



5G BUSINESS MODELS: HOW DOES TELCO IT NEED TO EVOLVE?

5G promises to enable new business models, driven by innovative, flexible, and scalable solutions. CSPs will need to evolve their underlying systems to be more dynamic, and ensure they have the right technological, organisational, and commercial practices in place, in order to capture value and maximise their monetisation potential.

STL Partners

We estimate that 5G could unlock **\$1.4tn** of value across a handful of key industries by 2030. Basic connectivity is no longer a big source of differentiation or a revenue-generator for telcos, but 5G is an opportunity for growth. If telcos are able to exploit 5G's advanced capabilities and flexible architecture, it could be a way for them to move up the value chain, tap into new revenue streams, and capture a solid share of this market with new 5G business models.

To achieve this, they must prepare their underlying systems to not just handle but truly monetise 5G.

What do we mean by “new 5G B2B business models”?

Cloud-native by design, the 5G network is more complex than previous generations of connectivity, but it is also more flexible, scalable, and programmable. Its advanced capabilities (e.g., low latency, high bandwidth, strong reliability) can support innovative and dynamic new use cases for both consumers and enterprises. Its architecture also makes it easier for non-network internal teams (e.g., product, strategy) to have greater visibility over the network and therefore to help define services to meet the demands of customers.

This presents an opportunity for telcos to rethink their innovation models and move from providing product-centric to more service-based solutions. It is also an opportunity to engage a wider ecosystem of partners to co-innovate, especially if telcos want to provide more end-to-end solutions and capture a higher share of value. The B2B space is particularly compelling here, holding strong revenue potential, particularly for customised solutions that meet the specific requirements of enterprises or their applications.

However, as telcos define their roadmaps to monetise their 5G investments, it will be critical to evaluate how their underlying IT infrastructure must evolve to support this.

How does telco IT need to evolve?

As telcos provide services that are more flexible and scalable, they will need to ensure that their IT and BSS systems follow suit. For example, they will need to:



Monitor dynamic services for device volumes at scale

May be monitoring QoS levels for 100s or 1000s of devices per customer, each of which might have different SLAs



Support low-latency, real-time processing

This will be critical to enable low-latency, high-bandwidth 5G use cases for enterprises e.g. to charge accurately



Migrate legacy BSS stacks to cloud-native platforms

This will allow integration across different applications and provide scalability to support edge applications



Meet 5G standards and adopt open frameworks

TMF Open APIs make it easier for telco and enterprise systems to interface for B2B2X solutions

This will require systems that are more automated and designed to be flexible and scalable to ensure that telcos are providing a strong QoS to customers, but also that they are exploiting monetisation opportunities.

Network slicing

A good example of this is network slicing. Though an opportunity that is still 2-3 years away (if we are talking about dynamic, customisable slicing running on 5G SA), telcos should explore monetisation strategies for this today, especially from an IT perspective. It is a service-based solution that will give telcos the ability to deploy new services quickly and provide tailored solutions to customers across a range of verticals while using minimal infrastructure.

However, because it is not easily productised, there is no straight forward answer for how telcos should charge customers. This raises a number of considerations: not just how to charge in this more complex environment, but how to then provide visibility to customers over how they are being charged, and to ensure that every chargeable event is being processed and exploited. Beyond charging, this will have implications on systems such as billing, policy and CEM. Hence, telcos need to consider which solutions they seek to enable, how they intend to provide these to customers, and evaluate which systems need to evolve and how.

How can telco prepare to exploit these new 5G business models?

This is not just a discussion about technology. Alongside this, telcos will need to evolve their organisations to monetise the 5G opportunity and adopt cloud-native business practices alongside the physical infrastructure. There will need to be defined strategies in the following areas:



Organisational

Greater cross-team collaboration

- Convergence between IT and network teams to fuel innovation e.g. product teams have visibility over how customers are using the network
- This will require upskilling to fill gaps e.g. in software development



Technological

Flexible architecture

- Monolithic legacy systems will need to be replaced by open, flexible and scalable infrastructure with open APIs
- Customers and partners will want more service visibility and to be able to interact more directly with telco systems



Commercial

Clear propositions

- To justify investments internally, proposition teams will need to frame 5G's value and monetisation potential
- This includes the ability to differentiate its connectivity play (e.g. with slicing) and innovate with partners

Telcos with more evolved 5G deployments are already moving towards more converged IT and network teams in line with their infrastructure changes, either with both sitting under a CTIO, or with some level of cross-functionality. This puts them in a strong position to evaluate and prepare for the future of 5G business models.

Learn more about our work on new 5G business models

- [The CIO's guide to 5G as a growth engine](#)
- Watch our recent webinars on:
 - – [How telco IT systems need to evolve for 5G](#)

How STL Partners Transformation leadership practice can support you

We believe that adaptability is an essential organisational capability for the Coordination Age. Through our research, we aim to provide inspiration as to how transformation leaders can enhance organisational flexibility and innovation, as well as secure the necessary buy-in from stakeholders to deliver desired transformation outcomes.

Get in touch to understand how STL Partners can support you:

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Or visit our website to discover more:

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