



Telcos need to evolve rapidly to achieve success

Moving beyond omnichannel

“ Organizational agility is the biggest challenge for every Telco. They’re so accustomed to serving a mass market, but people today are looking for individual experiences. Telco people have to start going to work with one thought on their mind: ‘How do I delight my customer today?’ ”

Peter Mercieca, Principal
Media & Telecommunications
KPMG in the United States



Moving beyond omnichannel

Telecommunications companies have had to evolve their business models beyond phone and connectivity and into the technology and entertainment spaces to fend off competitive pressures and meet increasing customer demand for more diverse products and services.

As a result, telcos have expanded into new services and offered new devices and tools in the hope of winning, serving, and retaining customers. Telcos have stepped out of their comfort zone, launching dedicated Websites, apps, and tools via a broad range of devices like PCs, smartphones, TVs and wearables—all in an effort to improve and expand customer interactions.

However, telecom executives are recognizing that the multi- and cross-channel tactics widely in use today—under the guise of “omnichannel”—fail to yield financial and business opportunities across the enterprise value chain. To compete more effectively, capture the value they seek and break from the pack, telcos must evolve from cross- and multichannel tactics to a holistic omnichannel strategy.

This enterprise-wide, “outside-in” approach connects the capabilities of the front, middle, and back offices so that customer centricity can become the focus of the entire business. Moving away from the limitations of omnichannel, executives have begun to adopt what KPMG defines as a connected enterprise or “omni” approach.

KPMG professionals seek to challenge the predominant view of omnichannel and elevates customer centricity above and beyond channel interactions. A connected enterprise approach provides personalized customer experiences, relevant products based on customer needs and preferences, and smooth, connected experiences across all digital and traditional customer interactions. Customer demands have elevated around more than just channel interactions, extending across brand, products and services, people, and interactions.

KPMG International commissioned Forrester Consulting to conduct a study to take a deeper look. Our research shows that telcos are prioritizing omni but to a lesser extent than other sectors (60 percent), and one out of five telcos or fewer successfully execute (rated excellent) on any single omni objective.

Customer-focused telcos need specific business capabilities to meet customer expectations and drive growth. The KPMG Connected Enterprise approach focuses on the capabilities telcos require to understand and deliver against changing customer expectations. The approach also identifies steps leaders can take to build these capabilities and thereby create sustainable value from customer centricity.



60%
of telecom
companies cite
omni as a top or
high priority



20%
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Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2016

The KPMG difference: Our market- leading perspective

The KPMG Connected Enterprise approach is built on an architecture of eight fundamental and integrated capabilities that can help telcos unlock new value for customers, employees, partners, and shareholders. Customers are channel agnostic, passing through complex journeys that are difficult to track and measure. A connected enterprise helps enable companies to understand and deliver against their customers' ever-changing and heightened expectations (Figure 1).

Putting the customer first is hard for many telcos. Technological or organizational initiatives often rank higher on management's priority list, or the company may not have the urgency to transform the business around the customer. This can be a critical misstep over time, because the customer experience can be the difference between gaining a loyal customer and losing a dissatisfied one.

While a large number of telcos feel confident in their omni strategy—for example, 50 percent say their customer experience exceeds expectations—very few telcos actually have a mature, holistic omni strategy encompassing customers, the internal organization, processes, partners, and technologies (Figure 2).

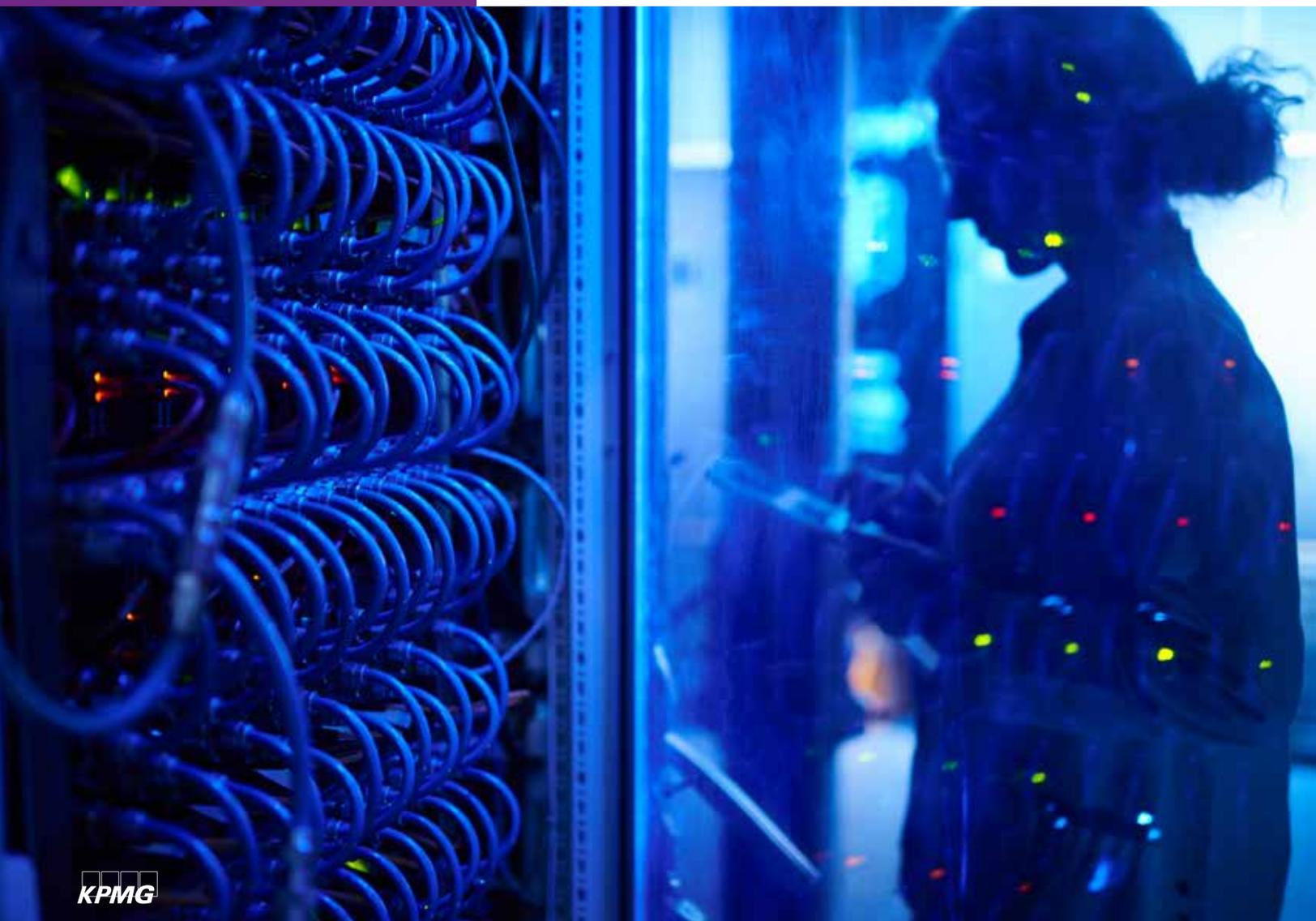
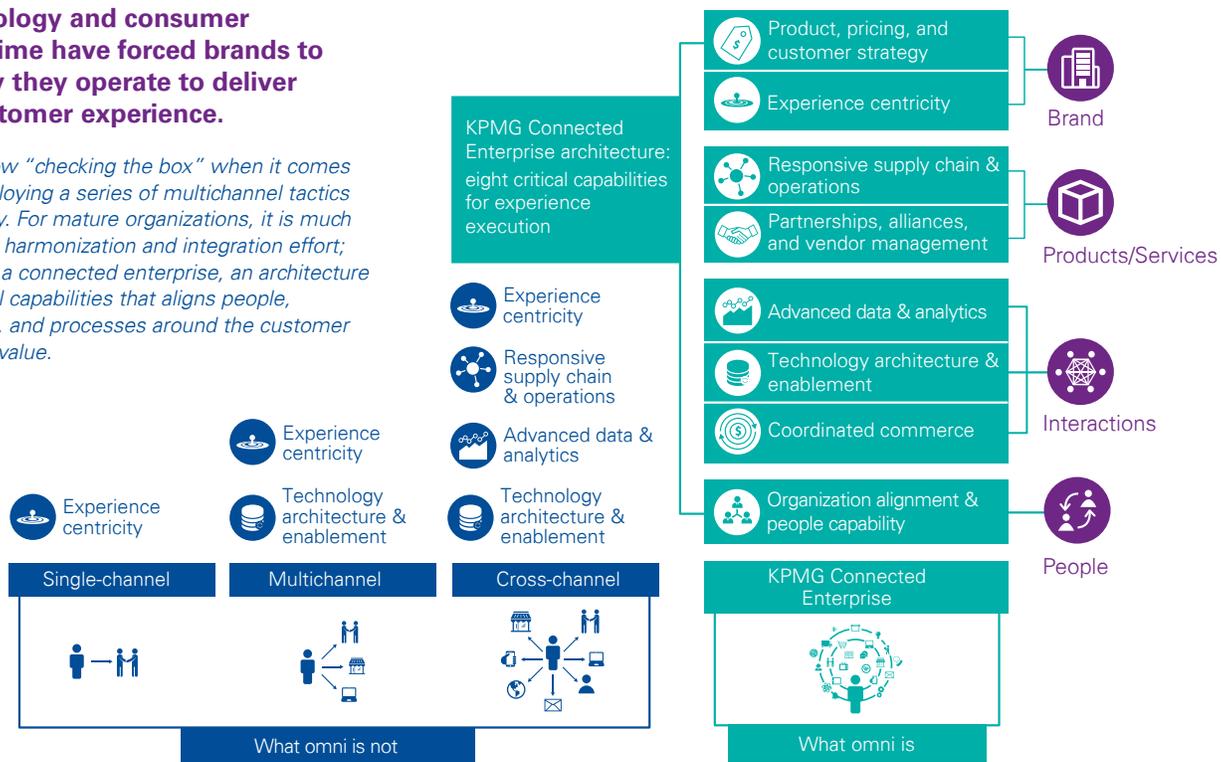


Figure 1
The KPMG Connected Enterprise evolution

Evolving technology and consumer behavior over time have forced brands to change the way they operate to deliver the desired customer experience.

Organizations are now “checking the box” when it comes to omnichannel, deploying a series of multichannel tactics disguised as strategy. For mature organizations, it is much more than a channel harmonization and integration effort; they are investing in a connected enterprise, an architecture of eight fundamental capabilities that aligns people, operations, systems, and processes around the customer to capture business value.



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2016

Figure 2
The race for growth is on.

50 percent say their customer experience exceeds expectations.



Base: 90 professionals involved with omnichannel strategy decisions at mature Telecom organizations

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2016

Telcos need to break from the pack to compete for growth

“The eight capabilities aren’t just about customer interactions. You need to understand your customers and their behavior, but you also need to execute across the portfolio. It’s spearheaded by the customer, but it’s an enterprise-wide transformation. That’s the only way to convert insights into business value.”

Duncan Avis, Principal
Global Connected Enterprise Lead
KPMG International



The Forrester study reveals that telecom companies will take a conservative approach to their omni investments. Most telcos are saddled with siloed legacy customer relationship management systems. Under pressure to provide faster and widespread connectivity, telcos have historically focused more on funneling investments to improve the speed and quality of their network than radically upgrading or transforming their business and operating models to enable a single view of the customer for real-time engagement scenarios.

However, to advance their omni strategy and catch up with competing players in the broader value chain, telecom companies are now investing in the eight fundamental capabilities, including integrated commerce, product strategy, technology architecture, and customer experience strategies, that organizations need to operate with experience centrality.

Over the past year, telcos (32 percent) spent less than six percent of their turnover on omnichannel; the majority (55 percent) allocated 10 percent or less. Over the next 12 to 24 months, telcos will only moderately increase omnichannel investments (Figure 3). A third of telcos (34 percent) predict they will allocate between 11 percent and 15 percent of their turnover to omnichannel strategy; the majority (60 percent) will dedicate 15 percent or less.

Compared with other industries in the study, telcos are taking a more conservative approach to future investments, with the percentage investing 16 percent or more increasing by just seven points over the next 12 to 24 months—from 28 to 35 percent—over near-term investments. In comparison, the change for other industries is increasing between 14 and 25 points.

Given the competitive pressures from both within and outside the industry, telcos will need to take a more aggressive approach to omni investments to succeed. Just 28 percent of telcos across the globe are making significant or moderate investments across all eight capabilities (Figure 4).



Figure 3
Investment in a KPMG Connected Enterprise

Investment in the eight capabilities spans the entire organization, from customer-facing interactions through to back-office operations.

Base: 90 professionals involved with omnichannel strategy decisions at telecom organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

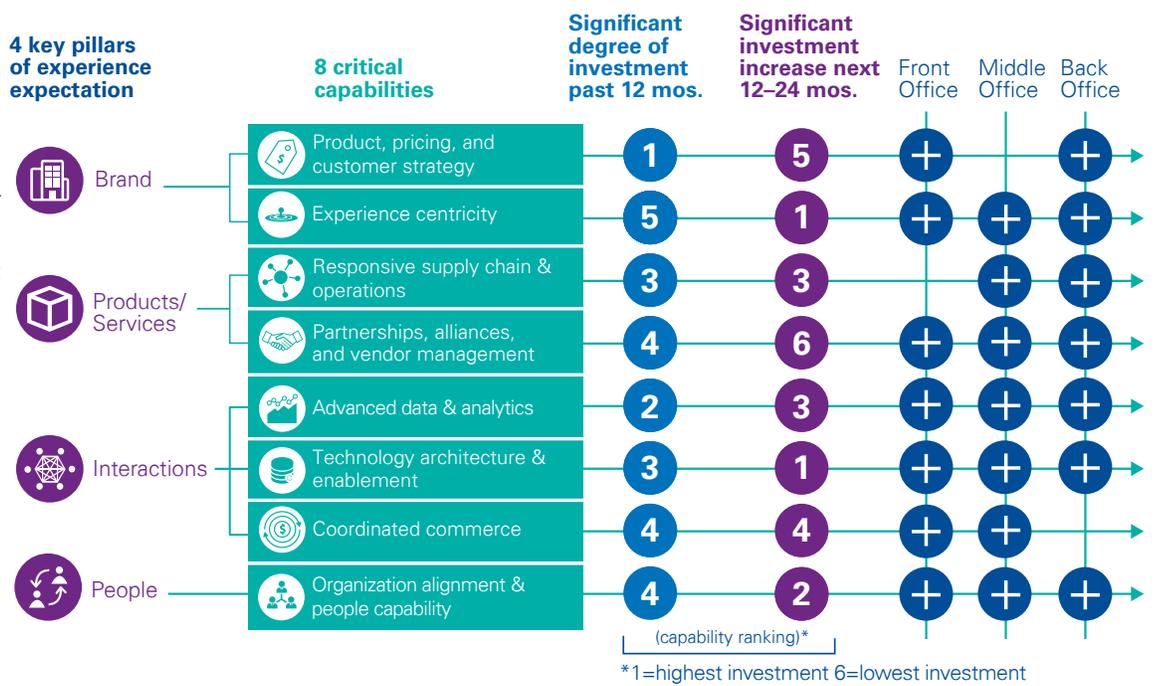
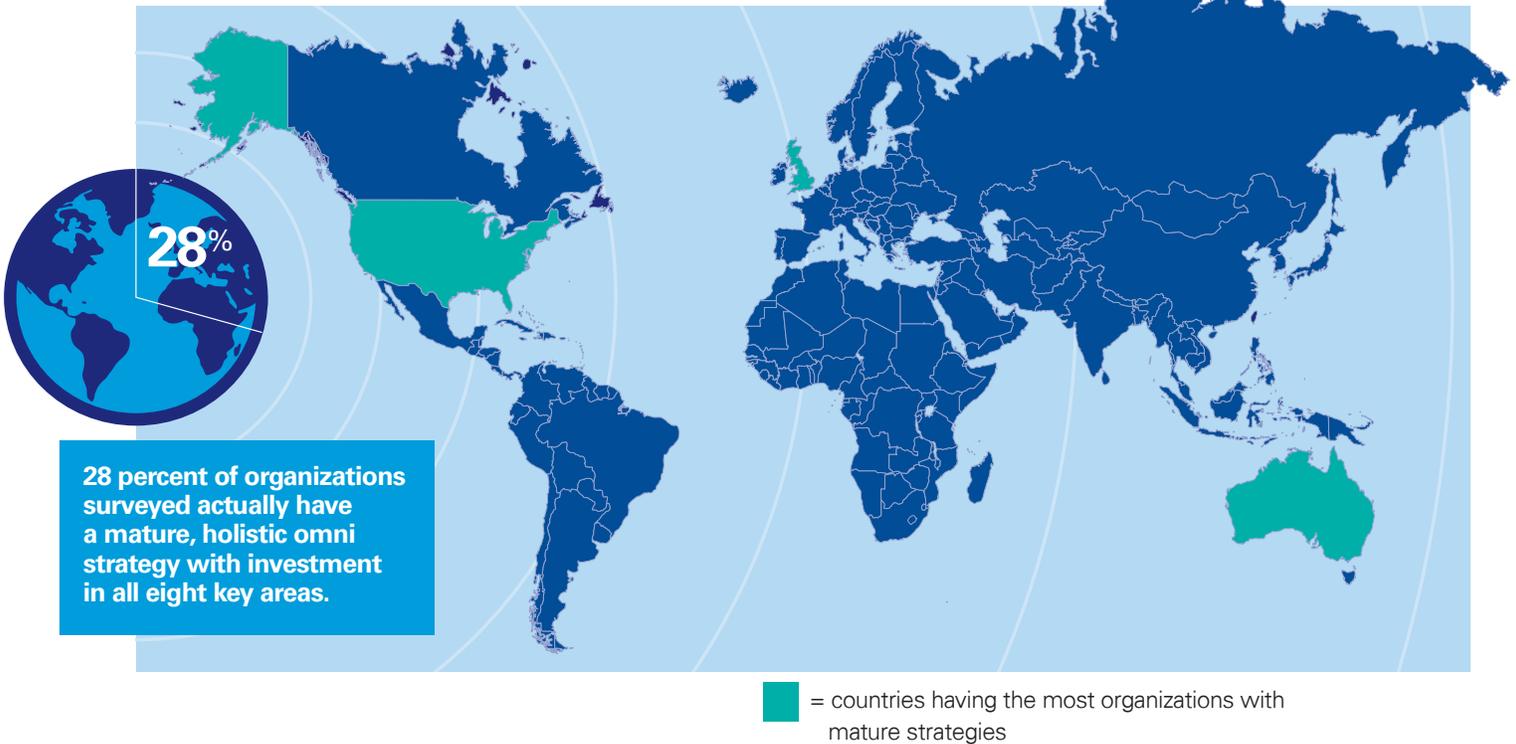


Figure 4
Global maturity

Significant or moderate investment in all eight capabilities over the past 12 months



Base: 90 professionals involved with omnichannel strategy decisions at telecom organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016

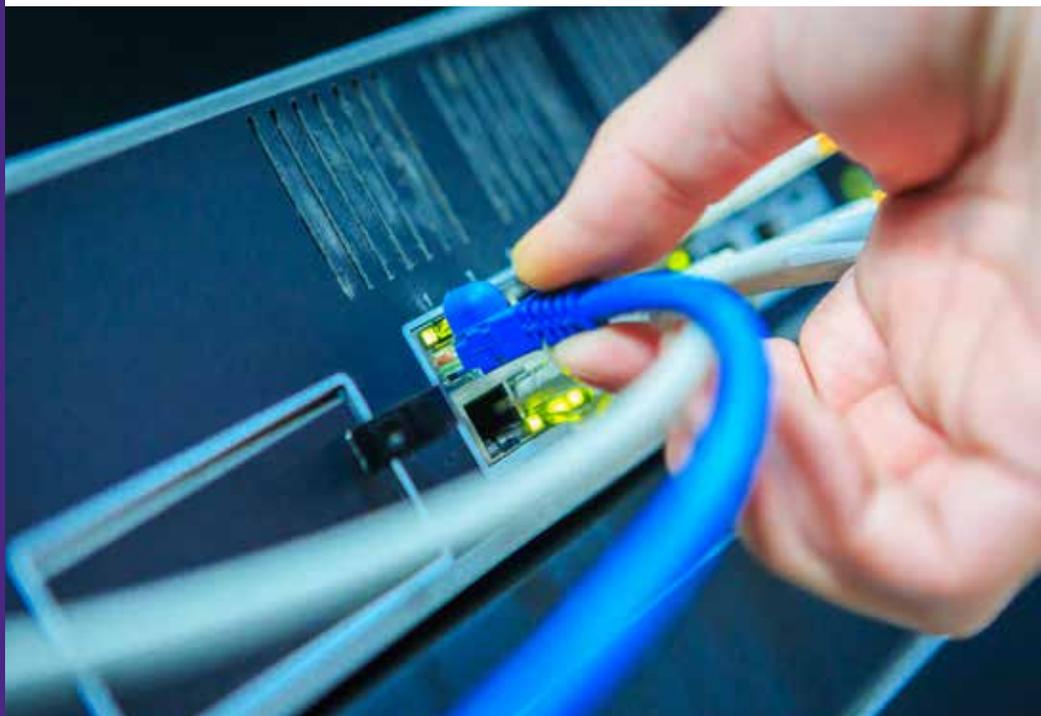
Building a KPMG Connected Enterprise

To align the front to the middle to the back office around an outside-in view that has the customer at its heart can be an enormous challenge without a properly structured and orchestrated approach. The journey starts with understanding the organization's best customers and then building the business around those customers, specifically by aligning core operations, supply chain, financial management and other back-office and support functions to create the best experience for those customers.

Telcos face considerable obstacles in achieving these objectives. Five challenges in particular stand out—and they stand in the way of creating a truly connected customer-centric enterprise (Figure 5):

1 Security and compliance concerns. Data security and regulations about the stewardship and storage of customer data, as well as issues around sharing data with third parties as part of ecosystem-based solutions, are at the forefront of telco concerns both in the United States and Europe, where customer data protection figures high on the telco regulator agendas. In our study, roughly 3 out of 10 telco leaders identify regulatory compliance and concerns around data security and privacy as roadblocks to successfully executing their omnichannel strategy.

2 Technology and data silos. To build processes, products, and experiences around the customer, it is necessary for organizations to have a 360-degree view of the customer. But this is difficult—if not impossible—if data and systems are siloed. Yet roughly one-quarter of telcos struggle with data residing in multiple databases and a lack of system integration across channels, likely due in part to back-end data integration challenges that stem from legacy IT systems. This limits the ability for telcos to track individual customers across interactions. It comes as no surprise, then, that roughly 3 out of 10 Telcos report having difficulty sharing customer data and analytics among channels, countries, and locations.



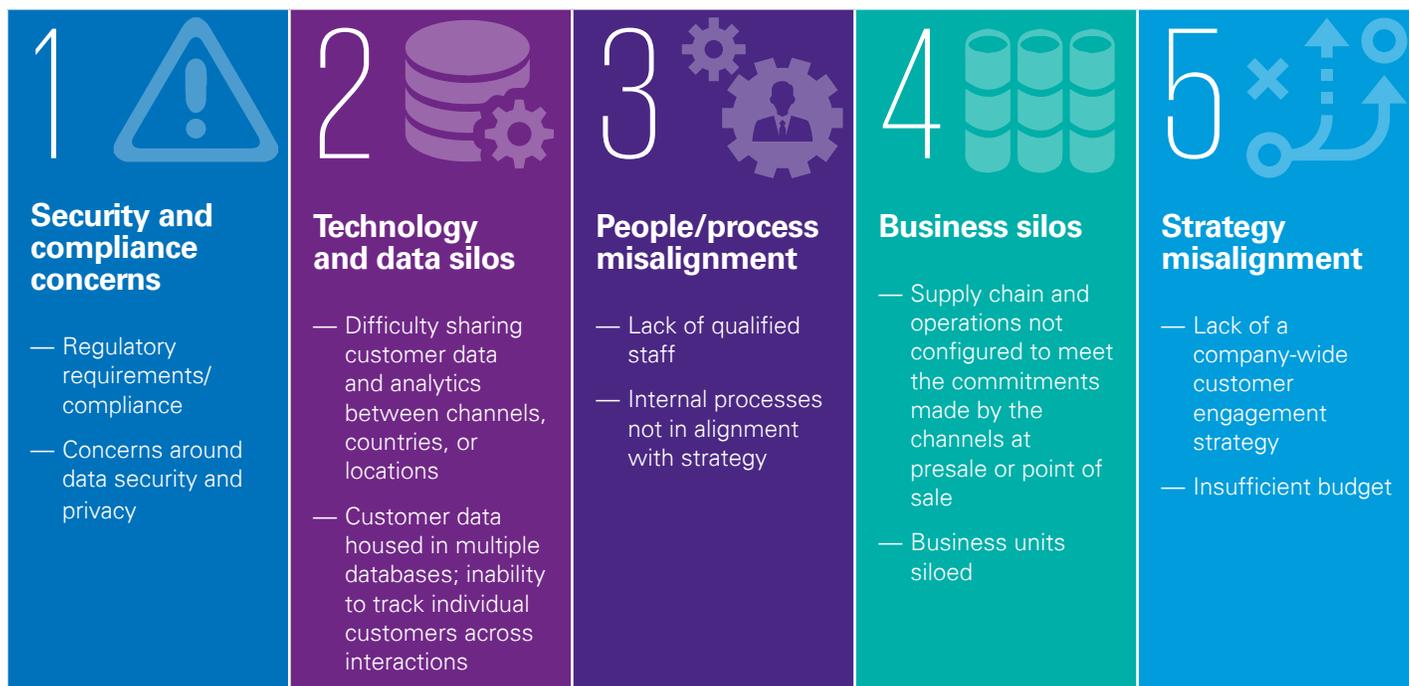
3 People/process misalignment. It's not enough simply to set an omni strategy. If you fail to align internal resources, processes, and partners with the strategy, execution will be a challenge. Over one-quarter of telcos count a lack of qualified staff and a misalignment between internal processes and their omni strategy as key issues. Another 2 in 10 point to poorly aligned third-party partners and say they do not have a cross-functional omni team. Close behind are those who say there is little transparency or effective communication with third-party partners. They also say that employees do not have an incentive to collaborate.

4 Business silos. The biggest concerns with business silos are twofold. One-third of those surveyed report that their supply chain and operations aren't configured to meet the commitments made by channels at presale or point of sale. Another one-quarter report that business silos interfere with successful execution of an omni strategy. Nearly one-fifth point to the lack of near real-time inventory visibility across both brick-and-mortar and online channels. About 1 in 10 says that products and pricing across channels are inconsistent.

5 Strategy misalignment. Nearly one-quarter of respondents report the lack of a company-wide customer engagement strategy, and greater than one-fifth say there is insufficient budget to bring the strategy to life. Part of the issue could lie with a lack of vision and leadership across the organization; nearly 2 in 10 respondents cite lack of executive sponsorship as a concern.

Overcoming these challenges will help telcos identify and deliver on customer expectations to enable a connected enterprise. Addressing each of the eight capabilities from the outside in will help enable organizations to understand and meet customer expectations holistically.

Figure 5
Top five obstacles to success



Base: 90 professionals involved with omnichannel strategy decisions at Telecom organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

Getting to success in telecom

Telcos should embrace a multitiered approach for a connected enterprise transformation. We are still at an early stage in evolving current omnichannel strategies in this sector. In fact, many KPMG-developed road maps indicate that leading telcos will not have an omni strategy before late 2018. To stick to this timetable—or, preferably, to exceed it—telecom companies should:

- 1. Prioritize investments based on connected enterprise capability maturity.** To help avoid the risk of disjointed initiatives and wasted investment, telcos should conduct an objective assessment of their maturity level for each of the eight connected enterprise capabilities, identifying where they are doing well, any gaps between current and desired state, and where they need to focus to fill those gaps. Then, they should prioritize initiatives and investments based on this assessment and develop a road map to deliver a compellingly differentiated experience across the customer journey.
- 2. Tackle cultural transformation issues.** Telcos need to break down silos between divisions and align internal processes, organizational structures, and incentive systems to common customer experience goals. They should implement a customer-obsessed

culture by turning the traditional inside-out approach on its head. The customer experience can only ever be optimized if organizations embrace an outside-in perspective when designing for and engaging with their customers. Staffing and skills shortages can be faced head-on by bringing new skilled resources into the organization to manage omni initiatives.

- 3. Implement an overlaying customer support architecture.** Front-end and back-end customer support layers should be separated. Open APIs can ensure accessibility to and interoperability between business processes, back-end services, and data.
- 4. Consider rearchitecting from the ground up.** A completely new omni approach to customer support has the potential to leapfrog the sector. This rollout should happen in parallel to rolling out and maintaining the overlay architecture. Agile development strategies as well as cloud and as-a-service models go a long way to wean telcos off legacy environments that are impeding their success in a connected, experience-centric world.
- 5. Strengthen skills in managing external relationships.** Strategy and partner ecosystems, alliances, and vendor relationships all form integral elements of a comprehensive omni approach and must be aligned.

Figure 6

So, what does good look like for your customers and you?

KPMG Connected Enterprise capabilities	What good looks like for customers	What good looks like for organizations
 Product, pricing, and customer strategy	Connection to the brand, relevance of product, and experience	Products/services, pricing, and promotions are optimized leveraging real-time data
 Experience centricity	Experience the brand promise across all touch points	Experience decisions made to optimize economic value of priority customers
 Responsive supply chain & operations	Receive products and services when, where, and how it is convenient	Leverage innovation-driven demand and inventory management and distribution
 Partnerships, alliances, and vendor management	Reap the benefit of partnerships without compromising perception	Identify & leverage synergies with third parties to overcome enterprise barriers
 Advanced data & analytics	Personalized interactions with a brand leveraging customer data	Leverage real-time customer data to optimize the experience
 Technology architecture & enablement	Frictionless use of technology across the journey and experience	Culture of innovation and agility driving speedy, quality tech implementation
 Coordinated commerce	Smooth and secure payments for products/services across channels	Preference-driven and integrated payment mechanisms across channels
 Organization alignment & people capability	Smooth and consistent experience across all brand interactions	Culture of inside-out experience centricity

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

Investing for the future

To deliver on ever-increasing consumer expectations for a true customer-centric experience and to achieve business and financial goals, organizations must take a holistic approach, addressing each of the eight critical capabilities. But investing in these capabilities is only part of the equation. Organizations also must have a clear understanding of where and how they are investing to understand the true value of the KPMG Connected Enterprise approach.

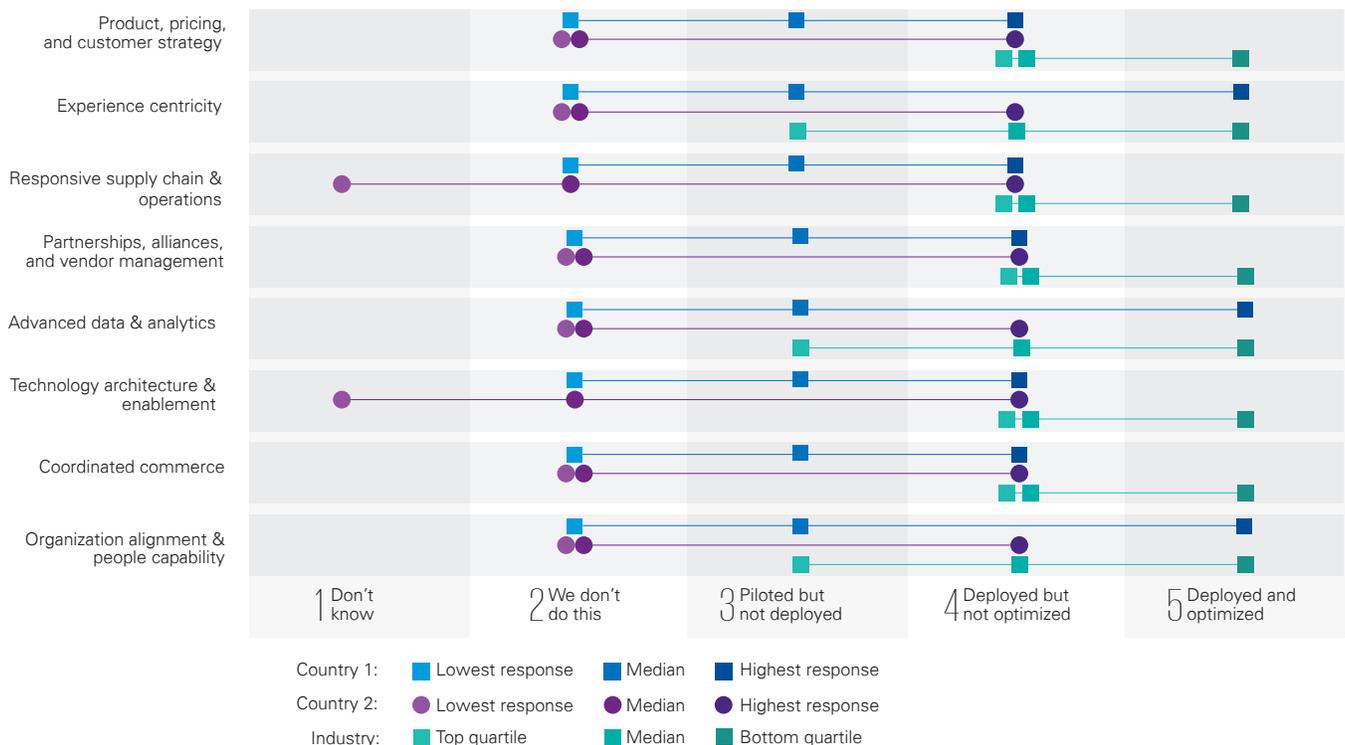
The path forward is first to understand where your organization is today through a broad-ranging maturity assessment that covers all eight capability areas of your enterprise architecture, from front office through middle and back office. This effort can help identify relative competencies versus leading practice. This process in turn can help to inform the business case and road map for investing in relevant capability areas across the enterprise value chain, with a keen focus on unlocking ultimate business value.

“Omni is not just about marketing but about delivering value across the entire enterprise. There is tremendous financial impact to executing these strategies right – gains in revenue, efficiency, retention, and lifetime value.”

Julio Hernandez, Principal, Global Customer Center of Excellence Lead, KPMG International & Customer Advisory Lead, KPMG in the United States

Organizations can drive profitable growth by making transformation and business decisions based on what their customers' value most. A value-centric mind-set capability, methodology, and broad-ranging measurement system are required to get the economics of customer experience right and capture financial outcomes. The KPMG Connected Enterprise can help telecom companies achieve these goals.

Figure 7
KPMG Connected Enterprise maturity assessment



* Base: 300 Global professionals involved with omnichannel strategy decisions at retail organizations
 Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

About KPMG Customer Advisory

KPMG's Customer Advisory practice works to provide a spectrum of connected enterprise transformation services, including diagnostic assessment, strategy, design, prototype, road map, deployment, and monitoring. A number of service offerings—aligned to the eight capabilities—are embedded in the architecture that underpins the connected enterprise framework.

KPMG Customer Advisory professionals offer a new perspective on where to start, how to prioritize, and how to navigate the journey. KPMG member firms have the insights, skills, experience, and resources to help clients deliver on the promise of a customer-centric business as well as increased customer satisfaction and profitability. KPMG methodologies span strategy through execution, leveraging the power of the entire global network.

In an environment of accelerating marketplace change, KPMG professionals help organizations gain and maintain competitive advantage.

About the 2016 Forrester Consulting Global Omni Study

Conducted during the summer of 2016, the research comprised two elements: (1) a quantitative survey of 1,290 business and technology leaders at enterprises in the United States, Canada, the United Kingdom, Germany, Australia, Mainland China, and Hong Kong S.A.R. involved with omnichannel strategy decisions at their organizations and (2) 12 qualitative interviews. Six industries were included in the study: banking, property and casualty insurance, healthcare payers and providers, consumer packaged goods, retail, and telecommunications.

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