Drawing the battle lines for the future of ICT: Telco vs TechCo

By Sudipto Moitra

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Across the world, disruption has become a reality that is driving changes across business sectors. Included in this disruptive environment is the telecommunications industry, which is having to take account of changing technologies and the challenges these changes bring to the way the sector has traditionally done business. Under examination must be the industry's twin roles as a primary provider of telephone services and platforms to OTT suppliers to launch their offerings to users.

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Internationally, experience shows that there has been an average decline in revenues per user as IT suppliers, offering focused services, have made products built around mobile and data less critical to end-users. Although some different market factors apply to the African and South African markets, we are not exempt from these trends when we are compared to changes occurring in major economies.

There is no doubt that market disruption has the potential to create uncertainty and to be a game-changer across the telecommunications sector. The biggest losers will be those who allow adverse events to occur and have failed to develop the flexibility, strategies and responses required to safeguard and modify their corporate market offerings.

One-stop shop

Driving the levels of uncertainty are rapid technological, regulatory and customer-demand changes. The success of telcos will require that they become one-stop diversified technology service providers and change attitudes towards what have been traditional functions. This change will ensure that telcos participate across different market segments and sell a range of technology, professional and managed services across on-premise and cloud technologies.

The opportunities are better today, than ever before, for industry players that embrace disruption, re-imagine their network services capabilities and drive growth.

The challenge for players like MTN is to transition to the delivery of new services and products in the business-to-business (B2B) and business-to-business-to-consumer (B2B2C) spaces. It is in these spheres that there are openings to maximize opportunities by developing and introducing services and products for the use of clients.

Essentially, the change will involve becoming a 'one-stop-shop' by adopting technologies and creating bespoke applications for B2B and B2B2C, and assuming the role once occupied by ICT companies who developed applications that were then flighted on the telco network.

Moving up the stack

Pursuing growth will, therefore, require a new emphasis on the formation of effective partnerships, investments in people and in automation - enabling movement up the 'technology stack' and into the ICT space.

This move up the technology stack and into a new environment could, however, require a mind-shift in the short to medium-term. The change in strategy and leaving the traditional telco space could require different demands on investment and impact on the ways that returns on investment are calculated.

Moving up the stack will, however, require selected partnerships with niche players. This need will exist regardless of whether these potential partners operate within the Cloud, the internet of things (IoT) or hyper-scaling domains. This is because skills that are not commonly found within telcos will reside in these sectors.

Customers will also benefit as they will no longer have to adopt multi-sourcing strategies to meet their operational needs. They will be able to adopt single-sourcing strategies to meet their diverse requirements.

As technologies converge, so customer demands - and the way they source personal and business services - are evolving. This allows an opportunity for both customers and the overall market to benefit.

Effectively, by creating partnerships and simultaneously moving up the stack, the strengths of different companies will complement each other. The trend will be to move away from the past technology silos to provide improved customer outcomes.

Don't underestimate the complexities of change

At the same time, a disciplined approach to change is needed.

There are many examples around the world of telcos that entered the ICT services sector too hastily. For instance, many tried to convert their traditional hosting and managed services too quickly in an attempt to move to Cloud computing.

In their efforts to satisfy their clients' expectations, they underestimated the complexities of the change. They ended up incurring high costs and unfortunately failed not only themselves but disappointed their customers too.

Perhaps the most critical error was regarding the task of moving to the Cloud as only a technical change. In several cases, this led to design operations necessary for such a significant transition being neglected.

The focus should have been on a hybrid model, including the traditional on-frame approach with that of the hyper-scalers. There is space for both. As many telcos have found that the move into the terrain of hyper-scalers has not been successful, they must now look to their investments in the traditional hosting and core location centres together with the Cloud.

Support is necessary

To be successful, change at this level cannot be undertaken in isolation. As it involves a change in corporate focus, it must be accompanied by a business and cultural change understood and supported by the workforce.

Market analysts also point out that transformation was attempted before back-end integration had been fully accomplished, and business support was lacking. Add to this the facts that the market's strategic direction and selling points had been misread, mix in the inability to meet and exceed customer expectations, and all the elements were there for a perfect storm in the sector.

The challenge for telcos is now to see how they can transition out of the situation caused by hastily trying transformation without ensuring that all the required support elements were in place as was required.

Consider all elements

The overriding lesson is that all the elements - from connectivity, to infrastructure, through to user security and customer-focused services - must be considered and work together effectively, to achieve positive results.

Operational silos are, therefore, obstacles to meeting disruptive challenges successfully. The industry in which we operate must acknowledge that a more collaborative and symbiotic approach is needed to solve problems and take advantage of opportunities.

Success, from a B2B perspective, will also rely on a client's ability to absorb the cost of new generation cell phones that may be required for the workforce. Besides faster downloading and uploading of files, the benefits will be the unlocking of the full capabilities of ultra-high-definition video streaming, connected homes, and artificial intelligence.

All of this will further boost the abilities of telcos to diversify and expand their ranges of products and services – setting the course for the next logical step – the shift from telco to 'TechCo'.

ABOUT THE AUTHOR

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