

The logo for Openet, featuring a stylized square icon with an arrow pointing up and to the right, followed by the word "OPENET" in a bold, sans-serif font with a registered trademark symbol.

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The logo for Telecoms Intelligence, featuring the word "telecoms" in a lowercase sans-serif font, followed by ".com" in a smaller font inside an orange circle, and "INTELLIGENCE" in a smaller, uppercase sans-serif font below it.

telecoms .com
INTELLIGENCE

DIGITAL TRANSFORMATION ARE WE THERE YET?

A survey of 1500 telecom professionals on the status of digital transformation

The telecoms.com industry survey is arguably the largest annual telecoms industry check-up. The 2018 survey covered a wide range of topics from 5G to cloud. Openet collaborated with telecoms.com on the section on digital transformation.

This paper provides a detailed look at the results of this survey on digital transformation.

This survey was answered by 1500 telecoms professionals worldwide. The geographical split is shown in figure 1.

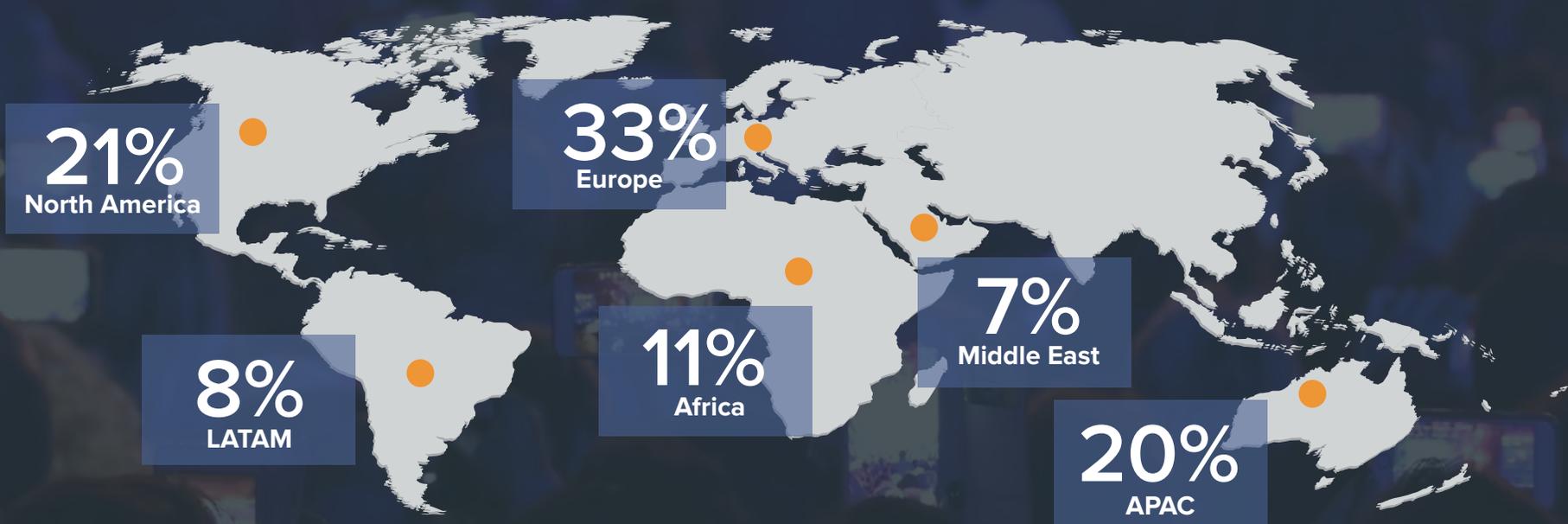


Figure 1: Geographical Split

MAIN SURVEY RESULTS

HOW MUCH REVENUE WILL DIGITAL SERVICES GENERATE FOR MOBILE OPERATORS?



DIGITAL TRANSFORMATION

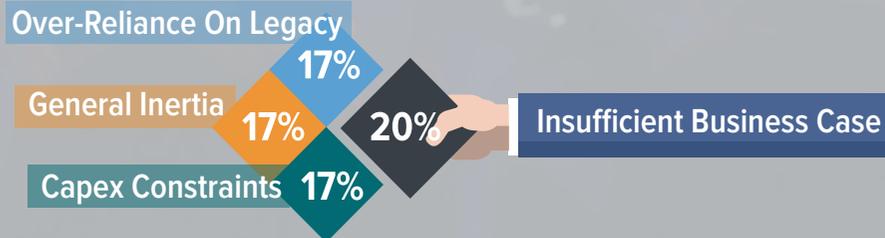
TOP 3 REVENUE EARNERS

- Enterprise IoT
- Smart Home
- Consumer IoT

ULTIMATE GOAL

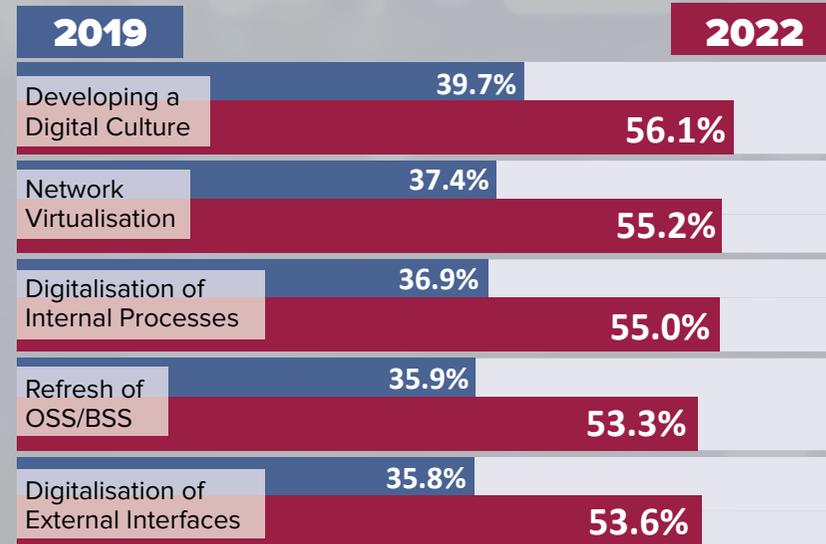
- Faster Product Dev/Deployment **33%**
- Improved Operational Efficiency **25%**
- Greater Organisational Agility **20%**

TOP 4 OBSTACLES

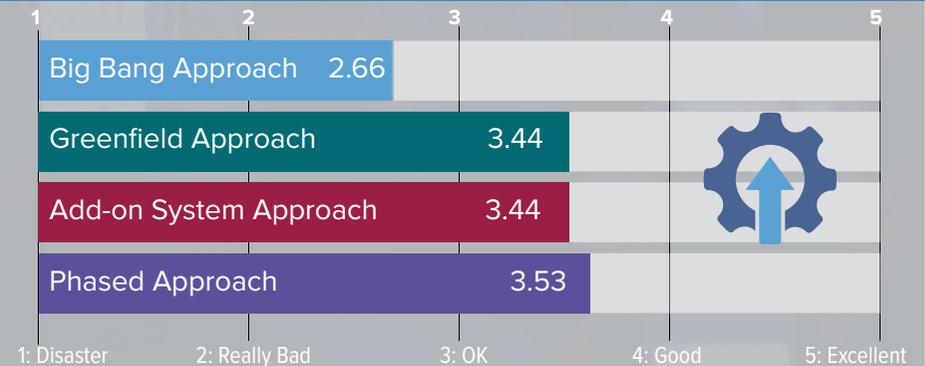


ARE WE THERE YET?

HOW FAR ALONG THE DIGITAL TRANSFORMATION ROAD WILL SERVICE PROVIDERS BE IN 2019 AND 2022?



BEST WAY TO UPGRADE LEGACY SYSTEMS



WHAT'S DIGITAL TRANSFORMATION WORTH?

Most of the service providers surveyed have started on digital transformation projects and are generating revenues from digital services, but there is still a long way to go and a lot to play for.

Over time, digital services revenues will replace traditional telecoms revenues. Figure 2 shows how much revenue from digital services will contribute to the overall revenues of service providers.

“Revenues from digital services will increase by \$168 billion between 2019 and 2022”

In 2019, 10% will see no revenue from digital services, with the largest grouping (44%) forecasting an overall contribution between 1 and 25%. Jump ahead to 2022 and we can see a definite shift. 36% see more than half of their total revenues coming from digital services, with 34% seeing the contribution between 26-50% of total revenues. The weighted averages show 28% of total telecoms revenues coming from digital services in 2019 going up to 42% in 2022.

The GSMA (The Mobile Economy 2018), reported annual global mobile services revenues in 2017 to be \$1.05 Trillion. There will be an approximate 1% growth between 2017 and 2020, and global mobile service revenues will stabilise at around \$1.1 Trillion after 2020.

Using the GSMA's figures, plus averages of the findings from the survey, equate to service providers generating \$294 billion from digital services in 2019 increasing to \$462 billion in 2022.

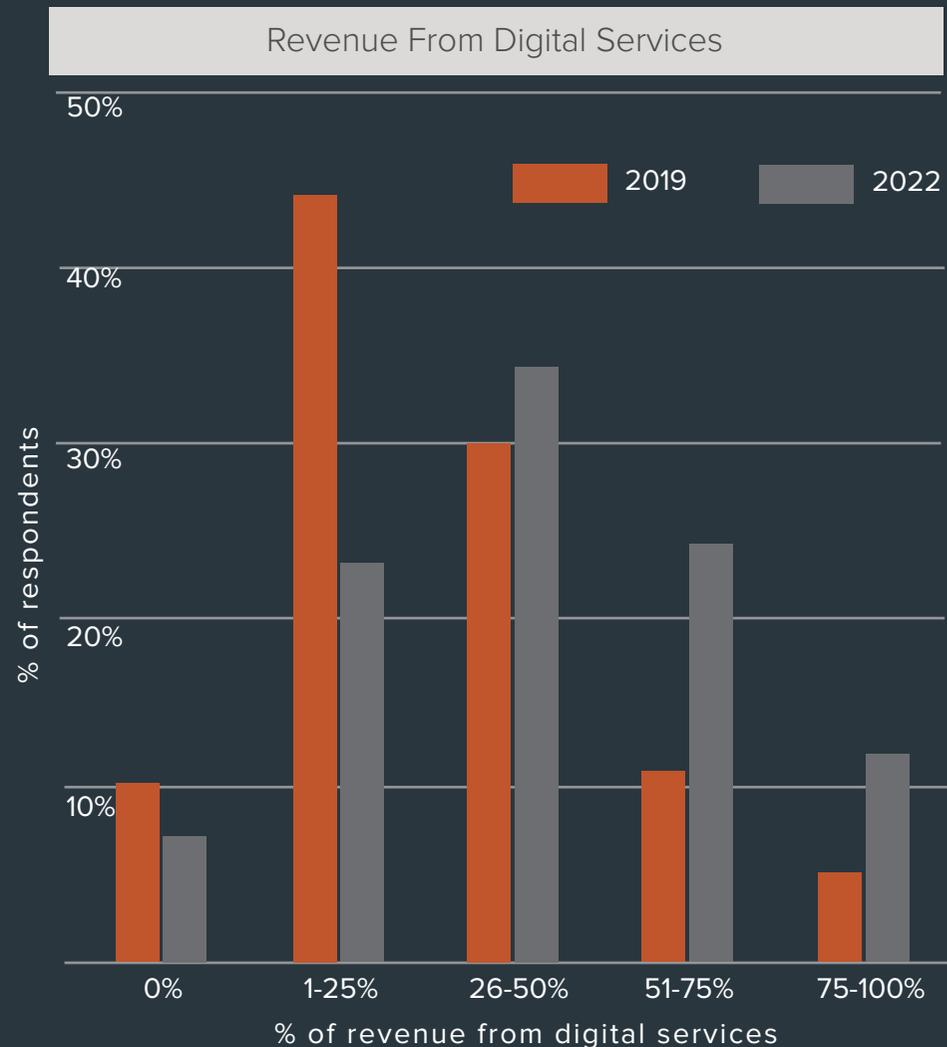


Figure 2: Projected Digital Services Revenues 2019 and 2022

WHERE'S THE NEW REVENUE GOING TO COME FROM?

With 5G looming large, the importance of enterprise IoT, smart homes and consumer IoT is becoming more pressing for service providers. Most already offer TV services and many provide music services via partnerships, so these, while major revenue earners, could be eclipsed by the relatively untouched IoT market. One of the often touted 5G opportunities is 'verticalisation'—where service providers can start to develop offers for specific industries / sectors (e.g. oil, logistics, healthcare, etc). The respondents were asked to pick the three services, enabled by digital transformation, that would generate the most revenue.

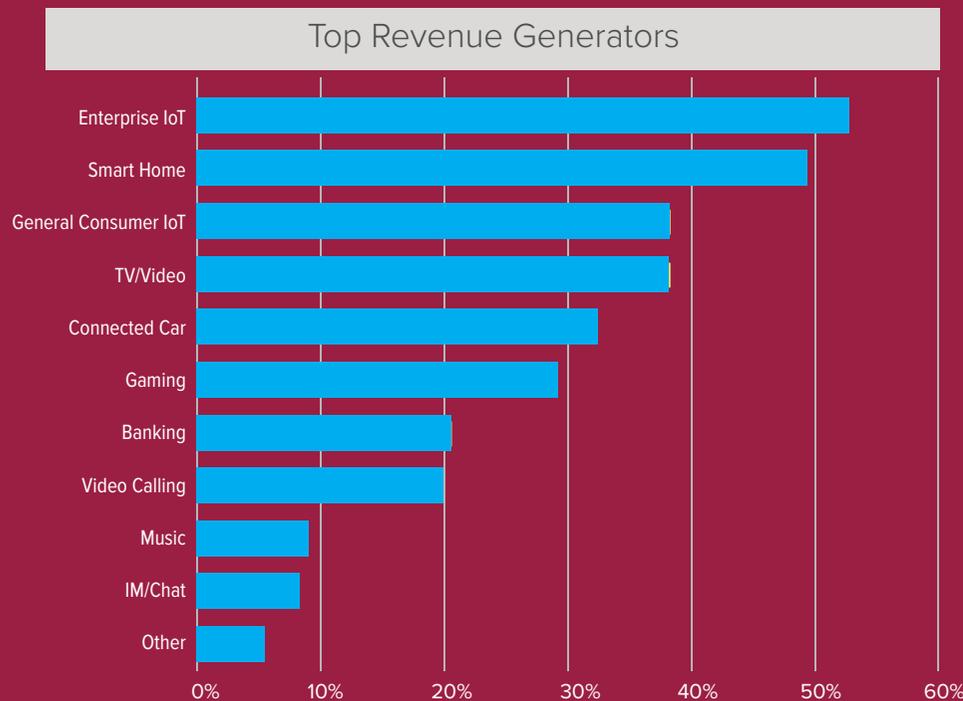


Figure 3: Top Revenue Earners That are Enabled by Digital Transformation

Looking at the range of digital services from figure 3, it's clear that there's a need for a lot of new products and services. It's fair to assume that there will be some new services that we haven't even thought of, and with 5G, we'll see new levels of creativity from the marketing and product development folks in service providers. With the first two use cases for 5G being FWA (fixed wireless access) and eMBB (enhanced mobile broadband) there will be many new offers / partnerships developed. There are already new partnerships being developed by service providers and gaming companies to provide specific gaming offers that take advantage of 5G speeds and low latency.

With this emphasis on new offers to drive new revenues, it's not surprising that when asked 'what's the ultimate goal of digital transformation', the most popular answer was 'faster product development and delivery' (33%) – see figure 4 below.

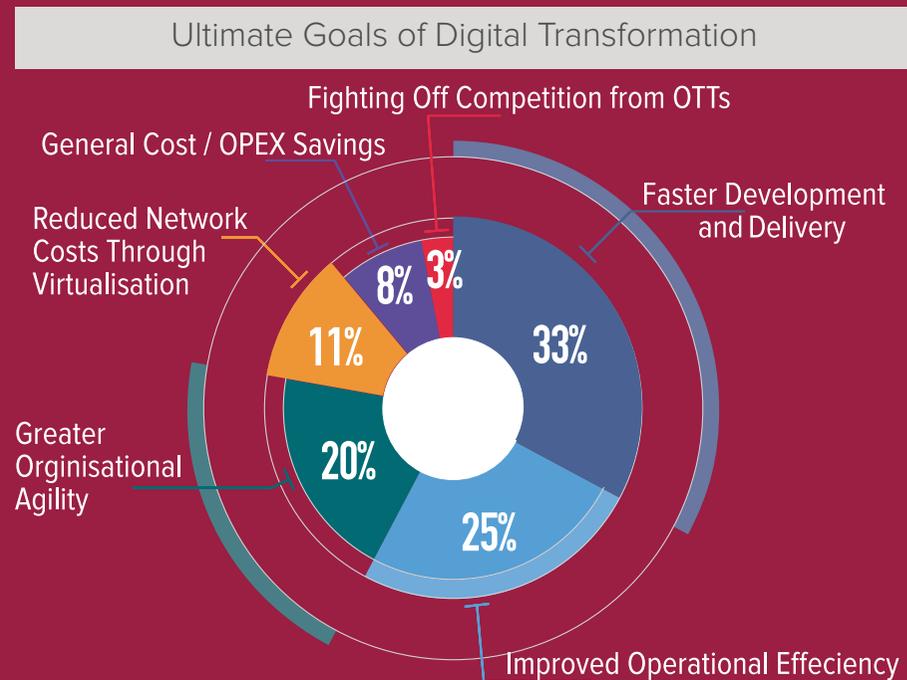


Figure 4: Ultimate Goals of Digital Transformation

HOW FAR ARE SERVICE PROVIDERS ON THEIR DIGITAL TRANSFORMATION JOURNEYS?

The next set of questions looked at how far ahead service providers plan to be in their digital transformation process in 2019 and the progress they plan to make by 2022.

The table below shows the ‘are we there yet’ league tables on progress made by 2019 and 2022.

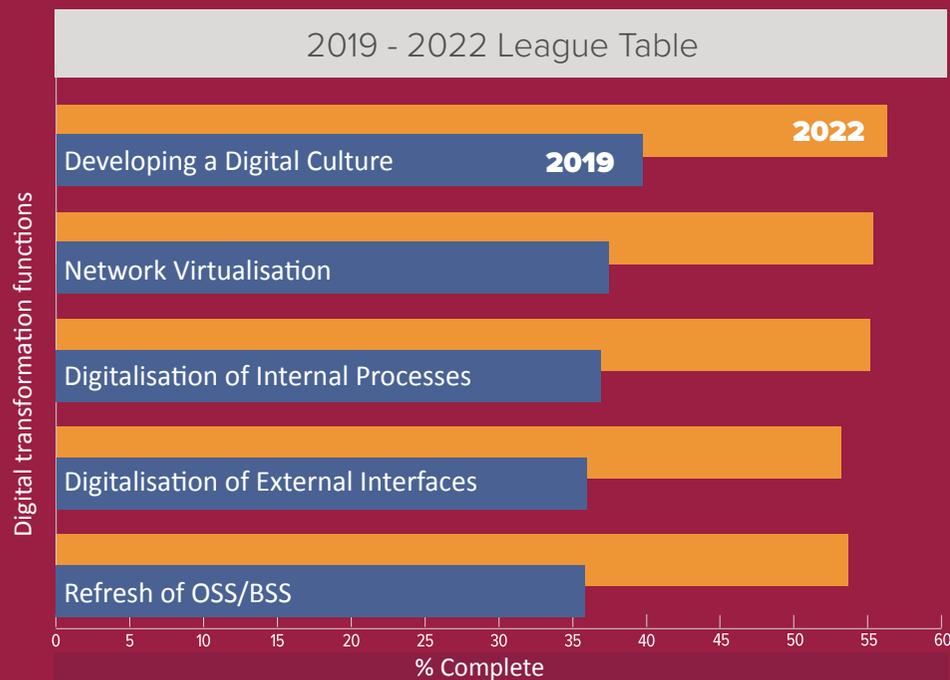


Figure 5: How Far are Service Providers on their Digital Transformation Journey?

As can be seen, all activities are progressing at roughly the same pace. There are no obvious laggards or run-away leaders.

OSS/BSS

There’s been a lot of reports that BSS and OSS need to be overhauled to the ‘digital’ ready. This is to enable the fast time to market and ability to quickly try out new business models – and at a much lower price than legacy BSS/OSS. The graph below shows that the majority of service providers, (58%), are less than 40% along their BSS/OSS transformation journey. As for where they anticipate being by 2022, the largest grouping (27%) see that they’ll be between 60-80% of the way to having fully refreshed OSS/BSS that is digital ready.

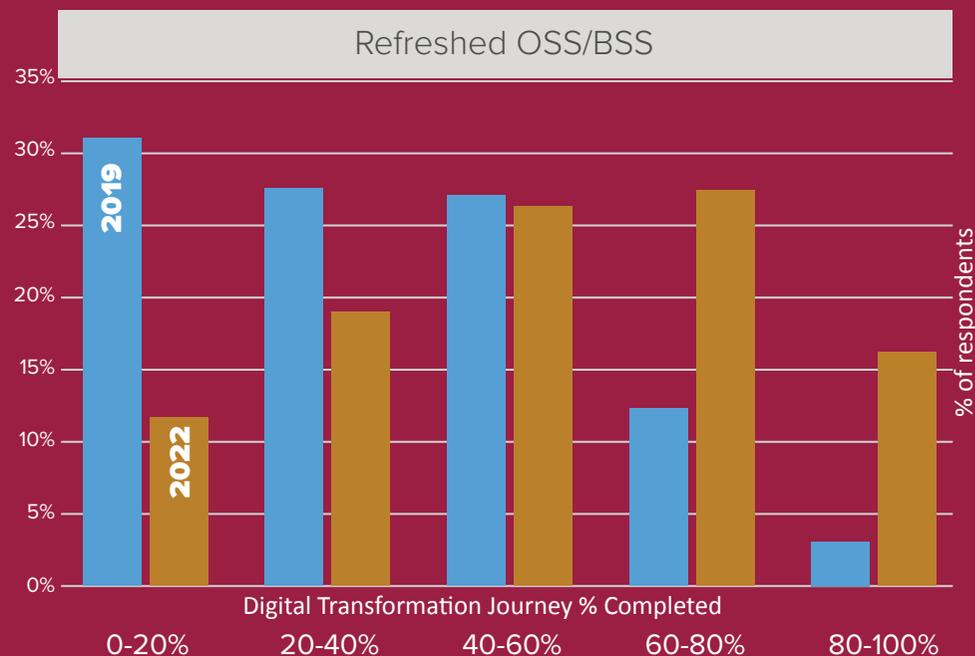


Figure 6: Digital Transformation Progression: Refresh of OSS/BSS

If we were to take a weighted average across all responses on BSS/OSS transformation, then 2019 score would be 36% rising to 54% in 2022.

Developing a Digital First Culture and Digitalisation of Internal Processes

It's often said that one of the most important aspects of running a successful digital company is developing a digital first corporate culture. Looking at the results of all the activities covered in this survey, the development of a digital culture scored highest. As can be seen from figure 7, there is a gradual shift in adopting a digital first corporate culture with an average score of 39% of the way there in 2019, to 56% progress by 2022.

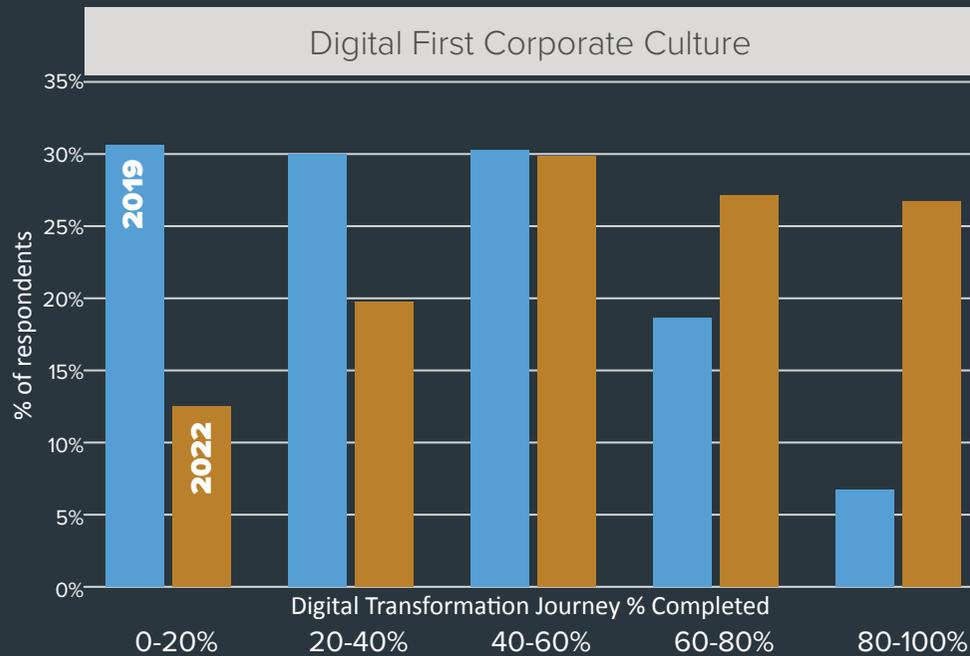


Figure 7: Digital Transformation Progression: Digital First Corporate Culture

Closely coupled with this is the implementation of internal digital processes and systems. But what does this actually mean? A good gauge is to take an everyday business activity and checking if this is done digitally, manually or as in most cases, somewhere in between. Take the example of employee expenses. How many companies allow employees to submit expenses via an app with photos of receipts submitted from the device? Compare this to spreadsheets via emails with scanned copies of receipts, right back to paper copies of spreadsheets and receipts. This is a simple example but shows different levels of digitalisation for a simple everyday office process.

Figure 8 shows progress for internal processes to become digitalised. In 2019, service providers hope to have, on average, 37% of their internal processes digitalised, with the 2022 figure going up to 55%.

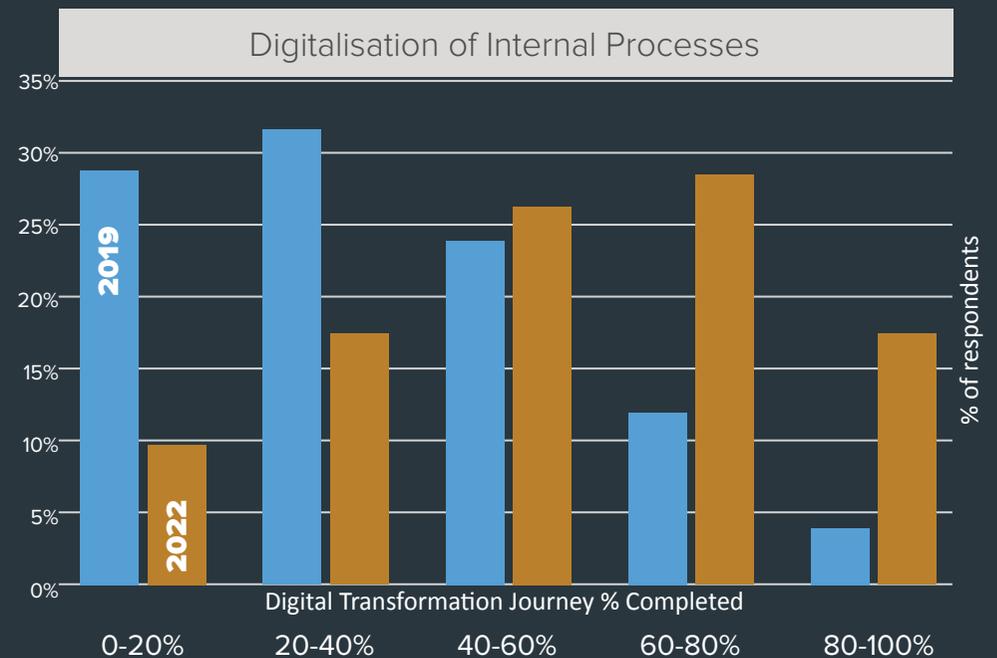


Figure 8: Digital Transformation Progression: Digitalisation of Internal Processes

Digitalisation of External Interfaces

All service providers want to cut costs and increase customer engagement via apps and websites. So with regards to having external interfaces digitalised, we can see from figure 9 that a relatively slow start has been made, with a lot of catch up in the next 3 years. The 2019 average for progress on digitalising external interfaces comes in at 36%, with the 2022 figure expected to be 53%

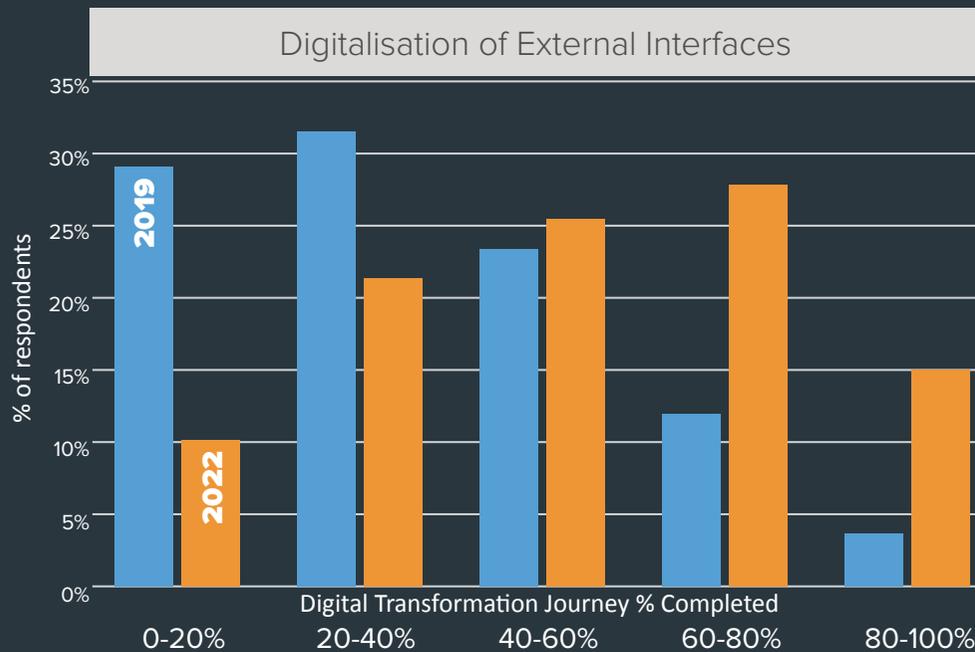


Figure 9: Digital Transformation Progression: Digitalisation of External Interfaces

Network Virtualisation

The average figure for 2019 for network virtualisation is 37%. This ties in with a recent TMF study on digital maturity, which reports that around a third of service providers have started to virtualise their core networks in 2018. The 2019 score of 37% shows that network virtualisation is one of the most advanced activities and this is also reflected in the 2022 average of 55%.

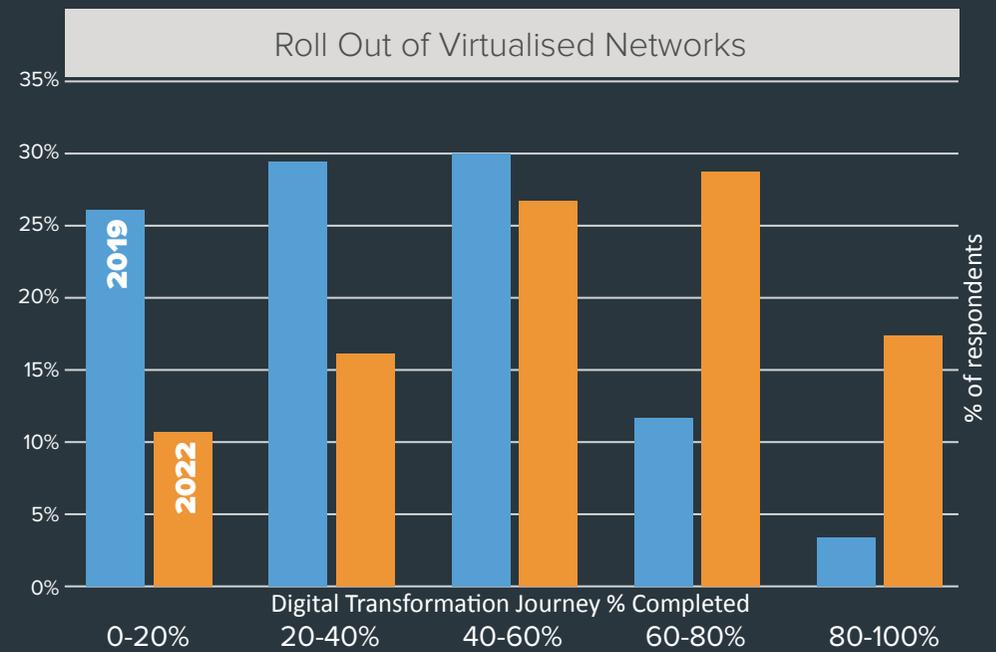


Figure 10: Digital Transformation Progression: Roll Out of Virtualised Networks

As can be seen from figure 6, when it comes to refreshing OSS/BSS there is still a lot of work to be done. This is hardly surprising as some of these systems can date back to the 1980s and have been modified many times in their lifespan. Upgrading or replacing these legacy systems is not easy. The failure rate of large scale transformation projects is high. Forbes have quoted an 84% failure rate for digital transformation. McKinsey cite an equally bad rate of 70% and telecoms.com have also reported a 70% failure rate for telco transformation projects.

So when the stakes are so high, with service providers forecasting that in 2022 over 40% their revenues will come from digital services, then it's worth looking at what service providers feel are the most sensible approaches to upgrading / replacing legacy systems as part of a digital transformation program. The respondents had to rate four different approaches for upgrading legacy systems on score of 1 to 5, with 1 being 'disastrous' and 5 being 'excellent'.

The 'big bang' approach was voted the worst. This approach involves swapping out legacy systems for digital systems in one large project and had an average score of 2.66.

Then there was a significant gap in the scoring. Next there was a tie for second place. A greenfield approach, whereby service providers add new digital systems to support new lines of business, e.g. IoT, 2nd brand, etc, scored an average of 3.44. On the same score was the add-on system approach, where service providers add new digital systems as an overlay to existing legacy systems and phase out legacy over time.

The most popular way to upgrade legacy systems was the phased approach with a score of 3.53, which involves step-by-step approach replacing legacy solutions with digital solutions.

However, the results showed that there is clear daylight between the big bang approach and the other three, more pragmatic approaches. In reality, there will never be a one size fits all legacy replacement and there are cases where service providers are running simultaneous projects—e.g. adding-on real time charging to legacy billing and implementing a greenfield stack for a new line of business (e.g. 2nd brand).

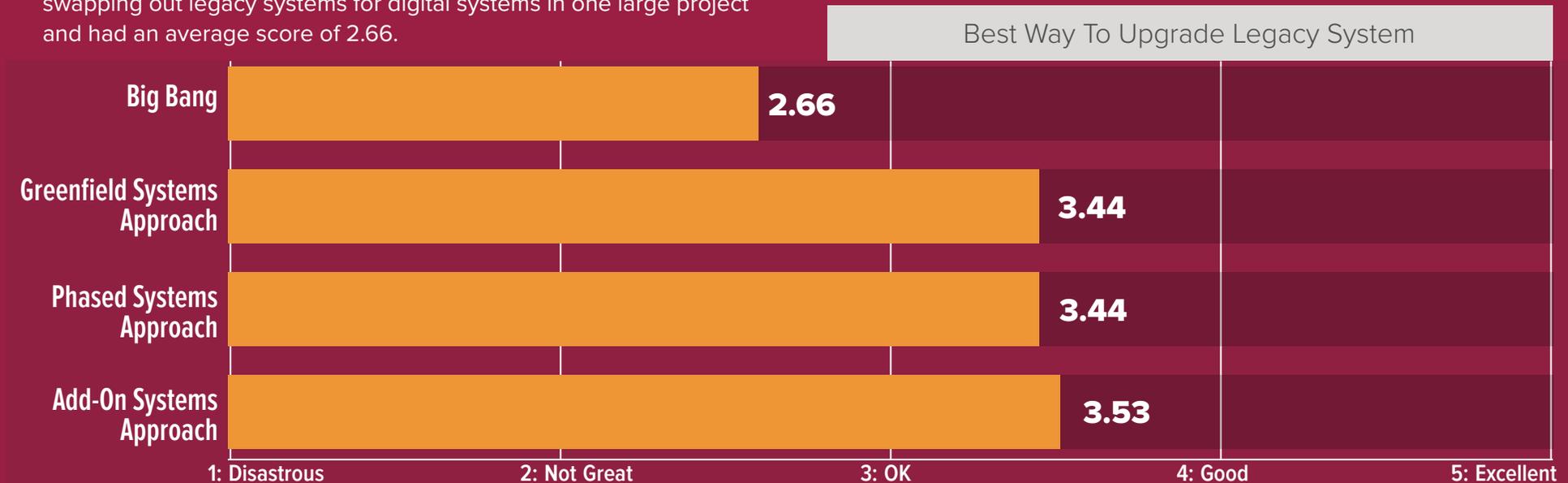


Figure 11: Best Way to Upgrade Legacy Systems

OBSTACLES TO TRANSFORMATION

With all telecoms industry surveys, there is always the ‘why isn’t this happening faster’ question. This one is no exception, so we asked ‘what are main obstacles to digital transformation in your company?’ The results, as shown in figure 12, show that the most significant factor standing in the way of successful digital transformation is an ‘insufficient business case’ with 20%. Close behind this, on 17% each, were ‘capex constraints’, ‘over-reliance on legacy technology’ and ‘general inertia’.

These results are interesting, especially when compared with answers to the general question about ‘how important is digital transformation to your company?’

75% said it was of high importance, 23% said low, and 2% said it was off no importance.

Strategically, the vast majority of service providers agree about the importance of digital transformation. Often, the first phase of turning this vision into reality is recognising the obstacles and fixing them.

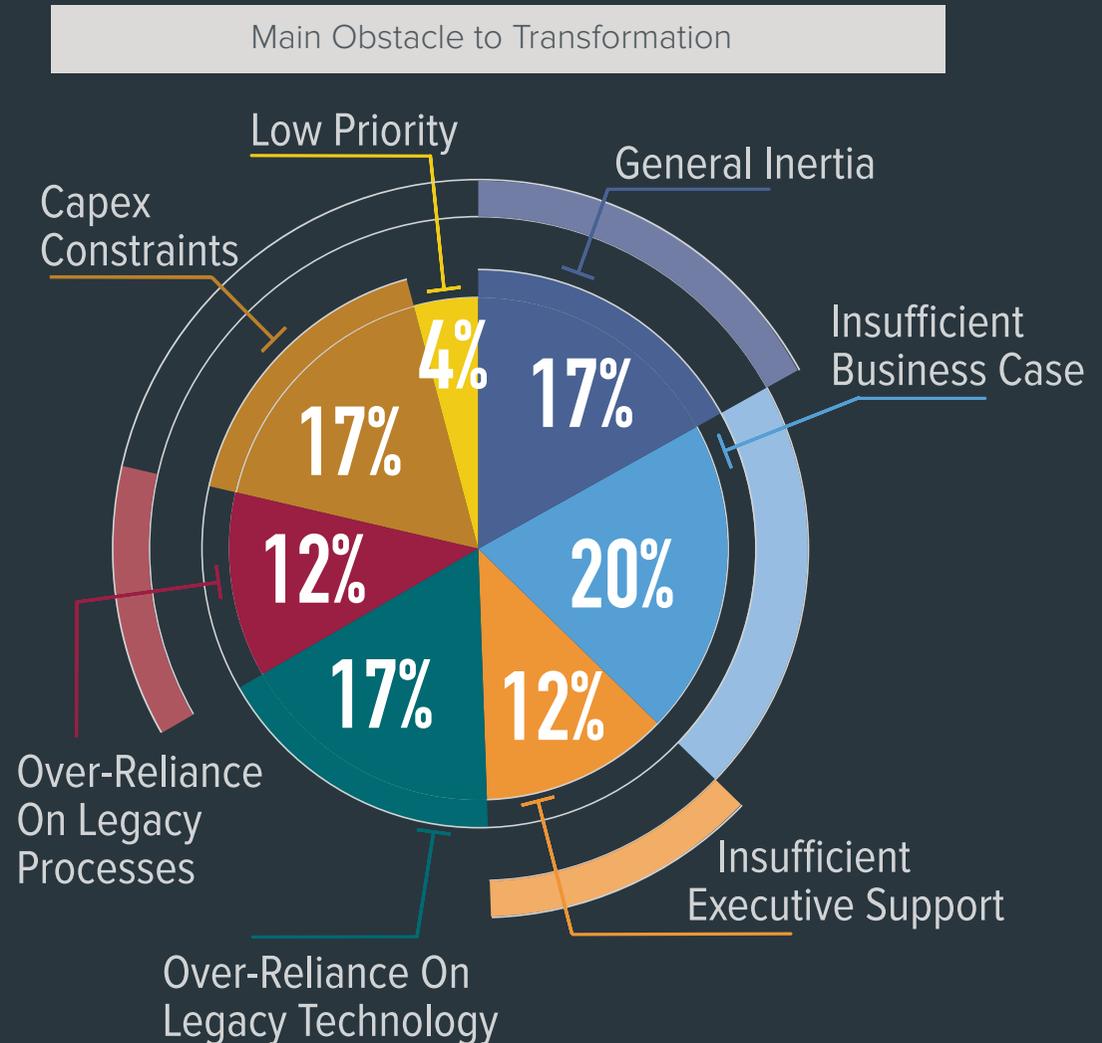


Figure 12: Main Obstacles to Digital Transformation

SUMMARY

The most telling statistic from this survey was comparing revenue forecasts for digital services revenues for 2019 and the ambitions for digital services revenues in 2022, and mapping these against GSMA published figures for mobile revenues. Globally, mobile service providers expect \$294 billion in revenues from digital services in 2019, increasing to \$462 billion in 2022.

As for how far along service providers are on their digital transformation journeys, most see themselves around 35-39% of the way there in 2019. In the three years to 2022, there should be a significant amount of activity in the main areas discussed in this survey, as service providers expect to be around 53-56% of the way there. However, it's fair to say that there is no end point in this journey as new advances and change will always need to be accommodated.

Going back to the ultimate goal of digital transformation, the ability to quickly develop and deliver products supported by an efficient and agile organisation should mean that quickly and cost effectively dealing with change is at the heart of any digital service provider.

ABOUT OPENET

Openet provides real-time software solutions and services to enable service providers to create new revenues from digital services and improve customer engagement. Our Digital Business Platform and solutions enable service providers to be more agile, innovative and enjoy a faster time to value.

We are all for open solutions that deliver value and benefits to our customers. We are against vendor lock-in and the vendor first, second and third approach that has been endemic in telecoms. We work with our customers to deliver innovative solutions that drive value and enable change.

We passionately believe that the most adaptable businesses are those that prosper best. We help our customers transform their businesses and access new revenues and profits by using the latest technologies and methods—in ways ranging from augmenting existing architectures or replacement with more agile and cost-effective end to end platforms.

visit: www.openet.com

Dublin, IRELAND

Tel: +353 1 620 4600

Reston, Virginia, USA

Tel: +1 703 480 1820

Kuala Lumpur, MALAYSIA

Tel: +60 (3) 2 289 8500

São Paulo, BRAZIL

Tel: +55 11 2395 7200



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