

ACCENTURE HOME 2.0

**Helping Communications
Service Providers Capture
New Opportunities in
Living Services**

accenture[>]consulting

ACCENTURE HOME 2.0: HELPING COMMUNICATIONS SERVICE PROVIDERS CAPTURE NEW OPPORTUNITIES IN LIVING SERVICES

The competitive landscape for Communications Service Providers (CSPs) is clearly shifting. With barriers to entry collapsing, a new class of digital competitors is leveraging scale to spend far more than traditional providers can on engineering resources, product innovations and customer experiences. For example, one leading over-the-top (OTT) provider of streaming video spends more than 20 times as much on customer recommendations as the average pay TV provider, and has roughly five times more resources who describe their roles as primarily dedicated to customer experience and user interface (UI). These digital disruptors have established a new standard of simplicity for the customer experience and a rate of new feature introduction that incumbents in both communications and media are struggling to match.

In seeking to fight back, CSPs have so far found it difficult to convert incumbency into an advantage. Their traditional approaches to revenue growth are no longer sufficient; the commoditized core of their business is not generating adequate returns; and their legacy operating and technology models are highly siloed, and proving to be unscalable. Meanwhile, a “me too” approach to digital initiatives has been insufficient to offset an ongoing, progressive reduction in customer stickiness and loyalty.

MAJOR OPPORTUNITY FOR CSPS: THE DIGITAL HOME

The good news for CSPs is that they now can take advantage of the emergence of a new, exciting world of living services, starting with services to the home, that is creating new ecosystem value chains and new potential for profitable revenue growth – and that their incumbency gives them a major edge, if they can take advantage of it.

“Smart home” technology uptake has been slowly building over the last few years, with early-adopter consumers introducing elements such as connected security, smart thermostats and voice activation systems into their homes. Now, however, such services are simply “aggregated,” rather than truly integrated. In other words, consumers are engaging with each home device and application separately, using one company for broadband/TV, another for connected security, and other providers for other services.

Accenture believes this tendency toward aggregation is unlikely to persist. Instead, consumer mass market uptake and ease of use for the smart home will be driven through integration: by bringing together everything consumers need – including traditionally operated delivered services, such as broadband and TV, as well as newer smart home services – via one platform, with fully integrated, highly personalized service.

The demand is certainly there: Accenture research found that 80 percent of consumers surveyed want a single provider for all their digital needs. Now, CSPs need to develop platform businesses and ecosystems that deliver everything their customers want together in one integrated offer.

LEVERAGING CSPS' ADVANTAGES

In pursuing this opportunity, CSPs start out with several unique differentiators they can leverage, including:

- Access to a full range of network traffic data that is increasingly being generated by the apps, devices and sensors delivering augmented personal services in the home, potentially providing new insights into usage and behavior that can power new revenue generation strategies.
- CSPs' strong, trusted relationships with the consumer base can yield insights that are unavailable to digital disrupters and pure-OTT service providers, thereby enabling faster discovery of new opportunities to monetize content and services.
- The ability to control all aspects of service delivery, from the networks through to the application layer. Such control can permit unparalleled quality of experience, as well as the prioritization of investments to pursue the best ROI in this area.
- The ability to provide integrated services by designing video, broadband and Internet of

Things (IoT) services to cooperate seamlessly – in both BSS/OSS systems and the home – leaving competitors, at best, to offer less-complementary aggregated services.

The “smart home” offers communication service providers (CSPs) the chance to build on these advantages and create a sustained, personalized consumer connection. As established providers of valued services to consumers, CSPs are well positioned to upsell other services. If the quality of their existing broadband connectivity and customer support services are very high, customers are likely to be open to additional offers.

Working with customers to create their smart home will only increase this personal connection, providing a deeper understanding of consumers' needs and preferences and which applications would offer them the greatest benefit. Creating a smart home platform will also help reduce customer churn, one of the costliest items on a CSP's bottom line. In addition, from a financial perspective, running an integrated smart home service offers significant revenue opportunities, as well as ways to incorporate operational efficiencies.

THE CHALLENGE



THE CHALLENGE: CREATING PLATFORMS THAT ARE ATTRACTIVE TO THIRD PARTIES

To reap these advantages, however, CSPs need to create a platform that third-party organizations want to leverage to reach customers. If CSPs can create the platform of choice for customers and third-party businesses alike, then the smart home opportunity will prove extremely fruitful. Here too, CSPs' knowledge of consumers offers significant advantages. The data available through the platform about consumer behavior will enable CSPs to identify potential additional services, and to pass these vital insights onto service partners.

If they are to take advantage of the new hyper-growth markets that are available to them, CSPs who need to become platform-based digital service providers that leverage their core communications assets, own new control points and evolve their business models:

- They will need to build exclusive control points on three levels: the devices, data, and the API gateway that enables the partner ecosystem, making possible a full portfolio of digital services.

- At the same time, they will need to focus on building reach, versus Average Revenue Per User (ARPU), working across traditional boundaries and providing service subsidies, as needed. This means rethinking the traditional boundaries between “inside” and “outside” the home, and potentially departing from their legacy network footprint.
- They will need to use this reach, along with evolved platform capabilities, to onboard third-party service providers on an open API platform.
- And to some degree, they will need to trade reach for authentication to capitalize on their opportunities for monetizing B2B data, insight and marketing capabilities.

In all of this, they will need to build their platform capabilities at web scale – global, efficient, and priced to compete – while at the same time, providing customer engagement that is truly differentiated. The offering starts with getting the in-home connectivity experience right, and migrating to the next-generation hub that will enable the smart home to take off. The key to success is for every part of this journey to be built from the customer perspective.

WHY ACCENTURE



WHY ACCENTURE

Clearly, making these changes will demand a wide range of capabilities that go beyond CSPs' traditional approaches to leveraging the network, engaging with service providers and customers. Partnering with Accenture can deliver important strategic capabilities and assets that will be instrumental in delivering on the promise of Home 2.0, including service creation, service delivery and network evolution. Our research and dialogue with CSPs indicates that some of the immediate priorities for CSPs will include:

- **Legacy Customer Premises Equipment (CPE) Transformation:** Outsourcing development and maintenance of set-top boxes (STBs) and gateways, and leveraging open source alternatives to costly proprietary stacks.
- **Predictive Customer Care:** Developing advanced customer support solutions that leverage machine learning and analytics to reduce the rate of customer calls and reduce the cost to resolve.
- **In-Home Connectivity Assurance:** Applying advanced data analytics to the vast amounts of real-time device telemetry coming from the home to simplify Bring-Your-Own-Device (BYoD) and IoT device on-boarding and operation.
- **Next Generation CPE Engineering:** Developing the next generation of STBs, gateways, and applications to help enable seamless delivery of Home 2.0 services.
- **IoT Marketplace Enablement:** Developing the critical new back-office and front-office capabilities required to help enable profitable on-boarding of new third-party service provider partners into the home.
- **Business Transformation/Platform Strategy Consulting:** Changing CSPs' business and operating model to focus on integrated home services that incorporate user journeys across broadband, entertainment and connected home, while supporting platform strategy and implementation, including third-party elements.

Beyond these immediate priorities, the broader transformation needed to bring a Home 2.0 strategy to life will be enterprise-wide. It will require:

- Strategic thinking to establish a roadmap for the future, and to define this roadmap in ways that will be meaningful for the C-suite.
- Special expertise in how to execute the new operating model within the communications industry, including insights into the specific enterprise functions that will need to be engaged.
- A deep understanding of the new digital solutions required, along with appropriate positioning and scaling for those solutions.
- Technology expertise that enables both successful innovation and delivery excellence.
- Smart, cost-effective approaches to key processes, including the use of XaaS – potentially including Process as a Service and Infrastructure as a Service.

As Figure 1 shows, Accenture provides comprehensive capabilities in each of these areas, helping to enable CSPs to implement every aspect of the strategic evolution and transformation that will be required to take advantage of the home services opportunity.

Technology is no longer holding companies back from delivering on the promise of the smart home - it's only imagination and the ability to collaborate effectively that can limit what's possible. People want integrated digital services that make life easier, and CSPs are well positioned to provide them. In fact, 71 percent of consumers would choose a CSP to manage their connected home.

As businesses already operating in people's homes, CSPs can ensure they deliver an excellent broadband service and then build on it to provide an integrated, customer-centric smart home offer. Accenture can help you define a strategy for Home 2.0 that is both winning and achievable – then work with you to operationalize it successfully.

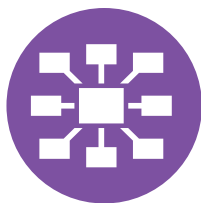
Figure 1: Accenture's Comprehensive Transformation Capabilities

	ACCENTURE STRATEGY	ACCENTURE CONSULTING	ACCENTURE DIGITAL	ACCENTURE TECHNOLOGY	ACCENTURE OPERATIONS
What?	Roadmap for the future	Execute the new operating model	New solutions	Technology, innovation and delivery	Process and infrastructure as-a-service
Why?	Branding and positioning us with the c-suite	Deep industry and functional relevance	Positioning and scaling us in the "new"	Delivering excellence at industrial scale	The future of process and data

Innovation-led architecture for Accenture



RESEARCH



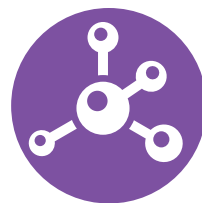
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FOR MORE INFORMATION

Contact

Raghu Puri

Global Home 2.0 Lead

raghu.puri@accenture.com

John Maguire

Global Home 2.0 Strategy Lead

john.maguire@accenture.com

ABOUT ACCENTURE

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LOCAL CONTACTS

Philip Brennan

North America Home 2.0 Sales Lead

philip.brennan@accenture.com

Craig Lee

North America Home 2.0 Consulting Lead

craig.s.lee@accenture.com

Paul Lalancette

Europe Home 2.0 Sales Lead

paul.lalancette@accenture.com

Liam Friel

Europe Home 2.0 Consulting Lead

liam.friel@accenture.com

Marco Baptista

LATAM Home 2.0 Sales Lead

marco.t.baptista@accenture.com

David Dufresne

APAC Home 2.0 Sales Lead

david.dufresne@accenture.com