

strategy&

Formerly Booz & Company

*Chief digital
officers in the
telecom industry*

&

A study in change



Contacts

Argentina

Ariel Fleichman
Partner
+54-11-4131-0400
ariel.fleichman
@strategyand.pwc.com

Beirut

Bahjat El-Darwiche
Partner
+961-1-985-655
bahjat.eldarwiche
@strategyand.pwc.com

Düsseldorf

Roman Friedrich
Partner
+49-211-3890-165
roman.friedrich
@strategyand.pwc.com

Madrid

José Arias
Partner
+34-91-411-5121
jose.arias
@strategyand.pwc.com

Carlos Severino
Partner
+34-91-563-7308
carlos.severino
@strategyand.pwc.com

José Antonio Tortosa
Partner
+34-91-563-7693
joseantonio.tortosa
@strategyand.pwc.com

Enrique Manso
Principal
+34-656-250-087
enrique.manso
@strategyand.pwc.com

Milan

Luigi Pugliese
Partner
+39-02-72-50-93-03
luigi.pugliese
@strategyand.pwc.com

Moscow

Steffen Leistner
Partner
+7-985-368-78-88
steffen.leistner
@strategyand.pwc.com

Munich

Martin Reitenspiess
Partner
+49-89-54525-522
martin.reitenspiess
@strategyand.pwc.com

New York

Christopher Vollmer
Partner
+1-212-551-6794
christopher.vollmer
@strategyand.pwc.com

Paris

Pierre Péladeau
Partner
+33-1-44-34-3074
pierre.peladeau
@strategyand.pwc.com

Rio de Janeiro

Paolo Pigorini
Senior Partner
+55-21-2237-8448
paolo.pigorini
@strategyand.pwc.com

São Paulo

Nuno Gomes
Principal
+55-11-5501-6238
nuno.gomes
@strategyand.pwc.com

Tokyo

Toshiya Imai
Partner
+81-3-6757-8600
toshiya.imai
@strategyand.pwc.com

Vienna/New York

Klaus Hoelbling
Partner
+43-1-518-22-907
+1-917-284-3906
klaus.hoelbling
@strategyand.pwc.com

About the authors

Roman Friedrich is a partner with Strategy& based in Düsseldorf and Stockholm. He leads the firm's global communications, media, and technology practice, and specializes in corporate strategic transformation and digitization across industries.

Pierre Péladeau is a partner with Strategy& based in Paris. He is part of the firm's global communications, media, and technology practice and has led many digital strategy and transformation projects at telecom operators and large organizations in several other industries.

Kai Muller is a senior research analyst and knowledge manager with Strategy& based in Berlin. He supports the firm's global communications, media, and technology practice, and leads the European information research team.

Executive summary



As telecom operators move ever more rapidly into the age of digitization, a growing number of them are appointing high-level executives to lead the charge. The task of the executives, who are often designated “chief digital officers,” or CDOs, is to gather the cross-functional expertise and capabilities needed to take advantage of their companies’ privileged position as enablers of the digital revolution. In 2014, Strategy& conducted a study of more than 100 telecom operators around the world, to better understand who these new CDOs are and how they view their efforts to move their companies forward.

Overall, 22 percent of the telecom operators we examined have already appointed a CDO or equivalent, many of them in just the past year or so. European telecoms are somewhat ahead of the curve: More than a quarter have such executives in place. Most CDOs come from backgrounds in business strategy or marketing, rather than technology, but just less than a third have been appointed at the C-suite level. All of them are male.

In order to get the perspective of a working CDO, we spoke at length to Timo Sillober, the director of transformation and digital at Vodafone Germany. He is especially bullish on how digitization can transform the ways his company’s consumer and business customers interact with Vodafone, and his efforts are already showing results. But he also remains realistic about the goals of the company’s efforts to digitize. “Digital, to me, doesn’t mean 100 percent digital,” he says. “Digital, to me, means that the customer can seamlessly interact with us any way he wants to. It’s super simple, it’s convenient, and it works all the time. I believe that eventually most customers will prefer to interact with us digitally.”

The digital mandate

The telecom industry occupies a special place in the ongoing move to fully digitize how businesses operate internally and how they connect with and interact with customers, both consumers and other businesses. The broadband and wireless networks they have built, and the technologies that make them run, have enabled the Internet to become the hugely influential utility it is now, and have led to the rise of the nearly ubiquitous smartphone.

Ironically, telecom operators themselves have long struggled to benefit from digitization. Indeed, many are at risk of becoming the commoditized “dumb pipes” through which so much critical data is carried — unable to profit from all the activity, yet forced to continue to invest in their networks in order to keep up with the explosion in traffic.

In their efforts to turn this situation around, a growing number of operators, like companies in other industries, have created a new position, usually called chief digital officer, or CDO (although the actual titles may vary). The CDO’s task is to boost the company’s efforts to take full advantage of digitization, both internally and in its interactions with retail and business customers.

CDOs differ not only in their backgrounds and levels of responsibility, but also in their missions. Some have been brought in to transform their companies’ digital presence with sleek online channels seamlessly integrated across all customer touch points. Others are expected to leverage digital tools and technologies to transform their companies’ internal efficiency and create new low-cost business models. Still others are grappling with how to bring new digital products and services to market, either through costly in-house development or through partnerships with so-called over-the-top leaders.

Regardless of the brief, it’s a lot to ask. In hopes of gaining a better idea of who these CDOs are, where they came from, and the extent of their responsibilities, Strategy& recently conducted a study of CDOs at telecoms around the world. The picture that emerges shows that although CDOs have a relatively wide range of backgrounds and responsibilities, their overarching goal is essentially the same: to build their companies’ capabilities — the tools, techniques, technologies, and talent — to restore them to their rightful position as leaders of the digital revolution.

Although CDOs have a wide range of responsibilities, their overarching goal is essentially the same.

A portrait of the telecom CDO

So far, the number of telecom operators around the world that have appointed a CDO is relatively small. Of the 104 telecom operators we studied, 22 percent have a CDO or equivalent in place. That should come as no surprise, as the position is a relatively new one; after all, many of the technologies and business practices that have led to digitization are themselves less than a decade old, and CDOs first appeared in companies in 2009. But the number is growing quickly — more than half of current CDOs were appointed since the beginning of 2013 — and more operators will likely create and fill the position soon.

More than a quarter of European telecom companies have appointed a CDO, compared with 21 percent among telecoms globally (*see Exhibit 1, next page*). European firms may be moving more quickly on this front because chief information officers (CIOs) there tend to be more technically oriented than they are elsewhere, thus creating a greater need for a high-level position with a wider scope. CIOs in the U.S., on the other hand, typically take on a more strategic role, one more likely to include responsibility for digitization rather than requiring a separate position to prioritize it.

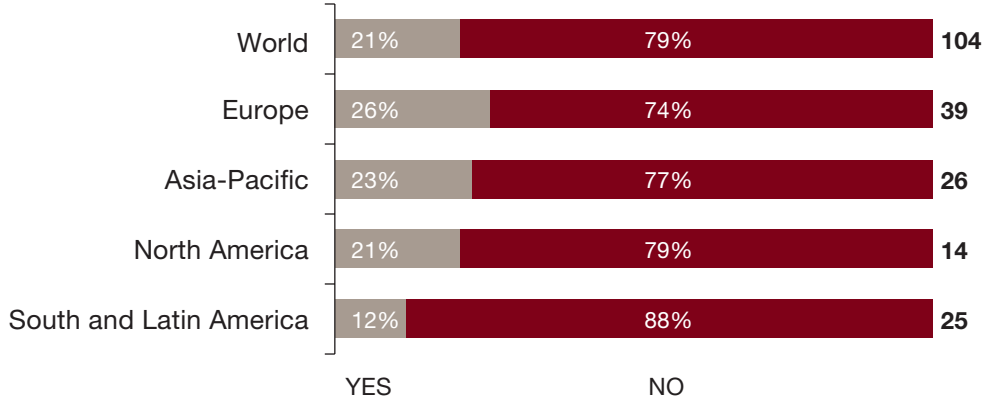
This hypothesis may be borne out by the very different backgrounds of the CDOs at the companies studied. More than 40 percent have a background in product management and marketing, another 27 percent come from strategy and business development backgrounds, while just 23 percent started out in technology or IT (*see Exhibit 2, next page*). A good understanding of, and some experience with, corporate IT and telecom networking operations is no doubt a prerequisite for the position. But equally important, if not more so, is a strong sense of telecom customers — who they are, the products and services they are demanding, now and in the future, and the kinds of experiences they expect in dealing with their telecom providers. This is especially true if, as in Europe, generally speaking, CIOs are already in place who can focus primarily on the technical issues involved.

How important is the new role of CDO? Judging by its position in the corporate hierarchy and on the company organization chart, many

More than half of current CDOs were appointed since the beginning of 2013.

Exhibit 1

European operators have moved somewhat more quickly than those in other markets to appoint CDOs

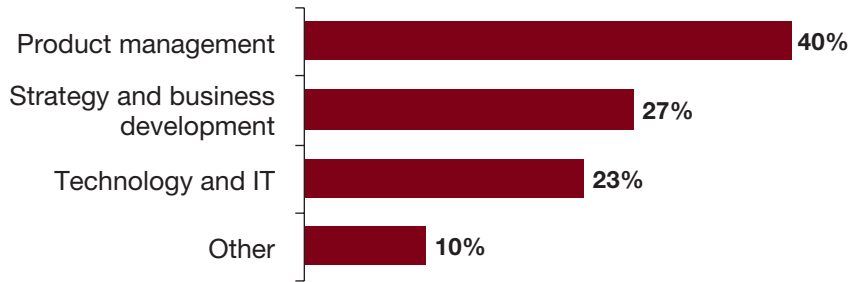


n=104

Source: Strategy& CDO Survey 2014

Exhibit 2

CDOs are more likely to come from marketing and business development backgrounds than from technology or IT



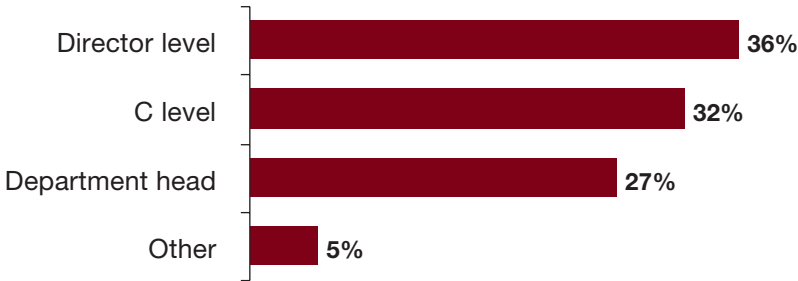
n=22

Source: Strategy& CDO Survey 2014

telecom operators are taking the digital revolution quite seriously, while others continue to downplay the role. Less than a third of CDOs are members of the C-suite, where they likely report directly to the CEO, and another 5 percent are members of their companies' management boards. Even more CDOs, however — 36 percent — work at the director level, whereas 27 percent are at lower levels, where they are “heads of” various functions (see Exhibit 3). Clearly, many operators do not yet fully understand the critical importance of digitization, and that building the digital capabilities needed must be supported at the highest levels of the company.

CDOs' briefs and responsibilities typically depend on their position and on how their companies are organized. Those at the highest levels are typically members of their companies' executive team, while other operators, like Australia's Telstra, have spun off their digital operations into separate divisions. Gerd Schenkel, for example, the executive director of Telstra Digital, leads the firm's efforts to leverage digitization to improve the customer experience while lowering costs.

Exhibit 3
Most CDOs remain below the C-suite level



n=22
Source: Strategy& CDO Survey 2014

A CDO at work

Timo Sillober is typical of the new CDO, and his career and current role demonstrate why that role has already become key to the digital transformation at many telecom operators, both large and small. Sillober, currently the director of transformation and digital and a member of the executive committee at Vodafone Germany, began his career in business process consulting and then IT development planning. After that, he held several positions in IT sales and services at Siemens. When he first moved to Vodafone, in 2005, he worked to consolidate and extend the firm's IT and "total communications" function throughout Europe.

This business transformation experience led Sillober to the U.K., where as head of transformation and online at Vodafone UK, his task was to take the division into the digital future.¹ Doing so proved difficult at first, until the company realized that the shift would require more than a new website and new services such as a multichannel customer appointment system. "Our business processes, our infrastructure, our IT weren't anywhere close to supporting a truly digital, multichannel, multiproduct company reorganization," he says. "In effect, we needed to build an entire new company."

So Sillober was asked to create a completely new end-to-end business process design:

We started off by mapping various customer journeys. What are the wow moments where a customer would say, "Well, that's really easy and simple to interact with, really fits my needs, and stands out against the competition?" This process in turn led to a discussion of the capabilities the company would need to provide that experience — everything from instant multichannel customer views and billing to full transparency into inventory at all of the company's 2,000 stores across the country. Ultimately, Vodafone UK needed to revamp its entire IT system to back up the new processes and capabilities. The transformation allowed Vodafone UK to design and deliver new products and services that could be offered and sold in a truly omnichannel way with much shorter time to market. As a result, Vodafone UK regained its lost market share and ultimately became the leader in digital offerings in the U.K.

Sillober's success in the U.K. led him back to Vodafone's German division, where he was asked to take on a similar transformation in 2012.² Vodafone Germany was among the market share leaders there, but was lagging in digital sales among both retail and enterprise customers. The company placed all of its customer experience resources within Sillober's organization, including digital services for every customer segment. So he is again responsible for building the capabilities and new business processes for every channel — in-store, digital, and call centers — while also delivering new services such as data sharing and new converged products. Already, more than two thirds of Vodafone Germany's customer self-service transactions take place on its new digital platform. And almost five times as many customer interactions with the company take place through its mobile app rather than through its traditional call centers.³

The effects of the transformation at Vodafone Germany extend beyond the customer experience to include sales. By bringing actual service agents into many of its stores, the company has changed the all-too-often adversarial relationship between retail and digital channels. "In Germany, 50 percent or more of customers still want to have the device in their hands to try before they buy it," Sillober says. "Our store agents have come to understand that digital is a good thing, because the more traffic we generate in online, the more footfall we create in the stores."

Sillober's goal, ultimately, is to transform Vodafone Germany through digitization into a total communications platform for both its retail and enterprise customers. Yet his view of digitization is not black and white. "Digital, to me, doesn't mean 100 percent digital," he says. "Digital, to me, means that the customer can seamlessly interact with us any way he wants to. It's super simple, it's convenient, and it works all the time. I believe that eventually most customers will prefer to interact with us digitally. But if they decide to talk to us on the phone, or walk into a shop, they need to have the same great experience. I want my customers to say, 'Why would I ever walk away from this company? Everything I do works, every promise they make they keep.'"

Conclusion

Timo Sillober may have more authority than most CDOs to transform his company into a fully digital business. Still, his experience suggests both how CDOs in the telecom industry should be thinking about their roles and what operators must do to make a full digital transformation. For many companies and their CDOs, the task will be arduous: outdated organizational design, solidified business processes, and legacy IT systems will remain serious obstacles to real change. However, companies must undertake the effort — with the understanding that, given the difficulties, their CDOs must have the full support of top management to complete the top-to-bottom transformation required. Telecom operators cannot expect to move successfully into the digital age until they focus on the experiences, technologies, and platforms that will best enable all of their customers — retail and enterprise alike — to get what they want from their telecom provider.

Endnotes

¹ Interview with Timo Sillober (in German), IFA 2013: www.youtube.com/watch?v=2AzP53Kz3fU.

² Sillober has also recently been named a member of the Digital Advisory Board for the state government of North Rhine–Westphalia in Germany: www.digitalewirtschaft.nrw.de/beirat/.

³ Interview with Timo Sillober, Bloomberg Television, Mar. 20, 2014: www.bloomberg.com/video/transforming-vodafone-to-fully-digital-sillober-ryhMilP9SYqgLZ8uoBes4Q.html.

Strategy& is a global team of practical strategists committed to helping you seize essential advantage.

We do that by working alongside you to solve your toughest problems and helping you capture your greatest opportunities.

These are complex and high-stakes undertakings — often game-changing transformations. We bring 100 years of strategy consulting experience and the unrivaled industry and functional capabilities of the PwC network to the task. Whether you're

charting your corporate strategy, transforming a function or business unit, or building critical capabilities, we'll help you create the value you're looking for with speed, confidence, and impact.

We are a member of the PwC network of firms in 157 countries with more than 195,000 people committed to delivering quality in assurance, tax, and advisory services. Tell us what matters to you and find out more by visiting us at strategyand.pwc.com.

www.strategyand.pwc.com

© 2015 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. Disclaimer: This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.