Telcos and Making Money in a Commoditised Market.

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Telecommunications companies, telcos for short, have faced two major shocks in recent years that threaten their core business which are doubly unhelpful as the one serves to reinforce and exacerbate the other. The first is digitization which means customers demand an always on service, accessible everywhere which forces telcos to deliver ever greater capacity and bandwidth. These client demands take many forms including cloud computing and near ubiquitous mobile payment platforms with a vast number of industries offering digitized services leading to the market for mobile applications burgeoning rapidly. As an illustration of supply and demand, Cisco are projecting Networked devices will outnumber people 3 to 1 in 2016: <http://www.networkworld.com/newsletters/converg/2012/060412convergence1.html>; which will mean an increasing demand for telco services. Another force has been the disintermediation of the billing process by “app stores” and overall you could see telcos descending to the status of mere utilities; a point made eloquently here: <http://www.networkworld.com/news/tech/2012/121012-telecoms-264964.html?page=1>. The overall effect is that telecommunications services are increasingly seen as commoditised casting suppliers in the same light as water or electricity companies.

The second seismic change affecting telcos simultaneously is the downturn in the global economy meaning revenues are reduced, credit lines are under pressure and growth is slow, stagnating or negative. Taken together these mean current revenue streams do not support the capital expenditure required to grow services in the manner demanded by the market. We also know that telcos carry huge volumes of legacy business which deliver limited margins but demand resources to maintain. However such services deliver run-rate day to day business which telcos have relied upon for a good fraction of their substantial revenues and in turn this has created very slow moving organisations whose inertia reflects that reliance on relatively old technology with tried and trusted methodologies.

So we see the conflicting forces of increasing demand for network capacity with margins being simultaneously squeezed. Consequently there is a need for telco services that will add value and margin for the companies.

Again simultaneously we see the emergence of extremely agile new players unencumbered by the responsibilities of that legacy business who are nonetheless reliant on the telcos for the framework around which they build their own offerings. They also offer opportunities for the telcos to build value added services that augment their margins and mean they can make money in this commoditised world.

There are clearly many of these and we will focus on the threat posed by BYOD (Bring Your Own Device). Under this regime, employees use their own devices typically smartphones, tablets etc. in preference to the company’s own computers. It is a well-known area that we have looked at previously <http://www.managedserviceexpert.com/blog/byod-security-consequences-and-how-to-deal-with-them> it is an attractive arrangement for the employer as they are not forced to provide or maintain a network of machines saving them money and the employee gets to procure the device of their choice making them more content and hence productive. It also represents an area where telcos can build higher margin service offerings that specifically address the concerns the employer has over the security of their data held on employee machines. The issue here is relatively simple, the organisation does not own the devices in question but does own the data held on them which it needs to protect from theft or loss of the device itself. We shall refer to Connect In Private’s white label BYOD virtualisation and encryption product here and can clearly see how this could be used to create a branded solution for sale to any organisation finding itself need to deal with BYOD <http://www.managedserviceexpert.com/hosted-applications/connect-in-private-byod-solution-detail>, data sheet [here](http://www.managedserviceexpert.com/downloads/category/32-cloud-computing?download=127:connect-in-private-branded-byod-solution). By delivering products like this, telcos can realise the higher margins delivered by selling value added service products plus access and leverage their substantial existing client base. In short, it is an easy sell to a client base that already buys from them.