

ITU Open Consultation Meeting

**OPERATOR DIGITAL TRANSFORMATION
UNLOCKING EUR15 BILLION BY 2021
THROUGH PARTNERSHIPS WITH OSPs**

18 SEPTEMBER 2017

DAVID ABECASSIS, PARTNER

Digital Transformation to become a ‘Digital Service Provider’: A strategy adopted by all leading telecoms operators



*“**Digitisation** is no longer a possibility - it's a reality. The transformation of our processes, policies and systems is the **cornerstone of digitisation**, as well as being a **facilitator** of other priorities”*



*“Telia should be a **digital facilitator** in society, and we should aim to apply our technical skills in new ways”*

Abraham Foss
CEO, Telia Norge



*“**Digital transformation** is impacting every sector of industry, starting with Orange itself [...]*

*The Orange Digital Leadership Inside (ODLI) programme was launched at the end of 2013 **to step up digital transformation** across the company”*



*“Telenor will evolve into an **increasingly digital company** with a **broader set of engaging products and services** reaching an even **larger number of customers**, yet deeply rooted in **highly efficient core telecoms operations**”*

Sigve Brekke
President and CEO, Telenor

Sources: operator reports and presentations

Don't go it alone:

Partnerships with OSPs can accelerate Digital Transformation



LIBERTY GLOBAL®

NETFLIX

Liberty bundles Netflix subscription with its core services, providing OSP with a better local market reach while generating additional revenue from taking a share of Netflix subscription sale



Deutsche Telekom partners with Cisco to implement NFV technologies to offer connectivity services to small and medium-sized enterprises (SMEs) in three European countries (Croatia, Hungary and Slovakia)



Vodafone UK provides Android customers with an opportunity to charge the purchases of content in the Google Play Store, such as apps, games, music, video, and e-books, directly to their monthly bill



MTN Business partners with Microsoft to provide a pan-African cloud platform that offers its business customers a hybrid cloud solution serviced from MTN's data centres and powered by Microsoft technology

Selected examples only; sources: operator reports and presentations

Don't go it alone: Partnerships with OSPs can accelerate Digital Transformation



Liberty Global provides services, while generating a share of Netflix subscription sale

Core business development



Deutsche Telekom provides technology for small and medium-sized European countries (Croatia, Hungary and Slovakia)

Enhanced technology & operations



Vodafone provides an opportunity in the Google Play music, video, and e-books, directly to their monthly bill

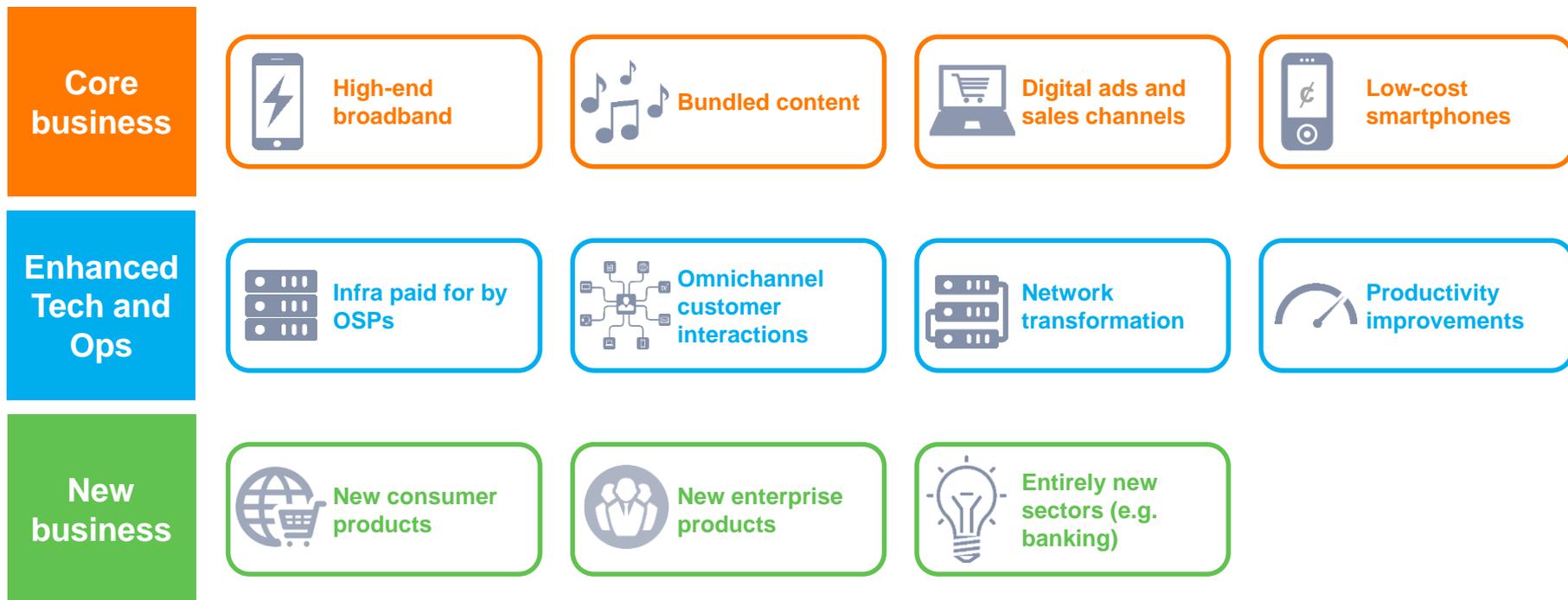
New business opportunities



MTN Business provides pan-African cloud hybrid cloud data centres and powered by Microsoft technology

New business opportunities

Three key areas for partnerships and cooperation: Many examples already exist, much more can be done



Source: Analysys Mason, interviews with operators

Direct and indirect interactions: Quantifying the impact of two possible mid-term scenarios

Our approach to quantify the cash flow impact of interactions at market level

Model of *direct* interactions (partnerships) and *indirect* interactions with online service providers

Only interactions with a market-level impact (not only a competitive advantage)

Impact on operators based on a cashflow-based model (EBITDA – CAPEX)

Three explicit operator archetypes, for WE and EE

Extrapolation for MEA

We looked at two scenarios, with *direct interactions* as the main difference

Base case forecast

Stable financial outlook, with continued experimentation with partnerships and interactions on a limited scale

Deepening interactions

Operators leverage interactions with OSPs across the board, *indirect* interactions play out fully, *direct* interactions in a more limited way

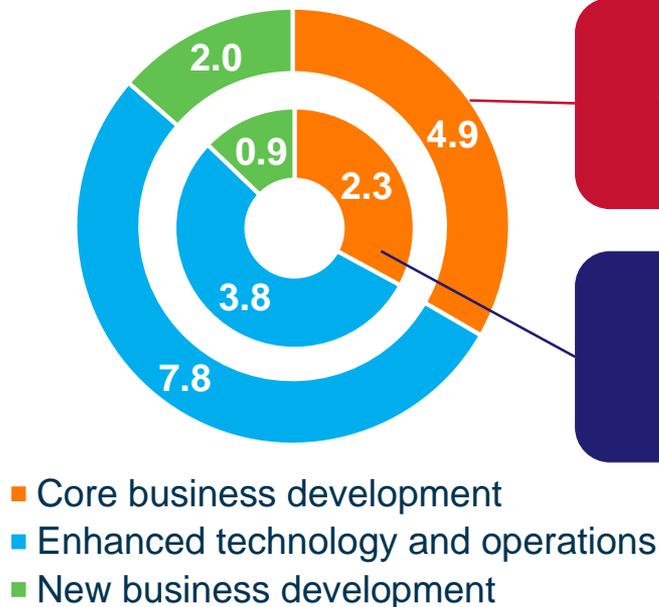
Intensive cooperation

Much greater focus on *direct* interactions and partnerships, with a knock-on effect on *indirect* interactions

Source: Analysys Mason, interviews with operators

A large opportunity in EMEA: Up to EUR15 billion in addition cash flow from 2021

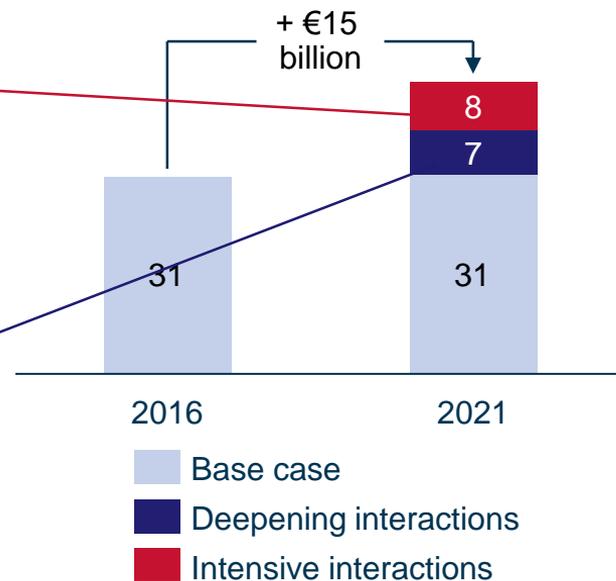
Annual incremental cash flow by source in 2021
(EMEA, EUR billion)



**Intensive cooperation:
€15 billion**

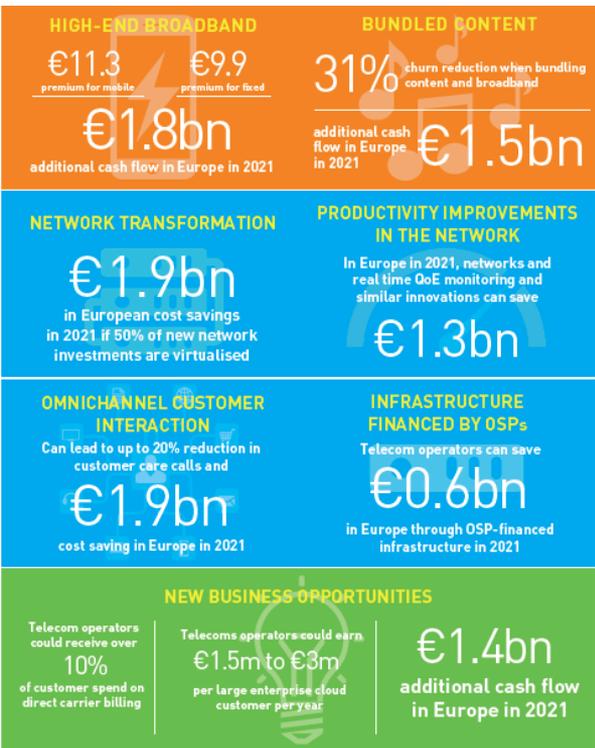
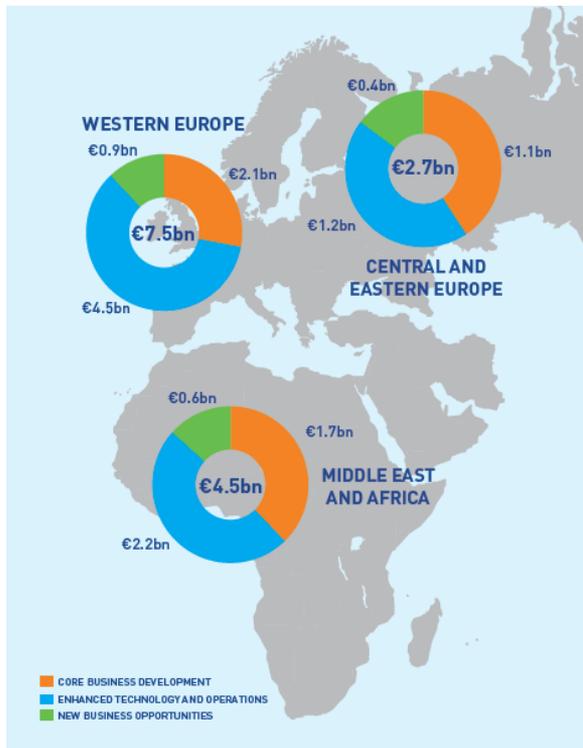
**Deepening interactions:
€7 billion**

Potential cash flow benefits by scenario (EMEA, EUR billion)



Source: Analysys Mason, analysis and modelling

A large opportunity in EMEA: Up to EUR15 billion in addition cash flow from 2021



Beyond historical disruption: The Internet is opening broad opportunities for telecoms operators

Disruption

... has already worked its way through the system. What next?

Successful execution

... of Digital Transformation strategies is essential to mitigate the impact of maturity, commoditisation, competition

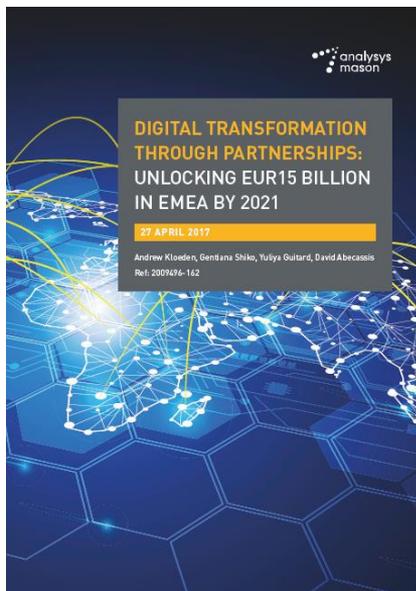
Financial benefits

... are substantial – up to €15 billion by 2021 (~50% of current cashflows), further opportunities from competitive advantages by fast movers

New business opportunities

... are wide open – the Internet is bringing down barriers to entry not only in the telecoms sector, but for telecoms operators in other sectors

The report is available now on our website



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Click the report or visit:

<http://www.analysismason.com/digital-transformation-through-partnerships>



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