



The post-pandemic global telco environment

Four scenarios

We believe there are four possible scenarios for global telecommunications companies 24 months from now. In this article we describe our methodology and four possible scenarios, and in the next two articles we will discuss the optimal responses for telcos to deal with each possibility.

Deloitte's Center for the Long View (CLV) used a proprietary mix of AI-driven research analysis and interviews with 32 internal telco experts, to develop the four likely scenarios. The CLV uses innovative methods, processes, and solutions for the development of strategic future scenarios and the corresponding courses of action—individually tailored to specific industries.

The two most important axes in determining scenario outcomes were the ability to monetize critical infrastructure (ranging from no frills at the low end to premium at the high end) and the dominant customer interface (ranging from in person and assisted at one extreme and digital and unassisted at the other.)

When we combined these with a range of plausible economic backdrops (mild, harsh, and severe, with global 2021 GDP of 0%, -3% and -6% respectively) we see four scenarios for telcos by 2022. Not surprisingly, these range from worse than before COVID-19 to better than before.

These are not predictions; they are possibilities. The goal is not to attempt to determine which scenario may be the most probable, nor to focus on the one that seems most favorable. Instead, telecommunications executives should use these as a guide to the possibilities, and work to future-proof their companies against all the options.

Thrive

Best case, as COVID-19 slows and the economy recovers, the shift towards digital makes telco services more valuable for consumers and businesses. Telco players could get higher prices and would invest in network expansion and new services. Organically, or through opportunistic M&A, telcos could establish themselves as key trusted partners of digital transformation, possibly driven by post-pandemic demand for remote health, remote learning, and work from home.

Worst case, a very weak economy could see governments become more hands-on: supporting consumers and businesses directly, regulating workforce reductions and telco pricing, forcing mergers or even renationalizing telco assets. Lower profitability, network investments, and less digitization would result.

Survive

Bitpipe

Ongoing COVID-19 outbreaks would see demand for telco services remain high, but a weak economy would see low customer purchasing power and strict regulations on prices, forcing telcos to focus on core products. Telcos would prioritize investments in digital transformation over network expansion, as well as sharing agreements and partnerships.

Some economic recovery, combined with consumer and business awareness of the value that telcos bring, allows for slightly increased prices. Telcos deliberately prioritize network build-out and upgrades instead of investing in digitization, which is good short term, but limits their ability to move beyond connectivity.

Cashcow

There are ways in which COVID-19 has been unprecedented, but in terms of the four scenarios above we have seen versions of these before; telcos do not need an entirely new playbook.

In the past, we have seen telcos charging premium prices for higher speeds, better coverage, or entirely new features which consumers and enterprises valued. We've also seen regulators and governments control or reduce prices, limit labor flexibility, alter the competitive landscape or even take ownership in exchange for financial support (re-nationalization). Many telcos have worried that they are "just a Bitpipe" and unable to provide other value-added services.

There is nothing new under the sun: what comes next for telcos is largely up to how well they plan for these four scenarios.

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