

Telecoms: The telecoms business model is under threat

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Abstracts

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SUMMARY

The telecommunications industry is in a curious place right now. Mobile phone usage, internet traffic and data consumption has exploded and is only set to accelerate as far as most can see, yet telecoms companies that provide the facility to do any of these things, are struggling to grow at present. There are multiple issues but principally it is not obvious what business model telecoms companies should adopt in order to secure their futures.

Furthermore all kinds of large new disruptive events in the industry are looming over the next decade, from the emergence of new technology that might disrupt the main players, the building of the 5G network, trying to realize the dream of the internet of things and colossal M&A activity. There are some good opportunities present in the industry, but without careful planning and redesigning of the traditional telecommunications business model, it is entirely possible some of the world's biggest carriers might struggle to stay independent over the next few years.

KEY HIGHLIGHTS

A growing problem for the big telecoms carriers is that revenue growth is being suppressed by a business model that has some significant drawbacks.

For the major carriers, revenue growth is remaining largely static, because whilst telecoms services are provided mostly for a flat fee, such as a monthly

subscription, usage of data services are forever growing.

This means that telecoms are being forced into the situation where they have to provide more, for the same levels of remuneration. This has led to a situation where telecoms companies are struggling to monetize the massive demand for mobile services and are forever being squeezed on price.

One temporary fix to this was to introduce charges based on data usage and most companies across the world now have this implemented to some extent, but it is not enough to prevent over the top services eroding telecoms players' hold on their customers.

This is then further serving to erode the other areas of the telecoms business as ubiquitous mobile internet allows third party app providers to steal away more messaging and voice communication from the telecoms companies, such as through Facebook, WhatsApp, Telegram and many others. This is the key business dilemma for the telecoms giants and how exactly to evolve their offering is proving to be seriously challenging, with most players having radically different answers to this question. Simply transporting content over their fixed and mobile networks is not enough. They increasingly want to own and monetize this content as well.

Many carriers today are trying to choose between two distinct business models. The first is a utility business with large, long-term investments in networks and infrastructure. The second is a digital consumer business that relies on digital services, apps, and content, powered by consumer data.

The problem here is that there are not many examples of the big carriers actually succeeding in using either option to actually grow their revenues in any significant way and so this is forcing players to look at a wide variety of options in completely new markets. The vast majority have been looking to content as being the business model of the future, using a new content platform to boost subscriptions to the existing telecoms network.

However, this is proving to be extremely expensive for most companies and only really provides a temporary boost in the opening years of adopting this kind of service and then the benefits begin to fade and revenues drop back to previous levels and some even need to drop the model entirely. Clearly the entire industry is experiencing significant change and telecoms companies are scrambling to

implement all kinds of different models in order to survive.

SCOPE

Examine the business landscape in the telecoms industry and how the big players are coping

See just how the environment is difficult and new business strategies need to evolve

Explore some of the biggest M&A deals, why they happened and how they are fairing

Prepare for the new 5G and Internet of thing environments and how they might effect the big carriers

REASONS TO BUY

What are the big players doing in the telecoms industry to cope with static revenue problems?

Why is the industry suffering from issues of static revenues?

Will 5G and the internet of things give the industry a boost?

What players have a successful strategy at present?

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Summary

Airline industry is striving for innovation amid difficult trading conditions

Sustainable airlines are minority in industry where margins are thin

Consolidation is reaching logical limits in United States - Europe will likely follow

Ancillary and additional charge revenue becoming more important to airline balance sheets

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