



# COVID-19 AND TELCOS: FROM BUSINESS CONTINUITY TO PLANNING FOR THE FUTURE

Operator survey update, April 2<sup>nd</sup> 2020

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# SHIFT TO CRISIS MODE HAS GONE WELL ... BUT EXPECTATIONS OF SUSTAINED NEGATIVE BUSINESS IMPACT ARE NOW WORSENING

Oliver Wyman has run a flash survey amongst its clients on 18/3 and again on 27/3, and received responses from over 25 operators from 24 different countries around the world.

**Operator feedback from this new round suggest the collective sentiment of the sector is evolving:**

- 1. Business continuity has been mostly achieved:** working-from-home at scale implemented almost overnight, networks holding up well, essential customer processes sustained, fast migration from high- to low-touch CuEx
- 2. Two+ weeks on, operator concerns and areas of focus are moving on from basic business continuity:**
  - Most are gearing up for a significantly longer lockup than expected two weeks ago (8-12 weeks)
  - Most have also begun to expect degraded business conditions and no return to normality for months
  - While a serious liquidity crunch is not expected, concerns are intensifying about cash collection, liquidity, and future revenues given exposure to sports rights, product downgrades, bankruptcies, bad debt, and other effects
  - Increasing sensitivity around client satisfaction, supporting clients through a rough patch and staying close to them
  - New focus emerging on employee wellbeing, morale, motivation, work-life balance and mental health, on top of the existing focus on workforce health and safety (and also on work from home productivity)
  - Growing attention to third party sustainability (vendors, outsourcers, distributors) and ability to reboot
- 3. Most operators are starting to think about what's next and what the right approaches are around:**
  - Digital transformation acceleration: CuEx, workforce, culture
  - Commercial performance: churn, cross-sell, SAC/SRC, B2B and B2C revenue opportunities ... and threats
  - Operating model back to basics, simplification, cost reduction and management of CapEx
  - Stepping up as an industry, vindicating telcos' role, reshaping regulation and competition policy

# 1. BUSINESS CONTINUITY HAS BEEN MOSTLY ACHIEVED: MORE OPERATORS ADOPTING STRICTER MEASURES, INCREASED UNIFORMITY OF COPING MECHANISMS

*Similar to 2 weeks ago, just strengthened adoption*

## Network and technical service measures



**Limiting exposure by remote diagnostics and pushing self-install/repair**, e.g. support through video calls and instruction videos



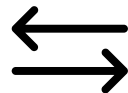
**Risk management by qualifying customer contacts**, e.g. call customer ahead of visit to confirm appointment and check if there are infected people on premises, check again when at the door



**Provide technicians with protection equipment for themselves AND for the customer**: gloves, face masks, hand sanitizers and hand washing protocol at minimum, protective gear and goggles when entering infected residences



**Virtualize non-critical jobs and re-assign vulnerable workforce to back office duties**, e.g. move older or otherwise vulnerable workforce to back office duties, virtualize office jobs immediately



**Set up work-shift structure** to limit exposure risk, e.g. two or more non-overlapping groups to manage critical infrastructure, focus on outdoor, smaller work teams

## General and commercial measures



**Refreshing business continuity plans**, e.g. most telcos report having benefitted from having good BCM in place (including with 3<sup>rd</sup> party suppliers)



**Share anonymized mobility data with governments to help improve virus propagation models**



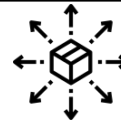
**Force shift to working from home early in the process to protect employees and limit viral spread**: e.g. virtualize call centers, fast deployment of laptops and collaboration/video tools (Webex/Skype/Microsoft Teams most used), remote NOC, etc.



**Re-assigning retail workforce to customer care or telesales**, e.g. telesales contacting efficiency has never been so high



**Limit opening hours and close shops** not only for protection but also because of footfall decrease  
**Move to “vending machine” approach**, to limit exposure risk, e.g. work with service window in shops avoiding customer contact



**Prime the supply chain**, e.g. maximize stock levels to support ~8 weeks of business

# 1. (CONT'D) OPERATORS GOING INTO QUARANTINE MODE IS MAIN DRIVER OF INCREMENTAL MEASURE ADOPTION ...

Personnel and business protection measures vary with degree of confinement, and confinement getting stricter

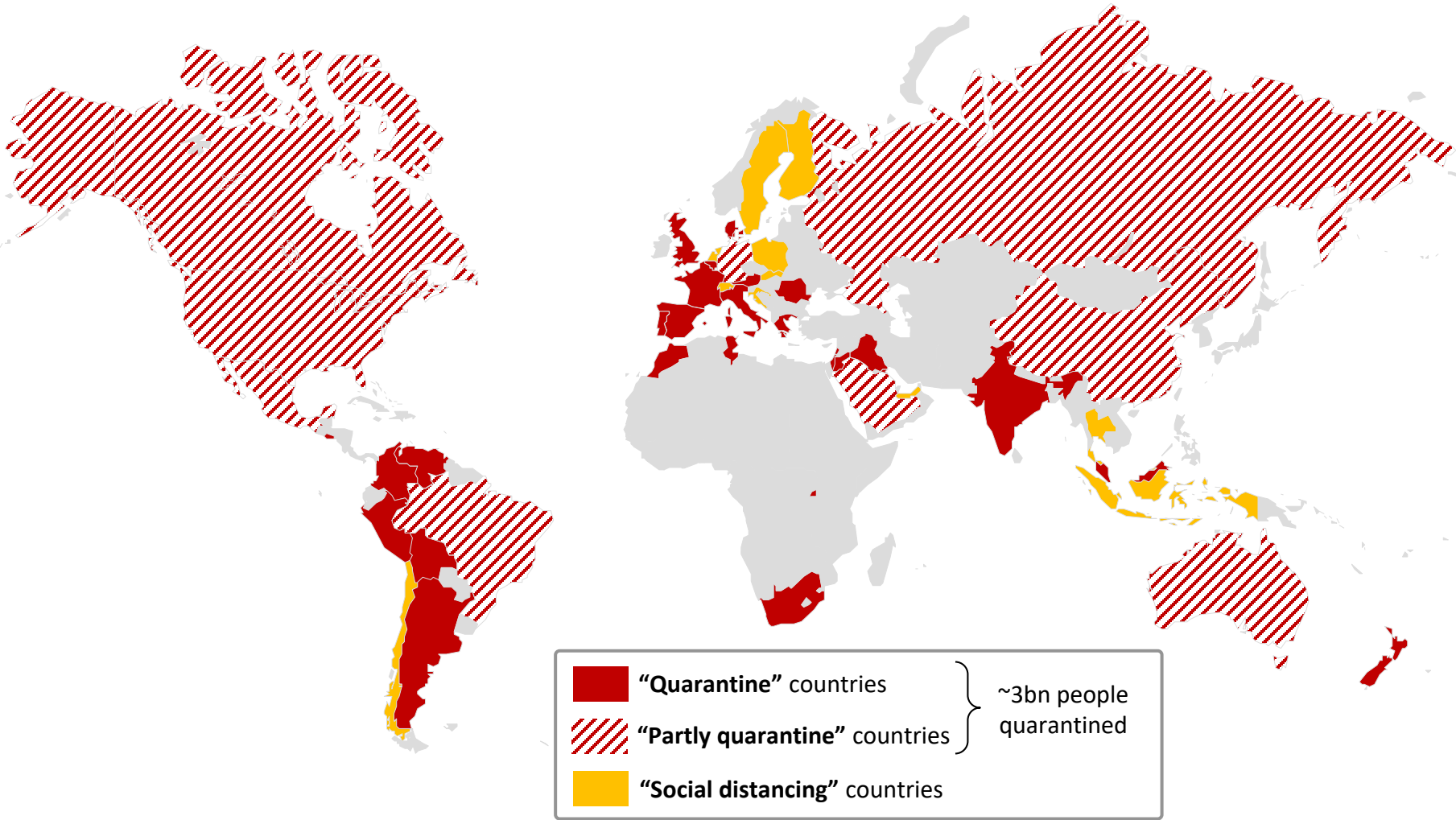
- |   |   |  |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Protective measures (gloves, masks, disinfectant, etc) of customer facing work force</li> <li>• Segregation of vulnerable segments of workforce to avoid contacts</li> <li>• Virtualization of (back) office work</li> <li>• Limitation of shop opening hours</li> <li>• Limitation of transaction scope by channel</li> <li>• Soft re-steering of customers to remote channels</li> </ul> | } | <ul style="list-style-type: none"> <li>• Work from home at scale (&gt;90%)</li> <li>• Only critical physical operations supported</li> <li>• Isolation of onsite working shifts and work centers</li> <li>• Protective gear and risk control procedures for customer contact</li> <li>• Shops closed or vending machine-style</li> <li>• SIM delivery through messengers</li> <li>• Re-assignment of retail staff to customer support</li> <li>• Hard re-steering of customers to remote channels</li> </ul> |
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Note : Only flags from countries with respondents to this benchmark appear here  
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Present in March 19<sup>th</sup> edition as part of “social distancing” group of countries

# ... AS MORE COUNTRIES GO INTO FULL OR PARTIAL LOCKDOWN (CURRENTLY 30 COUNTRIES COVERING 3BN PEOPLE)



Note: for "social distancing" countries, only countries with respondents to Oliver Wyman study are represented on the map  
Source: Oliver Wyman analysis  
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# 2. TWO+ WEEKS ON, OPERATOR CONCERNS AND FOCUS ARE EVOLVING AWAY FROM BASIC BUSINESS CONTINUITY

Most operators adapting their expectations vs. two weeks ago ...



*“Our plan has moved from 4 to at least 12 weeks full disruption with continued restrictions for 9 more months”*

- Expectation of increased quarantine durations to ~3 months
- Growing realization that continued mobility restrictions will be necessary to contain virus resurgence
- Increased awareness of the lasting effects of a deep economic downturn
- Emerging sentiment that some things might just never fully revert to the old normal (e.g. shop footfall?)

... With new concerns emerging and shaping up crisis management agendas:



### Cash management



- No serious liquidity crunches expected, but concerns about ...
- Payment process in physical cash intensive markets and segments
- Customer behavior changes: payment delays, bad debt, P&S downgrades etc
- B2B bankruptcies, sports rights exposure, etc.

### Keeping close to customers



- Growing sensitivity around supporting (B2B and B2C) customers in dire moments
- Some proactively reaching out to customers and seeking to deepen emotional connection
- “Keep the customer first, work on ARPU later”

### Wellbeing, not just safety



- Basic employee health safety still the key priority, but also ...
- Increased focus on mental health and fitness of work from home employees
- Initiatives to improve morale, wellbeing, work-life balance
- Concerns about at home productivity

### Third party sustainability



- Growing attention to partner sustainability:
  - Distributor channel liquidity
  - Ability of network and technology vendors to reboot after extended impasse (e.g. fiber deployment)
  - Improved payment terms for key suppliers; etc.

# 3. MOST OPERATORS ARE STARTING TO THINK ABOUT WHAT IS NEXT AFTER COVID; REFLECTIONS NOT YET MATURE BUT STARTING TO CONVERGE AROUND 4 THEMES:

## Acceleration of digital transformation

*“Change faster in a time of faster change”*



- Leverage sudden changes in channel mix and customer experience management; do not go back to ‘normal’
- Accelerate decisions previously subject to more difficult trade-offs: distribution pruning, forced push of transactions to app, etc.
- Transform workforce management, boost teleworking penetration and its productivity, simplify org accordingly
- Use work from home tsunami to transform company culture forever

## Revision of cost and investment management

*“Rebase operations and spend on a new normal”*



- Go back to basics in operating model, simplify focusing on what is essential, do not build complexity back, implement new efficiency measures
- More prudent CapEx deployment on the back of delayed rollouts, delayed spectrum and relaxed obligations, adapted to new economic conditions
- More aggressive cost takeout on the back of accelerated digital transformation

## Rethinking of commercial strategy

*“Adapt to new customer needs and behaviors”*



- Promote B2B and government solutions, support journey to the cloud, advocate cyber security and digital offerings etc.
- Leverage improved B2C churn and increased cross-, up-sell opportunities while preparing for probable flight to low cost of many customers
- Protect “trading metabolism” to accelerate back to normal after the crisis

## Stepping up as an industry

*“Vindicate telcos’ systemic importance”*



- Seize the opportunity to improve telcos’ reputation and stance as the key pillar of social and economic activity through the crisis
- Revamp regulatory and public policy strategy to reopen the debate towards more investment-friendly frameworks guaranteeing the future role of telecom networks and services
- Step-up collaboration among telcos for network deployment and service improvement



# PLEASE SEND FURTHER FEEDBACK



This is a live document.

Please contact us if you feel a relevant theme is missing that is important to share

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Oliver Wyman and our parent company Marsh & McLennan (MMC) have been monitoring the latest events and are putting forth our perspectives to support you clients and the industries you serve around the world. The Coronavirus Hub will be updated daily as the situation evolves.



[Visit our dedicated COVID-19 website](#)



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