The post pandemic global telco environment
Bitpipe and Cash Cow scenarios
We previously published an overview of four possible scenarios for global telcos 24 months from now. In another article we described in detail the best and worst case scenarios, but we now will discuss the two middle scenarios: Bitpipe and Cash Cow. These are summaries only, and for those interested in more, please contact the authors to arrange what we call a Thrive Lab—a series of three virtual three-hour labs with ultra-specific scenarios and response strategies for operators.

Deloitte’s Center for the Long View (CLV) used a proprietary mix of AI-driven research analysis and interviews with 32 internal telco experts, to develop these scenarios. These are not predictions, they are possibilities. Readers should not try to figure out which one is most probable or focus on the one they most want to happen. Instead, they should use these as a guide to the possibilities, and future-proof their companies.

**Bitpipe Scenario**

- Repeated COVID waves cause a global recession, with manufacturing hit harder than services, delaying 5G, Industry 4.0, and IoT initiatives.
- Shopping, communicating, and entertainment is mainly online, and work from anywhere is the next normal.
- Individuals, businesses, and governments all agree that the services that telcos provide are critical...but they won’t pay a lot for them.
- Connectivity is commoditized, and margins are low. Governments create incentives for telcos to share networks.
- Although operators lack money to invest in 5G, they do invest in automation, especially around customer care, as they shutter physical retail.

**How to be the best Bitpipe possible**

**It’s all about service differentiation and cost efficiency.**

- Telcos need to play in the B2B and B2C mass market, carry commodity bits over fixed and wireless networks and prioritize urban coverage.
- Providing value added services will be niche at best, and only when little investment is needed.
- Winning operators will offer inexpensive and reliable service, built around standardized product offerings.
- Innovation is still needed: customer service will be automated.
- Capabilities needed by telcos start with in-house automation expertise for the functions just mentioned, but also include cooperating with other telcos, lobbying governments for subsidies, and making their workforce as digital as possible, with recruiting or retraining as needed.
Cash Cow Scenario

- The global economy comes out of a steep-but-brief recession.
- Companies push ahead on 5G, automation, AI, and Industry 4.0—but there’s a backlash to the period of physical distancing during the pandemic.
- Consumers and businesses who missed “the human touch” seek out and prefer in-person interactions at times: it’s now an omnichannel experience.
- Telcos can raise prices slightly as customers are willing to pay for premium speeds, service, and network quality leading to high margins.
- Telcos retain direct access to consumer customers and also have a strong B2B push around technology-based and value-added services through personal account management.

How to be the best Cash Cow possible

It’s all about the networks.

- Winning operators need to invest in the best wireline and wireless networks (urban and rural), but also the best human networks for customer service, both B2C and mass B2B.
- Unlike in the Bitpipe scenario, telcos will want to have modular or even customized product offerings, especially in B2B.
- It’s not just offerings: the winning players will have active key account management, frequent customer contact to upsell or cross-sell services, and deep understanding of both mass and niche customer segments.
- Telcos won’t be able to go it alone and will want to collaborate with tech and industrial players to offer value-added services.

In the more than two dozen labs we’ve done so far, about half the operators believe Bitpipe is most likely, with the other half opting for Cash Cow—and no one expects our best or worst-case options (Thrive or Survive) to occur. That’s not a surprising split, but we caution readers that the point of scenario planning is to prepare for all possibilities, not just what seems the most likely partway through the pandemic.
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at www.deloitte.com

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020. For information, contact Deloitte Global.

Authors

Alexander Mogg
Partner, Deloitte Consulting GmbH
+4989290367939
amogg@deloitte.de

Deloitte

Kevin Westcott
Global Telecommunications, Media & Entertainment Leader
+1 213 553 1714
kewestcott@deloitte.com

Tim Bottke
Partner, Deloitte Consulting GmbH
+4989290368964
tbottke@deloitte.de

Duncan Stewart
Research Director, Deloitte Canada
+1 416 874 3536
dunstewart@deloitte.ca