

Value creation

Uplifting productivity and efficiency across your organisation to allow you to invest in revenue generating activities



In today's challenging economic environment, organisations need to focus on value creation, through reducing key costs to allow greater focus on increasing their revenue, to ensure they remain competitive, viable and relevant to their customers and stakeholders.

Aligning value creation goals with broader business strategies, coupled with the integration of AI, allows organisations to optimise operations, reduce waste, and unlock unparalleled value, driving improved long-term financial performance.

In the current landscape, global macroeconomic conditions such as rising energy costs, escalating interest expenses, inflationary pressures, and a slowdown in economic growth are impacting revenue and costs, making generative AI's role even more pivotal.

With an inability to control these external factors, organisations need to focus their efforts on unlocking value in areas under their direct control. KPMG's

specialists work with you to identify and validate where value can be unlocked across your organisation. Our specialists will then design the transformation initiatives necessary to unlock this value and assist in managing the implementation and ongoing delivery of your prioritised value creation initiatives.

Telecom service providers are at a pivotal moment. Despite an alarming investment of over \$1 trillion in the past five years, the return has been less than 1%. Burdened by outdated technology and traditional practices, their competitive stance and market trust have been compromised.

As entry barriers in the market diminish, new contenders arise, heightening

competition. Nevertheless, there's a silver lining. The inherent value of dependable connectivity, combined with the promise of security, cloud, and IoT, offers hope. For sustainable growth and to harness these opportunities, telcos must urgently reduce costs. Over the next three years, a focus on streamlining, updating, and automating operations is crucial.

Furthermore, forging partnerships with innovative forces such as hyperscalers, software vendors, and start-ups can be a game-changer, viewing them as collaborators in the rapidly changing telecom domain.

Numerous factors are driving telcos to undertake cost out programs

Intense competition

- The telecommunications industry in the ASPAC region is highly competitive, with multiple players vying for market share.

Regulatory costs

- Increasing regulatory costs associated with international trade are impacting the competitiveness of Australian exporters.

Margin pressures

- Telcos face margin pressures due to factors such as market saturation, price wars, and regulatory interventions.

Technological advancements

- The rapidly evolving telecommunications landscape necessitates continuous investment in new technologies such as 5G, IoT, and cloud computing.

Digital transformation

- 70% of digital transformation projects fail to meet stakeholder expectations.

Failed initiatives

- 66% percent of change initiatives do not achieve their desired outcome, with businesses needing expertise to effectively deliver and embed key transformations.

How can KPMG help you?

KPMG's expertise can help you across your value creation journey

- **Strategic alignment:** a holistic view of your organisational challenges and goals to inform development of key cost transformation initiatives.
- **Data analysis:** we will analyse your data to develop an organisational heatmap detailing priority areas for cost transformation initiatives.
- **Opportunity identification:** an end-to-end visualisation and review of the cost baseline, identifying a prioritised list of cost transformation opportunities across the organisation.

- **Delivery roadmap:** sequence initiatives and develop a clear roadmap to deliver and realise cost transformation benefits.
- **Implementation:** we work with you to deliver the initiatives and ensure the full benefits of the cost transformation program are realised across your organisation.

Our tools and capabilities to ensure your project is a success

- **Global benchmarking:** benchmark productivity metrics against global peers facing similar challenges to identify pockets of inefficiency.

- **Sector knowledge:** our diverse range of subject matter experts from all industries allows us to provide detailed insights into how your organisation can successfully drive value creation.
- **Operational analysis:** a diverse set of accelerators will allow us to effectively analyse your data and generate key value creation hypotheses to support your journey.

KPMG'S 12 cost out levers for telco

Macro cost lens	Cost out opportunities in telco		
Strategy Focus on markets, products and business models that deliver value for customers and shareholders	1	Geographies, markets, products	Satellite, cloud-based products and tech-co are operating beyond the limitation of geographical borders and accelerating market penetration. The industry's investment has delivered 0.9% growth in the last five years. The sector is at code red and has only three years to turn itself around
	2	Operating model and balance sheet	
Simplicity Ensure the organisational, accountability and governance arrangements enable efficient decision-making and operational agility	3	Organisational model	Global revenue boom is happening across almost all technology-related industries, as the digital era reaches maturity. Yet the telecoms sector – a critical enabler of all internet-related business – has successively missed out. Transforming the business and organisation to understand cost management and appropriately share with the business is critical
	4	Transformation optimisation	
	5	Cost management focus	
Engineering Manage and optimise how service is provided to customers, including use of technology, channels to market, and deploying automation and data to drive productivity	6	Digitisation and operational efficiency	Leveraging AI to streamline rainy day scenarios and boost operational efficiency
	7	Channel optimisation	Centralise knowledge management and drive efficiency across all channels
	8	Organisation design and people	Anchor accountability for compliance and customer outcomes in the organisation
	9	Technology optimisation	Drive data quality to reduce technology cost, and simplify the model
	10	Asset optimisation	Share long-term network costs with the business leveraging this technology
	11	Vendor and sourcing management	Manage contracts and suppliers consistently to drive strategic cost reduction and supply chain efficiency
	12	Regulatory, governance & risk compliance (incl tax & legal)	Ensuring tax compliance and reducing liabilities

Contact us

Levi Watters

TMT National Sector Leader

T: +61 438 317 837

E: lwatters@kpmg.com.au

Damien Roy

TMT Operations Lead

T: +61 407 989 012

E: damienroy@kpmg.com.au

KPMG.com.au

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

©2023 KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation.

Liability limited by a scheme approved under Professional Standards Legislation.

October 2023. 1185637104CON.