



From telco to techco: Towards tomorrow's telecom

The opportunities for leaders are significant. Yet the journey from telco to techco is complicated and requires vision, focus and a connected approach to delivering the transformation.

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Executive summary



As traditional telco models come under increasing pressure from compressing margins, heightened competition, shifting customer expectations and growing investment requirements, many of the world's leading telcos are striving to reposition themselves as techcos — evolved telco companies that prioritise innovation, focus on customer experience and engage in continuous digital transformation.

The opportunities for leaders are significant. According to the recent KPMG global tech report, two-thirds of digital transformation leaders say they are enabling innovation, versus 46 percent of non-leaders.¹ Yet the journey from telco to techco is complicated and requires vision, focus and a connected approach to delivering the transformation.

In this report, professionals from KPMG explain what a techco is and how organisations get there. They shine a spotlight on the key drivers of change and the challenges facing traditional telco models today. They unpack the key techco models emerging in the market and offer examples of real companies making the transformation. And they provide key insights and ideas to enable telco leaders to move their organisations from telco to techco.

KPMG professionals have deep experience helping telcos articulate, plan and execute their transformation objectives. We encourage you to contact your local KPMG firm to find out how we can help.

¹ **Source:** KPMG International, "[KPMG global tech report 2023: Technology, media and telecom sector insights](#)" (December 2023)

The urgency of transformation



Growth remains elusive

Telco service revenues on the business-to-consumer side have flattened due to offer commoditisation and fierce competition. The business-to-business segment is seeing stronger growth as clients digitalise and new opportunities emerge.

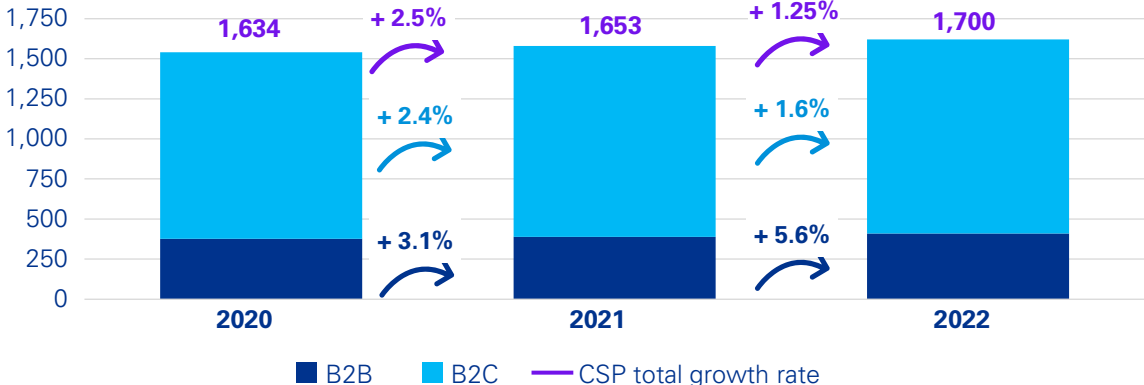
Business-to-consumer (B2C) revenue growth rates have stagnated under mounting price competition and operators’ offerings are becoming commoditised. Traditional core telecom services are being replaced by over-the-top (OTT) platform solutions (voice to VoIP, messaging to chat, IPTV to video streaming) and tariffs have been simplified. At the same time, regulation and an abundance of infrastructure have boosted the wholesale market and lowered the barriers to entry for low-cost alternative operators. As a result, B2C revenue growth slowed to just 1.6 percent in 2022² as average revenue per user eroded, churn rates remained high and customer acquisition costs increased.

The business-to-business (B2B) market, on the other hand, enjoyed average growth rates of 5.6 percent in 2022.³ Traditional telco services to enterprises are also being replaced by OTT software solutions (i.e. virtual PBX to unified comms, or VPNs to SD-WANs), but demand in the segment will likely grow as companies execute their digitalisation strategies.

“**Get it right and healthy margins, enhanced valuations and new growth opportunities should follow. But that will likely require a massive and radical transformation of the way most traditional telcos currently operate. We expect it will take nothing short of a revolution in skills, culture, business models, risk taking, customer awareness, partnering and operations — among other areas.**”

Diogo Sousa
Partner and Head of Telecommunications
Center of Excellence
KPMG in Portugal

Telco service revenue worldwide 2020-2022



Source: TM Forum, “Telco revenue growth: time for operators to place new bets” (September 2023)

² TM Forum, “Telco revenue growth: time for operators to place new bets?” (September 2023)
³ Ibid.

Traditional telcos face an uphill climb

The legacy systems and processes that drive traditional telcos can significantly limit their agility and reduce their ability to develop truly customer-centric services and user experiences. Indeed, in most cases, customer experience is determined more by the legacy service management processes a telco has in place than it is by customer expectations. Perhaps not surprisingly, the telco industry saw a 3 percent decline in their customer experience excellence scores in 2023 versus the previous year, according to [KPMG’s Global Customer Experience Excellence report](#).⁴

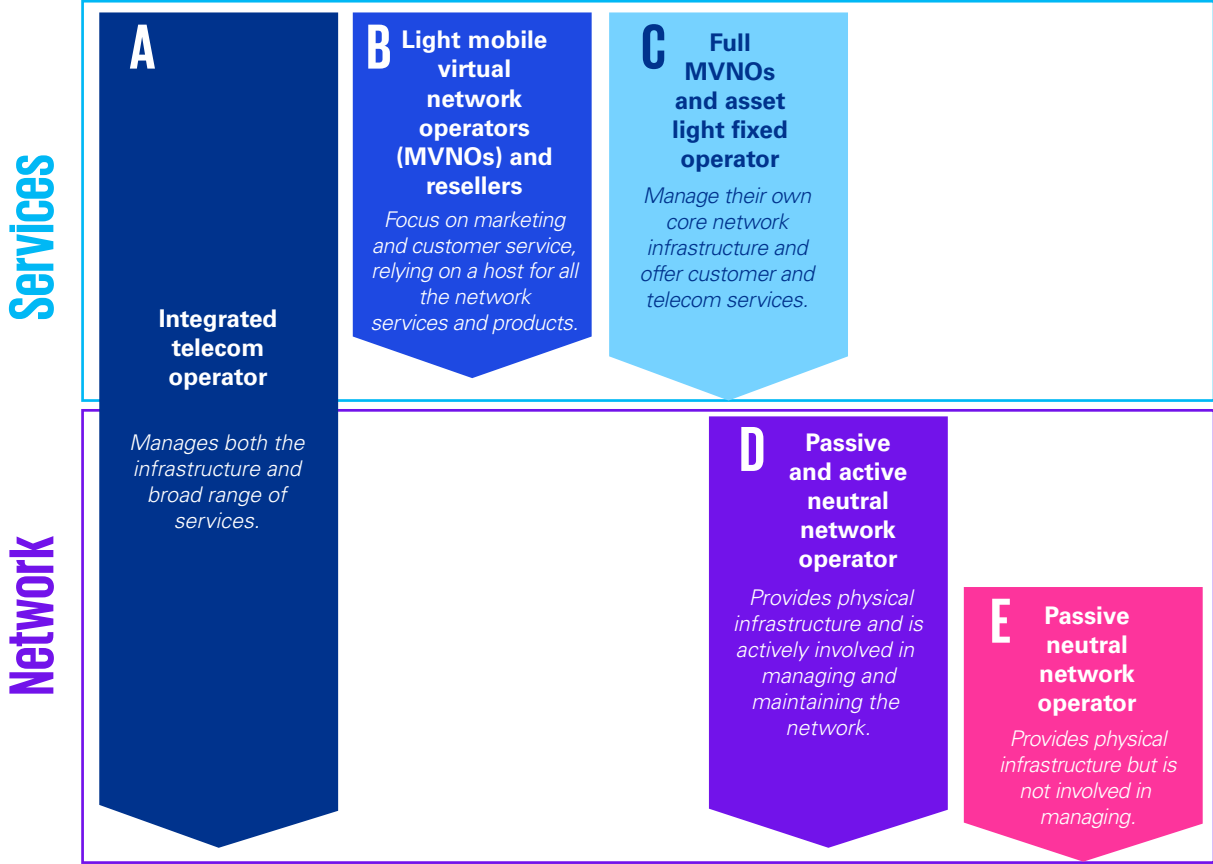
In part, the problem comes down to integration challenges. More often than not, operators deploy their networks and business support systems by aggregating proprietary vendor solutions to run on specific hardware. And as they try to orchestrate their existing tech with other solutions, they are running into challenges with the provisioning process.

That has led many traditional telcos to focus on delivering simpler commercial bundles that don’t always meet customers’ needs and expectations of value.

“
As change puts pressure on traditional telco business models, we see various strategic imperatives emerging. One of the primary challenges telco leaders face is to decide how they will address the changes in order to enhance their future growth potential.”

Javier Maria Arenzana Arias
 Partner, Technology, Media & Telecommunications
 KPMG in Spain

Traditional telco models



⁴ KPMG International, “Artificial Intelligence and the orchestrated customer experience: Global Customer Experience Excellence 2023-24” (January 2024)

Recognising that rigidity and complexity are slowing their growth, many telcos have launched programs to simplify and automate their processes.

For example, on the commercial front, operators are developing customer intelligence analytics capabilities and actively improving user experience metrics. They are boosting their online front ends, enhancing their digital marketing skills, and automating their front- and back-office processes to streamline customer and service activation/upgrade/deactivation.

At the infrastructure level, operators are simplifying their IT architectures and migrating their operational support system (OSS) and business support system (BSS) platforms to cloud. On the network side, operators are gradually introducing network function virtualisation (NFV) and software-defined networking (SDN) into their core networks and promoting open radio access network (Open-RAN) solutions.

While these efforts are slowly bearing fruit, telco operators should rapidly simplify, integrate and automate their systems and processes if they hope to offer better user experiences and develop services that meet customer expectations.

However, many telcos increasingly recognise that simplification will only get them so far. And they are reaching the limit of the value they can create by introducing incremental improvements to their traditional operating models.

To achieve the level of operating flexibility and capital expenditure efficiency required to compete — not only in the hard telecom arena but also with digital-native service providers — telcos are increasingly recognising they will need to transform from a telco to a techco.



Towards the techco model

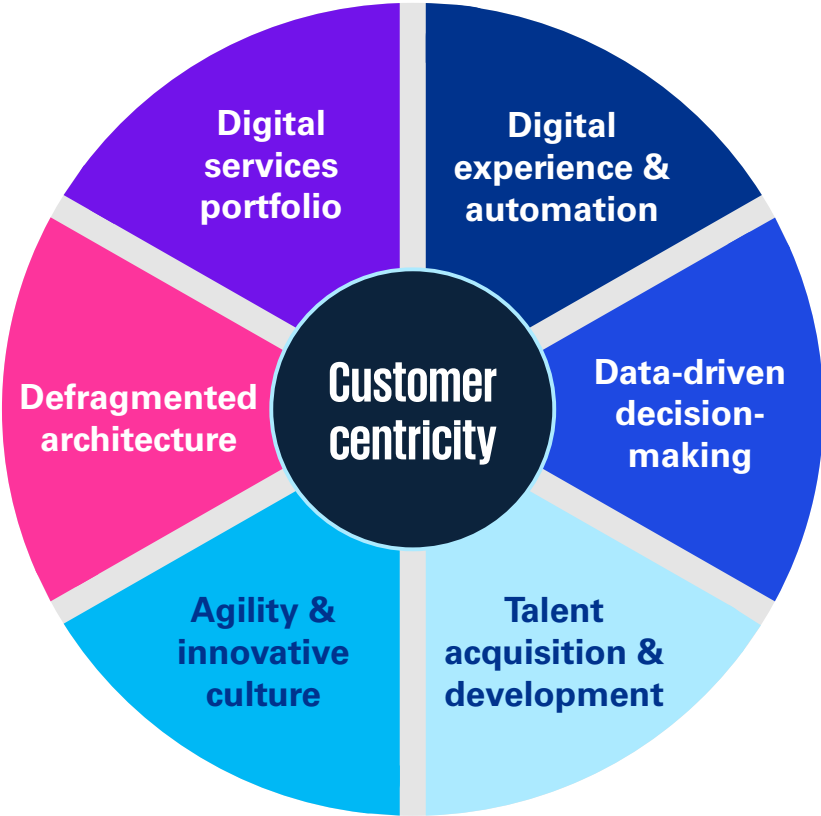


Digital-native service providers are able to launch innovative services with exceptional user experiences. They rapidly adapt to meet evolving customer requirements and scale efficiently as growth surges. They make intensive use of cloud technologies and put customer experience optimisation at the core of their product and operational design. Their user experiences have become a valuable reference for customers.

What makes a techco?

They create value for their customers. Techcos strive to understand and meet the needs and expectations of customers, fostering a customer-centric mindset. Products and operations are designed to focus on delivering the best customer and shareholder experience through connected value streams that align across the business end to end. Leveraging technology, techcos enhance customer interactions and gain deep customer insight to continuously improve their offerings and customer satisfaction.

They operate over defragmented cloud architectures. Techcos design and deploy digital services over cloud architectures to maximise efficiency, flexibility and scalability. Decoupling the software and hardware enables generic hardware to be used. Virtualisation of resources maximises flexibility and scalability. Application programming interfaces (APIs) simplify access and real-time orchestration. And that gives product managers and software developers the flexibility to focus on customer expectations when developing product features and designing user journeys.



They develop a portfolio of digital services.

Techcos develop a spectrum of innovative services delivered and/or consumed over digital channels. They are constant innovators and continuously launch pioneering products and services while enhancing existing ones. At the same time, the decoupling of the software and hardware layers has led to the emergence of two distinct models in the technology space — digital service providers that offer digital solutions and cloud service providers that offer services to developers and digital service providers.

They provide full digital experiences and advanced automation. Techcos excel at creating seamless, intuitive and engaging user experiences across a range of digital channels, platforms, devices and contexts. They combine technologies like customer experience management systems, self-service platforms, chatbots and AI-enabled virtual assistants to deliver real-time order to fulfilment, self-care, charging and service monitoring.

They enable data-driven decision-making. Techcos actively engage in the collection, storage, analysis and utilisation of diverse data sets to generate insights, make decisions and create value. Leveraging user data analytics and artificial intelligence (AI), they extract insights on customer behaviour to develop personalised services (such as dynamic pricing, tailored service plans, customised marketing offers and customer service) and optimise operations.

They are agile and innovative. Techcos leverage the flexibility of their operating model, partnerships with hyperscalers, co-creation approaches

with vendors, and deep insight into customer behaviour and expectations to rapidly adapt to changing customer needs, market conditions and technological advancements. They promote experimentation, rapid prototyping and continuous learning to stay ahead of trends and emerging opportunities which enables them to go to market faster with new services and features.

They can attract and retain top talent. In the digital era, tech talent is one of the scarcest strategic resources. Techcos nurture a culture and professional environment that attracts top talent, provides opportunities to work in leading-edge projects and technologies, offers clear career paths and helps employees to grow.

Are you a techco? Can you...

- Rapidly implement cloud-based architecture networks?
- Easily deploy open digital architecture to maximise capital expenditure efficiency?
- Optimise your network dimensioning to dynamically match capacity with demand?
- Utilise APIs to drive network orchestration?
- Apply AI to improve customer experience, develop personalised offers and optimise operations?
- Provide real-time streamlined service fulfilment?
- Integrate applications that require specific usage of network services?
- Put customer experience at the core of product development?

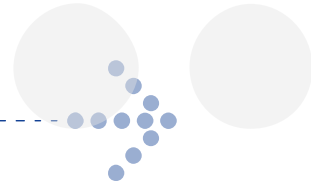


The rollout of 5G and, eventually, 6G is expected to open up a range of new applications and Web 3.0 technologies. To make the most of it, telcos should figure out how they can leverage their massive pools of data to enhance the customer experience and build out solutions, content and connected data that can transform them into the techcos they want to become. ”

Mark Gibson

Global Head of Technology,
Media & Telecommunications (TMT),
KPMG International, and Head of TMT
KPMG in the US

How KPMG can help



KPMG people can make all the difference on your transformation journey. Together, we can help you to orient your business around the customer, enhance functions for a new era, support enterprise risks and regulations for a safer future, rise to a new level of value creation and create an environment for managing ongoing change.

No matter where you are on your transformation journey, KPMG professionals can help you find the right model, design the journey, and execute the strategy to move you ahead with confidence and pace.

Transformation never stops. Neither do we.

KPMG professionals believe transformation starts with people. Our global network of experienced telco professionals provides clients with deep industry knowledge, actionable insights and implementation experience, helping to realize the full potential of their people and technology, and working together to achieve successful transformation. Because when people and technology are in harmony, great things can happen.

Learn how we can help you successfully transform your telco organisation.

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