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Creating Value from Digital Disruption:
An imperative, not a choice, for communications, media and technology players in India
The communications, media and technology (CMT) industry is at the heart of the digital revolution globally. On one hand, telecom and media operators have greatly benefited from the explosive adoption and utilization of mobile services among consumers worldwide. On the other hand, mobile device and network convergence has given rise to exciting, entirely new opportunities through “appification” and access to a host of services at their fingertips. Everything—from mobile subscription recharge to the ability to order and pay for food online, to watching your favorite TV show at a time convenient to you—is just a tap away.
In India, mobile telephony has emerged as a powerful driver of change in the past decade. While rural India is still catching up with 2G, telecom operators desperate to satisfy growing demand in urban areas are investing heavily in high-speed technologies such as 3G and 4G. All the while, operators face challenges on multiple fronts, including regulatory uncertainties concerning merger and acquisition deals, spectrum management and taxes.

Meanwhile, traditional services such as voice and SMS are quickly giving way to mobile data services. Forward-thinking content and service providers are hastening to develop innovations in service offerings such as Internet of Things (IoT), smart cities and mobile payments. However, they are simultaneously grappling with slow and overloaded telecom networks, experimenting with monetization models and trying to strengthen their underdeveloped billing and customer care systems.

Bridging the “G” gap

In recent years, disruptive players in the CMT space—ranging from over-the-top (OTT) entities to superplatforms such as Google and Amazon—have offered new kinds of competing services delivered through lean operating models that they have achieved through use of innovations in IT operations, such as Agile and DevOps. Their accomplishments have forced more traditional service providers to rethink their own business and operating models. As part of this effort, such companies will need to accelerate the phase-out of legacy networks in favor of a new network that will enable them to operate in tomorrow’s fragmented CMT industry, which will be characterized by a plethora of diverse players.

But while a majority of India’s current Internet traffic comes from mobile devices, the capital-intensive network infrastructure has not kept pace with the growth in smartphone penetration in this vast market. Simply put, India’s existing, often-erratic 3G mobile Internet services cannot satisfy consumers’ burgeoning appetite for larger screens, richer content and high quality of experience. Yes, Airtel, Vodafone and Idea Cellular have rolled out their 4G services, and Reliance Jio is likely to follow suit—but these operators cannot possibly meet the demands of 1.25 billion people themselves. To satisfy the need, more and more service providers must invest strategically in network infrastructure as well as adopt agile methodologies to roll out changes faster. This is critical if the industry overall hopes to sustain the next generation of digital services at costs viable for consumers.

Innovating in a price-sensitive market

Cost concerns translate directly into the key question of pricing. With data hungry consumers wanting to access services faster on larger screens, handset manufacturers are introducing 4G upgraded devices. At the same time, the average selling price of mobile handsets in India is showing a downward trend—from US$92.4 in 2012 to US$64.6 in 20161—enabling wider market penetration. To serve a larger segment of consumers in this price-sensitive market, handset manufacturers need to look beyond the established metropolitan areas and seek to penetrate semi-urban and rural areas alike. But they can do so only if they deploy an effective segmentation strategy. At the same time, to accelerate the transition to the new network infrastructure, telecom and Internet service providers will have to reconfigure their investment priorities, shifting emphasis from call volumes and call average revenue per user (ARPU) to data volume and data ARPU.

In addition, they will have to execute major organizational changes; for example, excel at business processes such as automation, coalesce internal and external talent and learning as a core competency, and build a workforce that embodies skills such as liquid development. Moreover, this transformation will have to unfold over phases, including adoption of new approaches to vendor management and reprioritization of product and service offerings. At the same time, companies will have to sustain the flexibility essential for innovation even as they race to lower total cost of ownership for customers.

Of course, companies will also need to educate consumers on how to make full use of their services. For instance, creation of self-service through Web or app or IVR-based functions for a majority of actions. While providing such assistance will initially add to the cost of service, it can go a long way toward delivering higher returns on investment through deeper customer relationship, upsell opportunities and reduced cost to serve.

Next steps for CMT players

To survive in a changed landscape, CMT companies need to make big, bold decisions now. As a major market of the future, India holds promise only for those businesses that stand ready to invest today. Indeed, enterprises may not get a second chance in this already crowded and price-sensitive market. To decide where and how to invest, executives can start by exploring some critical questions:

• What ecosystem factors (for example, data ARPU growth, mobile-enabled commerce, digitization drive by government) have the biggest impact on large-scale investment in India’s network infrastructure?

• Which services should our company prioritize, given possible unique value propositions and customers’ willingness to pay?

• What is our optimal revenue and cost model? How to best segment the market and serve targeted segment to generate the best returns?

• Who are the key players in India’s CMT ecosystem and how should they collaborate? What role might our company play in such partnerships?

• How price sensitive are the customers in our target segment? What switching costs do they incur when they change providers?

How companies answer these questions—and what they do with the answers—will determine their future. For telecom providers, the central issue will be whether and how they can become more than just “dumb pipes” carrying voice and data traffic. For publishers and broadcasters, the ability to expand their horizons beyond the traditional content delivery model (which is swiftly going extinct) will prove critical to their survival. Meanwhile, electronics and high tech companies will have to strengthen their offerings (for instance, offering a service versus a product) to beat price warriors and counter the onslaught of superplatforms.

In addition, all companies in the ecosystem must figure out how to compete and collaborate simultaneously. And to break into the crowded Indian marketplace, they will need to offer strong digital brands and phenomenal customer experiences right out of the box—including levels of security and privacy that inspire consumer trust. Meanwhile, adopting the right digital strategy and selecting partners who have relevant global experience will be essential for making the required transformations in their business and their technology systems.

To be sure, all of this will require new approaches and redefined priorities. But successfully managing these changes will also enable companies to create new forms of value for customers. Most important, it will help companies gain customers’ confidence in their offerings, drive movement of their products and services from early adoption into mainstream use and eventually—loyalty. Ultimately, it will drive down both operating and capital expenditures, while also accelerating time to market—two imperatives for succeeding in an industry that will soon look nothing like it did in the past.
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