the most of these new revenue sources and business models is to become a digital service provider.

Begin your transformation by choosing your route

You have a choice of routes for your transformation just as when you drive from point A to point B. Some routes are slower and some are faster. Some pathways have higher tolls, others lower costs. To help you begin to map out your transformation from CSP to DSP, here are three possible pathways:

The B2B route: You create a new digitally-focused division or brand that provides new services to enterprise clients and your existing divisions. A few examples include:

- Verizon launches their “Precision Market Insights” group to leverage their subscriber data and provide marketing services to advertisers.
- A consortium of UK telecommunications firms launches Weve as a way of making available their subscriber data and providing marketing services to advertisers.
- Augmenting its acquisition of the Platform (a provider of online video publishing and video management solutions), Comcast acquires FreeWheel to be a dominant player in the online video advertising space.

The B2C route: You follow a transformation route, whereby you steadily update your infrastructure and modify your organization with progressively more digital service provider capabilities. This can help you methodically become more digital centric, without requiring you to do so all at once. Some examples:

- Telstra recognizes the need to transform their business and triggers the “Digital First” initiative, focusing on improving key performance indicators associated with the number of digital transactions as a proportion of total transactions.
- In Malaysia, where mobile penetration stood at 130 percent and with low barriers to switching, Celcom had to combat churn. They implement a transformation program to re- envision the customer experience, driven by data and analytics. The advanced loyalty campaigns and customer experience efforts significantly improve campaign performance and call center effectiveness.

The B2C alternative route: You launch a new division (or brand) that is totally focused on digital delivery, offering its digital services to consumers. You would then create specific campaigns to encourage your customers to switch over to the new group’s offerings. While it is the most radical transformation, this route embraces all the processes, strategies and touchpoints that a successful DSP should ultimately achieve. Here are some examples:

- T-Mobile’s new business model, “Uncarrier”, greatly simplifies products and pricing and improves the customer experience through transparency and simplicity. This effort paved the way for them to move to a centralized digital order orchestration infrastructure, allowing it to activate new customers and services much faster, integrate partner products more readily and reduce the time to market for new products.
- giffgaff, a subsidiary of the UK-based mobile network O2, launches as a new brand by Telefonica, a community- supported telecommunications company. The brand only has a digital presence and all customer support is managed through online community portals. It has been recognized with awards in Social CRM customer experience and innovation in the telecommunications industry.

There is no single right or wrong path for your telecommunications company. In fact, you may find it most advantageous to choose pieces and parts from more than one route. And as the marketplace changes, you will likely also find yourself reflecting those changes in your own company and processes for competitive advantage.

Becoming a DSP will not only help ensure your place in the digital economy, it will also allow you to more easily make the kinds of transformational changes that your customers will continue to tell you are important to them. That’s because agility, flexibility and constant change are all characteristics of a successful DSP.

Transformation requires more than technology. It also demands leadership.

While infrastructure changes are important parts of the conversion to a DSP, technology alone is not the most critical driving force. To become a truly successful DSP, transformation activities must run throughout the enterprise, starting from the top.

The primary sponsor would likely be the CEO, leading the entire organization towards a common vision of the future. The CEO is in the best position to embrace opportunities for future growth and understand the totality of effort required to achieve success. In addition, the CEO can serve as a mentor for workers and an evangelist for the bold choices required to facilitate such a major change.

Additional valuable transformative direction also originates from the Line of Business MDs, Consumer Business Manager, Chief Data Officer, Chief Digital Officer, Chief Customer Officer and Chief Marketing Officer. Each brings a unique perspective to the overall transformation to DSP, helping facilitate the business and technological changes required as well as uncovering new business models.

Step two: Establish beachheads

A transformation of this nature, no matter which route you choose, requires an unwavering commitment to the final objective. This is not the time for simply making small, incremental changes or choosing a new service offering. Instead, courageous actions backed by a well-conceived plan of attack that deliver meaningful change to the overall total transformation goal are necessary. This is the best way to help ensure the continued profitability of your telecommunications company.

While this may sound like militaristic hyperbole, the majority of CSPs truly are engaged in battle, facing more challenges and challengers than you likely ever have before. And the attack will likely only grow stronger each day, making it capable of inflicting heavy casualties on a company that is not dedicated to a strategy for change.

What do we mean by beachheads?

For the purposes of this paper, beachheads are defined as clear and tangible segments you can complete on your terms—each one is a positive, meaningful step towards total transformation and all deliver tangible benefits. They should be mapped to a clear, manageable timetable that the organization feels comfortable it can achieve, but should be no more than six months long. This time constraint is particularly important if your business is trying a route such as the B2C alternate route mentioned above; it will help you complete each transformative step in a specifically defined timely manner.

Beachheads some CSPs are exploring

There are already many large, successful DSPs who are not telecommunications companies. Typically, the best of these DSPs have several elements in common:

- Self-service capabilities
- An ecosystem powered by Internet delivery, interconnectivity and platforms
- Digital-dominant customer experience
- Data-driven customer experience
- Advertising and monetization of customer data

Google is one of the best examples of a DSP that has managed to do many of these things well. But unlike CSPs, they started from ground zero; they did not have a previous business model or customer base they needed to transform. Having created and driven a successful telecommunications business like yours may add some complexity to your route, but these obstacles can be overcome. The key elements you need are: the desire to change, the leadership and support of your C-suite members, and a steadfast focus on transformation. The route and beachheads one CSP uses to become a DSP will likely be different from every other. The most critical element is that the transformation must begin.

Determining which beachheads to pursue requires an audit of current capabilities, future vision and organization capabilities. This is best kicked off with a beachhead workshop to help you weigh aspects such as potential revenue, costs to implement, technological changes required and the impact on your existing business. This exercise can help you become more confident in the beachheads you choose and the route you map out to becoming a DSP. Next, we'll examine a few beachhead possibilities. However, this is not meant to be an exhaustive list but simply a series of examples.

Moving from call centers to self service

“Close the call center? How can that happen?” It can be easier than you think because your company now has the desire, support and focus it needs to begin the transformation to DSP. To make it more manageable, this beachhead can be divided into two phases. During the first phase, call center agents begin using cognitive computing assistance providing natural language questions and answers (Q&A) for both support and sales. Cognitive algorithms can automatically show agents the best offer for each customer's situation, so you begin to consolidate transactional data with cognitive and predictive capabilities to create a more precise, continuously updated single view of each customer.

These analytical advances can then help your enterprise enter phase two. In this phase, customers can interact directly with support and sales channels using both online and mobile self-service channels and receive natural language Q&A on their own. The cognitive capabilities you developed in phase one can be leveraged and refined, helping customers retrieve account information, transactions and offers in a single digital experience with your company.

IBM has also observed that there may be a “right size” of call center which may not be zero. Call centers are more than just a cost center and can drive incremental revenue. According to *Business Analytics for Telecommunications Service Providers*, “We have seen estimates showing that anywhere from 60 % to 90 % of incremental revenue at a service provider is the result of inbound calls to the call center that are turned into cross sell and up sell opportunities.”¹ Leveraging the data and the enhancements delivered in phase one, this right-sizing can be determined for phase two.

Shifting from digital first to digital only

Some CSPs, like giffgaff, are moving toward full DSP implementation, creating the best digital-only, multi-channel experience for their customers by applying this approach. It requires company-wide focus on every customer touchpoint—finding new customers, selling to them, supporting them and then marketing back to them—to be digital. We can examine each of these activities more closely:

- **Finding new customers digitally:** This phase leverages digital marketing automation in the programmatic advertising space, helping you find the most profitable new customers for your DSP engagement.
- **Selling to your customers digitally:** In effect, given the right tools, your customers can create their own offering based on digital moments and features that are relevant to them. Analytics and other software you build can help define the things different types of customers want to buy, allowing you to create more personalized offerings.

- **Supporting your customers digitally:** As described above in the “Moving from call centers to self service” section, this allows customers to interact with a cognitive resource and be guided through a diagnostic process digitally without the need for human intervention. Or if support personnel are needed, the completed diagnostic data immediately delivers detailed information to expedite resolution.
- **Marketing to your current customers digitally:** Exploiting analytics and user experience data, a DSP can know almost intuitively what each customer wants next and time the delivery of these truly personalized offers with digital precision.

This all-digital pathway can give your enterprise new insights and a more complete picture of each customer regardless of how they choose to interact with you—by direct login to your site on a PC or mobile device or by using OTT providers. This approach can help refine and personalize every digital interaction with your customers and improve your level of engagement with digital-savvy consumers.

Getting others to pay for subscriber usage

In addition to subscriber revenue, smart DSPs are also finding new business models that generate income from other parties. Consumers already receive many free services in other industries, such as the credit card industry (the merchant pays for the consumer usage of the card) or free web-based email products (advertisers pay for the consumer usage of email products such as Google Gmail). In the DSP arena, partners in an ecosystem can partially or fully subsidize subscriber usage or become part of your revenue stream when dynamically combined with the wants and needs of your core subscriber base.

This beachhead requires exploring and reconfiguring how the products your subscribers want and the companies who want access to your customers can work together for the financial benefit of your DSP. This kind of disruptive thinking requires

you to reshape customer value propositions, adjust business models and find innovative ways to deliver these revised value campaigns effectively and efficiently. By transforming your extended enterprise and networks with those of employees, suppliers, customers and others, and doing so digitally, can help you become a more successful, profitable DSP.

Becoming a digital agency

As your customers continue to interact with you and through you digitally, they help you form a digital knowledge base that can be anonymously re-purposed to add new revenue streams to your company, within the bounds of country, societal and organizational regulations. There are at least three distinct opportunities here:

1. Commercialize the data: Your expanded digital customer experiences deliver valuable relevant insights that can enrich marketing research and advertising targeting.
2. Provide access to subscribers: You can offer other companies direct access to your customers to push mobile offers directly to select subscribers based on the advertiser's segmentation requirements.
3. Be the service: As a DSP, you can run highly-relevant mobile and digital campaigns on behalf of advertisers that make use of the data, insights and access you have from and with your customers, while keeping customer data secure.

Step three: Create a governance plan

From the very outset, your company should devise and implement a solid governance plan for overall transformation. This can also help as you roll out each beachhead along the way. A successful governance plan is agile at its core, tracking market trends vigorously and carefully. This can help you learn what works best for your customers and your company as well as what may need to be revisited, reassessed and revised.

Don't be surprised if your final destination looks quite a bit different from the initial planned view of your transformation. Fortunately, this is one of the key defining characteristics of a successful DSP: continuous tweaking and even wide divergence from the original plan in order to meet the demands of a constantly changing and evolving marketplace.

A slow response to making the changes required to meet your customers' needs today can allow competitors to catch or even overtake you. In other words, time is of the essence in this step, especially as you discover those options that perform best for your company than other previously explored ones.

Conclusion

The challenge is clear. The time is now. IBM has the expertise and experience to guide you toward taking the steps that are most important in making your transformation successful:

- Determine what you expect your transformed DSP business to look like.
- Establish beachheads for your chosen route, not simply waypoints.
- Implement your program, repeat your successes and re-analyze missteps.

IBM is here with advice, deep expertise, and services and solutions for the digital economy to help make your transformation from CSP to DSP less daunting than you may think. With over 100 years of experience in helping businesses transform themselves into something new, relevant and profitable, IBM is ready with answers for this latest challenge that CSPs like you face.

For more information

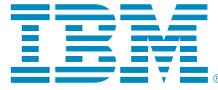
To learn more about how to make the transformation from CSP to DSP, please contact your IBM representative or IBM Business Partner, or visit: ibm.com/industries/communications

The previous two papers on this topic and other resources can be found here:

- “The digital service provider”
- “Why CSPs should re-invent themselves as retailers”
- “The new age of ecosystems: Redefining partnering in an ecosystem environment”

About the author

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Sales and Distribution
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Produced in the United States of America
February 2015

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¹ Craig Farrell and Piyush Sarwal, Business Analytics for Telecommunications Service Providers, TM Forum and IBM Corporation publishing, 2013.



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