



Understanding the sector impact of COVID-19

Telecommunications

The effects of COVID-19 are being felt around the world and are having a significant impact on the Telecom sub-sector. As increasing numbers of countries impose restrictions on movement, people are spending more time at home for work and leisure, and using vastly higher amounts of data. Telecommunications companies (“telcos”) are focused on increasing network resiliency and looking at how COVID-19 impacts their planned investments, particularly in 5G. Telcos are also making changes to benefit customers, who during this time need networking services more than ever. In some countries, data is being used as a tool to track and contain the spread of the virus.

Potential impacts on Telecom

Network usage and resiliency:

- Network usage is skyrocketing, with many telcos reporting large spikes. In some countries, the volume of voice calls is also increasing exponentially.
- Network reliability is an ongoing focus. Network infrastructure in Europe is witnessing spikes in connection drop rates, lower audio quality, and drops in the connection rates. The European Union has tried to mitigate potential outages by asking streaming services to limit picture quality.
- COVID-19 is also leading to collaboration which might have been unthinkable weeks ago. For example, operators across the US are increasing capacity by borrowing spectrum from competitors.

Changes for the customer:

- Across the globe, telcos are taking a variety of measures to improve the customer experience and give people access to networking services. In the UK, telcos have increased capacity, are offering unlimited minutes, and provided anonymized data to aid in tracking the spread of COVID-19.
- Telcos are also offering networking tools for free or at a reduced cost to aid customers in working from home. Similarly, work productivity platforms are launching promotional offers to capture newly created demand.
- With stores closed across the globe, telcos are adapting to new ways to sell products and provide service to customers, with self-service becoming increasingly important.
- The launch of new smartphones may be deferred due to supply chain constraints. Mobile phone users on contracts may defer replacing their devices due to lower consumer confidence.

Usage of consumer data to track and contain COVID-19:

- Data is increasingly being used by governments and organizations to track and contain the spread of the virus.
- In China, due to its vast landscape and large, highly mobile population, the effectiveness of communication and data exchange has been essential in screening for infected individuals and controlling the outbreak.
- It is likely that more countries will use cellular data to track the spread of the virus, which may raise questions about data privacy in the future.



Financial impacts

- While telcos have historically been less affected by recessions, some telcos may face issues with cash flow in the long term, similar to other industries.
- Telcos who own sports-related media may see a negative impact on advertising-driven revenues, given the amount of sports league cancellations.
- Many companies are looking at long-term investments in their networks, and in some cases, pulling forward investment in 5G because of its increased reliability and speeds.
- There may be a renewed focus on technology-led M&A to secure differentiating assets and, in some cases, opportunistic plays for innovative start-ups.

Key questions executives and boards should be asking

- How do we guarantee the reliability of our networks?
- When is the right time to make investments in our network and 5G?
- How do we ensure a positive customer experience, even with high pressure on our networks?
- How do we need to reassess our cost structure to offset any mid-term revenue decline?
- How can we leverage automation across every facet of our business (e.g., customer, employee, network resiliency)?
- How are data privacy frameworks changing, and how does that affect our company's policies?

Practical next steps

Telco leaders will be defined by what they do along the three dimensions to managing a crisis: respond, recover, and thrive. Some key next steps include:

- Test network reliability
- Ensure call centers are equipped to handle increases in volume
- Consider the impact of government stimulus incentives on telcos
- Assess opportunities for more automation, such as low-/no-touch options for customer-facing processes as well as internal tasks

For additional steps that organizations should consider taking, visit www.deloitte.com/covid19-resilient-leadership

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