

WILL NETWORK TRANSFORMATION RESOLVE TELECOM'S PARADOX?

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Abstract

This report assesses the status of network transformation of the communications service providers (CSPs) against the backdrop of current market conditions.

The leading CSPs continue the search for revenue sources after a decade of near stagnant growth. This is why CSPs are pursuing network transformation. They see how the digitalization of industries and the world is opening new opportunities and while they are investing in their networks, they have yet to experience the return they seek on their investments.

CSPs' core skill remains connectivity. Annual 30% traffic growth remains the catalyst for the industry requiring CSPs to invest in optical fiber and 5G wireless to meet capacity and coverage demands.

Connectivity is also becoming more complex and is forcing CSPs to engineer their networks differently, relying on software and software practices trail-blazed in the IT world but tailored to telecoms' complex legacy systems alongside implementations meeting telecoms requirements. Greater network orchestration and automation are also a must.

This is LightCounting's sixth network transformation report, first published in 2017. At first glance, the changes of the last 12 months appear modest; yet another year has passed, and the CSPs continue to struggle. Moreover, the challenges and frustrations the CSPs cite could apply a year ago.

On the surface it's business as usual: CSPs focusing on their transformation journeys and rolling out technologies such as fiber, 5G, open RAN, and automation.

Less visible is the progress the CSPs are making, and that their transformation strategies are becoming clearer. CSPs know what they must do: not just transform their networks but their organizations. The CSPs also recognize they cannot do this alone, requiring partnerships with Internet Content Providers (ICPs) and others and the opening and scaling of their networks to address new industries. The term 'customer' is also increasingly being mentioned by CEOs.

Will the CSPs transform their organizations, building relationships with partners and achieving platforms that deliver the digital services needed in the coming decade? Will they manage to carve a bigger slice of an ever-growing digitalization pie? Or will the rigid telco mindset predominate causing the spoils of an increasingly digitalized world enabled by sophisticated connectivity and computing to go elsewhere? This is what is at stake: the very future of their businesses.

LightCounting notes that the progress of network transformation is proving to be a lengthy journey. We are also concerned that telecom continues to lag key developments – the latest and most significant being AI. LightCounting also believes that network transformation, whatever its degree of success, will spur a wave of market disruption.