**Gaining Profitability Insights
for Telecom Operators:**
Case Studies and Best Practices

Introduction

In today's volatile and uncertain environment, it has become increasingly important for organizations and sectors to gain deep, clear insight into their profitability. Given the speed of technological change for the telecommunications sector, it is a business imperative for telcos to also understand their profitability by product, customer, market, technology, or service.

Most telecom operators plan and manage profitability by business unit (BU), brand, operating segment, customer segment, and country / market. However, the real value lies in understanding profitability at a more granular level - by product, service, channel, customer, and business contract.

This e-book looks at the key trends and challenges that telcos are facing, and the changes to key dimensions that are needed to support planning in our new state of normal.
To support how these challenges are being addressed in the industry, we review four telco case studies:

- A large UK telecom operator gains insight into its customer and contract profitability by linking finance with sales and its associated revenue streams.

- A Southeast Asia telecom provider had multiple challenges with its cost allocation model, which limited its use as a strategic decision-making tool.

- An Australian infrastructure wholesaler operationalized its plans around order activation and fulfilment to realize profits.

- A major telco with a large legacy technology estate wanted to improve its finance function to become leading-edge.

Five key industry trends and the challenges for telcos

Gaining deep insight into profitability in the telco sector is critical in today's ever-changing environment. Holistically, there are five main challenges that impact the ability for telcos to track, forecast, and manage their profitability effectively. While these limitations existed in pre-COVID times, they are amplified in the new era of normal.

1. **Rising CapEx and a flat ARPU** underscore the need to put profitability insights at the center of all decision making, particularly as telcos have no clear path to profitability with 5G services.

2. **Historical trends are a lot less relevant** to predicting future results, which impacts forecasting and exposes the limitations of traditional forecasting methods, for revenue, costs, and profitability.

3. **Decision timescales** have shifted from quarters and months, to weeks and days. With uncertainty being the new normal, such agile decision-making practices are here to stay.

4. The need for **granular insights** has never been higher, given that the impact of the pandemic across business dimensions has been uneven. Such profitability insights are largely missing, since most telcos plan and allocate costs on a top-down basis.

5. Telcos need to assess the **impact of various scenarios** on financial metrics such as revenue, costs, and profitability, and operational measures related to products, customers, workforce, and network operations. Such diverse scenario planning needs are not being met by current planning tools or capabilities.

Planning needs for the 'new normal'

So, what changes to key dimensions are needed to support business planning in these uncertain times?

1 Profitability insights

Most telcos plan by business unit, brand, operating segment, and country / market. However, the real value lies in measuring and forecasting profitability at a more granular level - by product, service, channel, location, customer, and business contract - to make sound business decisions.

2 Scenario planning

Traditional scenario planning such as best case, worst case, and most-likely, are no longer pertinent. Telcos need to model, forecast, and plan for several, very diverse scenarios, including extreme cases, based on the latest internal and external data.

3 Decision timescales

As uncertainty lingers, leaders need to compress planning cycles from quarters and months, to weeks and days. Telcos that revert to former static and siloed behaviors and processes will be at high risk of not being agile and competitive, especially in the 5G-era.
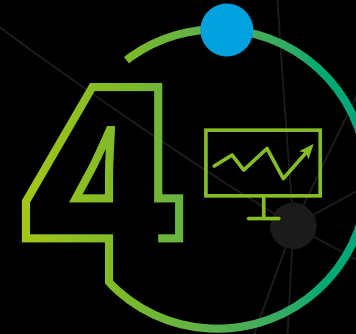
4 Finance focus

The current environment has accelerated the shift in finance focus from data collection and reporting to predictive insight and business partnering. Finance teams need to work closely with all business functions to operationalize plans, and continuously update forecasts and plans, to manage business performance.

Roadmap to greater value realization with profitability insights

By putting in perspective the challenges faced by telcos, together with their planning needs, a roadmap to greater value realization emerges.

By viewing the roadmap through the lens of a maturity model, where an organization can build or expand on what it already has, greater value can be captured.

Most telcos use multiple billing, CRM, and ERP systems to manage transactional information. Yet revenue, cost, and profitability insights can be driven by the great power of a single, digital platform: Anaplan's Connected Planning.

Business Value

Reporting of revenue, costs and profitability by:

- Business unit
- Brand
- Operating segment
- Country / market

Granular and dynamic insights into revenue, costs, and profitability by:

- Product line
- Channel
- Location
- Customer
- Business contract

Intelligent and dynamic forecasts and predictions

- Scenario-based, driver-based
- Expanded data sets (real-time, cross-functional, internal + external data)
- Multi-method forecasts including ML / AI
- Forecast analysis

Empowered finance + business leaders (product, marketing, sales, workforce, network, supply chain)

- Agile collaboration across functions and teams
- Single source of truth
- FInance as a true business partner
- Optimize financial performance / outcomes

What happened?	Why did it happen?	What will happen?	What should we do?
Reporting	Insights	Predictions	Actions

Case study   Global Telco

The situation

A global telco wanted to better understand revenue and margin performance across its key customers and different geographies. Although the telco already had a number of leading technologies and solutions, it didn't have a clear picture for when it came to visibility of the sales pipeline, and how that translated into local market and group revenue.

The challenge

- Forecasting was time-consuming and multiple forecasts were held by different functions.
- Spreadsheets were difficult to maintain and often crashed.
- Trying to reconcile multiple versions of forecasts across the business took time and was prone to error.
- The link between Total Contract Value (TCV) and revenue was complex.
- The telco wanted a more systematic way to look at revenue and margin forecasts across different dimensions - slicing the information by customers, markets, and products.

The solution

Anaplan was deployed in conjunction with the telco's existing platforms. A forecast model increased ownership, transparency, and accountability on the numbers between the finance and sales teams and helped the telco to:

- Better understand revenue performance by slicing financials by customer, market, and product.
- Identify trends for top customers / products in OpCos to drive greater focus on what moves the dial.

The impact

- A single source of truth through Anaplan's DataHub and data leveraged from Salesforce and Oracle HFM, leading to an interlocked forecast.
- Visibility of country / customer level adjustments.
- Customer level view of pipeline, renewals, churn, and erosion.
- Highlighted level of leakage between TCV and revenue at the account level.

Case study   A large operator in Southeast Asia

The situation

A large operator in Southeast Asia with a dominant market position has a portfolio across mobile, fixed, and broader ICT / digital businesses.

As data now drives revenue, the operator was facing the need to enhance its profitability and costing models to suit the new data-led economics.

The challenge

- Data costs were only available at a blended level, and not by technology type (i.e. 4G / 3G / 5G).

- No visibility of digital service profitability (e.g. video, VAS etc.).

- There was no available view on future cost trajectory.

As a result, the client wanted to restructure its profitability model to allow:

- Cost and profitability tracking of services by segment, region, and technology.

- Identification of cost components for each service.

- Profitability for each digital service i.e. mobile financial services, video on-demand services etc.

- Profitability simulations for different combinations of voice, SMS, data, and digital services.

The solution

Deloitte's structured approach extracted and cleansed data from multiple sources to achieve:

1. The creation of a unified cost view.

2. Allocated revenues, costs, and profits derived from granular, usage-based drivers.

3. New C-level dashboards for better business decision making.

The impact

These dashboards were used by the client to understand its cost structure, identify optimization opportunities, and make better strategic decisions, such as:

- 2G / 3G shutdown or accelerated migration towards 4G / 5G.

- Product / pricing variations based on location / segment / brand.

- Commercial campaigns in selected regions to increase network utilization and therefore return on invested capital (RoIC).

- Optimizing network vs. non-network costs.

- Future investment decision based on a five-year horizon and likely returns.

Case study   A publicly-owned wholesale broadband provider

The situation

A large publicly-owned wholesale broadband provider had little meaningful collaboration between sales, demand, and supply. The teams worked with large spreadsheets and databases, which were unstable and prone to human error.

The challenge

- Planning happened in siloes with no feedback loop to allow real world impacts such as delays and shortages to be factored into plans.

- The organization was inefficient, customers were unhappy, profitability was affected, and opportunities to supply new customers were being missed.

The solution

Phase 1

Phase 1 of the Anaplan solution answered the question, "How can we accurately predict order demand?" by providing the client with a model that allowed real-time statistical forecasting for order demand service activation. The model simulated multiple scenarios to work through risk, probability, and external data.

Phase 2

Phase 2 concentrated on solving the workforce problem of ensuring that the right technician is available at the right time, at the right place, and at the right cost. By modeling the short- and long-term workforce data demand plan, workforce logistics could be linked directly to the order activation roll-out.

Phase 3

Phase 3 established the financial impact of the forecasting and modeling that had taken place. Scenario and root-cause analysis fed back into the order activation forecast, resulting in more accurate forecasting as well as providing input to commercial negotiations.

Phase 4

Phase 4 focused on building a customer service and assurance model to prevent churn and ensure customer satisfaction.

Case study   Getting started on your Connected Planning journey

The journey to a finance transformation can start in a number of places, including being part of an ERP upgrade, part of a larger transformation program, or standalone.

Anaplan has the flexibility to be able to slot into existing architecture just as easily as it can into a greenfield implementation, delivering efficient planning and early value in both circumstances.

The situation

A major telco was seeking an upgrade to its core ERP backbone and to improve its finance function.

The challenge

The company had a legacy technology estate, with multiple ERP instances, many workarounds, and lots of peripheral applications and processes that were time-consuming to maintain.

It needed to capture the right data at source, drive optimized processes, and have an efficient operating model across the whole business.

The solution

A new driver-based modeling tool using Anaplan, based on real-time forecasting and re-forecasting that focused on the 20% of the telco's line items that were responsible for 80% of the financials.

The impact

- Forecasting cycles were shortened and more frequent to provide the ability to model new and emerging scenarios.

- Time and effort were saved in collecting reliable data, sharing a single version of the truth.

- Calculation and reporting became uniform across the customer-facing units.

- The telco was able to reflect on a clearer picture of the current financial situation.

Anaplan Connected Planning

Anaplan's Connected Planning approach leverages your existing digital assets and brings them into the modern world, by providing a flexible, collaborative, and user-friendly environment for the business. This approach maintains control in the existing group applications, but in these uncertain times where time-to-value is critical, allows for incremental value to be quickly delivered.

Seeing is believing

Anaplan's Connected Planning solution is already transforming the way that forecasting and modeling are done in the telco industry. For an exclusive demonstration, please contact us.

Watch the demo

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