

A group of four business professionals (three men and one woman) are gathered around a conference table in a modern office setting. They are all looking at a tablet held by one of the men. The woman is leaning over the table, pointing at the screen. The men are also looking at the screen with interest. The background is a bright, out-of-focus office space with large windows.

Digital Services Disrupt or Be Disrupted

A Study by Oracle
October, 2018

ORACLE

Introduction

Today's customers expect value-driven, digitally enabled services that inspire personalized and meaningful experiences with their brands of choice. Companies want to meet that need with delivery platforms that accelerate time to market and monetization solutions agile enough to extend relationships and generate new revenue streams

through flexible pricing, bundling and discounting. Oracle's Communications **"Digital Services: Disrupt or be Disrupted"** provides insight on the strategic importance of digital services; the urgent need for agile systems with the necessary capabilities for market differentiation; and key areas of opportunity for future and 5G-enabled digital services.

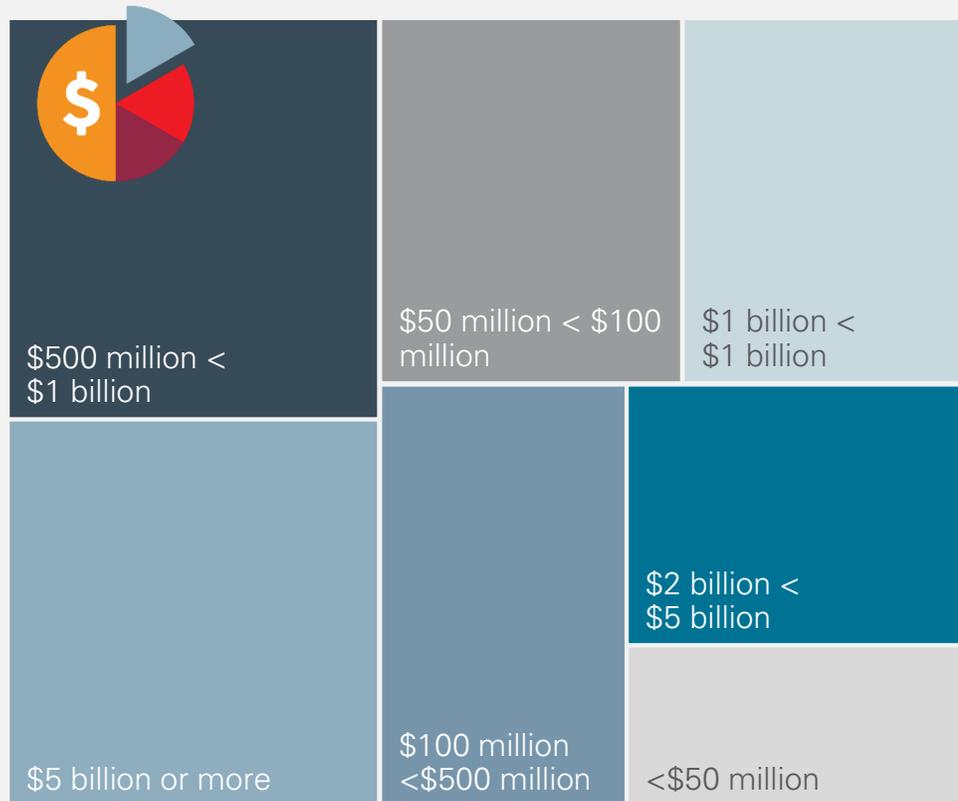
For the purpose of this study, **'digitally enabled services'** are agile services that can be launched quickly and are enabled by digital technologies, channels, marketing, tools, etc.



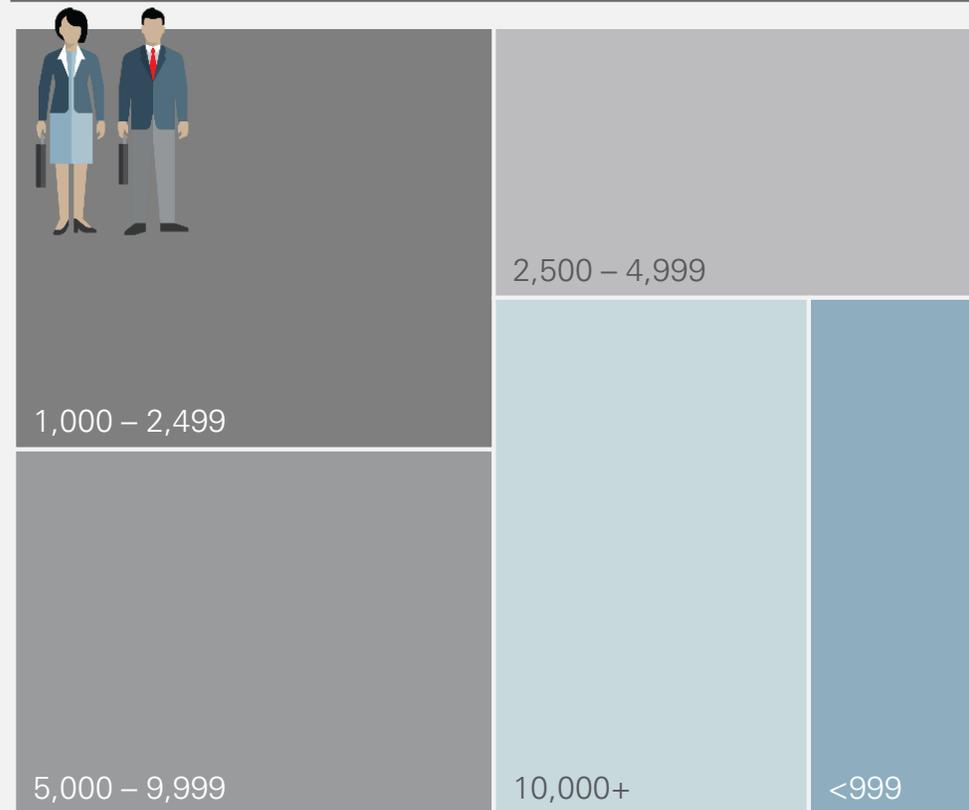
Oracle conducted an online survey with 292 decision makers at companies across the world

Q: How many people are employed by your company?
Q: What is your company's annual revenue?

Company Revenue



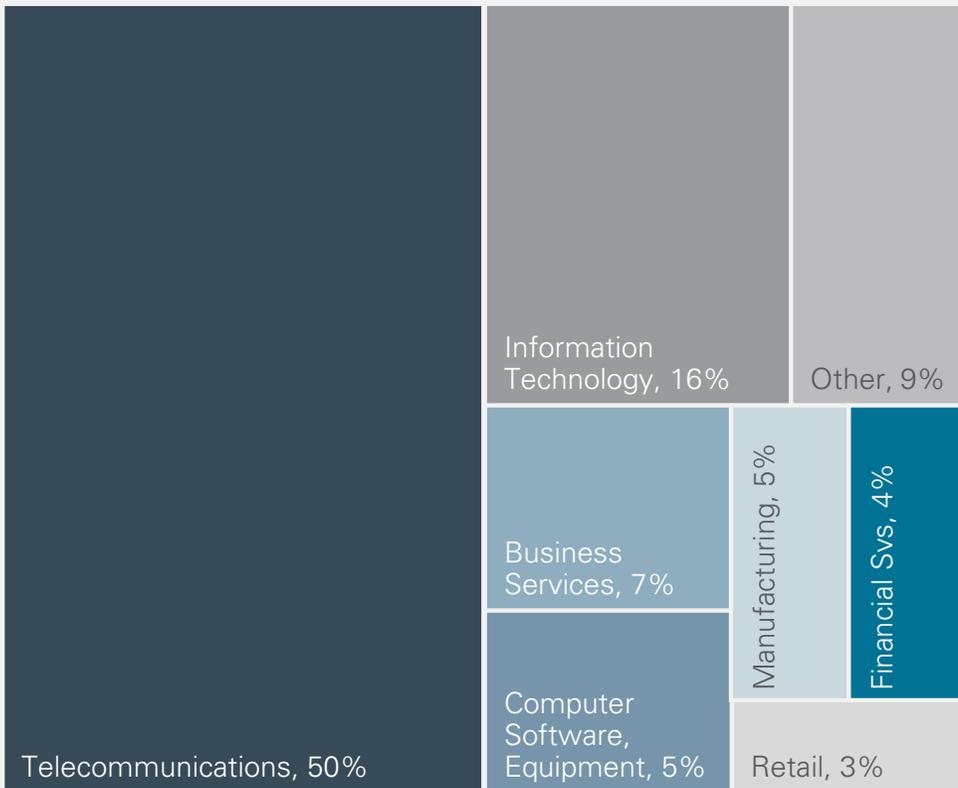
Employee Count



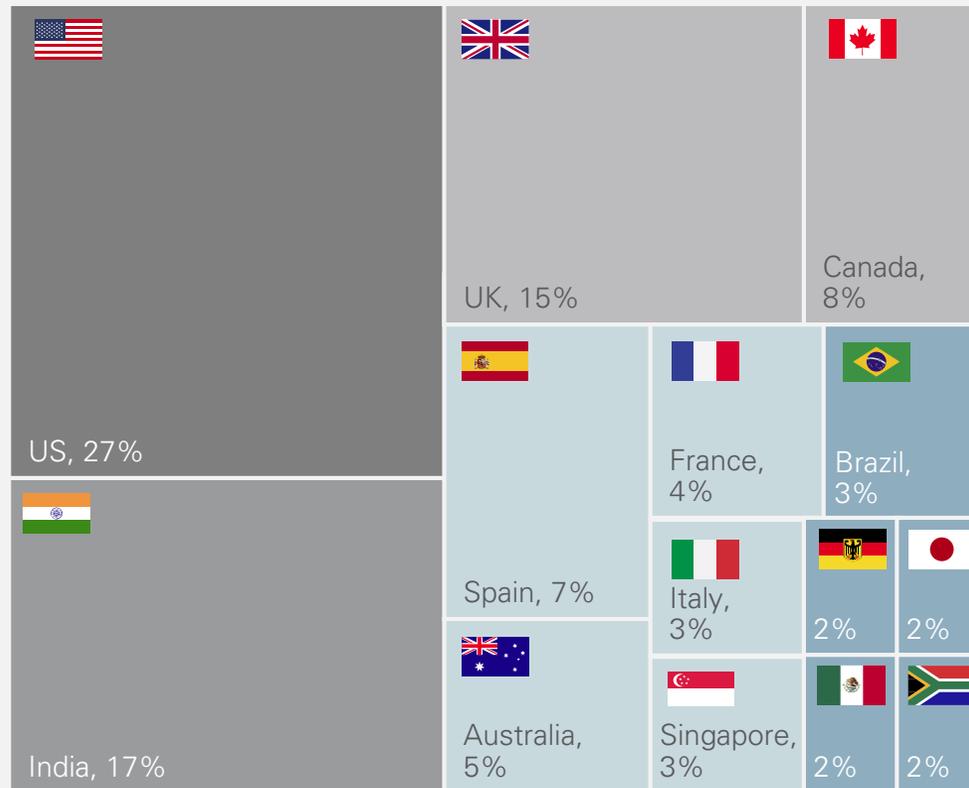
The survey spanned 11 countries and more than 7 industries

Respondents were targeted across 11 countries, as represented here

Industry



Country



70% of respondents were from the IT or telecoms job functions and 73% from President/CxO or Director/Department head level

Job Function

Accounting / Finance	4%
Design / Engineering	3%
eCommerce	4%
General Management	5%
Information Technology	44%
Marketing / Advertising	<1%
Network Management	1%
Operations / Production	7%
Product Management	2%
Research & Development	<1%
Sales / Business Development	3%
Strategy / Innovation	<1%
Telecoms	26%



Job Title

President / CxO (CEO, CFO, CMO, etc.)	47%
VP / Assistant VP / Principal	7%
Director / Department Head	26%
Supervisor / Manager / Senior Manager	14%
Acct Executive/ Acct Manager/ Acct Director	2%
Product Manager	1%
Network Administrator	1%
Developer / Programmer	2%

Q: What is your company's primary industry?

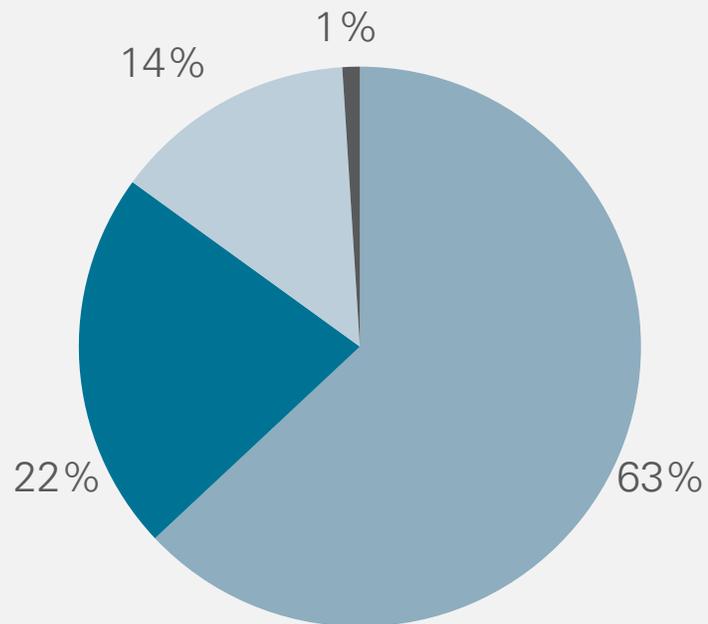
Q: What geographies does your company operate in?

Q: How many locations does your company have globally?

63% of respondents report strong market leadership position
57% provide inherently digital services

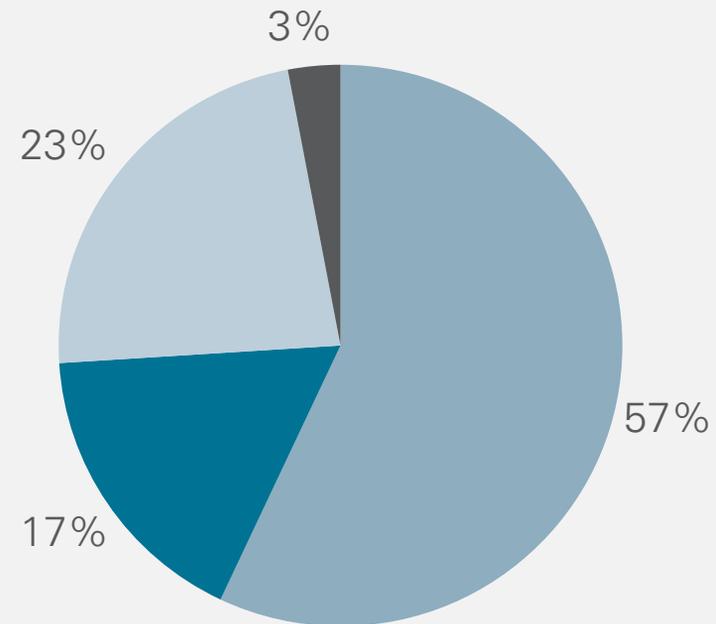
Which statement most closely describes your company's market share relative to your closest competitors?
Please select the statement that best applies - my company's strategy is to:

Market Share Position



- Acknowledged market leader
- Share market leadership with one or two competitors
- Challenger with competitive market position
- Not in a market leading position

Digital Services Strategy



- Provide inherently digital services (e.g., Twitch, Skype)
- Disrupt an existing market with inherently digital or digitally enabled services (e.g., Uber, Airbnb)
- Create new digital businesses to complement core business
- Do none of the above

Key Takeaways



Digital services dominate company strategies:

- Companies are looking for new, digitally enabled solutions with 96% having either currently implemented solutions or planning to do so in the next 12 months
- 85% believe that launching new digital services are critical to their business strategy

Customer experience & new revenue streams are key motivations:

- Enhancing the customer experience remains the #1 business objective
- The top drivers for launching digital services – a more compelling CX and new revenue streams
- 45% are exploring digital customer engagement tools as part of their digital strategy



Speed & agility are key to capitalizing on digital services:

- 91% prioritize speed to market over a fully integrated IT environment and 50% believe it should be possible to launch a new digital service in mere days
- Beyond security, the main obstacle to launching digital services is the time and cost of integrating with existing systems



Enhancing customer & employee experience is the top driver followed by new digital services to create new revenue streams

Most Important Business Objectives

Business Objectives	Objectives Ranking
Enhance the customer experience	#1
Increase employee productivity	#2
Launching new digital services	#3
Comply with evolving regulations	#4
Generating new revenue streams	#5



Today's customers expect to consume digital services that are increasingly sophisticated in nature with an experience that is relevant and personalized – all from their brands of choice. Companies in all industries are racing to deliver an improved digital experience as their organization's top priority.

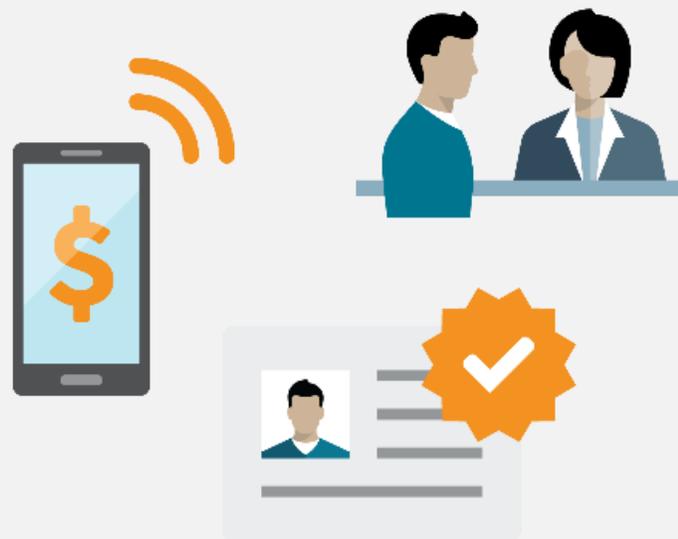
How important are each of the following objectives to your organization within the next 1-3 years?

Launching digital services improves customer experience, loyalty and brand recognition

Drivers for Launching new Digital Services

Business Objectives	Objectives Ranking
Provide more compelling customer experience/loyalty	#1
Increase brand recognition/equity	#2
Grow new recurring revenue models with subscription-based digital services	#3
Create new revenue stream(s)	#4

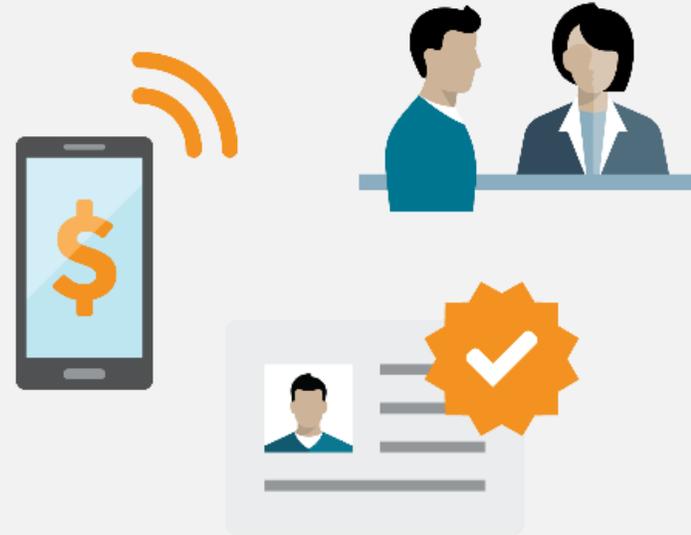
Companies fear loss of revenue without digital services



What did/would drive your organization to launch digitally enabled services?
Please rank the attributes you selected that did/would drive your organization to launch digitally enabled services in order of importance.

Failure to launch digital services compromises revenue growth

Outlook without launching new Digital Services



What is/was your greatest concern if your organization did not/does not launch a new digitally enabled service(s) in support of your organization's objectives.

Companies fear loss of revenue without digital services

Digital customer engagement is a top priority

#1

Digital customer engagement is the top area of opportunity for all industries* except Telecoms (second behind e-commerce)

45%

Are **looking to explore digital customer engagement tools** for their mobile app or website as part of their digital services initiatives



Speed to market outweighs initial functional completeness for digital services



91%

Prioritize speed to market over a fully integrated IT environment

69%

Prefer a lightweight solution that can be **deployed quickly** over a fully featured solution that takes much longer to deploy

50%

Believe that launching new digitally enabled services should **take days**

Telecoms is the clear leader with digitally enabled services

Cross-Industry Progress Implementing Digital Services



Currently implemented



Planning in next 12 months



Evaluating

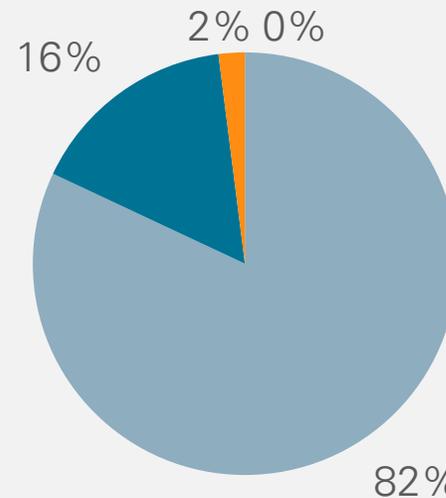
0%

No plans

Telecoms companies have decades of experience bundling and charging for digital services, positioning them well for subscription and "as-a-service" business models; many other industries have less experience and are not as well positioned



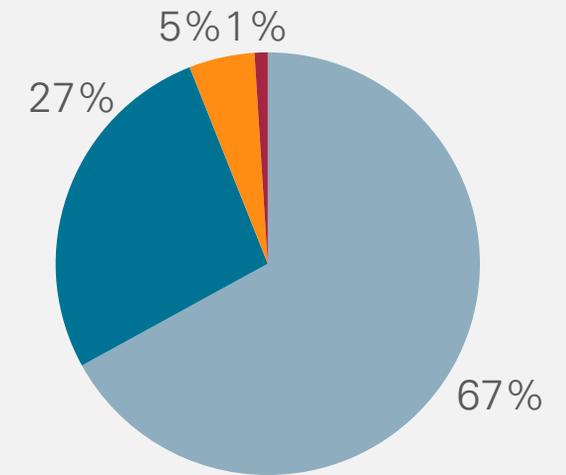
Progress by Industry



Telecoms Industry

n=145

- Currently implemented
- Planning in next 12 months



Other Industries

n=147

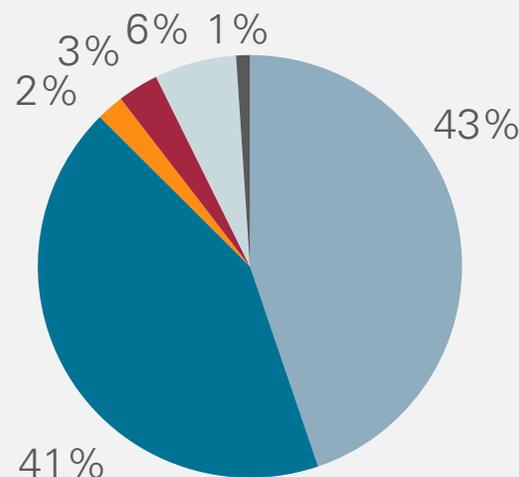
- Evaluating
- No plans

Telecom companies' subscription models and sophisticated charging support digital services better than other industries

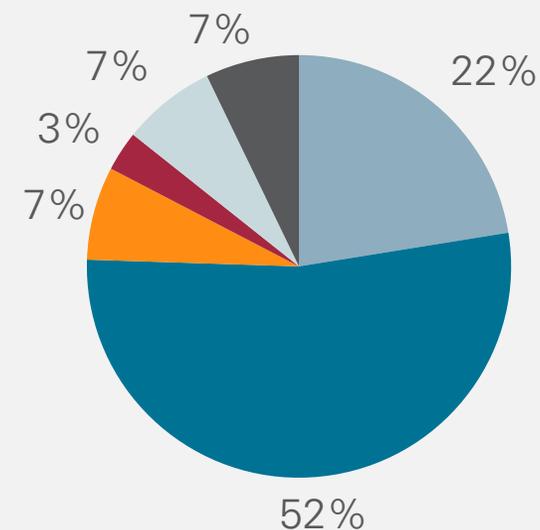


Type of Digital Service Offered

- **Inherently digital subscription services**
[e.g., Airbnb, Netflix, Intuit, Skype]
- **Digital subscription services enabled by physical products**
[e.g., home security, mobile / broadband, connected car (e.g., Verizon Hum), IoT connected services]
- **Durable goods packaged as a service**
[e.g., Care by Volvo, Netjets, cal/amp, Book by Cadillac]
- **Consumer goods delivered by subscription**
[e.g., Stitch Fix, Dollar Shave Club]
- **Durable goods supported by subscription services such as warranty coverage or equipment monitoring**
[e.g., Dell / Brother printers, GE Healthcare, John Deere machinery]
- **Physical goods with no digital subscription services**



Telecoms Industry
n=145

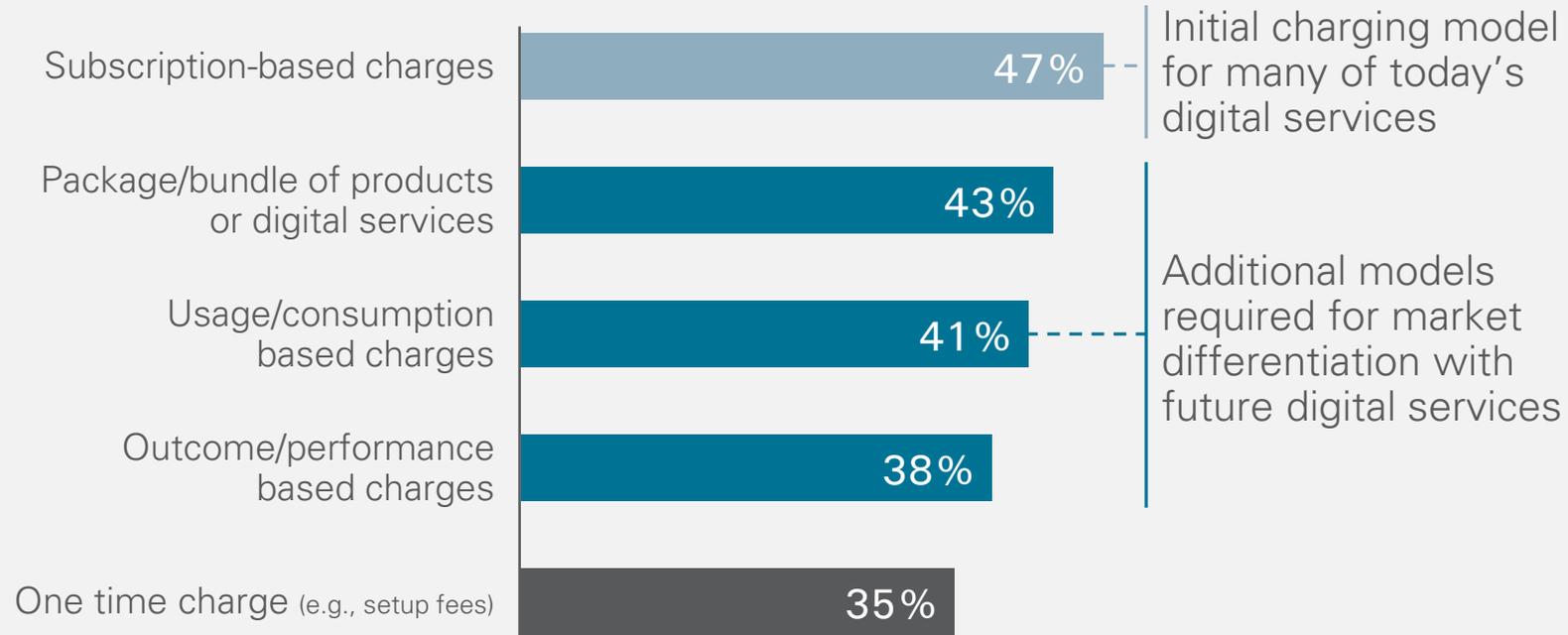


Other Industries
n=147

Telecom companies provide inherently digital services; other industries are more likely to offer digital subscriptions and services enabled by physical products

Companies looking to differentiate and grow future revenue streams will require agile monetization systems

Charging Models for New Digital Services

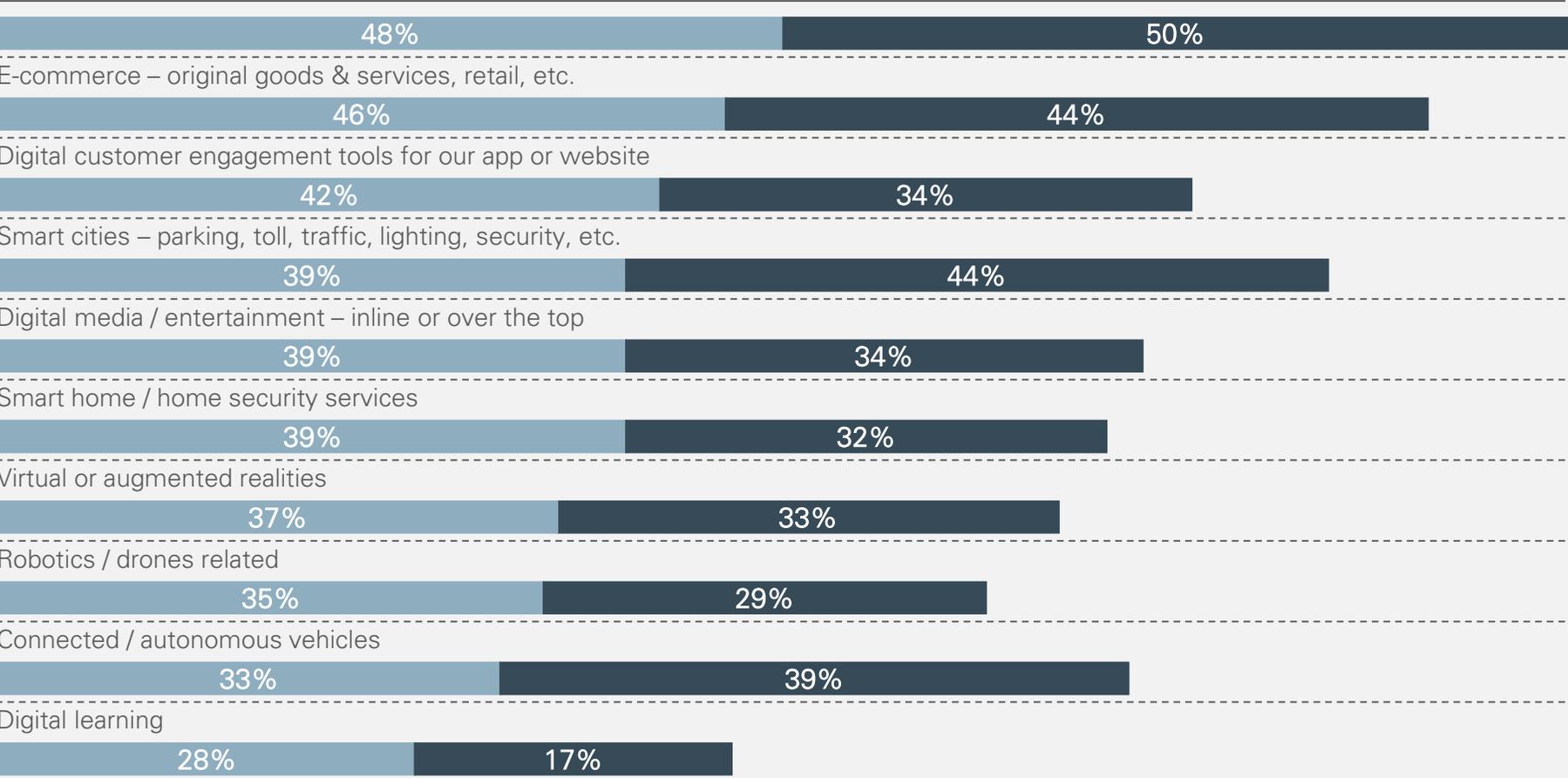


Many existing systems won't support the business models required for innovative digital services

Subscription models are a good first step in launching digital services; however, respondents indicated the need to support more sophisticated business models including service bundling and innovative monetization approaches to differentiate in the market

Digital services are expected to transform lives beyond the handheld device

Top Opportunities for Digital Services



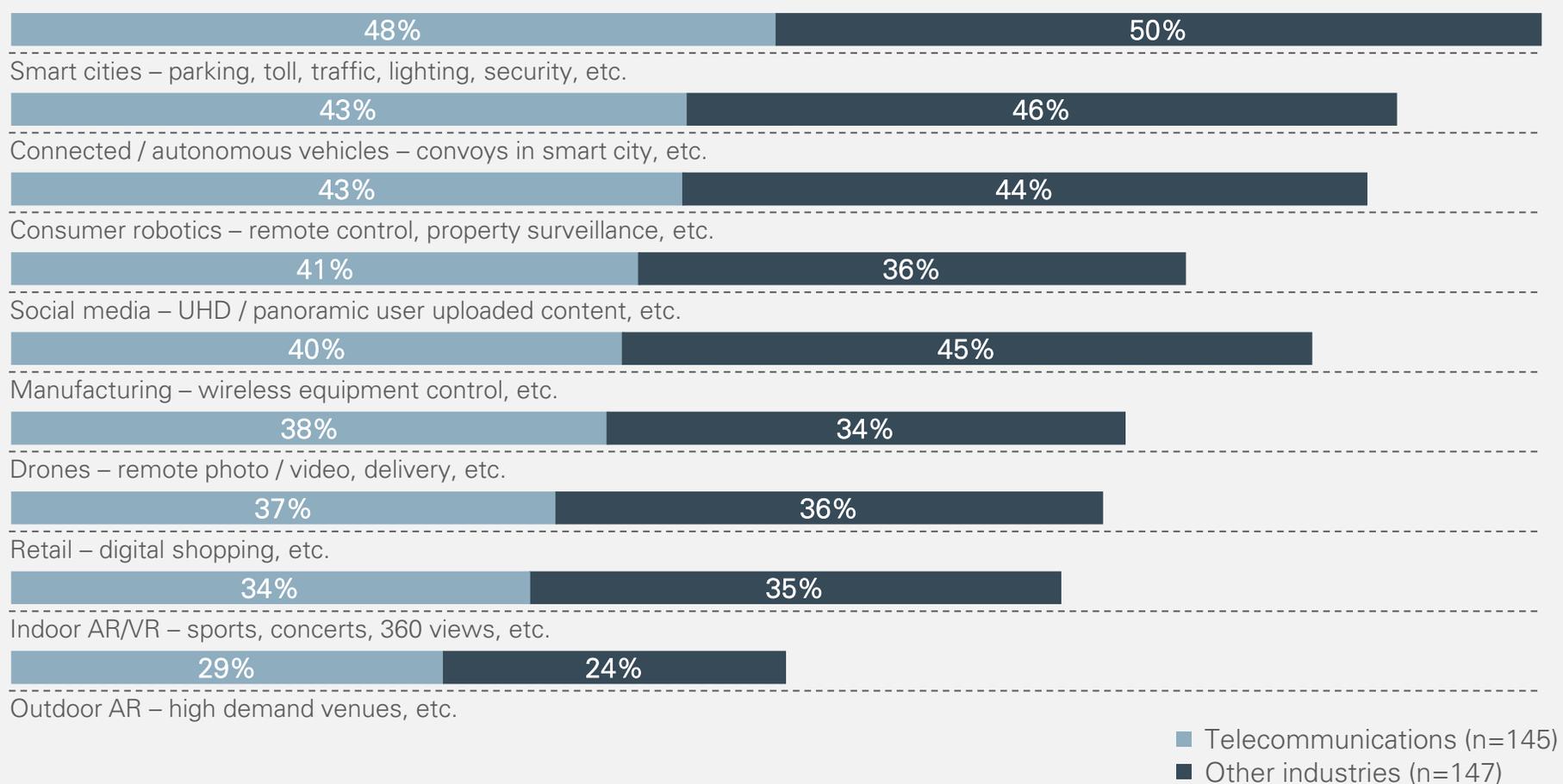
Today, top opportunities for Digital services include e-commerce, customer engagement and smart cities



■ Telecommunications (n=145)
 ■ Other industries (n=147)

5G will accelerate opportunities for high speed, real-time, sensor-enabled digital services

Top Opportunities for 5G-enabled Digital Services



With 5G network adoption, enterprises—in particular—see sensor-driven services as key digital opportunities.

Smart cities: increase from 34% to 50%

Connected / autonomous vehicles: increase from 29% to 46%

After security, top obstacle in launching digitally enabled services is systems integration; non-IT buyers also view legal/regulatory challenges as larger concern than IT buyers

Obstacles in Launching Digital Services

Organizational Drivers	Non-IT Buyers	IT Buyers
Security concerns	#1	#1
Time & cost of integrating with existing software systems	#2	#2
Creating a compelling business case	#3	#3
Legal/regulatory challenges	#4	#9
Organizational readiness	#5	#7
Inflexible software systems	#6	#6
Competing organizational priorities	#7	#4

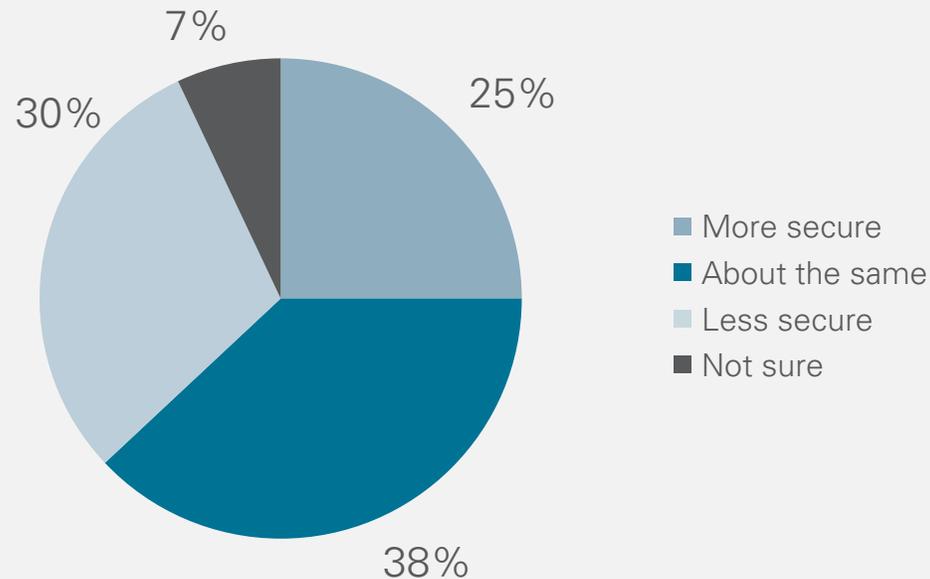
IT Buyers n=129
Other industry n=163



Non-IT buyers view legal/regulatory challenges as a primary concern, but IT buyers do not show the same concern

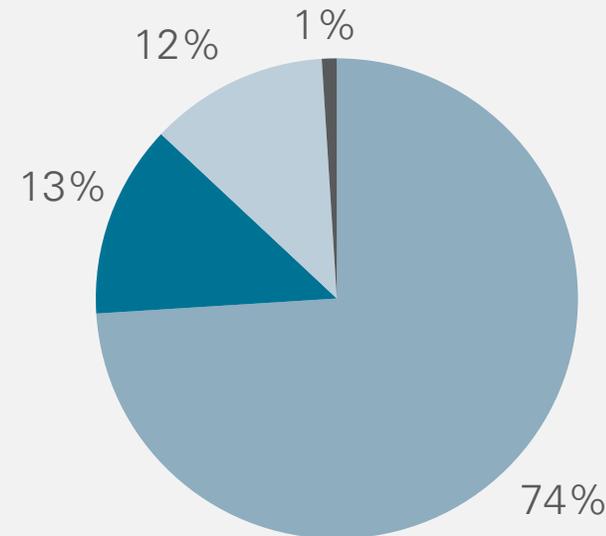
The majority believe SaaS digital services enablement solutions are more secure than on-premise counterparts

Security of Cloud-Based Monetization versus On-Premise (July 2017)



~ 25%

Security of Cloud-Based Digital Services Enablement versus On-Premise (August 2018)



~ 75%

Are cloud-based monetization services more or less secure than on-premise monetization solutions? (Monetization As a Competitive Advantage, n=293)

Do you feel cloud-based software as a service (SaaS) solutions for digital services are more or less secure than on-premise solutions?



Security of cloud-based systems is now seen as more secure than on-premise systems, an evolution from the opinion of respondents in a survey last year

Our Take

Offering a digital business experience continues to be the chief means of differentiation. Customers now expect increasingly sophisticated digital services and experiences, and companies across industries are racing to deliver them to increase loyalty and brand recognition. Digital customer engagement tools are emerging as a means to engage customers more intuitively through mobile / online channels and with increased satisfaction.

Heavy, inflexible systems won't cut it. Companies launching digital services are optimistic that their current systems are able to handle the new digital reality. But for longer term differentiation, more agility will be required to support increasingly sophisticated digital business models. This will cause companies to reevaluate if their existing processes and systems are truly capable and flexible enough for this purpose. Time to market is critical and most companies will favor fast, agile solutions that can evolve quickly over larger, fully integrated solutions.

Opportunity abounds in many areas for digital services including smart city, connected vehicle and consumer robotics. Sensor-based digital services will see massive growth as companies take advantage of the next wave of Telecoms services powered by 5G technology. Telecoms companies are in prime position to take advantage of the rise of digital services.

Disrupt or be disrupted. The future belongs to companies whose solutions provide the agility and speed to capture these new opportunities in a secure and compliant manner. Failure to quickly launch innovative digital services will lead to lack of competitive differentiation, reduced revenue growth and loss of customers – they will simply be disrupted!

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