



Are Telecom service providers social networks?

My recent interaction with Telecom service providers has been frustrating – to say the least. Telecoms face the very typical situation of declining industry life cycle. Their revenue model is “fee for service” and the service is becoming a commodity. They are under intense pressure to become more efficient in their traditional business, which makes it hard for them to concentrate on revolutionary change in their business models. In essence they spend all their energy on process innovation instead of business model innovation.

There are a few guidelines on what one should do in this situation. First, build a new team responsible for exploring revolutionary new ideas and isolate them from the existing business. This is what IBM did when they needed to respond to the PC revolution: they have built a small team (I think located in Texas) whose job was to invent a modular design for a PC. Second, identify booming new industries where your core competences matter. To stay with IBM, this is what they did when they decided to experiment and finally move into management consulting. Third, once a new direction is identified, mark the transition with a strong move (create a new company/subsidiary, acquire a new brand, launch a new product line etc.). Essentially, commit strongly to the new strategy.

Where should Telecoms search for a new business model? The answer is clear: media. New media is the booming industry within the tech sector where Telecoms definitely have great core competences and assets. New media is all about consumer networks, where success depends on identifying and exploiting consumer influence. While nobody has really found the magic formula yet, there is intense experimentation (see previous entry on the value of Facebook). Telecoms own and manage large networks of customers in which influence can be estimated and acted upon. Location-based social networking is booming and has incredible potential for advertising.

The explosion of smart-phones allows for high quality interactions. All the conditions are in place for a revolution in advertising or more generally in ‘network marketing’. Who is better placed to profit from this than Telecoms? They have access to millions of customers, know their demographics and payment history. Most importantly, Telecoms see consumers’ communication patterns and their physical locations. Essentially, Telecoms are running large social networks, but instead of

treating them as social media, they treat them as a fee for service business. For how long is this sustainable?

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