TATA CONSULTANCY SERVICES

Building on belief

CSPs can remain competitive in the digital-first arena with the right transformation model

Abstract

Digital transformation drives efficiencies across the business, amalgamates business processes and operations, besides creating opportunities for cost reductions, minimizing operational risk and expanding customer base. Corporate strategy is compromised if an enterprise's transformation drive is not backed by cutting edge technology to improve productivity. In this context, today's buzzwords are digital first, automation, artificial intelligence (AI), machine learning (ML), and cloud - with data being the new oil. Communications service providers (CSPs) are investing heavily on automating their infrastructure, processes and applications for improved efficiencies, in order to keep pace with a hyper-agile business environment. For CSPs, despite the drastic upsurge in wireless broadband and media consumption, tapping into potential opportunities to monetize digital engagement remains a challenge. This is due to the massive infrastructure investments required and rapid technology obsolescence that troubles the sector. Additionally, digital-native enterprises and over-the-top (OTT) providers often piggyback on the CSP's network infrastructure to generate revenue without much capital investment.[1] This brings us to the debate - Have the CSPs got their internal digitalization strategy right? Or do they need to adopt a completely different strategy and business model to stay ahead of the competition, while optimizing investments in innovative technology? This paper sheds some light on how CSPs should approach the challenges posed by digital transformation and the strategy they should embrace in order to maximize productivity.

Barriers to a truly native digital enterprise[2]

The digital transformation journey for CSPs is cost prohibitive, arduous, disruptive and often near-impossible to achieve completely. Furthermore, the current culture and mindset of most CSPs impedes the intent to transform – an area that is difficult to alter or adapt. Some of the barriers to true digital transformation in the sector are:

- **Lack of channels:** The first experience that a customer has with a CSP is via its channels. Providing customers with the choice of a true omnichannel approach is difficult due to the legacy technology and business processes, integration and IT architectural challenges, and time and cost pressures that most CSPs contend with.
- **Integrating antiquated architecture with the new:** The application architecture and estate of most CSPs is a combination of legacy systems and a few more modern ones. Some are cloud-hosted and some are on-prem. This mix and match of technologies makes the digital transformation journey an expensive, highly architecturally complex and time-consuming

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[1] Custodians of Digital Experience; www.tcs.com/content/dam/tcs/pdf/discover-tcs/business/custodians-of-digital-experience.pdf; Accessed Sept 2, 2021

[2] Digital Transformation – Build Your Organisation's Future For the Innovation age by Lindsay Herbert. Page 78 to 88

proposition. The question is - Do the CSPs have the necessary time to transform without compromising on growing their customer base and retaining loyalty?

- **Inadequate networks:** While digital transformation ranks high on the corporate agenda of CSPs these days, the role of the network often remains underexposed. To successfully transform into a digital-native enterprise, organizations will need a digital network[3] — an application-centric network that supports the right end-user experience through improved flexibility, manageability, scalability, cost effectiveness and security.
- **Altering business culture and mindsets:** Digital transformation encompasses an altered, flexible, innovation-led and agile organizational culture and mindset change, both within and beyond the organization. Fostering a change in the mindset of employees and customers to align with the changes that are inherent to the digitalization journey can be very challenging. Among all the parameters, culture poses a stiff challenge as it is ingrained and involves an intangible alteration in perspective.
- **Ensuring sustainability:** Continuous digitization across all aspects of the business is important. It is merely not enough to change certain elements of the business, driving enhanced value management across the spectrum is equally critical.[4] The essential question CSPs need to ask themselves is – How can we ensure sustainability of our digital transformation initiatives in the long run?

Digital pathways to mirror a true digital organization

As a CSP, how do you strategize and arrive at the ideal approach for your organization - especially considering the cost and time impact, while embarking on your digital transformation journey? Figure 1 depicts the approach and explores four such digital pathways and sheds light on the implications.

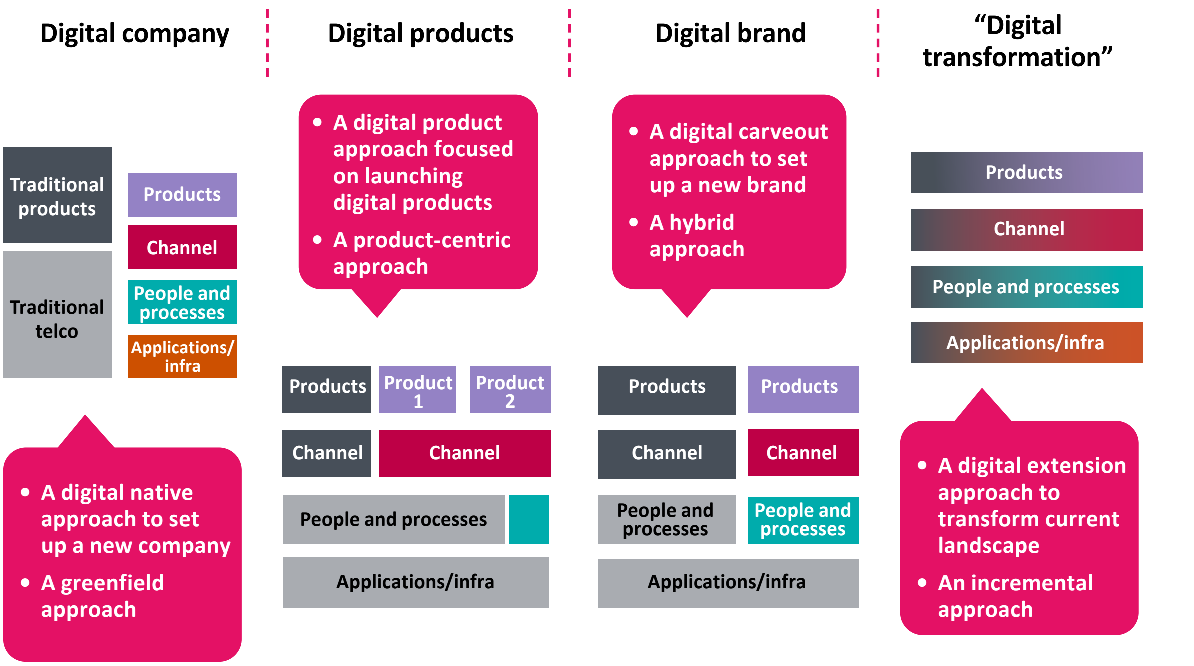

Figure 1: The four digital pathways

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[3] International Data Corporation (IDC) White paper: SD WAN Cornerstone Of Transformation by Chris Banard and Jan Hein Bakkers

[4] Digital Transformation – Build Your Organisation's Future For the Innovation age by Lindsay Herbert. Page 78 to 88

- **Digital company:** A digital company or digital-native organization is an enterprise that primarily operates online, with digital sales contributing to a significant portion of their revenue. Examples of true native-digital companies include Netflix, Amazon, Uber, Google, Facebook, etc. Can CSPs embrace a model where their operations, processes, sales and post-sales support can all be driven through online channels, with a well-drafted digital-first strategy?

- **Digital products:** CSPs can establish themselves as the 'custodians of digital experience' by orchestrating various digital marketplace offerings and products that customers need, by leveraging their high-speed connectivity to create one unified ecosystem or digital experience.[5,6] This pathway typically allows CSPs to focus on launching digital products and leveraging existing investments within the traditional CSP bandwidth. Being the custodian of digital products allows CSPs to maintain their existing brand and investments, while stemming the erosion of revenues to pure play digital companies.[7]

- **Digital brands:** In this hybrid scenario, CSPs can launch a new digital brand that leverages the infrastructure already established by the parent company. While allowing the brand to use the assets and resources available to the traditional CSP, the company can grow and portray a different digital brand to the public, separate in brand identity from the parent company. The downside of this approach is that the same pressures that stop the organization from embracing true digitalization continue to persist. While CSPs are uniquely able to capture digital brand opportunities, challenges persist with revenue growth - given their focus on a product-centric approach, rather than a customer engagement-centric approach.

- **Digital transformation:** Digital transformation is the integration of digital technology into all areas of the business for enhanced efficiencies, fundamentally impacting the business operations and value delivery model of the organization. Under this business model, new products and services leverage existing configuration and capabilities. Digital transformation is highly dependent on the current maturity of channels and the commitment of the organization to truly implement new digital initiatives. This is the most common business model used by CSPs although there is fierce competition for investments between the network and non-network activities of a CSP, which includes digital transformation as well.

- **Impact of strategic pathways on channels:** Although the various business models identified above will impact channels as well as products and technology, organizations' focus must be on customer channels that CSPs heavily rely on to serve their customers. Figure 2 below summarizes the impact of the strategic pathways on channel strategy:

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[5] *Custodians of Digital Experience; www.tcs.com/content/dam/tcs/pdf/discover-tcs/business/custodians-of-digital-experience.pdf;* Accessed Sept 2, 2021

[6] *www.tcs.com/content/dam/tcs/pdf/Industries/global-trend-studies/state-of-digital.pdf*

[7] The Massive Reset and Acceleration of the Digital Enterprise – By Rajesh Gopinathan

	Pathway 1	Pathway 2	Pathway 3	Pathway 4
	Digital company	Digital products	Digital brand	Digital transformation
Product design	CX-led product design and bundling is fully possible	CX-led product design Flexibility for bundling may vary	CX-led product design. Bundling needs backward compatibility	Products and bundles leverage existing configuration capabilities
Omnichannel experience	Built from scratch with features for persistent and seamless CX	Built from scratch for the products with integration to existing channels	Built from scratch for the brand with integration to existing channels	Highly dependent on the current maturity of channels
Self-service	Full potential to define tailored customer journeys	Customer journeys built specific to product with some alignment to existing process	Customer journeys built specific to the brand with some alignment to existing process	Customer journeys need compatibility with current process
Customer lifecycle management	Fully digitized and channels' driven customer management	Fully digitized and channels' driven customer management specific to the products	Fully digitized and channels' driven customer management specific to the brand	Customer management need compatibility with current process

TCS guiding principles → **Pervasive channels** | **Customer experience integration** | **AI-led insights** | **Automated journeys** | **Cloud enablement**

Figure 2: Impact of the strategic pathways on channel strategy

For a truly enhanced customer experience, CSPs on a digitalization drive need to move from a product-centric approach to negate disparity in customer experience depending on the channel used. Native digital channels, however, strategize differently by capitalizing on high-tech investments to provide their customers with a seamless omnichannel experience to deliver hyper personalization, and a real-time virtual data platform to enable 360-degree view to the customer. It is nearly impossible for a traditional CSP to implement these capabilities while embarking on their digitalization journey, especially in the timescales required to positively react to the market dynamics[9].

Determining the right pathway for your organization

Customer experience, brand, IT architecture, network, culture, cost and time-to-deliver are all significant factors to consider in determining the right pathway. A cost-benefit analysis will have to be carried out against predetermined criteria. The weighing of each of the criteria will differ across CSPs, depending on their individual priorities and goals. For example, a CSP might decide that a digital brand is a more appropriate strategy due to the importance on frontend channels, while the product and branding will be weighed heavily in favor of the network. Figure 3 below represents the seven-point analysis to determine the right pathway.

[8] TCS PoV by Narendran Sivakumar, Vijay Bhaskara, Claus Hanschake and Tunde Adebayo

	Parameters to be assessed	Customer preference	MUSCOW	Priority	Can be overridden
1	Customer experience	How easy is it to align digital channels	Must have	1	No
2	Costs	Cost of digital transformation	Must have	1	No
3	Time to deliver	How much time will it take to totally deliver the transformation?	Should have	2	Yes
4	Culture	How easy is it to adopt a digital model?	Could have	2	No
5	Network	Is the network digitally ready?	Must have	1	No
6	IT architecture	How easy is it to evolve the architecture?	Won't have	NA	NA
7	Brand	How modern is the brand?	Should have	3	Yes

Figure 3: Seven-point analysis to determine the right pathway

The way forward – Restructuring for scale, growth and compliance

So, what is the way forward? Which business model should CSPs adopt to ensure they don't miss out on the revenue maximization opportunities that accompany the growth of 5G?

To quote Dirk-Peter van Leeuwen, Senior VP and GM, Red Hat's Asia-Pacific and Japan region – "It is important to understand what digital transformation means, and how you can get a digital transformation process in place and accelerate it. This isn't just restricted to IT; it is about people, it is about culture and process. A complex transition is happening."[9]

A robust solution to drive digital inclusion should amalgamate connectivity, 5G, security, cloud, and internal collaboration to enable enterprises to simplify the transition journey, stay relevant and future ready.

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[9] We are focused on helping India transform into a digitally empowered society'; 8 Feb, 2021; *yourstory.com/2021/02/ys-learn-india-digital-open-source-red-hat/amp*; Accessed Sept 2, 2021

About the author

Tunde Adebayo

Tunde Adebayo is an industry adviser and senior consultant at TCS with 25 years of strong industry knowhow, domain expertise, technology innovation and cross-industry best practices, to help CXOs drive and sustain business leadership. As an industry adviser, Tunde explores how technology disruptions can be harnessed to power enterprises into the future and helps the C-Suite navigate disruption and transformation in the age of ecosystems.

Tunde holds a master's degree in Information Systems and Technology from City University, London, and a BA Hons degree in Political Economy from Greenwich University in London.

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