IDC Vendor Spotlight

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October 2018

Oracle CX Cloud for the Communications Industry

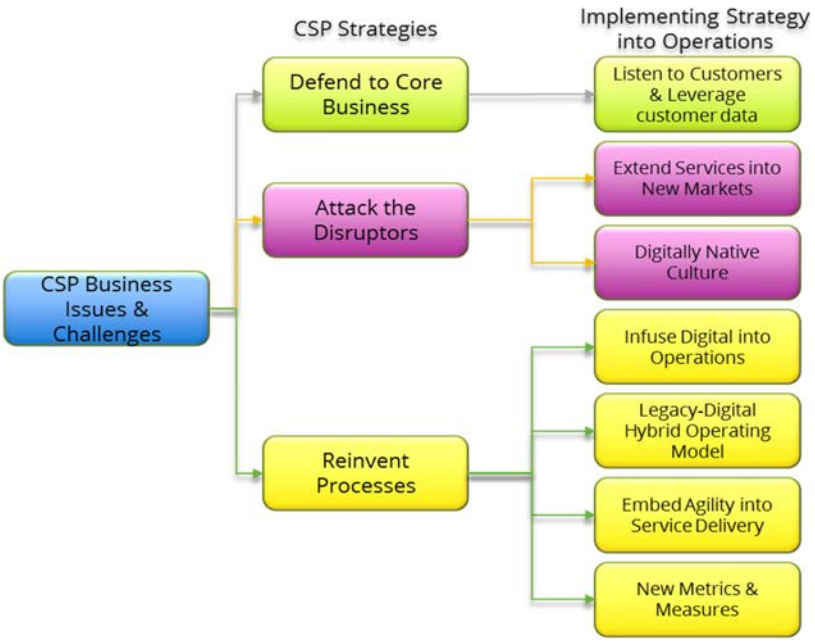
Introduction

Communications service providers (CSPs) have never faced a more competitive environment. Competition with peers has always been fierce, but now digital powerhouses like Google, Amazon, Netflix, and Facebook are insidiously inserting themselves between the CSPs and their customers. This is not a level playing field, but claiming unfairness is not an option. CSPs need to fight back against these digital disruptors, and customer experience (CX) is a key battlefield.

Oracle CX Cloud for Communications is a Connected CX Platform for CSPs. It is the latest addition to a broad family of products and services optimized for communications industry use. This paper provides IDC's assessment of current and future strategic business challenges for CSPs and evaluates how the Oracle CX Cloud for Communications can support them.

The structure of this document is shown in Figure 1. IDC has articulated the key CSP business issues and challenges, suggested three core strategies for meeting these challenges and seven key strategy implementation recommendations. Finally, we provide a short review of how Oracle CX Cloud for Communications might contribute to CSP strategy execution.

Figure 1
Document Structure



Source: IDC, 2018

CSP Business Challenges

"CSPs risk becoming less relevant to customers"

CSPs are embroiled in a battle for which they are currently ill equipped. Their traditional markets are being undermined by digital disruptors and OTT vendors that are stripping away the value of CSPs' customer relationships. Disruptors offer customer-facing applications that provide direct brand visibility with the customer, relegating CSPs to the position of commodity network carrier service providers. Despite offering more complex and foundational services than their digital competitors, CSPs risk becoming less relevant to customers as their services lose customer visibility and perceived value.

"Digital disruptors are setting the bar for customer experience"

IDC research shows that net promoter score ratings of OTTs and digital disruptors are far more favorable than the scores of their CSP counterparts. Digital disruptors are setting the bar for customer experience in the digital world, and CSPs are struggling to keep up.

According to the 2018 Interbrand report on "Best Global Brands," not a single CSP takes a position in the top 100 brands. Brand Finance believes that all the top 5 worldwide telecoms vendors (AT&T, Verizon, China Mobile, NTT, and Deutsche Telecom) lost ground in the brand value leader board in 2018, which underlines the severity of the threat. CSPs understand that CX is important to the future of their businesses but are vulnerable to digital disruptors because they have been unwilling or unable to deliver the quality of CX their customers demand.

The structure of the telecoms industry does no favors for its incumbents. Digital disruptors are unencumbered by network management investments and challenges and the strict regulation that governs the CSPs' activities. However, it is inescapable that CSPs have not been able to match the CX offered by their digital competitors, despite CX's rise as a CSP investment priority. Communications languishes near the bottom of the industry league table for both customer satisfaction and NPS, whereas the digital disruptors are "riding high."

"CSPs will be denied a major source of revenue growth"

The CSPs' core service — connectivity — is essential for digital disruptors' own services to be delivered. OTTs feed off the CSPs' networks and are in a sense "opportunistically parasitic." If customers continue to perceive the principal value of their connectivity to be sourced from OTT digital services, then CSPs will be denied a major source of revenue growth and profit margins will continue to be squeezed.

CSPs must invest in building the next generation of fully virtualized networks, and in enabling the monetization of these networks, so this is an urgent problem to address. CSPs need to assemble the right business strategies and toolsets to effectively compete with non-traditional highly agile and fast-moving vendors in the digital battlefield.

CSP Strategy Considerations

CSPs need to consider three fundamental strategies to respond to the threat: "defend to core business" and "attack the disruptors," and "reinvent processes."

Defend to Core Business

"Deliver superior customer experiences that encourage customer retention"

CSPs must defend and grow their core markets and customer base by improving their overall competitiveness with their CSP peers and with the digital disruptors. The key strategy is to deliver superior customer experiences that encourage customer retention and brand loyalty, and ultimately turn customers into promoters stimulating new customer acquisitions.

Churn has long been a core performance metric for CSPs and was traditionally considered a proxy for customer satisfaction. However, even when churn rates are low, this is often due to customer inertia and apathy, rather than satisfaction and loyalty. More nuanced metrics than churn alone, and advanced analytics are required to identify passive customers who are potentially open to competitive offers so that corrective retention strategies can be activated.

"Skype and WhatsApp have already made inroads in CSP revenue streams"

CSPs also face the subtler churn for individual digital services — from IP messaging and voice and social communications, to content consumption and smart home management. Customers may buy their basic connectivity from their CSP, but increasingly choose to acquire digital services from OTT providers. Digital services that have proved particularly vulnerable to OTT predators include video calling, where Skype and WhatsApp have made inroads into CSP revenue streams. This has reduced customer lifetime value for the CSPs.

There needs to be a better digital understanding of CSPs' customers and their requirements to enable micro-segmentation and personalization of marketing offers, messages, and customer communications. CSPs need to become laser focused on their customers and their needs to deliver higher quality personalized customer communications that resonate with more customers and increase customer engagement and the value customers perceive from the CSP relationship.

For example, CSPs should identify what causes customers to periodically exhaust their broadband bandwidth at specific locations. They can then proactively reach out to customers to alleviate future occurrences. CSPs can also treat and present data in ways that are meaningful to enterprise customers around how they run their business, adding value on top of providing communications services.

Customer intelligence underpinned by sophisticated analytical capabilities is required to enable the interception of future needs and potential candidates for churn. Triggered promotional offers and the addition of relevant value-added services can circumvent churn in many circumstances. Marketing and branding need to be a continued investment area and customer acquisition journeys must become more friction-free and effortless.

Attack the Disruptors

CSPs need to "take the fight" to the digital disruptors, by attacking markets where they hold the high ground. This does not always mean building an equivalent service to those of the OTTs.

"The online giants are gaining market share"

As an example, the media and entertainment market is an area where CSPs' digital competitors generally hold sway. In home entertainment, OTT services like Netflix, Amazon, and YouTube take a growing share of customer value, and as media consumption moves online the online giants are gaining market share.

"Start to think like disruptors"

Some CSPs are making bold moves to stake their own claim in these domains. For example, AT&T has acquired Time Warner, and Verizon acquired Yahoo and AOL; both aim to become leading digital services providers themselves to compete with online giants such as Google, Facebook, and Amazon. On the acquisition of Yahoo, Verizon Chairman and CEO, Lowell McAdam, said: "The acquisition of Yahoo will put Verizon in a highly competitive position as a top mobile media company and help accelerate our revenue stream in digital advertising." Another potential strategy for CSPs would be to position themselves as a channel for all the OTT's content by integrating disparate platforms and making discovery easier.

To attack the disruptors, CSPs must start to think like disruptors. Market adjacencies are available for CSPs, not just in media and entertainment, but many have been reticent to step out of their traditional communications services "comfort zones." For example, utilities (water, gas, electric) offer significant commonalities in operating practices, as do financial services, and home/small business security as well as smart home services offer significant growth potential.

Disruptors have found new and innovative ways to offer more choice and convenience in established CSP service areas, such as SMS. CSPs can learn from such disruptive strategies and should leverage their own brand strengths to gain competitive advantage when introducing new digital services. Using innovative and customer-centric thinking, CSPs can enter new markets, generate new revenue streams, and become disruptors themselves.

Reinvent Processes

"Embrace innovation and 'responsiveness to change' as a cultural imperative"

Customer expectations of their service providers are rising rapidly, and CSPs need to stay above the rising tide of customer expectations at all times. This means addressing process change throughout the organization and across the entire customer lifecycle. This lifecycle starts from initial customer recruitment and engagement, through to the setup of new services and delivery and installation of new devices; and finally, to the ongoing delivery of connectivity and resolution of faults.

CSPs must increase the velocity and quality of customer-centric innovations by improving collaboration, engaging stakeholder communities, and creating new processes for innovation surfacing, qualification, workflow, and execution. CSPs need to embrace innovation and "responsiveness to change" as a cultural imperative that is visibly and vocally supported by top management. However, without senior management endorsement, change will be superficial.

Increased agility is essential to adapt to evolving customer and market needs. Without it, CSPs will be unable to exploit the insights gained from customer data analytics, which often requires a real-time response. For example, if an enterprise customer is targeting remote operations and increased process automation, CSPs

need to preempt the requirement for telematics or IoT services that are adapted to the customer's specific needs.

"Continual change management is required to stay ahead"

Through standardized workflows, and continual learning and development, CSPs can improve the scalability of best practices and procedures to ensure consistency of branded customer experiences. Continual change management is required to stay ahead in today's fast-paced and aggressively competitive CSP market.

Implementing Strategy Into Operations

Converting CX strategy into operational execution requires active functional leadership to drive CX initiatives, the allocation of operational resource and budget, and continuity and sustainability of purpose. In this section, we outline seven key tactical CX implementation considerations for CSPs and suggest the identity of the key functional stakeholder department that should lead each charge.

Listen to Customer Needs and Leverage Customer Data

A CX orientation requires that the customer is at the core of new service development. The first essential step for CSPs is to activate a "voice of the customer" and "voice of the competitor" monitoring and analysis function to feed into service development and CX initiatives. CSPs must develop a complete and intimate knowledge of the customer business by leveraging all data sources: customer data, partner data, device data, and network data. CSPs have unique access to how their customers use their services, such as real-time usage data and location data across mobile devices, as well as transaction histories and customer profiles. This is a source of competitive advantage that the digital disruptors do not possess.

"A source of competitive advantage that the digital disruptors do not possess"

To deliver on customer expectations for relevant and personalized experiences, CSPs must interpret customer data to understand both consumer and business customers' current motivations and future needs. Integrating, leveraging, and monetizing customer data in an ethical and transparent manner is a key imperative. Customer service needs to lead this charge.

"Monetizing customer data in an ethical and transparent manner is a key imperative"

Extend Services Into New Markets

Expanding into new markets increases total addressable markets (TAMs) for the CSPs, providing opportunities to increase customer lifetime value and build new revenue streams. Media and entertainment, financial services, security and smart home services are just some of the markets that can offer CSPs good growth opportunities.

CSPs can also find lucrative new value by offering digital transformation support services to enterprise customers, acting as a partner. For example, if a company is embarking on a multi-year cloud transformation, a CSP can provide systems integration and consulting services to enable delivery.

To succeed in new markets, CSPs must meet the specific needs of that market, and add new value or convenience for customers, creating industry-specific unique products and services. For example, online advertising is central to demand generation in media and entertainment, and offering programmatic advertising products and services will help capitalize on this high-growth market opportunity.

"Online advertising is central to demand generation in Media and Entertainment"

Social media services also offer interesting market opportunities. Marketing needs to lead this charge, guiding product and service development by defining market requirements.

Create a Digitally Native Culture

Leveraging network infrastructure investments alone may not be enough to make a market impact. CSPs need to take on the disruptors at their own game. This means offering talented digital developers the opportunity to innovate and thrive in an environment that is stimulating and progressive. In other words, CSPs must accelerate the development of their own digitally native cultures to compete with digital disruptors in attracting digital competencies and capabilities. Without such resources, serious competition with the disruptors is fanciful.

"Without such resources, serious competition with the disruptors is fanciful"

Empowering staff is a critical requirement. Agents need to be entrusted with serving the customer, aided by digital insights and tools. Product developers need both the relevant tools and insights to understand customers' needs, and the freedom to experiment with new ideas and business models in a fast-fail environment. The HR department plays a key role in this initiative, but overall efforts to change intrinsic company culture must come from the very top for diffusion throughout the organization.

Infuse Digital Into Operations

CSPs need to improve their brand attractiveness and the flexibility of their working practices to enable the recruitment of Millennial digital natives into all functions, and particularly digital service development. These individuals should be encouraged to actively participate in digital strategy formulation, acting as "translators" of emerging digital trends among young people that can be fed into digital service development. The design and UX for future generations of CSP products need to reflect the digital needs of the next generation of customer.

"Enable the recruitment of Millennial digital natives"

New digital services need to be embedded with innovative unique features, based on customer needs, that are micro-targeted to ensure seeding of the market before wider market adoption. Precision marketing is required to make this happen. CSP marketing communications need to be radically improved to deliver more creativity of solution design, brand differentiation, and scaled automation of personalized communications.

Promotional offers need to be framed to trigger high-quality acquisition journeys that attract new customers in the volumes required. This should be a cross disciplinary effort with significant input from marketing and HR but driven ultimately from the digital operations department.

A Legacy-Digital Hybrid Operating Model

CSPs need to increase digital investments to offer customers a highly responsive opti-channel (optimum channel) customer service that delivers customer delight, reduces customer desertions, and improves NPS. This should bridge online and offline, physical and digital content assets, inbound and outbound communications, and back-office and front-office operations.

"Bridge online and offline, physical and digital content assets"

This requires transitioning "legacy" traditional working practices to digital to create a "blended" legacy-digital hybrid operating model — while also delivering business

efficiencies. Opti-channels of this depth and breadth, including high street shop premises and well-drilled call centers, are typically beyond the domain expertise of the digital disruptors and can act as a powerful differentiator for CSPs.

"A powerful differentiator for CSPs"

Change of this type requires customer experience-centricity under the auspices of enterprisewide digital transformation. Digital initiatives should not be separated from the business outcome that CSPs require — superior customer experience. A central decision-making unit and steering committee is required to drive a unified digital transformation and customer experience agenda. IDC research reveals that this unit should ideally include the CMO, CDO, CEO, and head of customer services along with other operational stakeholders. IT needs to lead this charge.

Embed Agility Into Service Delivery

IDC research shows that in the most successful CX companies, CX is adopted as a corporate unifying operating principle for both the front office and the back office, with remuneration and bonuses universally linked to customer satisfaction. CSPs need to ensure that all departments have access to a single version of the customer data truth, and the system should provide management dashboards and views that are relevant to both the department and the persona that is viewing.

"A digital 'nervous system' that routes and drives actions in support of the customer"

In particular, the data truth should provide joined up views of customer journeys that span different departments such as marketing, sales, and service, and drive recommendations in terms of next best actions — both for the customer and for the CSP and its business partners. This could include the proactive delivery of a warning and explanation when an upcoming bill is likely to be high, proactive contact when churn risk is assessed as increasing, or a targeted content plus a data boost offer when a preferred sporting event is soon to be broadcast.

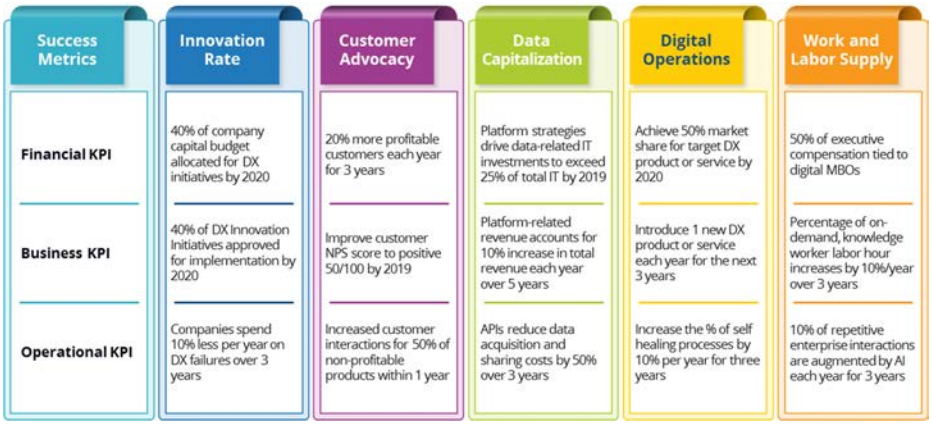
CSPs need to innovate to reinvent their customer-facing business processes, removing unnecessary layers and redundant process stages to improve speed-to-market and operational agility. Corresponding changes need to be made to back-office processes for streamlined end-to-end fast and responsive customer-centricity that is embedded in. Digital operations needs to lead this charge.

Introducing New Metrics and Measures

"CSPs create new 'digital success' financial, business and operational KPIs"

Accurate real-time measurement is important to ensure flawless execution. Such measurement should be available at the departmental and consolidated executive management levels. New methods of working demand the introduction of new measures and metrics. IDC advocates that CSPs create new "digital success" financial, business, and operational KPIs that measure innovation rate, customer advocacy, data capitalization, digital operations, and work and labor supply. See Figure 2 for IDC's example digital KPIs that can be customized for CSP use.

Figure 2
Develop New Digital KPIs



Source: IDC, 2018

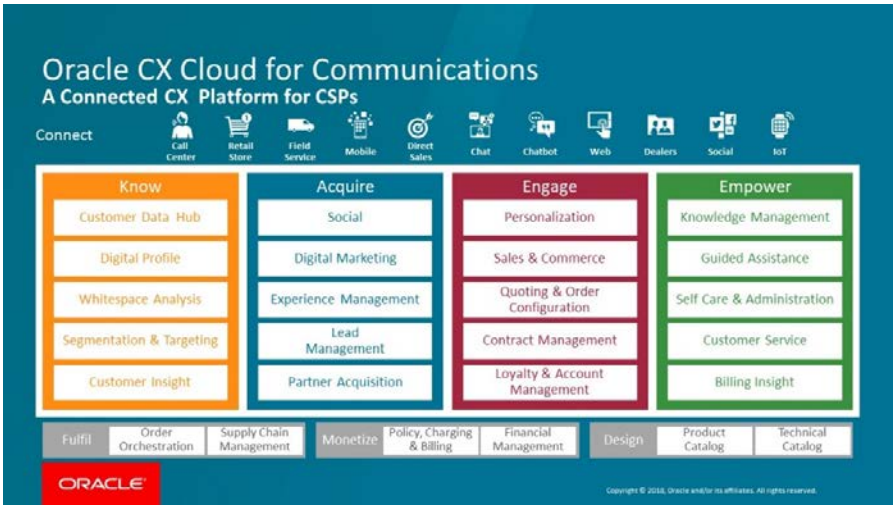
"Tools should help define and proliferate best practices"

At an operational level, WFM/WFO tools should be deployed to monitor operational CX and measure performance. Such tools should help to define and proliferate best practices, especially in contact center operations, but also across all customer-facing operations, including customer service, sales, and marketing.

How Oracle's CX Cloud for Communications Delivers CSP Competitive Advantage

Oracle has a scalable CX platform solution that is optimized for CSP usage and can serve both B2B and B2C CSP customers across marketing, sales, and service. The solution includes CSP-specific functionality such as configuration and order management, a unified store front and shopping cart experience, and self-service omni-channel commerce and service delivery. See Figure 3.

Figure 3
Oracle CX Cloud for Communications



Source: Oracle, 2018

"Designed to incorporate leading edge and emerging technologies"

"Integrates location-based services into promotional offers"

Oracle CX Cloud for Communications is designed to enable CSPs to effectively compete with digital disruptors and expand their service portfolios, entering new markets such as media and entertainment, home security, or financial services. The platform provides a complete end-to-end CX solution for CSPs using customer journeys as a unifying approach to deliver connected customer experiences. The platform includes powerful platform as a service (PaaS) and infrastructure as a service (IaaS) capabilities to help rapidly incorporate leading edge and emerging technologies such as IoT, blockchain, AI, and end-to-end next-generation security.

Oracle's Marketing Automation solutions are optimized for both B2B and B2C customers so that both CSP consumer and enterprise operations can be served within a single platform environment. The platform includes a unique marketing data-as-a-service (MDaaS) solution that provides access to six billion unique customer profiles spanning demographic, transactional, and clickstream data. Internal CSP customer data is managed to provide a single version of the customer data truth across all departments and customer profiles that can be seamlessly augmented with third-party data.

Hyper-personalized segment and persona targeting enables personalized offers that increase customer acquisition and lifecycle engagement. Oracle additionally integrates location-based services into promotional offers from both the CSP and potential partners, that can be contextually targeted to the individual.

Leading edge customer service functionality includes internally focused "employee experience" management. The platform also includes management dashboards and scorecards and analytics, combined with machine learning and decision engines for real-time intelligent performance management.

Conclusion

CSPs stand at a critical juncture, and the need to transform their CX as a nexus for transforming their entire business is urgent. There are concrete steps they can take to kick start or accelerate this process, as IDC has laid out in this document:

- Listen to customer needs and leverage customer data, from sources internal and external. This will enable CSPs to build tailored and contextual relationships with all their customers. They will be able to enhance their service offering by anticipating future needs.
- Innovate new services and expand into new markets. This will provide new sources of growth and allow them to better meet the full needs of their customers.
- Create a digital culture, attracting digital natives and empowering staff to try new things and fail and improve at digital speed. With this culture and talent in place, they will be in a position to achieve the agility of their digital competitors.
- Infuse digital into operations so that digital agility and customer focus permeate the whole organization.

- Build a legacy-digital hybrid operating model that will leverage some of the CSPs' unique strengths, such as high street presence and extensive call centers. This will help create a true opti-channel experience for each customer to access what is best for them.
- Embed agility into service delivery to reinvent customer facing processes. Ensuring the front and back offices work smoothly together from one customer data truth will enable a responsive, customer-centric business model needed for optimum CX and becoming a true digital competitor.
- Adopt a digital platform powered by emerging technologies such as adaptive intelligence/machine learning, virtual assistants, IoT, and blockchain to drive CX innovation.
- Introduce new metrics, using accurate, real-time measures to ensure flawless execution. All new initiatives must be measured and monitored to ensure their full adoption and success in transforming the business.

Each new initiative will bring its own benefits, but together they can bring forth a true transformation. These implementations start from within, but without the appropriate technology they will be greatly limited in what they can achieve. Choosing the right technology partner, or partners, will help CSPs to implement a transformative CX strategy more rapidly and effectively.

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