

# THE TELECOMMUNICATIONS INDUSTRY

FOCUS ON DIGITAL TRANSFORMATION AS THE ENGINE OF GROWTH



### FIVE STEPS to digital transformation

Make DX a strategic and investment priority

Take a business-driven approach

Fully utilize the potential of data and analytics

Adopt an enterprise-wide approach

Strike the right balance between people and technology

The telecommunications industry is bracing for a major digital transformation, according to a survey of global executives from all major industries conducted by Forbes Insights and Hitachi. The survey revealed that the telecommunications industry is undergoing a digital transformation (DX) that is more intense than that of industries overall, both in terms of scope as well as investment.

**M**ore than half (54%) of telecommunications executives surveyed by Forbes Insights and Hitachi believe that their companies will be significantly digitally transformed over the next two years, a higher rate than for all industries as a whole (49%).

The survey found that there are five universal steps that companies need to take to succeed in digital transformation: making it a strategic and investment priority, taking a business-driven approach, fully utilizing the potential of data and analytics, adopting an enterprise-wide approach and striking the right balance between people and technology.

These guidelines need to be amplified in the telecommunications industry, which occupies a unique spot at the vortex of the digital transformation.

Telecommunications services represent almost 30% of the value of the global information and communications technology market. Not only are telecommunications companies undergoing significant digital transformations themselves, they also provide transformative digital or connectivity solutions for many other industries. They affect a range of industries, including healthcare, where they deliver secure and mobile delivery solutions, and education, where they help promote online learning.

Because they are focused on their own digital transformation as well as their customers', telecommunications companies have a more open approach to digital transformation. A majority (58%) adopt an outside-in approach by reading market signals and anticipating their external customers' needs, while less than half (43%) of companies from across all industries operate this way.

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## DIGITAL TRANSFORMATION IS TOP STRATEGIC & INVESTMENT PRIORITY

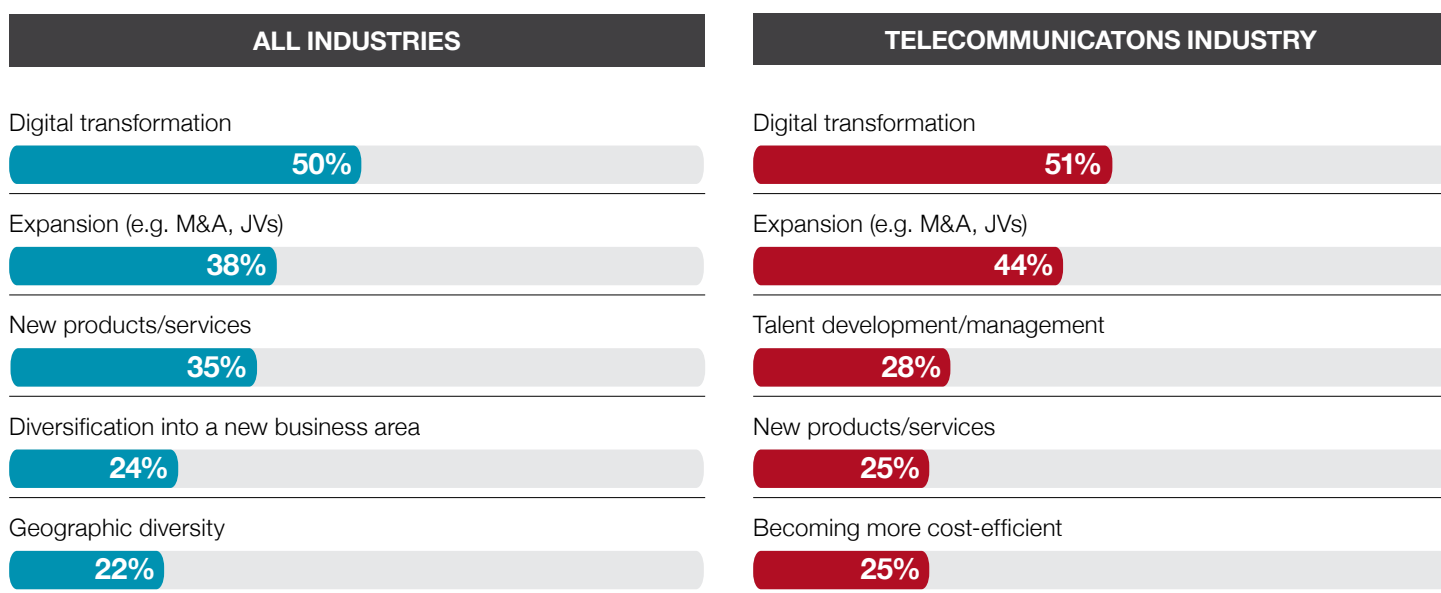
The telecommunications industry is more intensely focused on digital transformation as a strategic priority than are industries overall, and it is planning to devote substantially more to DX in terms of investment. (See Chart)

**French telecommunications company Orange is among the leaders in digital transformation.** "Digitization is embedded in the company's DNA," says Pascal Viginier, the company's CIO. Its strategy calls for digital interactions with half of its European customers by 2018. Orange has also announced that it will increase revenues in the new digital verticals, such as banking and IoT, by \$1 billion by 2018. Internally, the company is involving all employees in digitization. It monitors internal adoption rates by conducting and publishing surveys of employee usage.

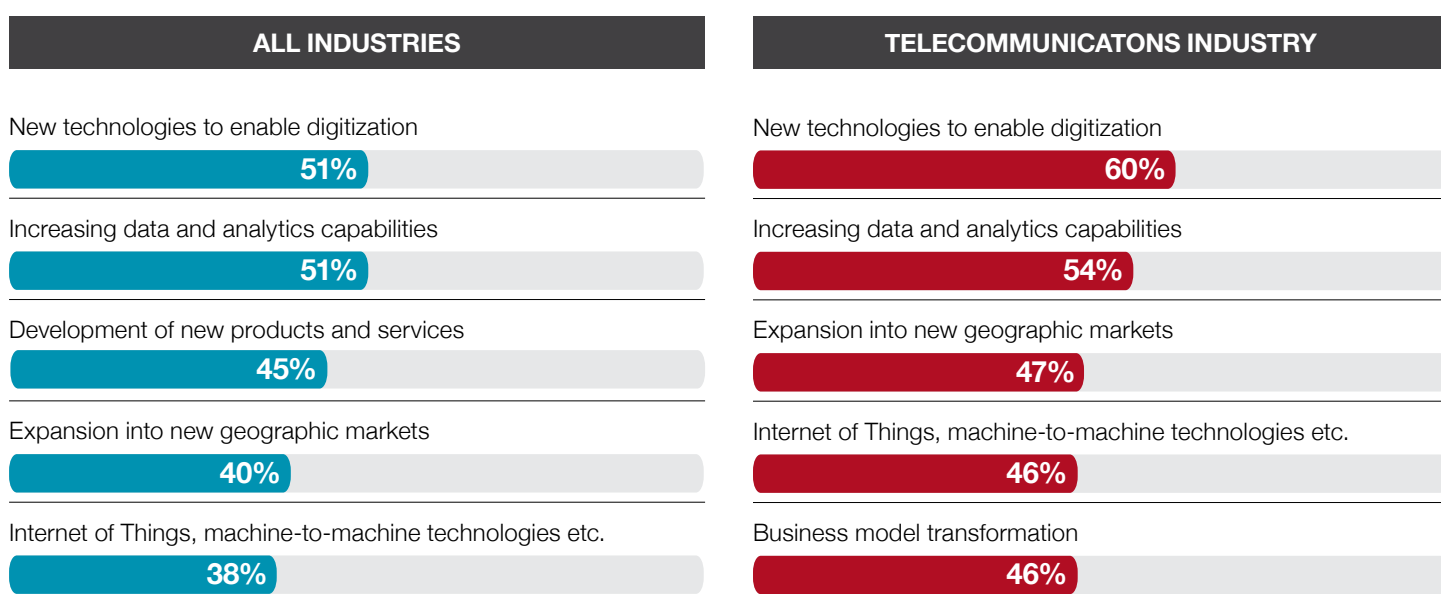




## DIGITAL TRANSFORMATION IS TOP STRATEGIC & INVESTMENT PRIORITY



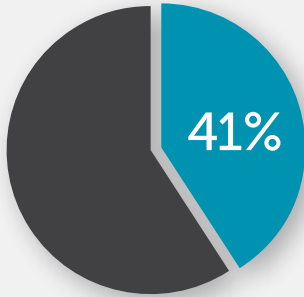
## TOP INVESTMENT PRIORITIES



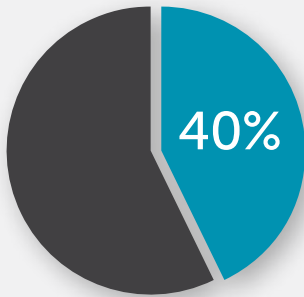


DIGITAL TRANSFORMATION BUDGETS IN THE NEXT TWO YEARS

**ALL INDUSTRIES**

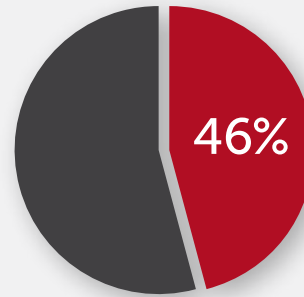


Significant increase of 10% or more:

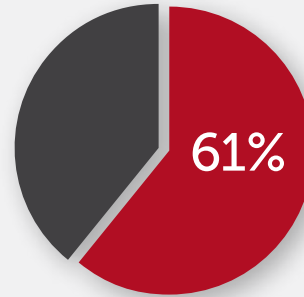


Will devote 10% or more of revenue to digital transformation in the next two years:

**TELECOMMUNICATIONS INDUSTRY**



Significant increase of 10% or more:



Will devote 10% or more of revenue to digital transformation in the next two years:

# TRANSLATING DATA AND ANALYTICS INSIGHTS INTO BUSINESS OUTCOMES

If digital transformation is the engine of growth, data and analytics is the fuel. The telecommunications industry sees its maturity in data and analytics as significantly higher than do other industries.

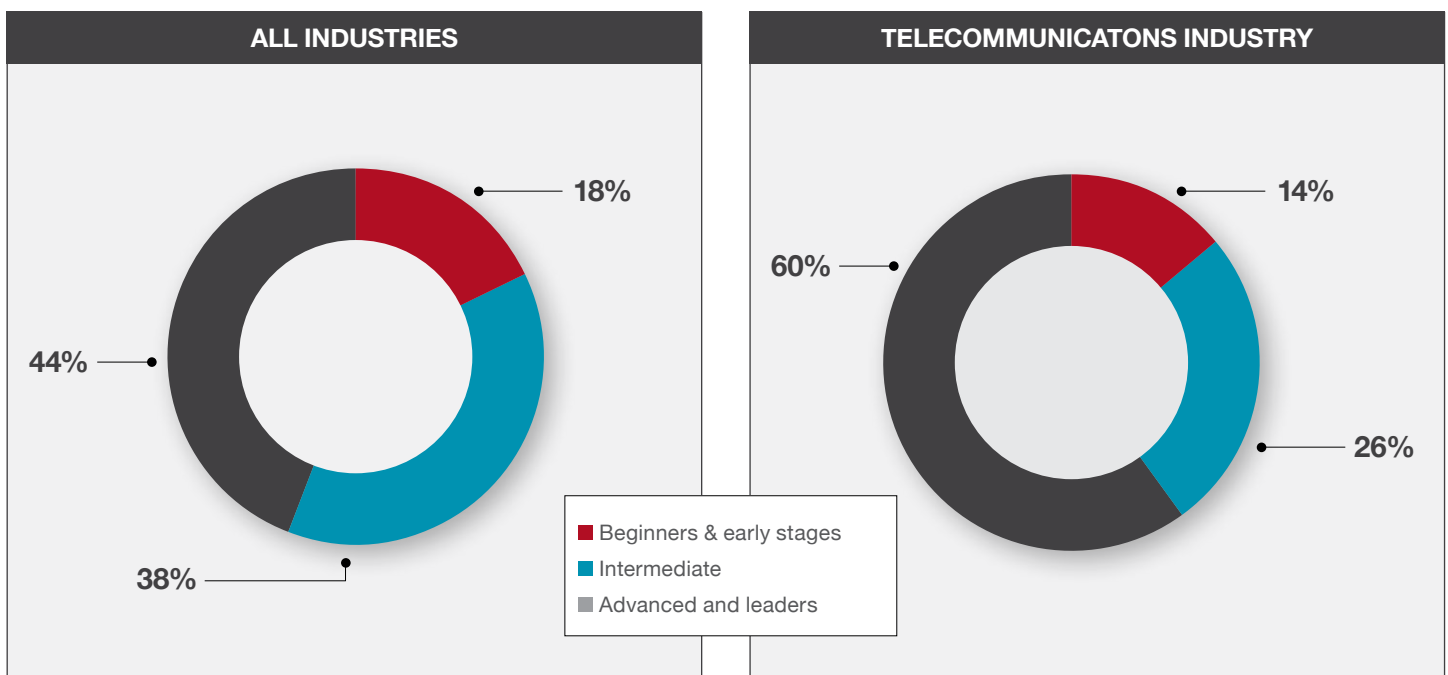
Sixty percent of telecommunications companies consider themselves advanced or leaders in data and analytics, compared to 44% across all industries. The telecommunications industry is also seeing better results, as 40% of telecommunications companies have seen revenue increases of 5% or more thanks to data and analytics, compared to 31% for all industries.

There is, however, a troubling discrepancy between the maturity in data and analytics versus the maturity in providing digital customer experience. For all industries, the maturity in data and analytics is higher than the level of customer experience. Overall, while 44% of all companies surveyed consider themselves as advanced or leaders in data and analytics, just

33% consider their customer experience leading. This gap between data and analytics and customer experience is even wider in the telecommunications industry, with 60% considering themselves as excelling at data, and just 30% at customer experience. (See Chart)

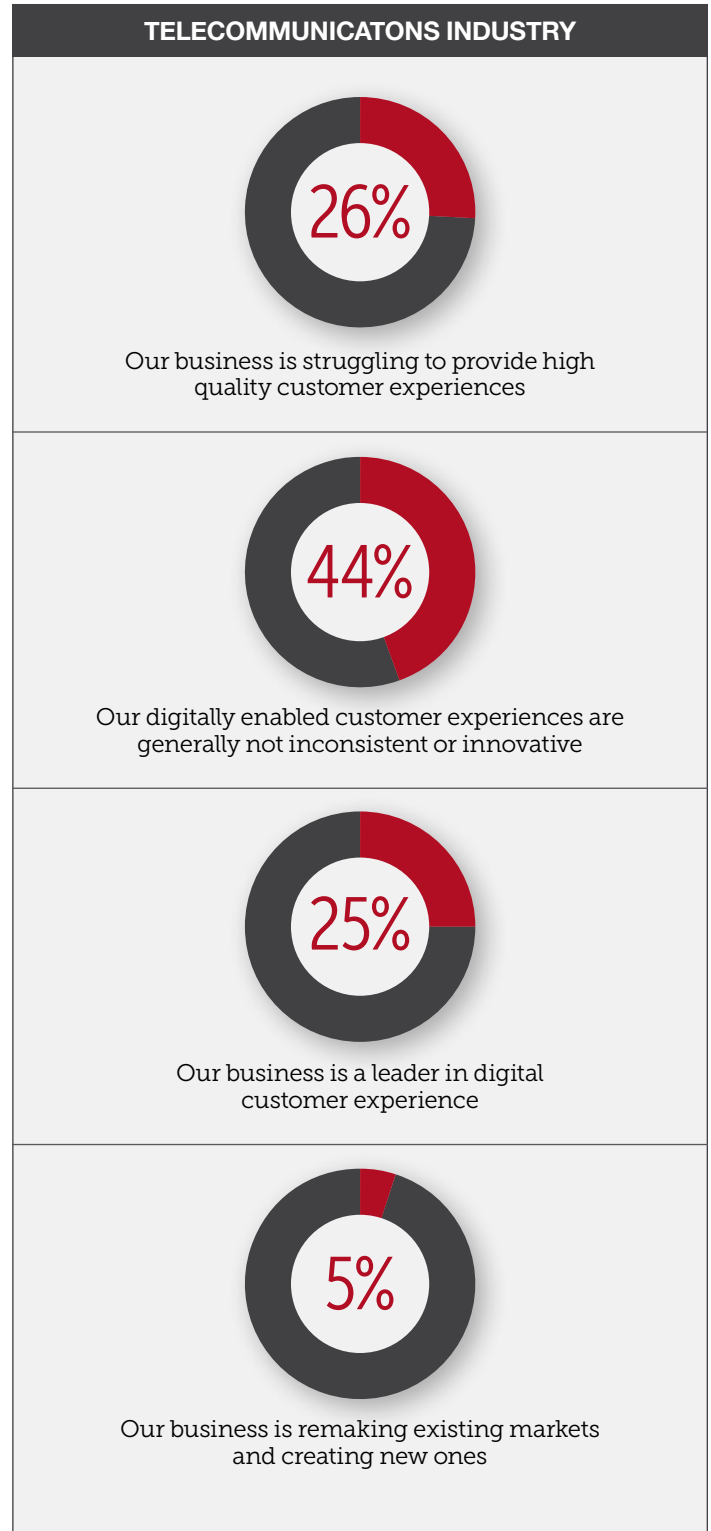
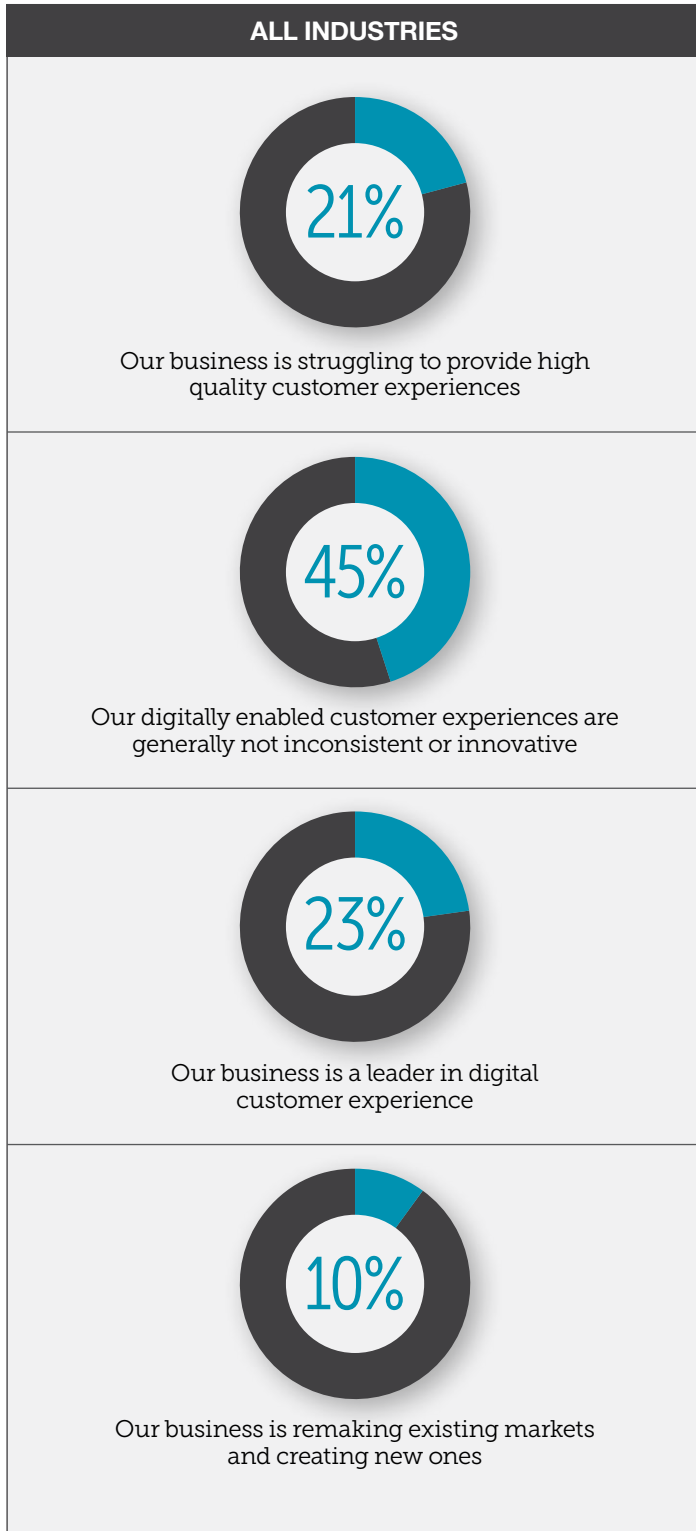
This reveals the untapped potential of data and analytics for its use in customer experience. Data can provide fundamental insights about customers' identities, shopping habits, needs or expectations. This wide gap between data and analytics and customer experience means that companies may be lacking the skills and technologies to gather, manage, secure or analyze data and translate it into better or new services, distribution channels or products.

## LEVEL OF MATURITY IN DATA & ANALYTICS





CUSTOMER EXPERIENCE MATURITY



# DIGITAL TRANSFORMATION CALLS FOR ENTERPRISE-WIDE COLLABORATION

Just like other industries, the telecommunications industry still has ways to go in terms of creating an integrated, enterprise-wide approach to digital transformation.

The first sign that not all functions are equally ready is revealed by the finding that 70% of telecommunications executives say that their IT departments are ready for digital transformation, but only about 40% believe that all other functions are ready.

On the surface level, the idea of IT readiness for digital transformation is more technical in nature, while for other functions it's a matter of what technology can do for their business.

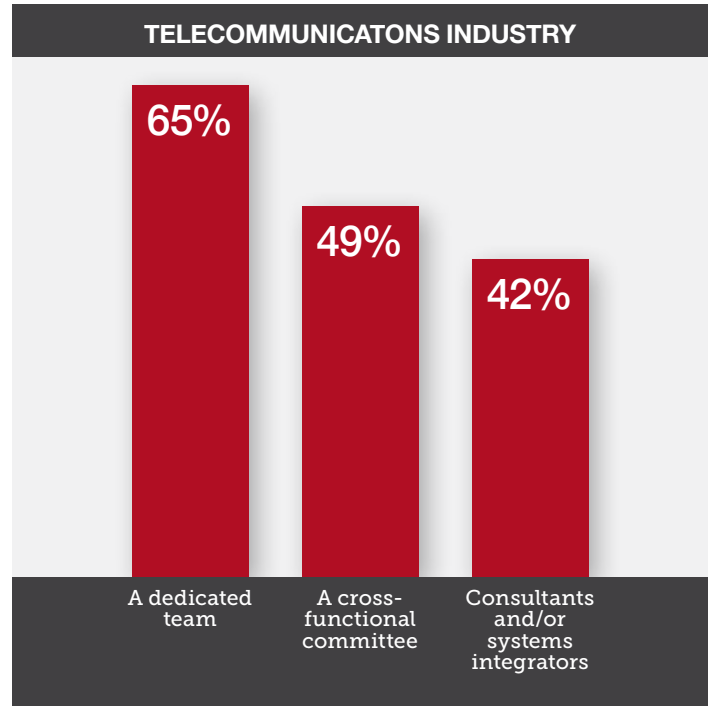
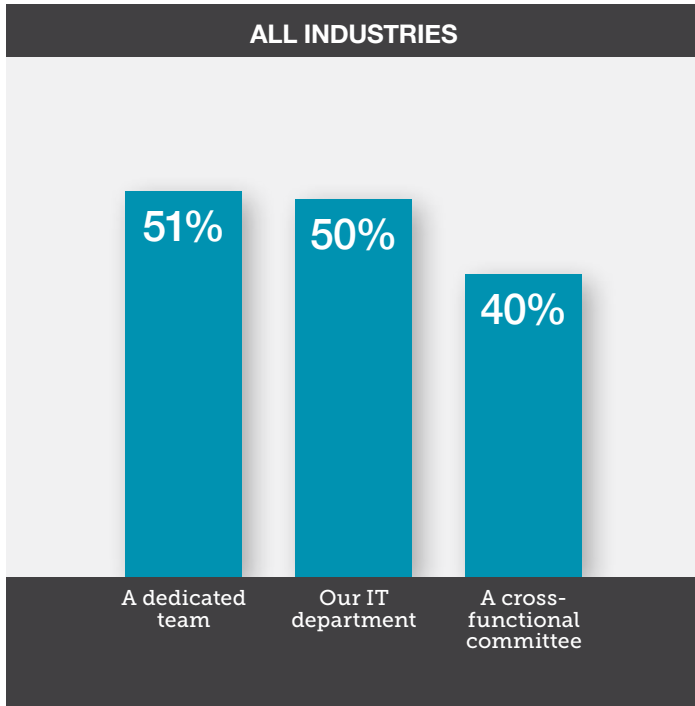
These capabilities, however, cannot be thought about as separate skills, as it is impossible to accomplish much without everybody understanding what technology can do and what the business needs.

The telecommunications industry also has a much wider fragmentation in terms of who develops strategies versus who implements digital transformation. In the telecommunications industry, IT is not even one of the top three contributors in strategy development, but it is decisively the leader in implementation. Such a disjointed approach may lead to issues with IT's feeling of ownership of digital transformation projects as well as problems understanding the goals of business leaders early on.

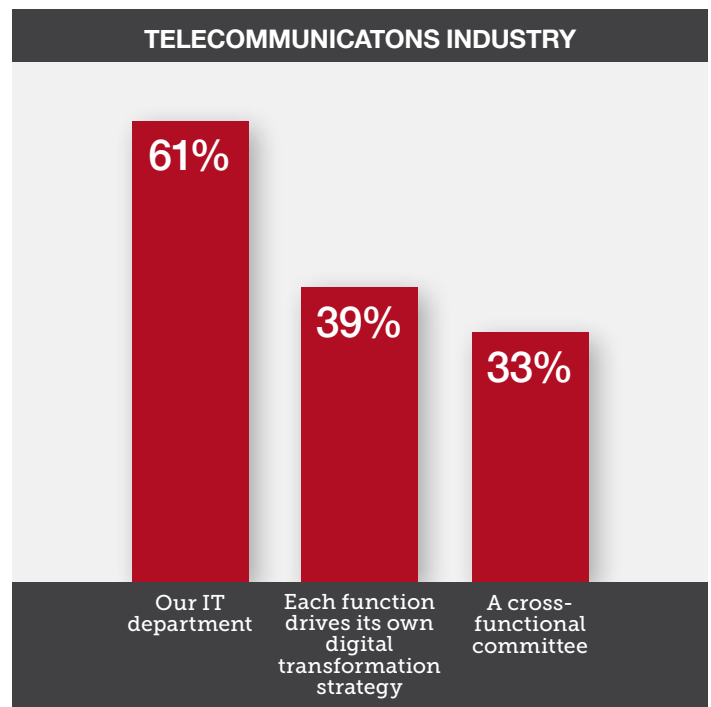
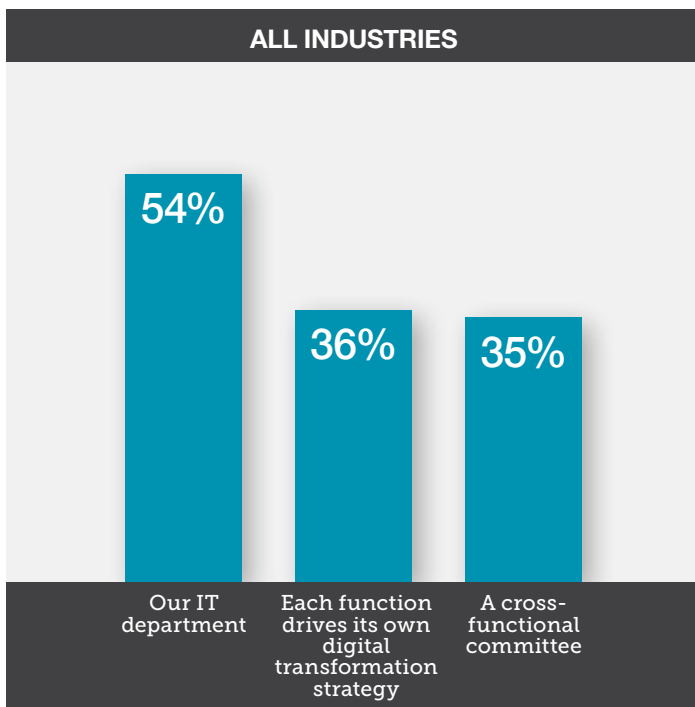




LEADERS IN DEVELOPING DIGITAL TRANSFORMATION STRATEGIES



LEADERS IN IMPLEMENTING DIGITAL TRANSFORMATION STRATEGIES





# LOOKING AHEAD: CONTINUED FOCUS ON GROWTH

The maturity of digital transformation is best illustrated by how its success is being measured.

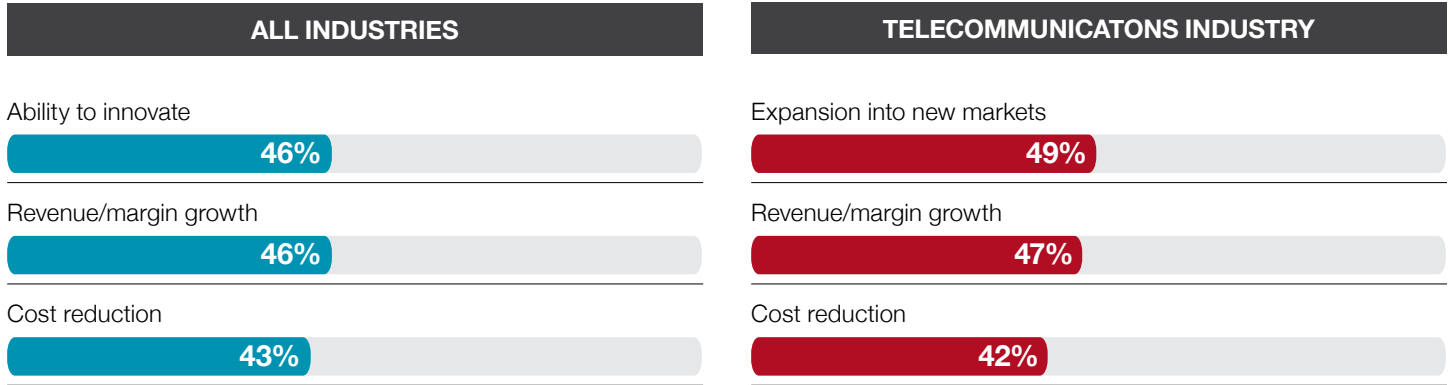
While in the early days the main metric of success was ROI of individual technologies and cost savings they generated, these days the top measure of successful of digital transformation is growth. While cost savings and efficiencies continue to be one of the goals, many executives consider them to be “low-hanging fruit.”

Telecommunications companies, which will be undergoing deeper and more expensive digital transformations than companies from other industries, are not surprisingly keeping a close eye on growth generated by digital transformation. Growth-related metrics have been and will continue to be top areas of focus.

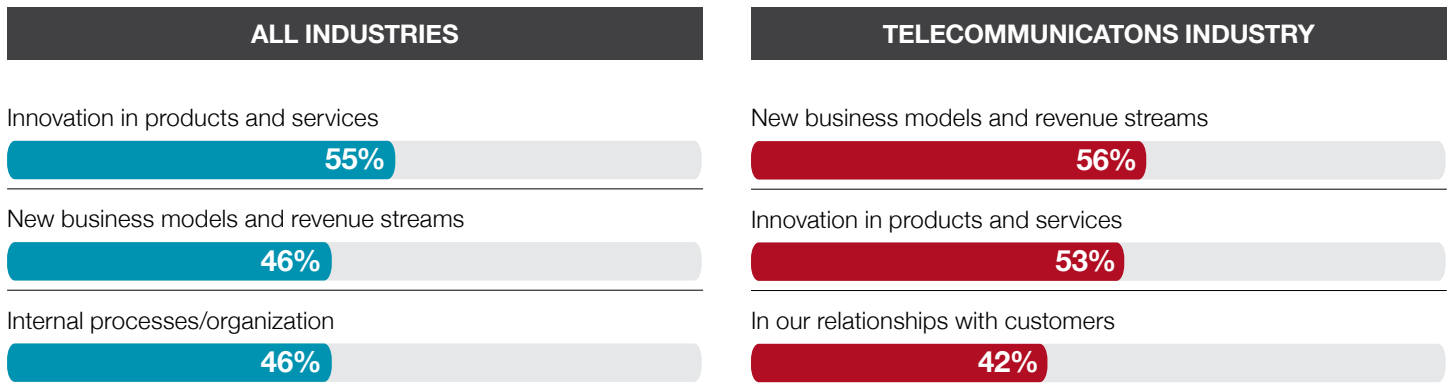




TOP MEASURES OF DIGITAL SUCCESS



FOCUS OF DIGITAL TRANSFORMATION OVER THE NEXT TWO YEARS



**Forbes Insights and Hitachi would like to thank the following executives for sharing their time and insights with us:**

- **Pascal Viginier**, CIO, Orange S.A.

Based on a survey of 57 telecommunications executives from enterprise-size companies from North and Latin America, Europe and Asia/Pacific. Forty-two percent were CEOs, 23% were CTOs and 11% were CIOs. The majority of the rest were other C-level executives. The study also includes analysis from on-on-one interviews with telecommunications executives.

Their responses and ideas were compared with the overall result of a survey of 573 executives from enterprise-size companies worldwide. The majority of respondents were chief executive officers (23%), chief technology officers (20%) or chief information officers (15%). Apart from the telecommunications industry, they represented a wide range of industries including technology and services (21%), financial services (14%) and healthcare (10%).

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Every business must improve cost-efficiency, time to market, customer experience, and revenue. Digital transformation promises these gains through better management of your business's data, the common ground among business and IT leaders. No one knows data like Hitachi Data Systems. We help the world's largest organizations with one thing – data. Our integrated strategy and portfolio enables digital transformation through data, helping enterprises to manage, govern, mobilize and analyze data to uncover insights for better outcomes. Use what you have today and define your data-centric roadmap towards digital transformation. Hitachi Data Systems is your partner for digital transformation today and tomorrow.

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