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Going digital:
O2 and Netcracker discuss the dynamics of transformation

Sylvain Seignour, Chief Customer Officer at Netcracker Technology

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Marketing glitz and digging for fibre broadband gold

First this issue, congratulations are due to Vasyl Latsanych of MTS who was crowned European Communications CMO of the Year in October. The marketer couldn't make our awards night as he was hobnobbing with Google in Silicon Valley – bad for us, but probably good for MTS. Nevertheless, CMOs from a number of other telcos did come along to our roundtable and dinner in London. The results of this, plus a subsequent interview with Latsanych, can be found on page 17. If you still want more, you can go to our YouTube channel to find exclusive video interviews from the event.

Our new C-suite section, dedicated to in-depth interviews with leading telco executives, goes from strength to strength. This issue, Telefónica's Chief Data Officer, Telia Sweden's Chief Executive and Three Ireland's Chief Information Officer discuss a personal data bank and digital transformation among other topics.

Meanwhile, our special report this issue is dedicated to fibre broadband. It's been an interesting 18 months since we last covered this key area. While G.Fast has moved from the lab to the streets, those operators rolling it out have received a public backlash from rivals and the public who accuse them of investing in old technology.

In the UK, TalkTalk has made a habit of attacking BT for just that reason. However, it has tried to do something positive as well, in the form of a joint venture with CityFibre and Sky. The three companies have built their own FTTH network in York and TalkTalk's Head of UltraFast, Richard Sinclair, gives us the lowdown on the project on page 35. Sinclair touches on many of the subjects that make up our reader research for this issue. It found current/future demand from retail customers is the most significant driver for operators to deploy FTTx technology, but 44.5 percent do not think FTTH is the end goal. Looking forward, it will be interesting to see whether the European Commission's new Electronic Communications Code will change that view – we analyse what the future might hold for this latest regulatory intervention.

This issue brings our 2016 coverage to a close and while we cannot say the telecoms industry matched politics for shock value this year, it has nevertheless been another action packed 12 months for Europe's telcos. Have a merry Christmas and a happy new year.

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US, European telco stocks suffer in third quarter

Investors took flight from telcos in the US and Europe in Q3 for a variety of M&A-related reasons, according to European Communications analysis

Son shines in the summer with stellar performances at Softbank, Sprint

The summer of 2017 was the tale of two mergers, with Softbank snapping up UK chipset maker ARM and Verizon buying one-time internet behemoth Yahoo.

The shock acquisition of ARM was seen as one of the first post-Brexit deals, with investors keen to take advantage of a weak pound. Softbank's share price was up 6.4 percent on the day the $32 billion deal was announced in July, amid a strong quarterly performance for the Japanese telco.

It closed the quarter up a stellar 52.5 percent to ¥3075, with the whirlwind ARM deal closing in September.

The M&A spree may not be over, with a meeting between Softbank founder Mayayoshi Son and US President-Elect Donald Trump in December suggesting long-standing rumours of a T-Mobile takeover could be reignited.

Its US arm Sprint also had a storming quarter, with its share price up 46.4 percent to $6.63 at the end of September.

Rival Verizon closed the quarter down 7.6 percent to $51.98, making it the biggest loser in the US telco market, despite the $4.8 billion takeover of Yahoo in a bid to strengthen its digital presence. Dubbed "the saddest $5 billion deal in tech history" by one financial paper, because of Yahoo's fall from grace, speculation has continued that Verizon may try and renegotiate the deal. Yahoo announced in September it was subject to an enormous data breach.

Verizon was also the butt of rivals' jokes over a long-rumoured price hike, although it did announce involvement in a White House backed 5G initiative, along with AT&T, which closed the quarter down 6.6 percent at $40.61.

Meanwhile, China Mobile, the world's biggest telco by subscribers, may have been downgraded to China's second most valuable tech company, behind Tencent Holdings, but its share price weathered the storm, closing September up 4.3 percent to HKD$93.85.

3%

The US

The US telecoms sector fell 3 percent in Q3 according to data from the Dow Jones US Index

1.75%

Asia-Pac

The FTSE Asian Telecommunications index ceased to be calculated on 31 August 2016. The percentage reflects July and August only

Investors not keen on under pressure KPN

KPN was the worst performing operator in our index as its share price dived 9.8 percent during the period. This followed a 10 percent fall in the second quarter. The latest decline was in part due to the European Commission's August decision to wave through the proposed joint venture between Vodafone and Liberty Global on the condition the former divests its consumer fixed-line arm. The JV will add a converged competitor to KPN, spooking investors.

The announcement from Brussels came a matter of days after KPN revealed adjusted revenue and EBITDA fell in the three months to June. Sales were down 4.3 percent to €1.7 billion, while EBITDA slid 1.7 percent to €592 million, as failing business sales again undermined growth in bundled mobile, broadband and TV services. Sales to enterprises declined 7.3 percent in Q2, following a 6.8 percent fall in Q1.

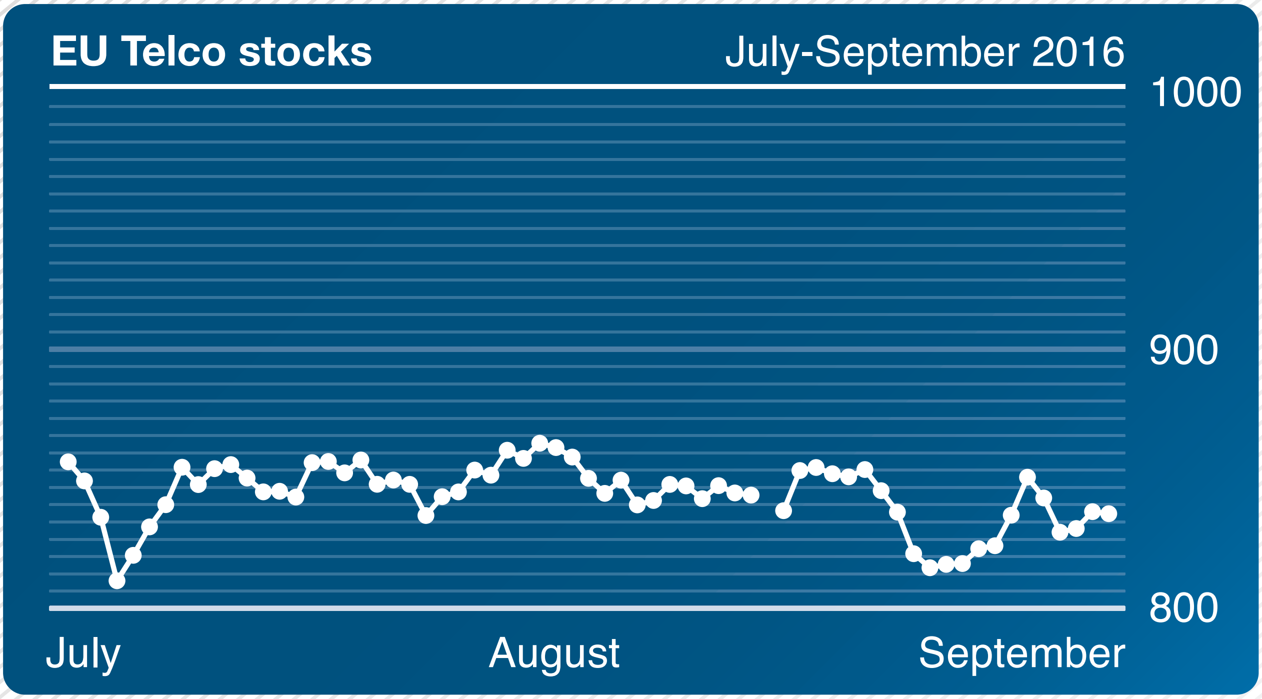
However, CEO Eelco Blok said the fact that "several important multi-year agreements with major business customers" showed there was growth in the market. The operator also launched a managed hybrid cloud proposition for enterprises during the period.

Blok said his company was "firmly on track" with a new strategy it unveiled in March. One goal of the "Simplify, Grow, Innovate" plan is to make annual savings of €300 million.

"In the first half of this year we completed the migration of the majority of our consumer customers to a new integrated order management IT platform, which is an important milestone in our Simplification program," the CEO said.

"Together with the execution of other parts of the program and strong commercial progress, this is expected to support our financial performance in the second half of this year."

Investors remain to be convinced, it seems.



Europe registers third consecutive quarterly decline

European telco stocks fell 3.1 percent between July and September – their third consecutive quarterly fall – as 2016 looks like being a year to forget. Altice and Telefónica were the only two operators to register a share price rise during the period.

Following a management restructure at the end of June that saw former Alcatel-Lucent CEO Michel Combes take charge, Altice sold a majority stake in Newsday Media Group to the founding family of Cablevision. It also hired its first Global Chief Data Officer to lead "the creation and monetisation of a world-class data analytics practice". August saw the release of its Q2 financials, notable amongst which was a 2.7 percent increase in adjusted EBITDA. However, revenues fell 2.6 percent as declines in France and Portugal offset growth elsewhere. Its stock ended September up 18 percent.

In Spain, Telefónica began the period with the announcement that it was halting the sale of its O2 UK subsidiary in light of the referendum on leaving the European Union. Its own Q2 financial figures, which were hammered by depreciation of the Brazilian real, Argentine peso and British pound, made decent reading when stripped of forex effects. Sales were down 0.2 percent overall, but rose in its home market. Its stock would have recorded a rise bigger than the 7.5 percent rise it managed had it not abandoned an IPO of infrastructure subsidiary Telxius due to lack of demand.

KPN registered the biggest share price fall – minus 9.8 percent – of all the operators on our index (see box). Both BT and Proximus saw their stock fall in excess of six percent, while Orange was down 5.8 percent and Swisscom declined five percent. Deutsche Telekom, Telenor, Telia and Vodafone all saw falls of between one and three percent.

3.1%

Europe

The European telecoms sector fell 3.1 percent in Q3 according to data from the FTSE Group*

* Our index is made up of the following EU telcos: Altice, BT Group, Deutsche Telekom, Orange, Proximus, KPN, Swisscom, Telecom Italia, Telefonica, Telenor, TeliaSonera and Vodafone Group.

Going digital: O2 and Netcracker discuss the dynamics of transformation

Brendan O'Rourke, Chief Information Officer at O2 UK, and Netcracker Technology's Chief Customer Officer Sylvain Seignour discuss the ongoing digital transformation trend in the communications market

Sylvain Seignour: From Netcracker's perspective, we're witnessing service providers of all sizes gear up to take on digital transformation—although not all of them are implementing the same approach. Some companies choose to focus on the technical aspects of digital transformation, while others consider how the adoption of digital programs and the use of new services will impact their organisation outside of the IT department. But we think that services providers need to take a best-of-all-worlds approach, incorporating both IT and organisational changes. What's your take?

Brendan O'Rourke: We totally agree that both businesses and consumers are embracing more digital lifestyles and processes. But that doesn't mean the same thing to everyone. Many consumers, for example, already consider themselves digitally savvy in the sense that they already have such deep web footprints; they use mobile devices for nearly everything, they are extremely active on social media, you name it. They expect businesses to keep up. Enterprises, as a result, are also becoming more digital; they are using more flexible platforms to support the digital services that cater to their customers. So what does all of that mean for service providers like O2? We need to make sure our network is ubiquitous so that our services are always available to every one of our customers on any channel, particularly the smartphone, and we need to enable a real-time, automated business to provide our customers with great experiences.

SS: We too are seeing service providers increasingly push for this omnichannel

Sylvain Seignour, Chief Customer Officer at Netcracker Technology

Brendan O'Rourke, Chief Information Officer at O2 UK

strategy. In other words, customers want the ability to switch devices in the middle of researching or purchasing a product or service and be able to pick up where they left off. While the concept has been around for years, the fact that more and more businesses and consumers are leveraging new and sophisticated devices means that the experience across both new and legacy channels needs to be consistent and optimized to that channel. With so many options available to customers, service providers need to be sure that they offer a truly differentiated experience—a journey that is clean, easy and convenient.

BO: Customers are in complete control. We need to understand that power and enable it if we want to keep our customers happy and, frankly, loyal. Consistency across channels is critical. An experience needs to be seamless from device to device, from service to service. We also need to be able to offer third-party digital services and connect to the digital ecosystem to become truly nPlay. This expectation has driven us to develop services, such as our Charge-to-Bill initiative, which is underpinned by a Netcracker solution. This is a partner-driven program that simplifies the customer experience. Rather than receiving individual bills for things that our customers buy from our partners, those purchases can be incorporated into their monthly phone bill. If we make our customers' lives easier, I consider it a win.

SS: I'm glad you brought up the partnership aspect of digital transformation because we believe it's one of the biggest aspects of becoming a digital service provider. The trick is leveraging the appropriate systems to enable new kinds of partnerships. In many cases, the traditional architecture in use by conventional service providers is too rigid to enable the openness that is expected of digital service providers. This contributes to the digital transformation concept. Now is the perfect time for service providers to take a look at their companies, find out what works and figure out what needs to change in order to enable the capabilities expected of a digital service provider.

BO: And I think this circles back to your first point: There are all types of changes that need to be made in order to become these "next-generation providers."

Cost, as always, is a big factor when it comes to transformation. That concern, alongside the technical and business structure changes, has made becoming a digital service provider less simple than many businesses hoped, despite its fundamental necessity. And, as such, it needs to be a business rather than technology-led transformation.

SS: Our research has pointed to all of those factors. There are a lot of internal obstacles associated with digital transformation: some businesses don't have the network built to support next-generation digital services, some don't have the personnel skill sets needed to staff digital programs, while others are dubious about the integration of new systems with infrastructure that they have used successfully for years. While all of these concerns are valid, the fact that many service providers are encountering similarly diverse obstacles underscores a bigger concept: Going into a massive digital transformation program with tunnel vision can be dangerous. Service providers need to work with proven partners they can trust to drive these initiatives forward across the board.

BO: I couldn't agree more. Across the global Telefónica Group, which includes O2 in the UK, a core component of our transformation strategy is to enable the end-to-end digitisation of all customer processes across the business. This requires us to work with companies like Netcracker which has proven itself in delivering the BSS and OSS to enable large-scale transformation. For O2, we've made significant strides in enabling our consumers to experience digital products, such as TuGo, our Wi-Fi Calling app, and end-to-end digitised processes, such as through MyO2, our self-service app. We continue to make changes that will validate our recognition as a leading service provider.

SS: Our longstanding relationship with O2 and your parent company Telefónica is very important to us as well. How do you see our partnership evolving in the future as digital remains a focus?

BO: A major initiative that Netcracker is helping O2 with relates to the evolving IoT space, which is gaining traction as the digital landscape evolves. The UK-wide Smart Meter Implementation Programme, which is run by the UK government's Department for Business, Energy and Industrial Strategy, is the world's largest smart metering and machine-to-machine project, implementing and enabling new capabilities across more than 53 million smart meters. The smart meter will play a critical role in connected homes, smart homes, home automation and more, giving end users the ultimate control over the services delivered to their homes, including utilities and connectivity services.

O2 was selected as the communications service provider in the central and southern regions, including Wales, providing a total of 23.5 million communications hubs. We were selected for our network coverage and resilience and focus on the customer. Netcracker provided the revenue management capability, supporting new and innovative charging models – this is not a standard telco customer and revenue management system, and innovation was critical.

SS: The smart meter program that O2 is driving is extremely interesting for many reasons and validates the world's expectations for new levels of connectivity from next-generation service providers. But transformation partnerships are the only way for service providers to enable these types of connections. Integration will be at the heart of all transformation stories, as digital service providers will be required to work with third parties either for the development or shared distribution of applications, global coverage and support or the implementation of new infrastructure. Interestingly, our research has shown that only about one-third of service providers have developed a sufficient partner strategy, holding many companies back from launching the digital strategies they need to remain competitive and open new revenue opportunities. In addition to partnerships and integration, what else does O2 see as a major component of becoming a digital service provider?

BO: I think analytics is and will continue to be a big player in digital transformation programs. Data is everywhere and as customers use more devices, we need to ensure that we can streamline and optimise service delivery by personalising experiences and fostering real-time decision-making based on true insight. The big data phenomenon is still sending waves throughout the industry and we need to be sure that we have the tools to harness it and deliver the best possible experience. In order to leverage data to provide the best possible customer experience, we must be digital by default.

SS: I think no matter which way you look at it, the industry is undergoing a tectonic shift, laying new foundations that will shape the world as we know it. The way that we view service providers is fundamentally changing as customer behaviour and market trends evolve and those businesses are in a unique position to drive the market forward as "going digital" becomes a priority in the boardroom. The key fact to take away is that there is no one-size-fits-all approach to enabling digital transformation; there are a lot of things to consider, every customer is different and companies will go about it in their own way, each seeking their own objectives. But there are underlying themes that can, and should, be applied across the board. It's important to approach transformation holistically and work with trusted partners to ensure a seamless transition and long-term success.

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Telefónica CDO: Our personal data bank will give customers back control

Telefónica's Chief Data Officer Chema Alonso tells James Blackman about the operator's plans to create a personal data bank and his background as a hacker

The audience is shifting in its seats. José María 'Chema' Alonso, Chief Data Officer at Telefónica, is on stage at WIRED2016, the annual future-gazing event hosted by Wired magazine. He's just explained, in some detail, how half a million smartphone applications are robbing us of sensitive personal information.

Interested parties, he says, know where we eat, sleep and shop. They can work this out just from the location data they've extracted from our smartphones and tablets, even as these devices are charging in the corner. The ball is in our court – we've ignored the small print, and let them into our affairs.

Indeed, matched with readily available third-party databases, it does not take much imagination to also know "whether you're rich or poor, who you vote for, how many lovers you have". The audience laughs, a little nervously. He looks up. "There's a lot of people here checking their settings," he says.

It's scary stuff, and network operators see it unfolding in real time across their networks. But Telefónica is making a stand. "We're giving the data back," Alonso declares, without much more explanation, before exiting, stage-left to join European Communications for the real scoop.

Away from the crowd, Alonso is more candid. Telefónica wants to give customers control of their data for the first time so they can make better decisions about how they share it, and even choose to cash in on it if they think the trade worthwhile.

"The relationship between those generating data and those brokering it, and making money from it, is often unfair," explains Alonso. "We are not in the business of selling data; we provide a service, and we want to be transparent. The data our customers generate on our networks belongs to them. We want to give that data back to them, along with all the potential value it generates."

The company's cyber security unit, ElevenPaths, has developed an application, called TACYT, which maps internet applications against the access and permissions they seek. It has run the rule over 500,000 mobile apps in the Google Play Store, and concluded the majority are taking liberties with our location data, and often with data containing information about our email and social media accounts.

The point is, says Alonso, the exchange of data, for services rendered, might be a good one in some cases, but internet users rarely understand the permissions they have signed up to, and, in many more cases, companies are harvesting data that bears little relation to the services they offer. "The current model of selling privacy through a 55-page terms-and-conditions document is no longer sustainable," he says.

Telefónica Digital's Director of Strategy, John Foster, is sat alongside Alonso for the interview. He says: "We trust Facebook, and certain others, but what about the rest of them – the ones in the long tail that are barely scraping a living, which are many and hard pressed, and are using data for purposes we wouldn't necessarily be comfortable with?"

Personal data bank

Telefónica plans to create a personal data bank for each of its 350 million customers globally to store and manage their data. It will prompt them about opportunities to sell this data, likely in return for brand discounts and promotions. It will also allow them to port their data to other providers should they choose to quit the network. More than this, the company wants to expose bad practice. It will use the bones of its TACYT analysis to create a guidance system, in the style of nutritional labelling on food packaging, to warn customers about the services they install.

"Think about the traffic light information on food, which distils this very complex nutritional information. So, Facebook wants access to your camera and phone? That's fine, because we know what it's for," explains Foster. "But that flashlight app wants access to your contacts and location? That's bad. That's a red traffic light."

Foster claims Telefónica's proposal is "a perfect thing" for Facebook and other digital giants such as Google. He says: "They're not worried at all. We're not fighting against them – we're not telling anyone Facebook isn't a worthy app. We've explained to them in detail what we're going to do, and they've said, 'okay, I like it'. Because if no one is stealing data, as it were, the industry will be healthier."

> "Every time there is a cyber attack, our nervousness ratchets up"

Foster suggests gaining the trust of consumers is Telefónica's real aim. "Long term, that's the difference between a successful business and a failing one," he says. "Every time there is a cyber attack, our nervousness ratchets up. It never comes back down to the same level again. The whole dynamic is changing. Decades ago, we were perfectly happy sitting in a room where everyone smoked. Now, that seems completely weird. Privacy is going through a similar journey. A few years from now, we will think, 'how were we every happy releasing all this data to all these companies, all over the world?' It will be seem completely unacceptable. We want to be ahead of the curve."

Telefónica will flesh out the detail of its proposals at Mobile World Congress in Barcelona in February, with a view to introducing it in 2018, in time with the new General Data Protection Regulation, which will update and harmonise privacy laws across the continent.

Celebrity hacker

The success of these bold plans will largely be down to Alonso, who was promoted to the CDO role in May and who has all of Telefónica's big data functions at his fingertips. He has a reputation, particularly in the Spanish-language press, as something of a celebrity – practiced in the dark arts of cyber warfare, fighting the good fight, in a beanie hat. He appears on daytime television, communicates well, and sticks in the mind.

Alonso calls himself a hacker. It is a curious term, often used in news and fiction as a shorthand for computer wizardry of the criminal kind – as practiced by a UK teenager who's just been before the judge for "hacking" TalkTalk's systems, say, or Mr Robot, the eponymous hacktivist-in-a-hoodie in the hit Amazon Prime TV show. Indeed, Alonso looks out of place in telecoms, even as the business sector in general has become more open-shirted and hirsute. He wears faded jeans and a Darth Vader t-shirt on stage, and in interview afterwards. His woolly hat is ever-present, but appearances don't count for much. Alonso's training and career are perfectly conventional – he holds a doctorate in computer security from the Universidad Rey Juan Carlos in Madrid, and ran cyber security firm Informática 64 for 14 years before joining Telefónica in 2011, and establishing its cyber security unit, ElevenPaths.

Alonso admits Telefónica "lacked expertise" when he arrived. He says:

"One of things I did was to hire in talent – good hackers, good cyber technology experts – from different places, from Google and Microsoft." Looking back on the intervening five years, he says the company has created "a very powerful unit" at ElevenPaths.

The division is integral to Telefónica's stated master plan, set in motion three years ago, to become a "data-driven company". "We realised that if you want to be a data-driven company, and you want to democratise the use of data and so on, then privacy and security needs to be in your DNA – otherwise it's impossible. And if you don't know how hacking works, its techniques, then you can't protect against cyber criminals," explains Alonso.

The development of ElevenPaths, formalised within Telefónica Digital in 2013, and the parallel acquisition in early 2015 of Synergic Partners, a Spanish analytics group with 100 data scientists, has cast Telefónica further towards its journey's end, where every action and every reaction is orientated by data.

It is still a work in progress. "We lack that decision-making in some parts of the business still. The whole process is quite complicated – it involves a change of mind-set, the whole cultural change, as well as change of infrastructure, tools and processes," Alonso says.

The latest addition is a new big data division, called LUCA, which Telefónica unveiled in November. LUCA brings together a range of enterprise services, including business insights, consultancy services, and big-data-as-a-service. In parallel, Telefónica has cut the ribbon at a new security operations centre in Mexico, its ninth across Europe and the Americas, as well as at a brand new global headquarters for all of its cyber sleuthing in Madrid.

It all falls under Alonso's care and the CDO has been tasked with uniting all these disciplines. How does Telefónica see this giant-pieced jigsaw fitting together? Is it too simplistic, for example, to slot the LUCA enterprise division next to the new consumer data bank play, and fit the ElevenPaths cyber security operation across the top, as a function of both? "There is some overlap, but it's a great start," says Foster.

> "We realised that if you want to be a data-driven company, then privacy and security needs to be in your DNA"

He points to its Travel Alerts proposition, one of its Smart Digits range of big data products for the finance sector, which acts on network roaming data to block and unblock your bank cards, depending on your location. "That gives value to the customer, but it's a service we sell to banks as well."

Incidentally, Alonso thinks the operator has an advantage over the giants of Silicon Valley when it comes to serving businesses. "Yes, they have a lot of very good hackers, and they're great at using data internally, but you're not going to ask Facebook to transform and keep safe your own business," he claims. Moreover, the CDO thinks the telecoms industry is ahead of the game when it comes to preventing cyber attacks. "It's very natural to pass from monetising a network to monetising the security of it," he says.

It is clear that Telefónica's twin big data propositions are being brought closer to its cyber security expertise. They go hand in hand, Alonso says; Telefónica wants greater access to its own data and insights, whilst shoring it up at the back end.

Work to do

Overall, Alonso describes Telefónica's new "give-the-data-back strategy" as a "third layer". He claims the operator is not just pre-empting market governance, or capitalising on a public mood-swing. "We are going much further. You will know exactly every single piece of data Telefónica has about you. But we're not just giving you access to your data; we're giving you control of it," he reiterates.

The operator expects the wider operator community to come aboard. "We are in discussions with them. We have the same kind of data, and data models. We think the same way," says Alonso.

They would appear to have some work to do here, however. Vodafone CEO Vittorio Colao, for example, said at his company's financial results presentation in November that he just did not 'get' the concept.

Later, Foster responds directly to this: "We recognise our programme won't solve all the data privacy problems on its own. But it is important to start by helping customers understand some of the risks and rewards associated with their personal data, and to put them in control of the data we manage on their behalf." He adds: "If other companies also come up with innovative solutions to reward customers for the fair use of their personal data, that would be fantastic." ec

Telia Sweden CEO: Giving customers a hug on the way to reinvention

While the costly fallout from allegations of corruption and selling up in Eurasia has forced a new strategic direction, Telia has been quietly getting on with business at home, Helene Barnekow tells James Blackman

Telia Company's past continues to haunt it. While its latest financials make decent enough reading – sales were up marginally at home, and down by about a percentage overall – the operator slipped to a SEK 8.81 billion (€910 million) loss in the three months to September on the back of a SEK 12.5 billion (€1.29 billion) settlement related to bribery claims over its entry into Uzbekistan back in 2007. The Uzbek fallout has overshadowed its every move for months, and, in a market where openness and transparency are written into the constitution, the revelation of past errors has been hard to bear. As a group, Telia wants to move on.

Helene Barnekow, Chief Executive Officer at Telia Sweden, refers to it as "historical" and "regrettable", but says it does not materially impact its operations or future strategy in Sweden. "We're eager to put it behind us, in a good way," she says. "From the point of view of our Swedish operations, it's unfortunate, of course, but it doesn't really affect us, or change anything in our strategy or execution."

Does it mean less money is available, effectively, to deliver on objectives? "No, it doesn't; I mean, we have two big investment areas – fibre, and digital transformation. Both of those are on track."

Before we consider the company's prescription for growth, it is worth looking again at its latest quarterly health check. Service revenue was down by 1.6 percent on an organic basis in Sweden in Q3, and EBITDA finished four percent lower.

Price pressure in the enterprise sector, and lower demand for traditional telephony are taking their toll. As Barnekow says, it is a familiar industry malaise. "It's nothing new; it is what it is – it's built into the structure of the business, and something we've seen over time."

But Telia Sweden has retained its share of the enterprise market at large, and has rallied in the SME sector, where service revenue has continued its recent quarterly upturn. Barnekow attributes this growth to the introduction of personal advisors and technicians at the turn of the year, affording SMEs dedicated IT support – on call, and on first-name terms. "You don't have to restart the conversation every time," she says.

Across the corridor, its consumer team has also pulled a number of rabbits out of the hat, delivering "stable growth" across its mobile, broadband and television portfolio on the back of a fair amount of "value-loading".

Local revenue from television content jumped 18 percent on a year ago. "We're putting more and more effort into combining our television and broadband businesses, but we're pushing TV as a standalone product as well," explains Barnekow.

Netflix programming now sits with Comcast and Apple TV on its Play+ streaming application, available with a mobile subscription. "Our customers want to consume video in all different ways on all different devices, and we have made some remarkable progress there. Our TV offer is very strong, and increasing in terms of revenue and ARPU," she says.

The operator has taken a similar approach on mobile. Its decision to zero-rate social media, a first for the industry, was met with uproar at home. Two-dozen Swedish media outlets signed a statement in the local press in May claiming the move breached new net-neutrality rules. Swedish telecoms regulator PTS has subsequently launched a probe.

But Telia Sweden is moving with the times, and responding to changing customer needs, reckons Barnekow. "Customers don't communicate the same way anymore. It's not just about SMS bundles; they want to deal with Facebook Messenger and WhatsApp and all the rest of it in the same way."

The major anomaly last quarter was the company's failure to hit targets for fibre connections; in the end, it was hobbled by landlords and permit issues, says Barnekow. "We've sold everything for 2016 – and more than that, actually – but we haven't been able to deliver everything we planned."

She adds: "But those numbers will come in at a later stage, so it's really only a challenge for the quarter, and not for the overarching business."

Giving customers a hug

Whether or not its hand has been forced by its undoing in Uzbekistan, Telia Company is moving to consolidate its international footprint and expand its reach at the same time – to go further in fewer markets. "We want to focus on being the leading operator across the Nordics and Baltics," explains Barnekow.

It has put up for sale its majority shares in Tadjik operator Tcell and Fintur Holdings, which has operations in Azerbaijan, Kazakhstan, Georgia and Moldova, as part of its long withdrawal from the 'Eurasia' region; the first has already been picked up by the Aga Kahn Foundation for Economic Development (AKFED). It has quit Spain and Nepal in parallel, with the sale of mobile operators Yoigo and Ncell, respectively.

The new strategy is to provide access and support around the convergence of media services in the consumer market, and of ICT services in the enterprise market, Barnekow says. Telia wants to be "a new-generation telco" in all of its markets it operates in, she adds. It's a term the company has made good use of in media engagements in general. The choice for operators is between plugging efficiencies just to survive, or developing capabilities to reinvent and revive, reckons Barnekow.

"Yes, because it's not a given, right? It's about doing more for customers as well, and being more relevant to them. We don't just build a network, but help people to use it. How can we be more relevant to them? How do we help them get more from their digital lives?"

To those ends, Telia is upgrading its infrastructure and rolling out new services across its footprint. It has just introduced its first consumer IoT application for the car, called Telia Sense, a cloud-based solution that combines an app and an after-market piece of hardware. The idea is to connect-up older cars, which either pre-date the digital era, with 4G, Wi-Fi and partner services such as maintenance, insurance and roadside assistance.

> "We're collaborating with different companies in very open way"

It works on the same principle as its connected home platform, Telia Zone, set for launch at the end of the year. "We're enabling the customer; it's like we're giving them a hug," says Barnekow. Both are open platforms, she notes. "Our thinking is different to what it would have been a couple of years back. It's not only about us. We're not presenting customers with a limited range of Telia components, telling them we're going to manage their homes. We're collaborating with different companies in very open way," she says.

On the infrastructure side, it has been quick to seize on new pyrotechnics. It claimed the first live European field tests of 5G technology in Stockholm in October, together with compatriot Ericsson, achieving top-end throughputs of 15Gbps and latencies lower than three milliseconds.

Barnekow also refers to its work with Ericsson to design and install a 5G test network inside the Boliden mine in Kankberg in northern Sweden – "so they can do virtual mining and don't have to send people down". The pair want to establish 5G-based remote control of heavy mining machinery, including of a 30 tonne wheel loader to shovel gold and tellurium underground.

"The difference with 5G is it isn't about finding higher speeds for consumers, but about use cases that are affecting society as a whole," remarks Barnekow. Some of those 5G use cases will be active in Stockholm and Tallinn by 2018, the company predicts. "We want to be first with 5G in Sweden and Estonia, which are major markets for us," she says.

The most exciting time ever

Barnekow notes that Telia Company is 163 years-old and "has always been at the forefront". She adds: "We have to stay there. It's important in each of the countries we operate in to drive technology forward." The journey to recast itself as a "next-generation telco" is a thrill ride, for sure, but it also brings great responsibility, especially when your home market is pinning its hopes on you, and the world is watching your every move.

"It's an incredibly exciting time for telcos – probably the most exciting time ever. The opportunity to drive digitalisation in society is humbling at the same time, because it is so important," Barnekow says. "It's so important for a country like Sweden that Telia succeeds." ec

Three Ireland CIO: Digital transformation means we could look like a very different company in the future

Digital transformation can't happen in a vacuum, so Three Ireland has been busy getting the foundations right. CIO Stephen Reidy tells Sue Tabbitt about the journey so far

One of the inherent challenges in any major transformation initiative is that its scope is likely to be huge and the change radical (if it wasn't, it wouldn't be a transformation). But in the current age, change also needs to happen quickly if operators want to stand a chance of maintaining and improving their market position. Lose momentum, and you may as well surrender.

Three Ireland believes it has got the balance right. The company, which started its current journey when it bought rival O2 Ireland in mid-2014, is about to embark on the design phase of its digital transformation plan, having done a lot of important groundwork. All being well, the full benefits will be ready to enjoy by the middle of 2018.

It would be easy to assume that the mobile operator had some kind of head start with digital transformation, because O2 came from the Telefónica fold, and the Spain-based operator's preoccupation with all things digital is well established. But Stephen Reidy, Three Ireland's CIO, notes that when O2 Ireland changed hands, Telefónica's digital agenda hadn't got much further than Argentina or Chile. "It hadn't reached any state of maturity," he says.

The first priority for Reidy and his business peers was to tease out all the synergies between the two companies, and integrate as much of the operations and business as possible, so Three Ireland could maximise its position in the market. Conditions are fairly intense: Three's competitors include Vodafone and eir, as well as MVNOs such as Tesco and Carphone Warehouse, and more recently Virgin Media. "Everyone has their own change programmes; we're all busy; we're all in the same boat," Reidy says. Financial stability isn't a given, he adds.

"None of us can afford to sit back: who knows what even the near future holds? This is a market that doesn't stand still."

Although Three Ireland wasn't in a position to cut corners, with operational risks and integration to take care of in the wake of the O2 acquisition, the company had its sights set on something bigger than the sum of the two organisations' parts. "We knew we wanted to achieve something more," Reidy says. "A business-led transformation was always on the cards, but we needed to start from a good place and take the opportunity to do it properly."

So what does digital transformation mean for Three Ireland? "Digital is a buzzword that's overused in the industry at the moment," Reidy concedes. "For me, it's about delivering the technology to allow something operationally different – internally for the business, and externally in the form of a seamless customer experience, however customers interact with us."

Three Ireland is close to delivering the first part of the plan, which has involved consolidating and modernising its billing and CRM systems. "When you're a telco, CRM is the core of everything you do," Reidy notes.

The consolidation plan is almost designed now, ready for implementation next year, and in terms of 'digital' transformation, partner and solution selection has been completed and design will begin in earnest early in 2017.

As well as doing things in the right order, Reidy says Three Ireland has made two other important choices that he believes should ensure success. One was to be very clear that changes needed to be all pervasive. With the CEO very much spearheading all of the improvements, Reidy has been working closely with key business sponsors at each stage of the transformation. During the consolidation phase, it was the CRM Director; for the next tranche, which will focus chiefly on an omni-channel customer experience, it's the Chief Communication Officer. "It's very much a team effort," Reidy says. "This is not a special project on the side: the entire organisation is involved, top to bottom."

In Three Ireland's bid to deliver a consistent and tightly integrated experience across all points of customer contact, its other major strategic decision has been to invest in an integrated suite of back-office software, instead of a series of standalone applications each chosen on their individual merit.

"We didn't want a complex set of systems which might each be 'best of breed' but would be complex to bring together," Reidy explains. "We wanted to avoid a situation where we needed a systems integrator and were dealing with several vendors, with multi-layered contracts and no clarity about who was responsible for what. We've gone for an 80/20 model, where 80 percent of the functionality maps onto our business processes out of the box and the rest is easy to adapt. The aim is to operate in quite a standardised way, and save the customisation for where we want to add particular business value, for example in the interface to the client."

He continues: "Perhaps someone will be browsing online for a device or plan and gets 80 percent of the way there before deciding they'd like to speak to someone or go and pick up the product in store. They'll be able to save the transaction and later pick up where they left off - whether they go back online, or conclude the transaction with a retail agent."

It is likely to be at least 18 months before customers see the benefit, Reidy admits. "Going for a big bang of everything at once would have been high risk: we've tackled our journey in phases to give our technology partners, and the business, a chance of success and to ensure that what we're doing is sustainable," he explains. Success will be measured in higher customer satisfaction, lower churn, increased revenues, a more efficient business, and a "radical improvement" in time to market.

He uses the word radical deliberately. "In a legacy environment it can take months to introduce something new," he says. "Everything needs to be synchronised across systems and checked for consistency across the different channels. The aim is to be able to roll out something new in weeks or days, as it becomes more a case of configuration and light testing – doing away with all of that heavy lifting."

> "As a trusted provider to our customers, we could sell anything"

Building for the future

Through all of this, Three Ireland is also building a platform for the future, Reidy notes. "We're a telco today, offering voice, text and data, but in future we could look very different. The changes we're making now will provide a foundation for that – not necessarily from day one, but we'll be able to look at where we want to add new value for customers, knowing that we have the means to support this."

So, content and other OTT services? "It could be, but it could be lots of things – building on the strong and sophisticated relationship we have with our customers," Reidy says. "Some of this is yet to be determined. As a trusted provider to our customers, we could sell anything." Are smart user interfaces and AI part of the plan? "In the longer term, maybe," Reidy says. "There's a long way to go before the technology is mature enough to deploy to the mass market."

So what else is Three Ireland excited about, now that it's on the road to where it wants to be? For Reidy, it's about being 'ready' for whatever comes next. "That we're transforming how we operate our business and how we service customers – that's what's exciting," he says. "I'm looking forward to knowing our customers can have as fruitful and interesting a journey with us as possible; that we can be part of their lives without being intrusive – and that our employees will have the tools to serve them and meet their targets.

"In the longer term, it's being in a position to broaden into new areas of business, and new products and services, even if we're not yet sure what they might be. At least we'll be able to consider the ideas that are brought to us, without having to say it'll take two years and cost X to make it happen."

Reidy isn't counting any chickens though. He foresees three challenges his company still needs to overcome. One is delivering the transformation in a timely way that's aligned to the needs of the business, which isn't likely to be as easy as it sounds. Another is helping the business to transform itself. "This isn't just a technology transformation: it requires a certain culture and mindset; it's about changing the way we operate," he says. "I can help with that, but I need my peers in the business to come on the journey. I'm really optimistic though."

Finally, Three Ireland needs to keep its attention on the business-as-usual. "We have to remain competitive in the meantime, which means not being completely distracted by the transformation," Reidy says. "We can't take our eye off the ball."

european COMMUNICATIONS

CMO of the Year 2016

Winner says operators must look beyond core telecom services

MTS' Vasyl Latsanych urges telcos to change and says CMOs could be future leaders, Marc Smith reports

European Communications' CMO of the Year 2016, Vasyl Latsanych of MTS, says marketers should look beyond telecoms services and prepare to become future CEOs.

The exec, who was crowned with the award in October, made the comments in his acceptance speech. "Telecoms is a great area that we have grown [but] now it's time to grow out of this area," Latsanych said on a video link from Silicon Valley. "This perimeter of telecoms, which has defined our existence in the past and has fuelled our development, now must fuel our development beyond telecoms."

Latsanych, who has been in charge of MTS' marketing strategy for five years, was chosen as this year's winner by an independent panel of judges. Nominees were judged against five key criteria: how they have improved their company's brand in addition to customer experience, grown the subscriber base, introduced new products and services, and boosted the top and bottom line.

Latsanych impressed the judges with his transformation of MTS' customer experience, by pushing the marketing team to play a leading role in the company's ongoing LTE rollout, launching a series of digital services and helping to grow revenues on a consistent basis.

He said he has big plans, believing telcos are "very able" to become leaders in the digital world. "MTS has a vision of not only being the largest and most successful telecoms carrier in the countries of its presence but also being one of the largest and most powerful internet players in every market we are in and maybe even beyond," the CMO said.

Vasyl Latsanych was presented with his award by European Communications Editor Marc Smith

Latsanych revealed MTS, which part owns a bank, has looked into advertising and the information that it possesses about customers, as well as talking to companies that "might want to participate in the value chain we create for our customers".

But while he was adamant that operators have no choice but to change, he admitted that the emerging revenue streams beyond telcos' core business are often "miserable".

Marketing could and should play a key role helping to change this outlook, according to Latsanych: "It is very important that marketing is an active participant of all the decisions the company [makes]. Marketers define not just the future of products but the future of the company. We're defining how the network is being built, the qualitative parameters of the network, how people behave in shops and call centres, how we interact with our customers, and how the company caters for peoples needs. So marketing is extremely important. It goes way beyond just creating a product and advertising it."

He added: "Our successes are built on the belief that whatever we do should be beneficial for our customers and should create something new, whether that's a new business, product or approach to market."

The exec was keen to accept the award on behalf of his team and the wider MTS workforce. The CMO of Year also had some words of wisdom for his peers. "[The best marketers] should challenge people around them, help CEOs to develop the company in new directions and to grow into areas that were not even on the radar a couple of years ago," he said. "Whenever I think who the best marketing manager is, it is the person who is ready to become CEO but who is now just practising." ec

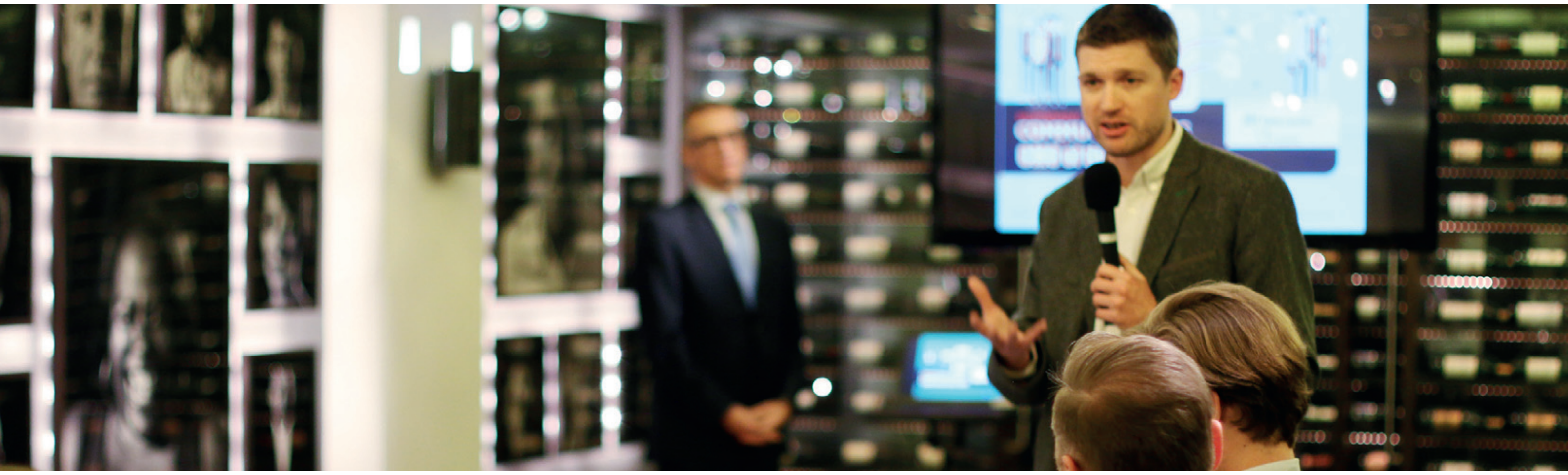
CMO of the Year videos

You can watch Vasyl Latsanych's acceptance speech on www.youtube.com/eurocomms, where you will also find the following videos:

- Ivana Markovich, CMO of vipnet, discusses marketing converged services and customer experience
- Paula Miettinen, CMO of Enterprise at DNA, discusses the importance of storytelling in winning customers
- Renko Jelaca, CMO of Telekom Slovenia, discusses why he recently joined the telecoms industry and what operators can learn from other verticals
- Timm Degenhardt, Chief Consumer Officer at Sunrise, discusses how marketing drives what he does and improving the customer journey

Award evening

Senior marketing executives from across the telecoms industry came to London in October for a roundtable event and dinner to celebrate European Communications' CMO of the Year 2016




Netcracker
AsiaInfo

CMO roundtable: “Marketing can shape the direction of the business”

Chief Marketing Officers from across the European telecoms industry discussed key topics including their changing roles, brands and the expectations of customers at a roundtable. James Blackman reports

As the telecoms sector reinvents itself to keep pace with the technological change it has unleashed, one thing is clear: the role of marketing has changed. Its influence is more expansive, and multi-faceted, and its remit has gone way beyond the broad brush-strokes of brand creation and the go-to-market checklist of products and pricing. Its practitioners have also moved higher up the food chain. Most of those around the table sit on the main board of their companies, with full responsibility for profit and loss.

Noel Hamill, Managing Director of Marketing at EE, is first to give his view on the role of marketing in telecoms today. “It has acquired more of a commercial backbone,” he says. “You can’t make a pricing decision, particularly if you’re of scale, without impacting your customer base and the future direction of your business. It is really fundamental to any business now.”

The customer relationship has become more dynamic, as the customer journey has become more complex, remarks Paula Miettinen, Director of B2B Marketing at Finnish operator DNA. “You can’t put customers in a funnel anymore. They are interacting with the business in real time, across all kinds of touch-points,” she says.

Marketing disciplines and insights have become more integral to business operations as a consequence, she says. “The cooperation between different business functions has become tighter. In our company, anyway, the flow of marketing knowledge has become more appreciated. There isn’t so much top-down activity.”

Joanna Larivee, Senior Director of Marketing at Netcracker Technology, echoes the concept of integration and cross-department cooperation, noting its importance in improving critical metrics like customer experience: “Without having clear visibility and collaboration across the board, companies simply can’t guarantee their ability to meet customer demands, which is crucial in today’s competitive market.”

Accenture’s Heena Patel recasts Miettinen’s point about customer experience in terms of bottom-line productivity. “It’s about the CEO’s agenda, which has to be about driving profitable growth, and retaining business,” she says. “To achieve those things, you have to understand your customers, and their experience.”

Such understanding, as a means to get closer to the customer, comes through the types of insights now afforded to marketing functions, the group concurs. Hamill says the onus is on marketers to make play of the insights they can cream off their various network and customer touch-points.

“Customer insights have started to become much more important as an adjunct to services and capabilities. Marketing departments have to shout about these insights – about customer experience and feedback,” he says.

Indeed, marketers who haven’t yet pulled up a seat at the board table should turn the volume up, according to Hamill. “That will elevate the role itself. By representing these insights, marketing can shape the direction of the business. If your voice isn’t loud enough, you’ve got to shout louder.”

Gordon Rawling, Vice President of Marketing for Huawei’s Carrier Software Business Unit, picks up the thread. “A couple of years back, when the CEO arrived in the morning, all the metrics on the screen would be from the network,” he says.

“These days, yes, if the network goes down, the sirens go on. But it’s kind of assumed the network will be there. It’s

Attendees

Marc Smith, Editor of European Communications and Chair of the roundtable

Noel Hamill, Managing Director of Marketing at EE

Paula Miettinen, Director of B2B Marketing at DNA

Joanna Larivee, Senior Director of Marketing at Netcracker Technology

Heena Patel, Senior Manager specialising in Communications, Media & Technology at Accenture

Gordon Rawling, Vice President of Marketing for Huawei’s Carrier Software Business Unit

Ranko Jelaca, CCO and CMO at Telekom Slovenije

Akil Chomoko, Senior Product Marketing Analyst at AsiaInfo

Robert Haigh, Marketing and Communications Director at Brand Finance

Ivana Markovich, CMO of vipnet

not something they track in the same way. They now want the marketing metrics, with sales integrated into that – so, clearly, sales is a part of marketing now."

Threats and opportunities for marketers

On the one hand, the new influence of marketing within the tech-heavy world of telecoms is underscored by the elevated career prospects attached to it. Patel notes the sector's new inclination to promote marketers to the top, pointing to the example of Gavin Patterson at BT, who graduated through marketing and consumer roles at Procter & Gamble, Telewest and BT itself before being promoted to lead the UK company's operations.

"I think the CMO role holds as much opportunity [to graduate to CEO-level roles] as the old route, via the CFO position – because marketers so closely understand the importance of the customer," she says.

It might also be reflected in the creation of parallel C-level roles, for such functions as digital services and customer experience. Do these type of appointments undermine marketing? Should CMOs be worried by such appointments being made around them?

"It gives strength to have as many customer voices and insights on the board as possible," remarks Hamill, making the point also that, despite crossover, these other roles are distinct, and must take responsibility. "I see them as quite complementary," he says.

Ranko Jelaca, who sits on the board at Telekom Slovenije and doubles up as CMO and CCO, suggests it comes down to the individual, as well as the profile of the business. "I don't fear for the position of CMO – candidates that see the role more as advertising or communications might, but I don't," he says. "Every position's as flexible as the candidate – you can grab digital before a position comes up, if you want to, or integrate it into your marketing responsibilities."

More generally, such departments have their own particular paths, Jelaca suggests. Marketers would do better to cross over and collaborate with certain other functions, notably with business development and strategy. "These elements are essential to marketing in every type of business," he says.

Jelaca's viewpoint is interesting. Whereas most of his peers around the table might be considered 'industry veterans', Jelaca joined in March last year with a CV full of digital triumphs from parallel markets, most recently with the German arm of US food and beverage specialist Atlantic Group.

At the time, he'd been contemplating a study break at MIT to develop his digital interests; impressed by Telekom Slovenije's openness, he was instead convinced to realise his ambitions in the telecoms space.

What were his first impressions? "More or less what I expected – very skilled people, a very high degree or professionalism, and a slightly slowed-down sales and marketing engine. The knowledge and openness is higher; it's just the tempo's different, and that's dictated by the competition," he explains.

Recruiting and retaining marketing talent

It raises the question about hiring-in marketing talent. Cross-industry appointments such as Jelaca's appear increasingly common in the telecoms sector – Irish operator eir and Turkish provider Turkcell have just made similar raids for senior marketing positions.

How important is outside experience when constructing a strategy that will take operators beyond the status quo? "It's about bringing cross-industry skills, particularly from places like financial services, which are three or four years ahead in terms of how they're talking to customers," says Patel.

It's easier said than done. The industry has an image problem, it seems. "We still haven't found a formula," says Ivana Markovich, Senior Consumer Division Officer at Croatian operator Vipnet. "Young people don't want to join because operators are perceived as old, and slow moving – that they're not prepared to try new stuff and make mistakes."

When it works, and new blood is drawn into the system, the surge in energy and creativity is palpable, Markovich suggests. "They come from a different planet to everyone else sitting around the place – not just in marketing," she says.

DNA has mastered talent recruitment by staying true to its challenger brand ethos, which targets younger crowds, claims Miettinen, and by also freeing up staff working practices. "We've retained this kind of rebellious image, and we also have a reputation for career flexibility – we let staff pursue project work and experiments," she says.

EE also runs break-out groups to foster innovation, and bring opportunity and freedom to staff. "It means we don't have to put everything through the sausage machine," remarks Hamill. "'Here's a project, here's 15 people – an engineer, a marketer, a sales person. Here's a room.' If it flies, we'll give it more money."

He adds, as an aside: "But that doesn't mean it's a unilateral answer to the challenge of talent retention."

Markovich picks up the observation about shifting working practices between the generations. "It has to do with empowerment. The old corporate structures just don't work," she says.

Indeed, the new talent economy doesn't work like the old labour market. "Its KPIs are future value, and something that's very intangible – and young people are aware of those intangible things," says Jelaca.

Nine-to-five shifts and quarterly appraisals just don't cut it anymore, it seems. "Young people have options, now. Expecting them to achieve great things according to old values is almost impossible. We need to change. You almost need to spin off part of your business. Except shareholders won't accept it," he says.

Rawling pans out, and brings perspective: "It's easy for a vendor to look at from the outside, and say, 'it's easy; you need to do this.' The truth is it's incredibly hard to reinvent a business that is already making money."

> “Marketing can shape the direction of the business. If you're voice isn't loud enough, you've got to shout louder”

Somehow grasping for a conclusion about ready talent, the conversation settles on a middle ground, where focus on real strength is preferable to tackling some elusive sense of inadequacy. "Sometimes I think we diminish what we already have," remarks Miettinen. "It's like we beat ourselves up, and don't value those very talented technical people, who tend to see whole picture. We need to be the best we can be as an industry – because we will succeed because of our strengths, not our weaknesses."

Brand consolidation and reinvention

What about brand, this singular projection of corporate values? Its position in telecoms appears changeable, as the sector's old protagonists take new roads. The brand stories around the table are intriguing.

EE has reinvented and rebadged itself time and again, through merger, acquisition and sale, and yet for the moment it retains its legacy Orange and T-Mobile brands alongside its revamped moniker, at the same time as working alongside a new parental house brand in BT.

Hamill reckons traditional telecoms brands should reinvent themselves, especially if their brand affinity is on the slide. "I am a huge fan of brand reinvention," he says. "If your brand metrics are going backwards, then you should seriously consider rebranding."

Across the table, Vipnet, which leads the Croatian mobile market from Hrvatski Telekom and Tele2, is a brand twice removed, stewarded by Telekom Austria, which is in turn owned by Mexican giant América Móvil. It is juggling twin domestic brands, having acquired leading cable operator B.net some years back.

"We're still debating this topic," says Markovich. "Both are strong; leaders in their segments. There's no logic to change them. But they are completely different, and it's difficult to split your shops, so you have this super-trooper mobile on one side, and this super-trooper cable on the other."

Meanwhile, Telekom Slovenije has merged and converged three distinct identities under its own traditional-sounding umbrella brand, choosing to retain its original character for converged services. "Sure, it's a classical brand, but it was one of the first to converge under a single brand," says Jelaca.

He goes on: "It was a great move. We have grown as a converged player in the last year and half. It would have been chaotic without it. But we're also working on new verticals, which perhaps require more brand flexibility."

Akil Chomoko, Senior Product Marketing Analyst at telecoms software provider AsiaInfo, picks up this twist, that telecoms providers are spinning-off new corporate insignia for various side projects. He cites the examples set by PCCW and Deutsche Telekom launching new smart home propositions under the brands SmartLiving and Qivicon respectively. "PCCW is calling it revenue from 1,000 cuts, where it will make money from all of them," he says, in reference to this divide-and-conquer approach to badging business.

Chomoko opens the idea up to the table. "Is that a problem, where you have two or three brands to get specific customer focus in the B2B market? Will it be a trend going forward?"

Robert Haigh, Marketing and Communications Director at Brand Finance, thinks so. "We've seen the era of massive telecoms brands, and we could see a trend towards specific ones, targeted at certain sectors," he says.

Larivee agrees, noting that telecoms are beginning to dip into new markets and acquire new customers by changing their brand recognition. "Perception is everything in this industry," she says. "Service providers realise the magnitude of the information they possess, and as such, recognise the opportunity to use that information and pivot."

Patel brings it back to big data, suggesting new analytics and insights afford telecoms providers tighter control of their brand destinies. "Although it has often been brand agencies that have instructed companies to refresh or reinvigorate, there is now a lot of data science behind it," she says.

But, again, it's not so simple. Jelaca makes clear the inherent dilemma of brand genesis in a rapidly changing market. "It's a huge challenge, especially with the combination of business and consumer services. If you're doing systems, then telecoms can be a good brand. But if you're looking at services, like fin-tech platforms, say, then I'm not so sure. It depends on your strategy."

> "Customers will complain about anything – they'll complain about the weather"

He adds, rather hitting the nail on the head: "You have to decide – you need to be clear in these unclear times."

EE, less by clear design, finds itself with at least three consumer brands. "They're ticking along quite happily," says Hamill. He suggests there is a case for large corporations, operating in large markets, to go after specific segments under different guises, but warns sustained investment is a limiting factor.

"The thing about brands is they aren't free. Deutsche Telekom is doing a great job with something that's innovative and fresh. But how much money is in the brand pot? What's the strategy? In B2B, some of it is a naming convention. The parent brand often stands behind it. If you want to create a consumer brand, you're talking money – to create a brand in the UK costs many, many, many tens of millions," he says.

"Sub-segments are different. O2 has done a great job with giffgaff, a purely digital play. But it's now advertising on TV, so it's branching out, which costs money. Our brands address very different consumer segments, and have real investment. That approach can make sense in large markets such as the UK."

He circles around, and puts it rhetorically. "I think you can do it, absolutely, but would you create 12 different B2B brands,

say, to address 12 different verticals?"

Rawling answers anyway. "If you had 12 different brands, you'd need the channel structure to align behind each, which is even more investment, which is not insignificant cash," he says.

Customer experience: process and proposition

What do customers even want from telecoms today and how can marketers differentiate their customer experience? Miettinen at Finland's DNA suggests the operator community would do well, again, to ease up, and look up. "Sometimes I think we're blindfolded to everything else, and just focus on that," she says, going on to suggest it's wrong-headed to fix a tap, when all the plumbing needs replacing.

"Customers live with us every day, and see the small things. That's important, of course, but we also need the helicopter perspective. It's not just about mending broken things, but reengineering the whole process," she says.

Jelaca is similarly inclined; market research rarely begets eureka moments, he suggests. "Identifying a customer need takes a lot of talent – a very good understanding of the market, and the situation in the round. That's how 'couch surfing' came about – not from market research, but from an idea generated by a need," he says.

In a moment, the conversation widens to consider customer-focused services. Telecoms has a rotten record when it comes to game-changing consumer moments, suggests Markovich. "It has to work, and it has to be simple, and it shouldn't irritate the customer," she says. "And telcos are pretty lousy at that – and I say that after 15 years in this industry."

Netcracker's Larivee agrees. "Ease of use is everything. Without convenience, there will be no satisfaction. That's the bottom line."

Jelaca is not about to disagree. For him, the problem is telecoms providers are too focused on eking out gain from differentiated processes, rather than from gambling on new products and services. Everyday processes have improved, he says. "Marketing, sales, service – everything is better today". At the same time, industry revenues are flat, and way down on a decade ago. "We're killed by services that are much lousier than ours," he says.

"The market is too commoditised. If you want to disrupt, you need to focus on customers' needs. If you have a good product and sell it badly, it will still sell quite well. If you have a bad product, your processes need to be exceptional if you're going to sell it. That is the problem."

Hamill suggests some balance. "That's an inside-out view," he says. He warns on the one hand that social chatter is an impossible yardstick. "Customers will complain about anything – they'll complain about the weather. The vast majority of noise on social [media] is negative. If your research is based in that world, you're just going to get depressed," he says.

On the other, he argues customer experience will prove decisive in the end, and loss of focus in the meantime will be critical. "When the networks become equivalent – and they aren't yet, but when they do – that's when that stuff starts to really matter," he says.

"It links to brand. If you're a mobile provider, and you're selling broadband and sports, and you give a bad experience, it absolutely plays through, and you won't get more business. As we move to convergence, certainly on the consumer side, and everything else becomes equal, then service becomes dominant."

As final summary, he adds: "So, I agree, we can't get away with it now." ec

Amdocs: Crossing the digital divide

The digital transformation imperative has twice the implications for CSPs – as both enablers of digital services for others, and innovators in their own right, improving the way they themselves engage with customers. Amdocs' Shannon Bell explores the latest developments – from chatbots and machine learning to mobile account management within everyday apps – and assesses operators' progress

European Communications (EC): The need for companies to transform themselves digitally pervades every market now. What does it mean for communications service providers (CSPs)?
Shannon Bell (SB): Digital transformation for CSPs is a must. CSPs have been instrumental in providing the infrastructure and resources to enable many other industries – including retail, banking and travel – to successfully embrace digital capabilities so that they can meet and serve customers in the channel of their choice. But they themselves haven't made the same progress: they're having a tougher time transforming.

EC: Why?
SB: There are a couple of reasons. One is the complexity of their offerings: the number of variants and the fact that if they offer multi-play services, factors such as serviceability and coverage will need to be assessed. So transactions aren't always simple. Secondly, customers have been slow to embrace digital channels in this industry. Although the situation is evolving, many customers have preferred to call the contact centre or go into a store to discuss their needs. Again, the complexity of CSPs' offerings hasn't helped.

EC: Is there a difference between consumer and business adoption of digital channels?
SB: Definitely. Smaller businesses have consumer-type expectations, whereas large enterprises' needs are more complex. Enterprises like the idea of having more control of services and subscribers, so digital service access does appeal, but business models can be more elaborate, with bundles of third-party services and applications, SLA structures in place, extensive and elaborate contract negotiations, so digital adoption is likely to differ for this type of customer group.


Shannon Bell is head of product management and strategy, revenue and customer management at Amdocs, which specialises in BSS, digital customer management and commerce platforms for CSPs

EC: Clearly digital channels have a benefit to CSPs – in cutting customer handling costs – but maybe customers don't see the benefit?
SB: Taking cost out of the call centre has been a priority in the past, and that hasn't gone away, but now it's becoming more about the quality of the customer experience. In the future, if CSPs want to differentiate their brands, a lot of this will come down to how responsive they are to customers' needs and preferences and whether they can match the expectations that have been set in other markets. And from other markets we definitely see the consumer demand for engagement in digital channels.

EC: What does good look like?
SB: Good is being customer centric – think of how T-Mobile in the US engages their customers, and this has become a brand characteristic. And good also means being easy to use and personalized – the benchmark for digital commerce has been set by Amazon. Then you have tech giants like Facebook, launching chatbots for interacting with customers, and simplifying payment processing. Developments like these continue to shape what's possible and raise the benchmark of what is "good".

Coming back to CSPs, we see players like Globe in the Philippines developing a strong partner ecosystem. With its trusted wallet for making mobile payments, to its ICONIC store experience, it has become much more than a traditional telecoms supplier. Other CSPs are focusing on expanding the breadth of their offering, like AT&T has, to create a full-service experience.

EC: What is the key to successful digital transformation for CSPs?
SB: It's about embedding all things digital within the core of the business – not just at the front end. Telefonica has been very vocal on the subject; digital has become its entire focus – not just for customer engagement, but all the way through its operations. Unless there is the right culture in the business, and the systems and processes in place to support digital innovation, digital services are likely to fail.

EC: Where should the journey begin, then?

SB: With simplification, ease of use, and customer centricity. While there will always be a degree of complexity when you're delivering complex services and bundles, providers don't need to compound this with the hugely involved product offers they have currently. There's considerable scope for rationalisation.

The ability to react quickly is key too, and some of this is dictated by business support systems (BSS). For example, Black Friday is one of the busiest shopping days in the US, and service providers need to implement thousands of new promotions over the course of a weekend. But that requires a flexible back-end capability, enabling those offers to be pushed out. And this becomes a competitive differentiator.

And customer centricity is really a must. CSPs must prioritize the digital engagement – meeting customers in their channel of choice, and delivering the ease of use and personalization that customers expect. And of course having open systems and open APIs [non-proprietary application development/integration tools] to support this.

EC: Clearly some SPs have made greater headway than others. What's holding the rest back?

SB: Individual business priorities are part of it. A lot of providers are going through huge transformations and major acquisition programmes (to boost their multi-play capabilities, for example). Others are approaching change incrementally, channel by channel. But it really is a question of business priorities – there is no question that CSPs understand the need.

EC: What else do SPs need to focus on to get this right?

SB: Personalising the experience: customers expect providers not only to meet and serve them in the channel of their choice, but also to know them as individuals. SPs have an advantage here because they already hold a lot of rich customer data. And now the question is how you use that data to drive real personalization in the customer experience. And the experience spans both the human (call centre, retail) and non-human channels (online, self service).

This is where artificial intelligence (AI) comes in – especially for the non-human channels. Being able to determine a customer's intent, and then decide how to manage their engagement provides significant advantage.

Singtel's 'Ask Shirley' virtual agent, is a good example of early AI engagement. And following Facebook's chatbot announcement, Rogers in Canada has been one of the first SPs to announce support for the facility – a sign of the way things are likely to go next.

EC: How else could AI permeate CSP activities?

SB: In creating and exploiting that all-important 360-degree customer view: analysing and using all of the different information sources to engage with customers more intelligently. Core AI technology/machine learning – including natural language processing, sentiment analysis and speech recognition – will be key in enabling an ever richer experience.

AI is going to become a big deal. Take the newly announced AI Consortium, which includes huge players like IBM and Microsoft. This will formalise the use of AI as a platform to drive engagement and provide intelligence.

EC: How will the role of call centres and retail stores change as a result of all these digital developments?

SB: Their role is already changing – more than 50 per cent of simple transactions have already moved online, creating more scope for handling complex interactions. This demands more skills and experience, as well as information feeds from other sources to enable a rounded customer view.

The role of stores tends to vary by region. In Europe, Vodafone is investing heavily in the store 'experience'. Like Globe, it sees its retail stores as an important brand vehicle. In other cases, the store's role is more about support. Certainly a lot of SPs are investing in the retail experience at the moment. Many are using Apple Stores as a benchmark – an environment that's welcoming and customer-centric, which encourages customers to touch and explore.

EC: Are there any other trends you've witnessed?

SB: The whole move to 'openness' is important, as can be seen via TM Forum's Open API programme. This is an important initiative because you see both CSPs and vendors committing to openness which we know is key in enabling the types of digital experiences we've talked about.

And openness is also key in enabling CSP cooperation with OTTs. Amdocs has partnered with YouTube to allow operators using our BSS platform to integrate directly with its content. They can expose status information about users' data consumption within the YouTube app, so that if customers are running low on data they can effortlessly do something about it and carry on enjoying the content.

Again, it comes back to CSPs being able to meet and serve customers where they already are. The CSP still owns the customer relationship and the billing, but the experience is much smoother for the consumer.

These are exciting times for the industry. Digital transformation is happening – that's accepted. The challenge for operators is how they'll use this to differentiate themselves and stay ahead.

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Special report

FIBRE BROADBAND

Contents

Q4 survey: Demand is driving fibre deployment, but industry remains split on FTTH

European Communications latest fibre broadband survey finds the industry divided over the merits of FTTH, but certain speed is the way to sell it

Current/future demand from retail customers is the most significant driver for operators to deploy FTTx technology today, according to European Communications' latest fibre broadband survey. The majority of all respondents (33 percent) chose demand ahead of the 30 percent who said competition was the main driver (See Fig.1).

The result shows a marked change since European Communications last asked this question in Q2 2015. Competition was the then number one driver, with 42 percent of the vote, ahead of revenue generation, with 14 percent.

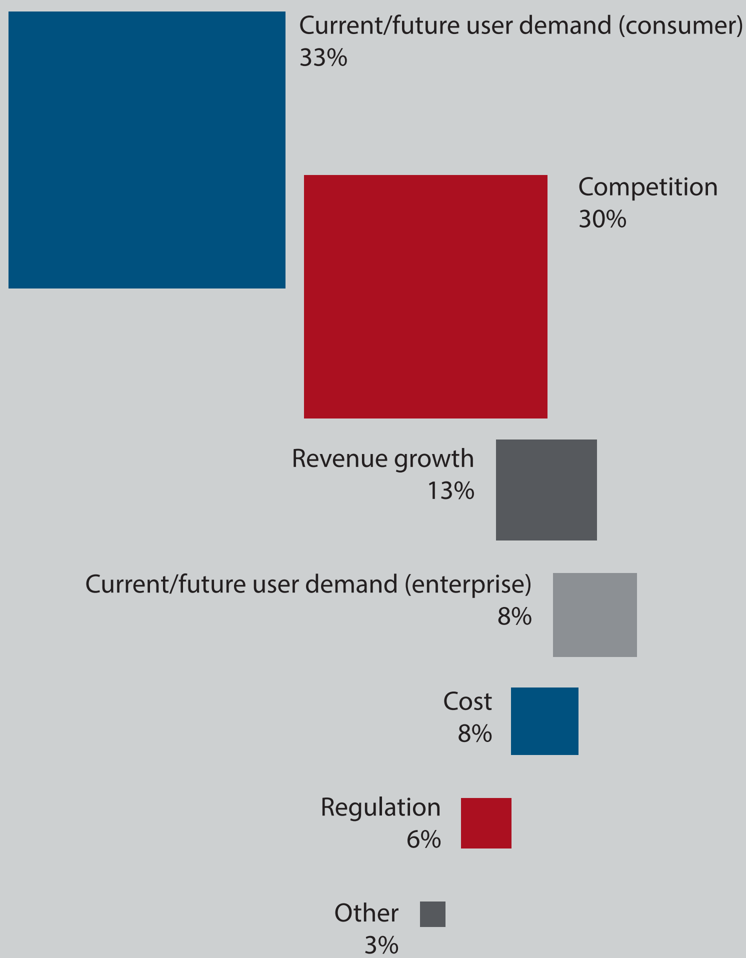
Competition remains the number one driver today for operators – it was chosen by 35 percent – but demand is just behind on 33 percent.

> "It is telling that operator see speeds as a driver far more than price"

The return on investing in fibre is a growing concern. Almost half of all respondents (48 percent) said RoI is the biggest challenge that operators face in deploying FTTx broadband (See Fig.2). This is up seven percentage points on the result in Q2 2015.

By contrast, cost – the second most popular answer – was chosen by 27 percent of respondents, a fall of 14 percentage points from the previous survey. Operator respondents were broadly in agreement with the rest of the industry – 55 percent chose RoI ahead of the 24.5 percent who chose cost.

Fig 1. What is the most significant driver for operators to deploy FTTx broadband today?

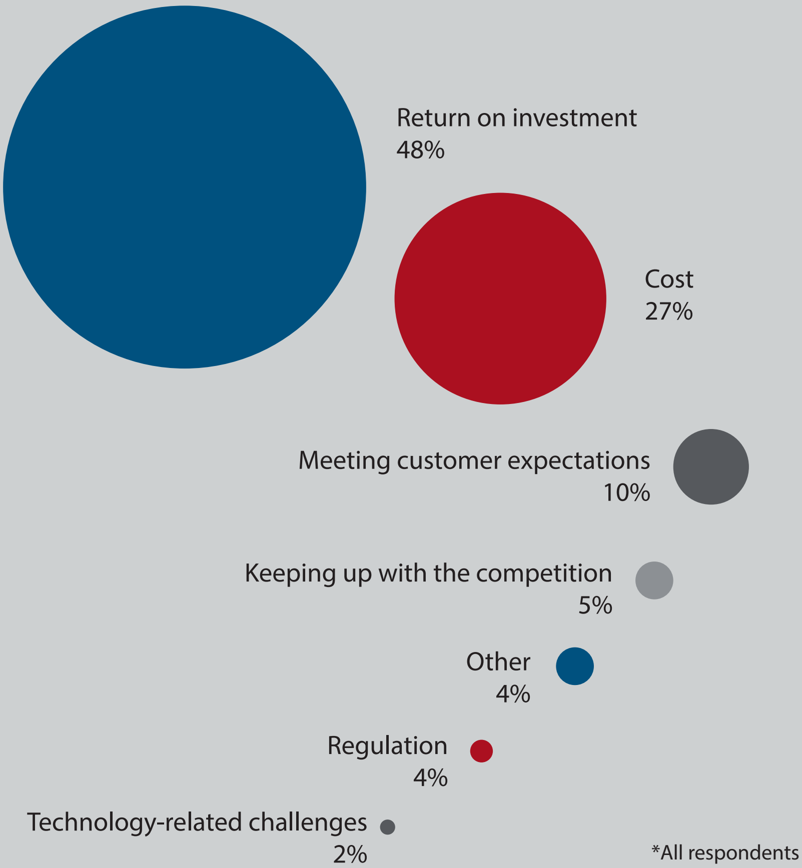


*All respondents

The European Commission's new Electronic Communications Code (ECC), unveiled in September, is designed both to aid fibre deployments and improve the investment case for operators. Of the 29 percent of all respondents who said they had read it, 61 percent thought the ECC is likely to increase the deployment of fibre where they operate (See Fig.3).

Meanwhile, ninety percent of respondents welcomed the proposal that all European households should be able to access download speeds of at least 100MBps by 2025 (See Fig.4). Operators were more optimistic that the

Fig 2. What is the biggest challenge that operators face in deploying FTTx broadband?



ECC would increase deployments – 82 percent said this was the case – but only eight out of 10 welcomed the speed commitments.

Oliver Johnson, CEO of Point Topic, a dedicated broadband research house, is sceptical of the proposals. Outside the south east of Europe, only "some" extra fibre will be deployed as a direct result of the proposals, he said.

"The European Commission knows that the only way any of these commitments get to 100 percent coverage in Europe is because satellite is 'available' just about everywhere," he added. "By 2025 satellite supply will easily hit 100Mbps down."

A crazy vision

The telecoms industry in Europe remains somewhat split on whether pure fibre deployment is the end goal that operators should be aiming for when it comes to their fixed network infrastructure. Over half of respondents, 55 percent, thought FTTH should be rolled out to all subscribers, while 45 percent did not (See Fig.5).

This is a similar result to when European Communications last asked

Fig 3. Do you think the Electronic Communications Code is likely to increase the deployment of fibre where you operate?

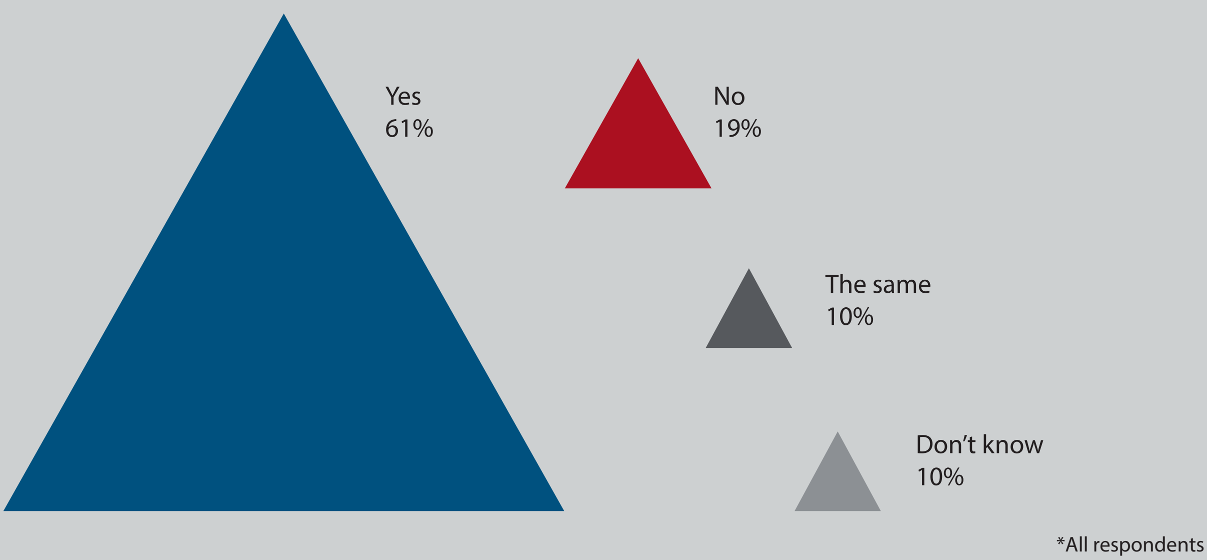
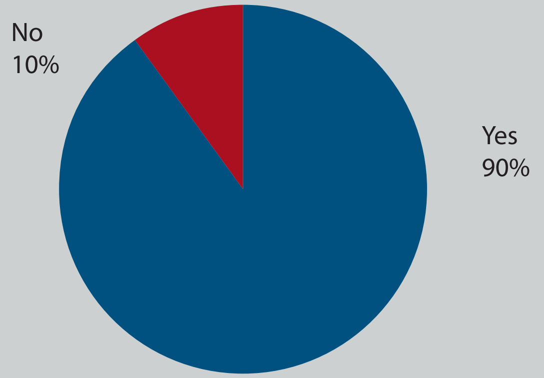
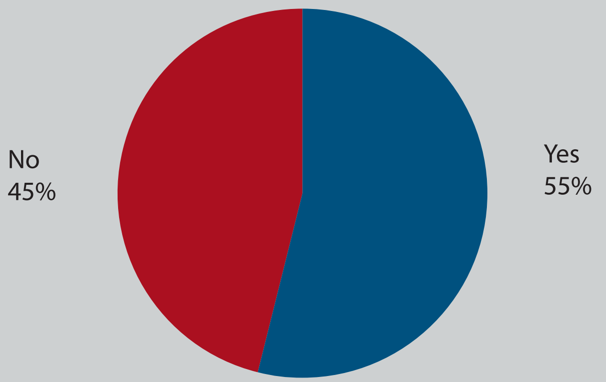


Fig 4. Do you welcome the proposal that all European households should be able to access download speeds of at least 100MBps by 2025?



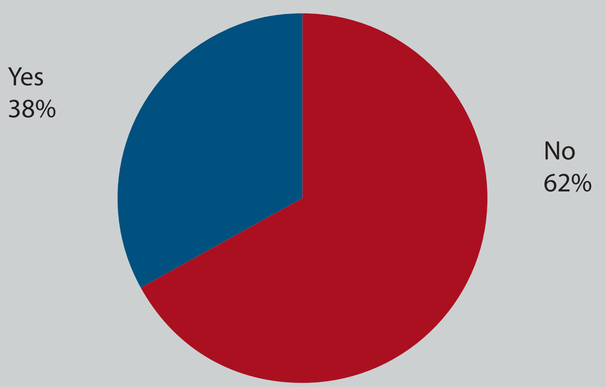
*All respondents

Fig 5. Is 100% FTTH the end goal that operators should be aiming for in their fixed network infrastructure?



*All respondents

Fig 6. Can G.Fast be regarded as a long-term substitute to a pure fibre deployment?



*All respondents

the question in Q2 2015; a year ago the split was 54:46 percent in favour of FTTH being rolled out across the board.

One respondent to this year's survey said the costs, logistics and return on investment involved continue to make pure fibre "a crazy vision for any realistic timescale". Another said cable and G.Fast are "just as strategically important".

Johnson said the results "perhaps reflect the patchwork that comes from solving local problems with local solutions". He added: "There are definition issues starting to arise; [in the UK] Virgin Media publicises an increase in FTTP roll-out while deploying radio frequency over glass (RFoG) and [pure

> "[G.Fast] doesn't help rural notspots and diverts vital resource from true symmetric FTTH"

fibre provider] Hyperoptic don't believe their Cat-5 termination should change how they label what they supply. Both positions can be supported but aren't necessarily what others understand by the acronyms applied."

One of the most important developments since the last survey has been the field deployments of G.Fast technology. BT and Swisscom have been two notable proponents in Europe and both operators have pilots in place ahead of commercial launches in 2017.

Given G.Fast negates the more costly replacement projects associated with FTTH, it continues to attract incumbents with existing FTTC-based networks. A significant minority of all respondents (38 percent) said G.Fast could be regarded as a long-term substitute to pure fibre deployment (Fig.6). The result is the same when operator-only responses are extrapolated.

One respondent said: "It could add some flexibility in terms of fibre deployment, but FTTH will be the King." Another warned: "[G.Fast] doesn't help rural not-spots and diverts vital resource from true symmetric FTTH."

Johnson said: "I don't think it's impossible [that G.Fast could be a long-term substitute], it depends what is meant by long term. It's rarely possible to rule anything out (technology wise) across 100 percent of real world networks. There are still DOCSIS1 routers and kilobit connections out there today."

He added: "By 2025 G.fast will be capable of serving 150Mbps+ to at least 50 percent of UK households."

Speed over price

The majority of all respondents (38.5 percent) said speed is the most significant lever that operators have to persuade customers to sign up to FTTH (See Fig.7). Speed came ahead of content (26 percent), price (20 percent) and other bundled services, such as mobile (13 percent).

Fig 7. What is the most significant lever that operators have to persuade customers to sign up to FTTH?

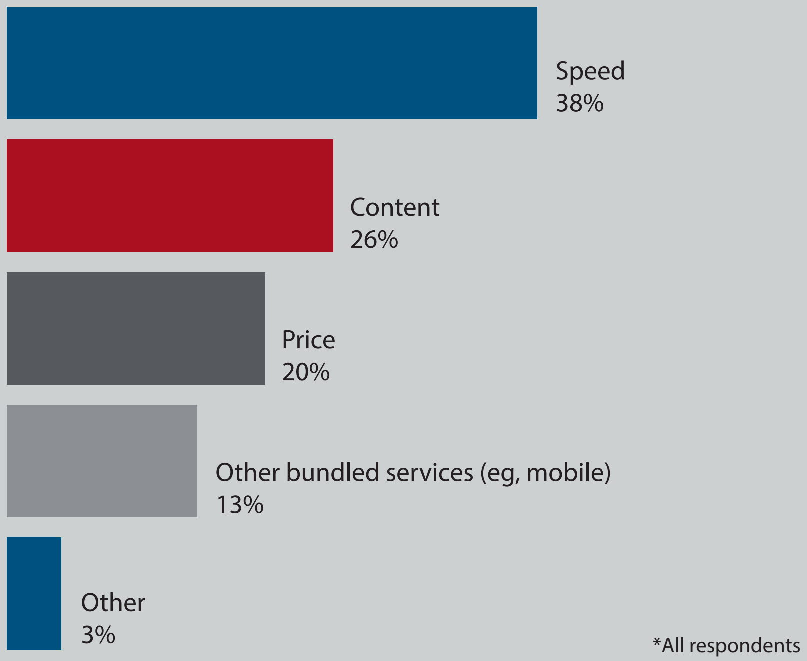
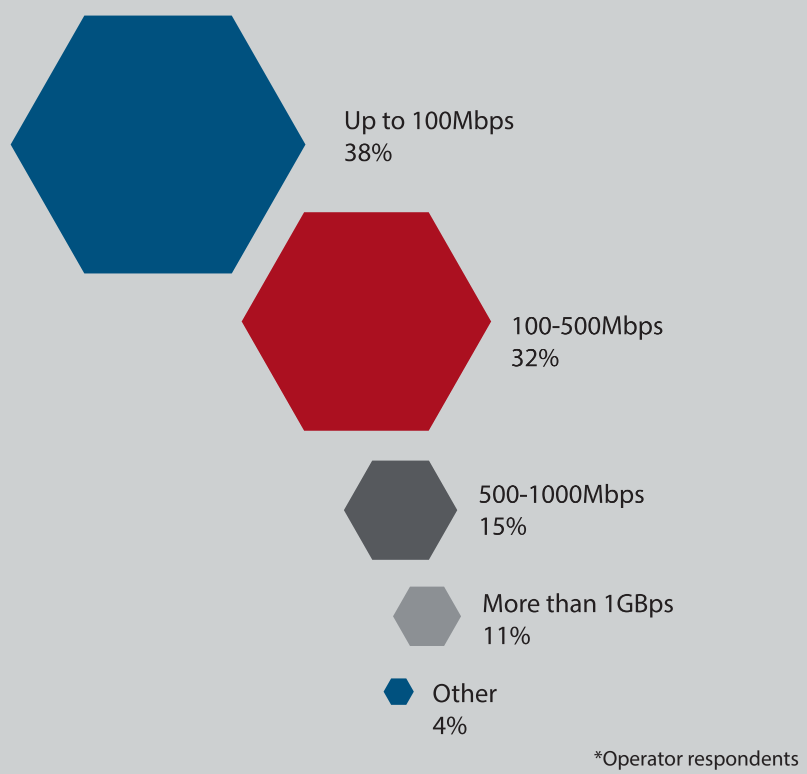


Fig 8. What speeds do you think your retail customers currently require from their fixed broadband connection?



Operators are even more sold on speed. Forty seven percent said speed is the most significant lever they have, while 24.5 percent chose content and 16 percent selected other bundled services.

"It is telling that operator see speeds as a driver far more than price," said Johnson. "Perhaps they are seeing more top end tariff demand than originally projected, which would seem to be borne out by the optimism in the FTTH/B/P market.

"They've got a few years to differentiate on speed (and symmetry!) at the most, then it'll be back to services, customer service and content. Sell on speed now but make sure you integrate your services with the consumer over the next couple of years to keep your market share."

He added: "Speed is understood to mean one thing by one person and one by another. Is it up and down, aggregate or down only (as seems to be the current commonly associated meaning)?"

However they define it, 38 percent of operator respondents said their retail customers require speeds of up to 100Mbps from their fixed broadband connection currently (See Fig.8). A further 32 percent said subscribers require 100-500Mbps, while 15 percent said speeds of 500-1000Mbps are needed.

In this light, it is perhaps unsurprising that almost one third of operator respondents (32 percent) said it will be 5-10 years before the majority of their fixed network infrastructure is FTTH (See Fig.9). A further 21 percent said it would be up to five years before they majored on FTTH.

> "The focus should be on delivered service not technology"

Encouragingly, however, a majority of operators (51 percent) think their retail customers are happy to pay a premium for FTTH now (See Fig.10). When we last asked this question in Q2 2015, just 28 percent said this was the case.

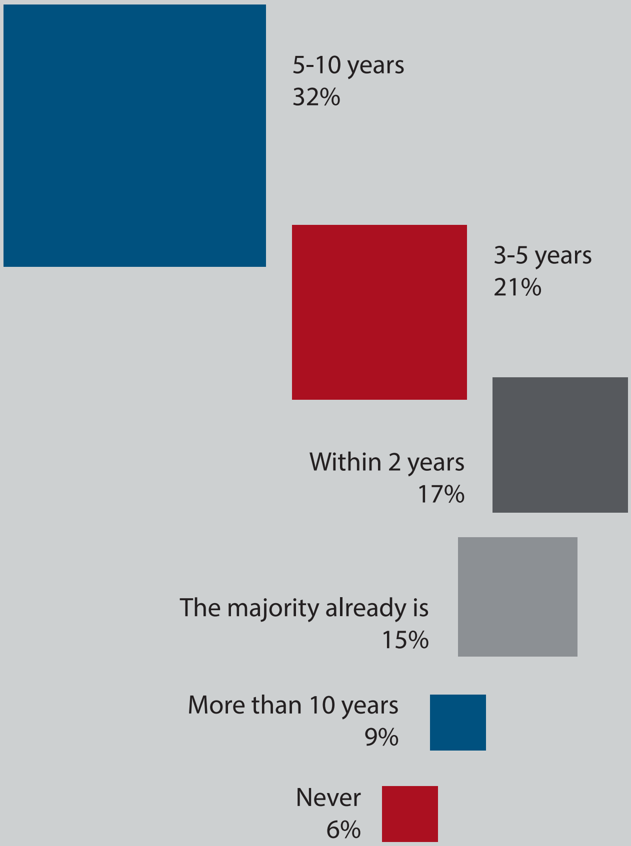
Said one respondent: "The focus should be on delivered service not technology. Peak speed is less important than consistency and reliability; whatever delivers this most cost-effectively is the key question."

About the survey

One hundred and nineteen respondents took part in our online survey in November 2016. Forty three percent of respondents work for network operators, while 17.5 percent work for vendors. The remaining 39.5 percent work for other interested third parties, such as analysts, consultants and regulators.

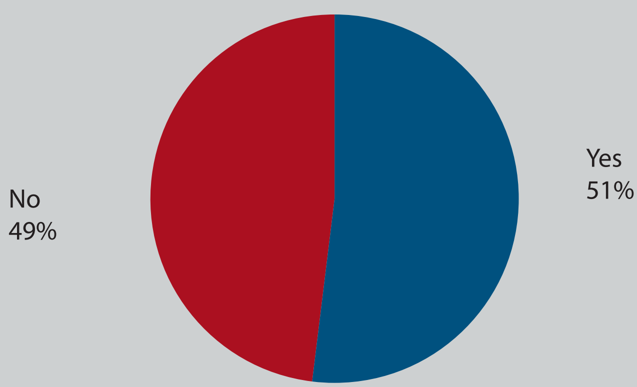
From a geographical perspective, 80 percent of respondents came from Europe.

Fig 9. How long do you think it will be before the majority of your fixed network infrastructure is FTTH?



*Operator respondents

Fig 10. Are your retail customers happy to pay a premium for FTTH currently (when they have a choice versus other technologies)?



*Operator respondents

TalkTalk hopes "euphoric" fibre project will end up as more than a UK outlier

The battle is on to take the company's pure fibre project to the masses, TalkTalk's Head of UltraFast tells Marc Smith

If you had made a word cloud of the interview that this feature is based on, you may have been surprised with one of the top two that figured. For a while "gamechanger" was a standard adjective telcos liked to use when referring to technology. Less associated with the sector is "euphoric", yet it was used several times by Richard Sinclair, Head of UltraFast at TalkTalk (pictured above), as we run through progress of the UK-based operator's new FTTP broadband network in city of York.

Alongside partners CityFibre and Sky, TalkTalk set up a joint venture back in 2014 in a bid to break free from a reliance on BT Openreach's FTTC-based infrastructure. TalkTalk and Sky are both customers of Openreach, along with Vodafone, and all three have spent the last couple of years criticising the BT subsidiary for its continued focus on copper-based tech.

While the last few months have seen Openreach commit to upscaling its own FTTP rollout to two million premises, from around 325,000 today, TalkTalk is pressing ahead with its own plans. Indeed, CEO Dido Harding has made what Sinclair calls "a pretty firm commitment" to connect 10 million homes and businesses to its own FTTP network by 2025. "The first step on that journey is to get York done," Sinclair says.

As any operator will tell you, deploying a pure fibre network is an expensive and time consuming business with uncertain RoI at the end. It has taken the JV over two years to pass a meagre 14,000 premises. TalkTalk has spent an undisclosed amount on the project to date – it will only confirm that there was a £10 million investment in the split between Sky and TalkTalk "for the first phase". Sinclair says the cost per home is "well below" the target of £500. Since launching the service commercially on 1 April this year, TalkTalk and Sky have signed up 2,400 customers between them – again they do not separate out the numbers.

"We evolved very cautiously," Sinclair says when I put it to him that the deployment figures are not a great advert for why FTTP can solve the problems of the UK's infrastructure needs. Unsurprisingly, he says that the rate of deployment has been the biggest challenge. "Is 7,000 homes per year our peak rate? The answer is no, but if the question is have you done everything in your power to make sure this is a fabulous product then the answer is a firm and resounding yes," he says.

Sinclair goes on to say that he is "looking forward" to seeing how much more quickly TalkTalk can deploy the technology. Its next target is to pass 40,000 premises in York within 18 months, which it said will cost approximately £20 million.

TalkTalk will do so without the help of Sky, following the October announcement that the pay-TV company will revert to being a wholesale customer of the new network. TalkTalk will buy out Sky's equity in the JV although it will not say how much it is paying. "It's very much work in progress," Sinclair says when asked.

He declines to answer any questions about Sky when probed. Likewise, Sky declined to comment when asked by European Communications. The suspicion remains that it is unconvinced about the economics of building a pure fibre network – how ironic that would be given its criticism of BT.

Euphoria and prejudice

If deployment has been a battle, Sinclair says the end result in terms of what customers think has made it all worthwhile. He reports that customer satisfaction scores can be as high as 100 percent some weeks, and average above 80 percent "consistently". TalkTalk has said publically that customer satisfaction scores on its FTTP network "strongly outperform" those on FTTC, but was unable to provide exact figures for the latter when asked.

"I've been involved in new product launches before and this is a unique situation that I find myself in," says Sinclair. "Customers are giving us such euphoric feedback and recommending it to friends."

The majority of these customers are retail subscribers but Sinclair says small businesses have also given the service "a euphoric thumbs up because they're able to do new things".

The exec says it's hard to describe what customers are using the new network for: "I carried some prejudice into this role in that I suspected we would be able to neatly package up what customers use their connection for, but the thing I found is that everyone is so different. We've all got individual usage needs, whether it's silver surfers, families with young children etc, but what we're finding is that there is capacity for everyone to do everything."

He notes the "special attention" the service is getting from gamers because of the latency and reliability it offers. Ironically for someone whose job title is Head of Ultrafast, Sinclair is keen to play down the importance of speed. He says: "We consider it to be a gigabit service, and the way we market it is up to a gigabit, but the most important part of it is not the speed but the reliability and what our customers can do with the new service. Our customers perceive it as an end to buffering."

He adds: "Instead of having those endless debates about copper speeds, this removes that challenge and gives everyone the capacity to do what they need to do. It's been described as broadband as it should be."

The price is right

A low price also helps. TalkTalk is offering the broadband service, which it markets as Ultra Fibre Optic, for £21.70 a month, rising to £27.70 if you include TV. This is cheaper than its FTTC-based offering and fits in nicely with TalkTalk's new marketing message, unveiled in October. The operator simplified all of its tariffs, fixed them for 18 months and promised customers could swap to a better value tariff if one became available. It also copied Vodafone in scrapping line rental charges.

"We've gone to great lengths to make TalkTalk for everyone," says Sinclair. "We want this product to be a gamechanger and we want it to be affordable for all sectors of society. Others have cherry picked the FTTP market and gone to places where they can charge a hefty premium, but that's not our view. TalkTalk wants a transformational product for York and ultimately the UK."

The reason behind the new marketing push is obvious; it is now 12 months since hackers targeted TalkTalk and got access to data, including some financial details, of 157,000 customers. The company lost 95,000 subscribers following the cyber attack, which cost it £45 million to put right. The UK's Information Commissioner's Office then slapped it with a record £400,000 fine for related security failings.

"It was an enormously difficult time," says Sinclair. "I spent time in York immediately after and I think our customers have been sympathetic to the events that took place." Although he doesn't want to go into what effect it might have had on the uptake of its Ultra Fibre Optic offering, he says the company "definitely felt the effects as a result of that crime".

My generation

Sinclair's passion for the project, which he describes as his "baby", is clear. "I want to be part and parcel of the generation that makes internet [in the UK] as it should be," he says. In the week following our interview, the UK government announced it was creating a new Digital Infrastructure Investment Fund to boost the deployment of FTTP/H and 5G networks across the country. It also said business rates for new pure fibre builds would be scrapped for five years. Harding said in response: "We're delighted that the Government is supporting this cutting-edge infrastructure, and encouraging competition between alternative providers to ensure that people up and down the country can enjoy full-fibre broadband as quickly as possible."

It can only help TalkTalk's case, but whether Sinclair and the other execs will ever be as euphoric as its customers remains open to question at this point in time. The UK's infrastructure remains resolutely FTTC-based and much will have to change if the York example is to be anything other than an anomaly. ec

Will plans to ease EU competition rules to boost fibre investment work?

The European Commission unveiled a new Electronic Communications Code in September. Keith Nuthall analyses what this means for the continent's broadband market

The European Commission of President Jean-Claude Juncker came to office in 2014 promising to focus on major projects and programmes – with major telecoms reform and expansion being a key goal. His team has now delivered on that pledge, proposing a comprehensive package of competition changes and funding proposals that, if approved, would change the EU's telecoms market controls, set ambitious targets for EU-funded broadband roll out and strengthen the role of BEREC as a European regulator.

The key focus is growth in high-speed networks, notably 5G, and the FTTH technology that will deliver it. At the heart of the package are some broad political targets on broadband development, which are ambitious given the EU will need member states and industry to cooperate. By 2025, the Commission wants all EU households to have access to connectivity offering a download speed of at least 100 MBps, that can be upgraded to GBps. Also by that year it wants businesses, all schools, transport hubs and the main providers to have access to 1 GBps connections.

A key element of the Commission's strategy is the proposed creation of a new European Communications Code, designed to help and encourage large telcos to make large investments to cover the continent in fibre carrying 5G services.

Indeed, it is clear, stresses Tony Shortall, Director of Brussels-based telecoms consultancy Telage, that the Commission is signalling that maybe time is up for the service-based competition policy of yore, where smaller fry were given access to the networks of big fish. Rather, Brussels says that national regulators can take a close look at markets and, where they think there can be competition between network providers, can signal that access requirements might be phased out in future.

It would appear the Commission has learnt from how infrastructure competition in France, Spain, Portugal and other countries has led to fibre entering homes and offices, while it has stayed at the kerb in countries where service-based competition has occurred – such as in Britain. "It's difficult, but it works," notes Shortall.

The same motivation is behind the Commission's proposals within the code to ease restrictions on large telco operations when they are involved in co-investment projects and when they are focused on the wholesale market. It also wants to allow regulators to give telco majors more time to grant network access to rivals – effectively increasing this from three to five years in many cases.

> "5G needs to get off wireless and onto fixed networks"

There are also proposed rules aimed to ease access to radio spectrum, such as linking fees closer to market demand rather than using spectrum access auctions as cash cows for governments. And there would be some regulatory simplification in that the Commission's proposed code would not just change the law, but merges four existing telecoms laws (the EU's framework, authorisation, access and universal service directives).

All of this is designed to open telco investment wallets and boost fibre: "5G needs to get off wireless and onto fixed networks," Shortall says. The Commission is also looking at reducing potential regulatory roadblocks preventing 5G getting off the ground in the first place. It is proposing a detailed action plan to deploy 5G systems across the EU, starting from 2018.

Mixed reviews

The plans have received generally warm if not universal approval from the industry thus far. The European Telecommunications Network Operators' Association (ETNO), representing Europe's large established telcos, has welcomed the package and called on the EU to approve it swiftly. It says it wants the proposals to provide an "effective boost to network investment, incentivising all network investment models, including those of Europe's largest investors in broadband deployment".

However, Carlos López Blanco, Director General of Public Affairs and Regulation at Telefónica, suggests that the proposed reform "falls short of addressing the main issues that are refraining investment in Europe". His main concern is that the significant market power model, which has forced major telcos to help smaller competitors, "is basically kept". This could deter investment, he fears.

Vodafone claims that the code will help it continue to invest in fibre through "strengthening regulation of access to passive infrastructure such as ducts and poles." The UK-based operator notes that where fibre is being installed – for instance in Spain and Portugal, with anticipated 95 percent fibre coverage by 2020 – "effective regulation of passive

infrastructure creates competitive pressure that leads to investment in gigabit technologies by both incumbents and their competitors".

Vodafone's International Policy Director Gregoire Verdeaux calls the package "a bold approach to ensure Europe gets the connectivity needed to transform our economy and society as soon as possible." He adds: "If gigabit is the aim, encouraging infrastructure competition is the game."

But, as Telefónica notes, smaller players have not been abandoned – with regulators still able to insist they get access to established networks. The European Competitive Telecoms Association claims that its smaller telco members need physical access to incumbent networks and wants these rights strengthened: "The Code should put more focus on physical access to specified network elements and/or facilities, which is currently the main remedy across Europe, to ensure that competition continues to be effectively enabled in practice."

Overall, however, will this supply-side strategy work? James Allen, Head of Regulation at research house Analysys Mason, says: "It is certainly a contentious point, and not clear that competition changes are needed in order to get investment. Co-investment is interesting but places a high emphasis on the ability to invest at a specific date with potentially large capital requirements, which might mean that the barriers to entry are still high. Ultimately consumers need both competition and investment."

As for Brussels' 5G rollout plan, Allen is sceptical of its likely impact. "The Commission has few direct policy levers that act fast enough to have a significant effect on 5G rollout; we are after all talking about real network in at least one city per state by 2020," he says. "They can however play an important role in assisting NRAs [national regulatory authorities] and national governments. For example, there are possible gains from spectrum harmonisation (e.g. common bands in microwave/mmWave), but these do not necessarily need to be decided in an EU forum."

What would be helpful, he suggests, is "an increased focus on the needs of infrastructure-building operators including mobile operators when NRAs are reviewing the relevant market."

Of course, the Commission and the rest of the EU can directly assist such expansion through public spending. And there is money available. The current politically-aware Commission is inclined to float some huge numbers – multiple billions of euros. But while almost certainly, a lot of this money will not actually fund the rollout of technology, the Commission does have access to significant reserves. It has, for instance, earmarked €850 million from the European Agricultural Fund for Rural Development (EAFRD) for rolling out broadband systems to remote areas. It has also has a €40 million budget for funding public authorities to offer free Wi-Fi connections in their communities. More money will be found. Indeed, the Commission has promised by the end of this year to establish a European Broadband Fund, drawing on private and public investments, to help deploy networks. It can also call on the European Investment Bank (EIB), which lent €84.5 billion in 2015, with the Commission claiming 12.5 percent of EIB lending goes on "digital" projects.

Allen thinks that this money could

have an impact: "The total cost of getting universal European broadband at a 100MBps upgradeable to 1GBps – which seems to be a cipher for FTTH, even if it can be achieved by cable or potentially massive MIMO [multiple-input and multiple-output] – will be very high. While much of this will be achieved commercially, at least in countries with high quality, highly capillary, and widespread existing ducts, subsidies will be needed in areas that are not economic. There is a gap between the subsidy needed and the current level of EU funding. But everything helps, and well-focussed EIB or other central funds can act as a stimulus/pump priming for national schemes."

Ericsson argues that a focus on investment was needed to hit Brussels' "ambitious targets". But in that regard, while it welcomes the proposed EU and EIB financing, it thinks these need to be calibrated carefully to ensure they do not "crowd out any private investment". Moreover, the Sweden-based vendor warns that most investments will have to be private and this will "require a framework that can enable attractive returns for the sizable investments needed".

It is a point picked up on by Nokia. A spokesperson says: "We believe that the amount needed to achieve the Gigabit Society connectivity targets would require strong private investments and a technology-neutral regulatory approach that would not preclude network access technologies which might accelerate ultra-broadband availability for all Europeans. For instance, in dense areas, FTTH deployments could be completed with hybrid technologies reusing existing copper networks (e.g. G. Fast, XG.Fast, bonding), HFC networks and 5G fibre backhauled small cells. In less dense areas, a combination of FTTH, hybrid technologies, LTE and 5G would also reduce civil engineering costs and accelerate universal access to the Gigabit Society."

Unsurprisingly, the Commission is optimistic about its reforms. Its VP for the Digital Single Market Andrus Ansip said at launch: "Without first-class communication networks, there will be no Digital Single Market. We need connectivity that people can afford and use while on the move. To achieve that, spectrum policies must be better coordinated across the EU. More competition and further integration of the European market will allow us to reach these goals, helped by the right environment created by the new communications code."

Regulatory unease

On the regulatory side, while there is support for the goals of expanding 5G broadband across the EU, there is clear unease amongst national regulators that the proposals could undermine their role, concern reflected in initial comments released by BEREC.

It said: "While sharing the Commission's objectives around ultra-fast fixed broadband and 5G deployment, BEREC is convinced that…NRAs' ability to intervene where necessary at national level, taking due account of the specific market circumstances, should be preserved and, in this respect, any form of unnecessary centralisation should be avoided."

> "The amount needed to achieve the Gigabit Society connectivity targets would require strong private investments and a technology-neutral regulatory approach"

The proposals would beef up BEREC's powers, turning it into a formal EU agency and BEREC would have the power to identify transnational markets for certain services, which the proposed directive says would be regulated by relevant NRAs working in concert. BEREC will also assume the authority to create a mandatory template for telco and ISP contract summaries, designed to boost transparency in the sector. The regulation also says that NRA-proposed decisions can be blocked by BEREC and the Commission working together. And it would issue guidance helping the Commission set EU-wide maximum call termination rates.

BEREC provides a somewhat ambiguous response to this: "Being ready to take on new duties, BEREC believes that its bottom-up structure should not be replaced – with no evidence of failure – by one which would cancel its landmark capacity to promote regulatory best practice, building on the market realities of member NRAs."

And some telcos are unenthused: Telefónica's López Blanco says: "We have concerns that the new proposal increases complexity – for example, adding new layers of regulation at the European level on top of national ones – and more room for market intervention, for example with the proposal for network mapping."

Looking ahead, as an EU regulation, the new BEREC rules could come into force next year, if the European Parliament and EU Council of Ministers strike a deal quickly. But as the new code would be a directive, it would have an 18-month implementation deadline for member states, which would put the implementation date at mid-2019 – later if agreement is struck in 2018.

This is important, because, if the UK government sticks to its current plans, Britain might have exited the EU at this point, if the British government invokes Article 50 of the Treaty of European Union by March 2017, triggering two years' formal talks ahead of withdrawal.

But in the meantime, Prime Minister Theresa May has promised to engage fully in EU decision making, so even if Britain is not legally obliged to follow the code, its fingerprints maybe all over its details. Given the UK government has signalled it could favour infrastructure competition in future, following its Strategic Review of Digital Communications, it may find its policies in step with the Commission, even as the Brexit process continues. ec

Router Raid

Deutsche Telekom's routers hit the headlines in November, but not in a good way. The Germany-based operator saw 900,000 customers disconnected from telephone, broadband and TV services following a cyber attack.