

Challengers in the telecom sector need to extract growth from saturated markets

A rising tide lifts all boats, but what happens when the tide turns? In the GCC telecom sector, where competition is intensifying, the ebbing tide reveals saturated markets characterized by price wars and monetization challenges.

The sector's leading and long-established incumbents have a natural advantage in this environment. They have the scale and the deep pockets to ward off competitive thrusts and absorb the lower margins needed to grow their core businesses. This presents a dilemma for challengers in the sector: How can they break out of this competitive trap and extract greater value from the GCC's telecom markets?

Conventional wisdom says to reinforce mass market strategies in core businesses, but that is likely to prove a losing game for telecom challengers. When a tactical move can be instantly replicated by industry leaders, it erodes sector value. In the GCC, for example, one operator's attempt to bolster its core business by subsidizing high-end "hero" devices (the latest and coolest products) on low-end plans was instantly matched by its larger rivals. In another market, a challenger's speed-based postpaid plan was quickly replicated by the incumbent.

That does not mean that telecom challengers must accept also-ran positions and futures dictated by the vagaries of demand. While the overall GCC telecom market is saturated, there are opportunities in unserved and underserved demand. Challengers who seek these segments can build competitive advantage and bolster their results in an environment of slowing growth.

To improve their access to growth, most challengers need a less-generic strategic approach to the telecom market. Instead of seeking to be all things to all people, challengers need to define boundaries and make choices. One example is to choose strategic focal points of infrastructure while another is to reinforce their presence in digital adjacencies.

With their broader position defined, challengers can identify lucrative market segments in which they can become the leading operator. For example, one telecom challenger focusing on expatriates and foreigners recently identified an opportunity in shared connectivity for blue-collar residences. Some challengers are using cheaper wireless solutions to provide competitive 5G-based broadband offerings to price-sensitive households and small businesses. Another challenger identified an opportunity to serve food and parcel delivery providers with a connected devices platform bundled with connectivity.

Jad El Mir

partner
jad.elmir
@strategyand.pwc.com

Ramzi Madi

partner
ramzi.madi
@strategyand.pwc.com

Tarek Matar

principal
tarek.matar
@strategyand.pwc.com

Once a challenger has identified a target segment, it needs a compelling value proposition tailored to that segment's needs. That requires an intimate understanding of the segment profile and customer purchasing habits. One challenger achieved this by bundling cloud gaming with high-end 5G plans to capitalize on rapidly growing gaming demand.

With a compelling value proposition, challengers need to win customers with a targeted go-to-market approach. This approach should reach into customer communities through non-conventional channels (e.g., value-added resellers, promoters, referrals, and pop-up kiosks) to enhance their return on marketing and sales. Some challengers are enlisting airport personnel to distribute SIM cards to incoming travelers. Others are partnering with small and medium-sized business authorities and incubators to sell connectivity to startups and emerging businesses.

Once challengers begin winning customers in niche markets, they must then implement customer life-cycle management. Creating and nurturing a lasting customer connection requires using analytics and predictive models to drive hyper-personalization and gain insights into the needs and behaviors of micro-segments. This approach led one challenger to target heavy data users below-the-line (BTL) with installment-based 5G device upgrades. Another challenger harnesses trade databases to generate leads for small businesses.

Increasingly, managing the customer life cycle requires an individualized customer experience (CeX). Digitization is the key to measuring individualized CeX and enhancing it through personalization. Operators also need different channels to interact with, and serve, their variety of customers. A U.K. challenger allows customers to tailor their experience according to their digital affinity—digital natives can select a digital-only service model and receive a discount on their plan.

To support these moves, challengers need to successfully monetize their infrastructure investments, especially in 5G. These investments can even the playing field between incumbents and challengers. Challengers adopting this strategy are emphasizing their 5G nationwide infrastructure advantage in their marketing communication to improve their positioning in the broadband business. Challengers can also strengthen their infrastructure positioning through sharing agreements and carving out passive assets, thereby liberating capital to fund new technologies and other strategic investments.

Lastly, telecom challengers must be more agile than ever. Challengers are often leaner and more agile operationally than incumbents, but they must press that advantage in other areas as well. These include organizing the workforce around competencies, transforming the way of work, more efficient capital allocation and smart investment frameworks (e.g., promptly divesting unprofitable endeavors and non-performing assets), and digitizing and automating front-end and back-end systems.

An ebbing tide in the GCC telecom sector will leave some operators high and dry. Challengers that reject the old mass market, one-size-fits-all mindset can avoid the shoals if they take a specialized and agile tack in everything they do.

www.strategyand.pwc.com/me