

The future of telco

Adapt to thrive

January 2016



Tomorrow's telcos will build new businesses out of their data.

Against a backdrop of falling prices, increased competition and tough regulation, unearthing new revenue streams is critical to the survival of today's telco. **Alex Holt** explores how one of the most successful ways to do this will be using their data to build new businesses, particularly targeting the enterprise market.

To date, traditional broadband and mobile providers have used roughly the same strategies to gain customers: cut prices and offer innovative technology devices and more latterly, quad-play and premium content bundles.

As profit margins inevitably shrink, I imagine the defining characteristic of a successful telco will be the ability to do something fundamentally different to the existing core business. In all likelihood this will involve leveraging the data held by telcos.

Today's telcos collect enormous volumes of consumer data: from the location of the individual, where they are travelling and how fast, content they are consuming, who they are interacting with, to what they are buying.

Although this thinking isn't new, mining data for new consumer revenue streams has not yielded much success yet. This is partly due to increased regulatory pressure (such as the Data Retention and Investigatory Powers Act 2014), consumer privacy concerns and other market competitors. Indeed, recently we heard Apple's Tim Cook criticise Google and Facebook – both modern telcos in their own right – for 'tricking' people into giving up their data¹.

This is why the enterprise market represents much more fertile ground. I foresee successful telcos bundling together location or movement data and selling this to governments who want to predict infrastructure demand on a subscription basis.

For major rail or road infrastructure projects, business cases have historically been made through 'armies of people' capturing passenger journey information on clipboards. Mobile data can build a far more accurate picture of a customer's movements for a fraction of the cost. The commercial opportunity for telcos is even greater in emerging markets, where infrastructure is less developed.

In more mature markets, infrastructure planners can use mobile data for more everyday tasks such as managing motorway traffic and optimising public transport networks. By identifying patterns in the data, transport companies and services can start to pre-empt demand or potential issues and price in real time.

Source: 1) <http://www.independent.co.uk/life-style/gadgets-and-tech/news/apple-boss-tim-cook-slams-google-and-facebook-for-selling-their-users-data-10295158.html>

Although we have already seen car insurers tracking where customers are going and how fast they are driving to determine risk, the possibilities are endless for telcos. They could also bundle holiday, car and house insurance together to provide a 'pay as you go' option or lifestyle insurance on the basis of your exact location. For example, if you are on holiday then you may require not only travel insurance but also a higher level of house insurance, and potentially less car insurance.

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Telcos may opt for the safety of partnering with an insurer rather than trying to build an infrastructure division from scratch.

However, the broader lesson is that telcos have an incredible opportunity – one they are only just starting to exploit.

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