



COVID-19 outlook for the US telecom sector

May 2020

Deloitte Center *for*
Technology, Media &
Telecommunications

Positioning industries for a stronger future

The continuing COVID-19 crisis is creating enormous uncertainty and change—and questions with no obvious answers: Which changes will persist? What will the new world look like? How will people and firms adapt?

Even as technology, media, and telecommunications companies focus on responding to the global pandemic and its immediate repercussions, they hopefully will soon need to pivot toward recovering from the crisis and setting themselves up to thrive in the next era. Sudden change can loosen old foundations, creating opportunities for greater progress. Companies should reassess what and how they sell, how they operate, and how they can forge stronger and more direct relationships with customers.

About this series

This series will frame a discussion and explore what's changing, what strategic issues to consider, their impacts, key actions to take, and questions to ask. There are many different scenarios, and we may not have all the answers yet, but we can act with foresight to better position ourselves for a stronger and more resilient future.

Key takeaways

Telecoms, facing surging bandwidth demand, have thus far held up—and that offers an opportunity to build customer trust in the months and years beyond the pandemic shutdown.

- **With closed stores and restricted customer mobility, service providers should look to understand usage patterns with an eye toward strengthening their value proposition.**
- **The possibility of supply chain disruptions suggests that carriers should consider planning for adverse conditions to materialize.**
- **Telecoms should keep up their performance under stress—and potentially use their success as a platform for future moves.**

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Beyond bandwidth

The COVID-19 pandemic has pressed huge sectors of the population into staying at home nearly 24/7, with a resulting explosion in remote working, telemedicine, online learning, and streaming in-home entertainment. US networks have thus far managed to cope with the unexpected skyrocketing demand for mobile and home broadband connectivity and bandwidth.

At a time when people are more dependent than ever on carriers, the focus should be on responding to employees' and customers' immediate needs. But service providers should keep one eye on the future—and take proper action to ensure they recover stronger in the medium term while positioning themselves for the new long-term normal. Today's unprecedented environment presents carriers with not only challenges, but also unique opportunities to gather insights that can help them to make bold strategic decisions with greater confidence.



Recovering in the medium term

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Channel strategy and customer care

With the shutting of nonessential businesses, carriers closed most of their retail stores, forcing customers to switch to call centers and online channels for sales, service, and support.

Actions to take:

With most retail stores shut, service providers should assess how customers are choosing to transact with their carrier, from billing inquiries to upgrading devices and services. They should analyze both the channel mix and the ability of the company to meet customer needs during the crisis.

Questions to ask:

- With our stores closed, how are customers choosing to interact with our company? Has the company been effective in meeting changing customer needs? Where do we need to improve?
- Is there an opportunity to strengthen and promote lower-cost, self-service, online sales and service channels to customers? How do we encourage our customers to turn first to lower-cost digital channels?
- Do we have the proper capabilities to manage a significant customer shift to digital-first customer service and support models?

Customer experience

With sheltering in place and self-quarantine mandates, population mobility has slowed to a crawl. Millions of people are homebound shifting between handsets, laptops, gaming consoles, and TV sets and migrating back and forth between mobile, hotspots, and Wi-Fi connections to stay connected to work, school, family, and friends.¹

Actions to take:

The pandemic creates an unparalleled opportunity to understand the customer base's usage patterns at an extraordinarily granular level. The lack of mobility resulting from stay-at-home mandates leads to fewer variables to consider in developing a richer understanding of customer behavior with respect to their connectivity and application choices. These behavioral insights—even those based on usage patterns unlikely to be permanent—can help guide strategic decisions.

Questions to ask:

- What is the mix of mobile and wireline customer usage? Which forms of connectivity and what types of data and applications are customers using?
- Can we use this information to understand network constraints and allocate future investments accordingly?
- How might we use this data to develop new products and services? Can we use it to refine and strengthen our value proposition to customers?

Supply chain risk management

The shutdown in global business is already disrupting tech supply chains.² But thus far, the US telecom sector is experiencing only limited shipment delays and spot shortages; companies have not meaningfully delayed planned product launches.³

Actions to take:

Given the prevailing containment models for COVID-19, businesses at every link of the supply chain could remain shut for an extended period, which would eventually affect telecoms. With traditional European and Asian suppliers hard-hit by the pandemic, there is a stronger resolve to consider nontraditional open-source suppliers offering low-cost, interoperable, plug-and-play components. The proposition could greatly expand supplier options and improve supply chain flexibility and resilience.

Questions to ask:

- Should we use the pandemic as an opportunity to reevaluate our supply chain and expand and/or rationalize the supplier base to improve supply chain flexibility and resilience?
- Will Asia continue to dominate the production of handsets and devices, or will the pandemic force telecoms to diversify suppliers and geographies? Should we rearchitect our supply chain to bypass restricted companies or compromised countries in favor of local champions?
- Should we support critical suppliers facing difficulties?

Thriving in the new era

The pandemic, and the accompanying shutdown of public life and commerce, can present opportunities to change the paradigm in which telecoms operate.

Marketing and sales

The crisis has highlighted the strength of carriers' capabilities in managing networks. Overall, service providers have excelled in rapidly provisioning connectivity for first-line responders and pop-up health facilities, as well as in scaling services to meet the surge in enterprise demand for secure VPNs as millions of employees began working from home.⁴

Actions to take:

Carriers can showcase their success in managing networks during times of crisis to build trust with their customers, particularly enterprise customers. While IT managers are confident in their ability to manage their own networks⁵ as the pandemic unfolds, many companies have been relieved to learn that they can rely on their carriers to manage network needs. Carriers can and should build on this crisis-tested reliability as they prepare to launch new managed-network products and services.

Questions to ask:

- Can we build on the public success in managing networks during times of crisis to build trust with key influencers in adopting current and future carrier-managed network solutions?
- Should we capitalize on the enterprise customer's current emphasis on secure, high-quality connectivity to accelerate the introduction of new products and services, such as 5G or edge computing?⁶
- If so, how should we deploy new services in this environment? Do we need to alter our branding, market positioning, and sales and service models? What should our partner ecosystem look like in developing or offering a more complete solution?

Regulation and policy

With more businesses, students, and consumers transacting virtually from home, COVID-19 has led to a reawakening of the strategic importance of the information and communications technology sector in preserving national security. Acknowledging the importance of access to high-quality connectivity during the crisis, the FCC and other regulators waived several regulations,⁷ even network capacity, and expedited service delivery to those in most need (hospitals, schools).

Actions to take:

The crisis elevates the need for consideration of improved bandwidth and Internet speeds for Americans. Carriers can use the new paradigm, characterized by a renewed interest by regulators for ubiquitous broadband coverage, to break away from traditional subsidy-based approaches in favor of new models that incent public-private partnerships to achieve intended objectives.

Questions to ask:

- Can we use the need for the temporary allocation of spectrum during the pandemic to influence the reevaluation of future auction rules to allow carriers to access faster, cheaper spectrum?
- Should carriers build on the regulators' recent receptiveness to new ideas to break away from antiquated approaches to regulation and policy making? For example, can we refocus the discussion on the requisite for deeper transport fiber in reaching the primary objective for ubiquitous broadband connectivity?
- How can we advocate that stimulus programs designated to finance US infrastructure include communication networks? Can we use the pandemic to accelerate distribution of funds already committed to rural broadband?⁸



Portfolio strategy and optimization

While not immune to economic downturns, mobile and home broadband services are more resistant than other businesses.⁹ Even so, with the economy likely already in recession,¹⁰ it is a propitious time to explore more radical opportunities to drive growth and cut costs.

Actions to take:

The dramatic and sudden change in the economic environment provides an opportunity to reexamine expectations of existing products and services, as well as explore new opportunities to cut costs and improve returns. With the potential availability of stimulus money, it may be the time to take bold action in streamlining and rationalizing antiquated legacy networks. This will likely require a united effort by carriers and their largest government and enterprise customers to agree to mutually turn off old systems and migrate to next-generation networks. While it may involve a Herculean effort, it has the potential to improve costs and reduce complexity on both sides dramatically.

Questions to ask:

- Are we ready to utilize the current high-stakes crisis mentality and potential availability of stimulus funds to take bold action to dramatically change our cost profile?
- Can we champion and convince our customers to turn off their legacy systems and mutually migrate to digital networks?
- We know the potential opportunities are big, but can we gauge the size?

Telecommunication can help us heal

The COVID-19 crisis is unprecedented in its impact on the normal functioning of society. Uncertainty will likely persist for some time, yet we know we will eventually recover, albeit with aspects of our lives changing permanently. And telecoms can play a real role in that recovery. In a world where social distancing may remain a norm for months or longer, network connectivity may prove to be the bedrock underpinning our society, mitigating its negative impact by allowing us to stay in touch with our communities.

Sudden change allows us to reevaluate our priorities, strengths, and weaknesses, and make change for the better. In the end, we can become better prepared and more resilient to face future challenges.



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Acknowledgments

*Additionally, the leadership and author team express their gratitude to the following individuals for
their contributions and support: Matthew Budman, Kevin Downs, David Jarvis, and Negin Rood.*

Endnotes

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