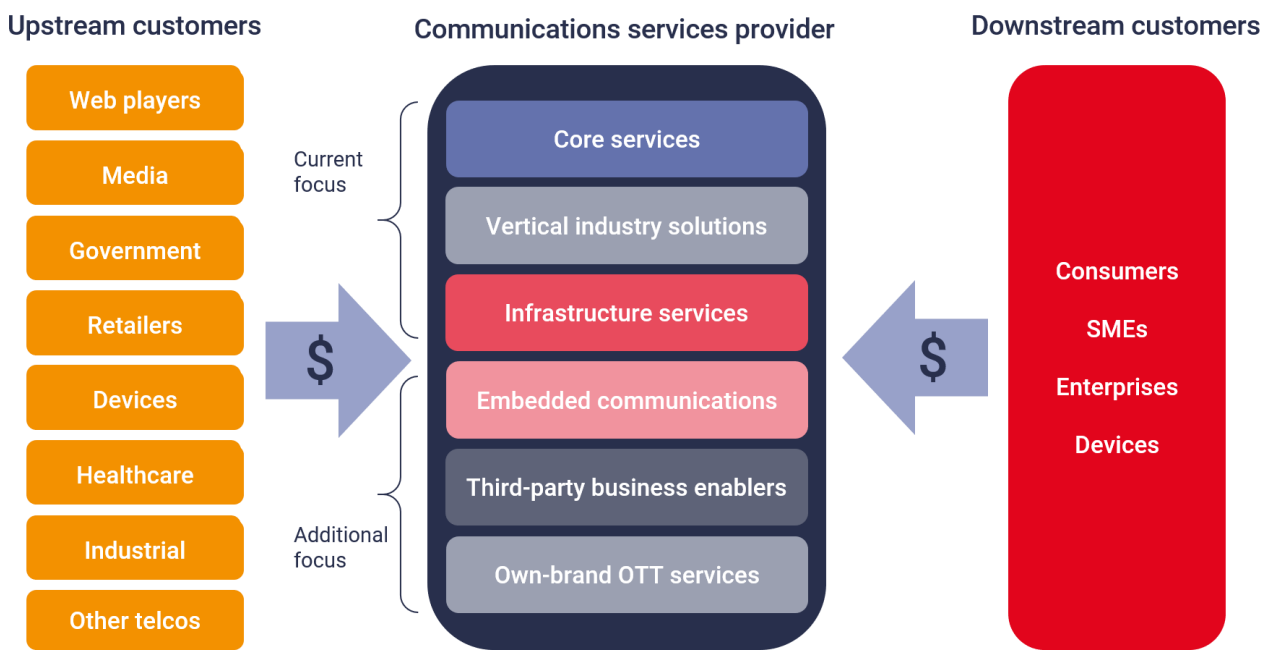


STL CLASSICS: THE ORIGINAL TELCO 2.0 TWO-SIDED BUSINESS MODEL (CHART)

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Since 2011, through the Telco 2.0 vision (our shorthand for 'what a future telco should look like'), STL Partners has argued that telcos need to make fundamental changes to their business models in response to the commoditisation of connectivity and the 'softwarisation' of all industries, including telecoms.

The debate around whether telcos should try complement connectivity with other services is as old as the industry itself. Based on our research and conversations with customers, we see this argument crystallising into two opposing hypotheses in the telecoms industry, illustrated by two extreme archetypes:

- The network is irrelevant to services, so any services should be developed and managed independently from the network. VEON is a telco that subscribes to this view.
- There is value in integrating the network with services, and the whole point of investing in virtualisation is to make this possible. AT&T subscribes to this view.

In STL Partners' view, both of these hypotheses' skate over the fundamental point that connectivity is becoming a commodity. So it shouldn't be about whether telcos should integrate services with networks or not, but about having the conviction and determination to compete beyond the boundaries of 'connectivity' and 'communications'. Our original

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Telco 2.0 two-sided business model was, in essence, saying the same thing: build an additional business that leverages unique telco assets.

The industry has embraced digital transformation as a necessity for survival, but for many telcos this has been primarily a cost saving exercise. The narrow scope of transformation strategies curtails telcos' ability to think outside their self-imposed market boundaries, and reach into areas they traditionally have no right to play in. For instance, what gave Amazon – an online retailer – the right to think it could revolutionise the application service provision market (as cloud computing was called before Amazon Web Services existed)? It was its motive to provide customers with what they needed – cheaper and more convenient access to compute storage. Telcos, likewise, need to figure out "What are we for?" and develop strategies that will enable them to fulfil their purpose.

Read more research on our Telco 2.0 vision and how it has evolved

- **The roadmap to new Telco 2.0 business models** (2011)
- **Telco 2.0: Choose your future while you still can** (2018)
- **Why CFOs must start to drive telecoms business model change** (2019)
- **How the Coordination Age changes the game** (2019)

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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:

https://stlpartners.com/telecoms-transformation/

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