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Beyond Connectivity: How Telecom Operators Can Capture the Next Wave of Value

The telecom sector is already experiencing a structural shift in how value is created, captured and sustained.

In the past 18 months alone, we have seen the creation of VodafoneThree, the largest structural change to the UK mobile market in over a decade, accompanied by ambitious investment and cost synergy commitments. We have seen operators continue to invest heavily in fibre and 5G while simultaneously pursuing simplification, automation and cost reduction programmes. At the same time, organisations such as Virgin Media O2 are expanding partnership ecosystems to extend capability and reach beyond the traditional network.

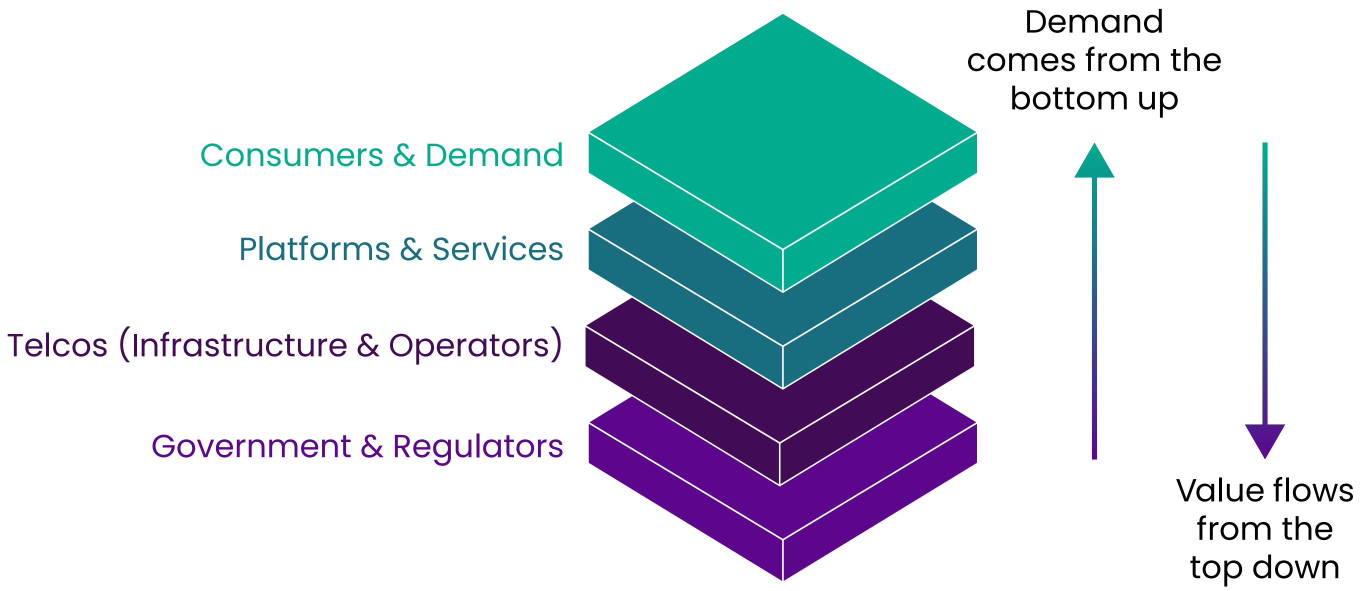
These developments are often discussed as separate events. In reality, they are symptoms of the same underlying challenge.

Telecom operators continue to invest billions in the infrastructure that underpins the digital economy, yet they are capturing a shrinking share of the value it creates.

As connectivity has become increasingly commoditised, value has shifted towards platforms, digital services and ecosystems operating above the network layer. At the same time, operators face continued capital demands, increasing customer expectations, regulatory pressures and the emergence of AI as both a major source of network demand and a disruptive force for operating models.

The challenge for telecom leaders is no longer simply how to build and operate networks. It is deciding where they create value, how they differentiate, and how they transform their organisations to compete effectively within an increasingly interconnected ecosystem.

This challenge extends beyond traditional telecom operators. MVNOs, infrastructure providers, wholesale businesses and technology service providers are all being forced to answer the same question.



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How do you remain relevant and profitable when value is increasingly created beyond connectivity itself?

Three structural shifts that are reshaping the telecoms market.

Connectivity has become commoditised

Network quality still matters. Reliability, coverage and performance remain critical foundations of customer experience. However, in many mature markets these factors are no longer enough to sustain competitive advantage.

Customers increasingly view connectivity as a utility. They expect strong coverage, fast speeds and dependable service as a baseline requirement rather than a differentiator.

This fundamentally changes where value can be created.

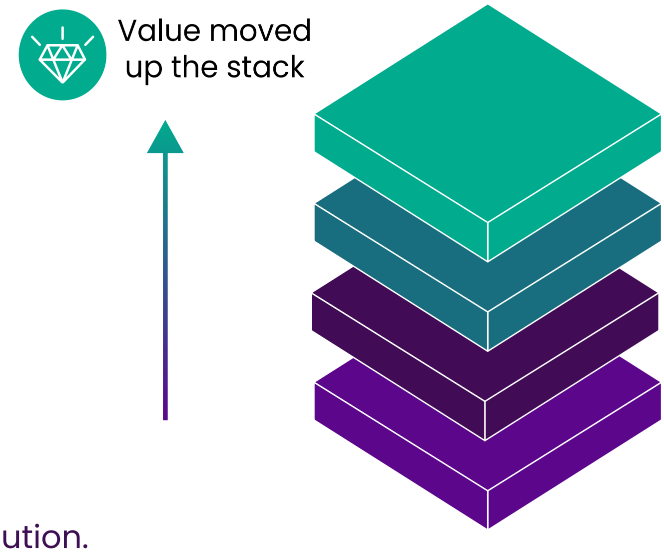
When network performance alone no longer drives customer choice, organisations must compete through experience, ecosystem participation, digital services, operational excellence and innovation.

Value has moved up the stack

Telecom operators built the roads of the digital economy.

However, as often happens in mature infrastructure markets, the greatest value is increasingly being captured by organisations sitting closer to the customer.

Streaming providers, cloud platforms, software companies and AI providers are benefiting from growing network demand while maintaining direct customer relationships and highly scalable business models.



Telecom operators continue to carry increasing volumes of traffic, yet traffic growth does not automatically translate into revenue growth.

This challenge is becoming increasingly apparent across the sector. Many organisations are questioning where they sit within the value chain and what role they want to play in the next phase of industry evolution.

For some, the answer lies in moving closer to customer needs. For others, it lies in becoming ecosystem orchestrators. For others, it remains operational and infrastructure leadership.

Cost and capital pressure are increasing

At the same time, the sector remains one of the most capital-intensive industries in the global economy. Fibre rollouts continue. Investment in 5G remains significant and increasingly focused on 5G standalone deployment to enable new business models. Future discussions around 6G are already underway.

Regulators continue to push for investment, competition and coverage improvements. Meanwhile, investors expect stronger returns and improved profitability. This creates a difficult balancing act. Operators must continue investing while simultaneously reducing costs, simplifying operations and improving customer outcomes.

AI has added a further dimension to this challenge.

On one hand, AI is driving increased demand for connectivity, cloud infrastructure, data centres and network capacity. On the other hand, AI provides one of the largest opportunities the industry has seen for improving productivity, reducing costs and transforming customer experience.

The telecom organisations that thrive will be those that recognise AI is not simply a technology trend. It is an economic and organisational shift that will influence the way networks are built, operated and monetised.

Why traditional approaches are no longer enough

Historically, telecom operators could rely on a relatively straightforward formula for growth.

Invest in infrastructure. Expand coverage. Acquire customers. Increase usage. Grow revenue. That model is becoming harder to sustain.

Today, decisions about customer propositions, partnerships, operating models, cost structures, technology investments and AI adoption are increasingly interconnected.

A decision to launch a new enterprise proposition may require new ecosystem partners, new commercial models, new capabilities and new operating structures. Similarly, a decision to execute a cost reduction programme may affect customer experience, employee capability and future innovation capacity.

Telecom leaders can no longer optimise functions independently. They must think about the organisation as a connected system.

As a result, strategy is becoming less about incremental improvement and more about positioning.

- Where do we create value?
- How do we differentiate?
- What capabilities matter most?
- How should the organisation evolve to support that ambition?

Across the market, three broad strategic responses are emerging. While many organisations pursue elements of all three approaches, sustainable advantage usually comes from choosing one as the primary source of differentiation.

Moving closer to demand

Some operators are seeking to capture value by moving closer to customers, services and outcomes. Rather than relying solely on connectivity, they are creating differentiated experiences through services, propositions and ecosystems.

Several UK MVNOs provide good examples of this approach. Tesco Mobile combines network access with the wider Tesco retail ecosystem through loyalty programmes, customer rewards and integrated value propositions. VOXI has developed propositions around specific customer demographics and digital behaviours. Giffgaff has differentiated through community engagement, peer support and customer-led innovation.

The common factor is not network ownership. It is customer relevance. Organisations pursuing this route must make deliberate choices about:

- Which customer segments matter most?
- Which needs remain underserved?
- Where genuine differentiation is possible?
- Which experiences customers are willing to pay for?

The opportunity lies in creating highly relevant propositions that competitors find difficult to replicate.

Move closer to demand

Bundling content, launching platforms, owning services.

Examples:

- Telco launching own content / services (e.g. TV, streaming bundles).
- Telco creating B2B platforms (Connected products and services, enterprise solutions).

Shaping the ecosystem

A second group of operators are focused on strengthening their role within wider digital ecosystems. Rather than owning every component of the value chain, they seek to coordinate, integrate and orchestrate effectively across it.

This includes:

- Platform partnerships
- Shared infrastructure models
- Wholesale propositions
- AI and cloud partnerships
- Digital service ecosystems
- Revenue-sharing arrangements

Vodafone's multi-brand strategy and ecosystem partnerships demonstrate elements of this approach. Virgin Media O2's continued use of partnerships and ecosystem expansion illustrates a similar trend.

In this model, success depends less on ownership and more on coordination. Leaders must answer critical questions:

- Where do we create unique value?
- Which partnerships are strategically important?
- What capabilities should remain internal?
- How do we monetise our position within the ecosystem?

These are not simply strategy questions.

They are organisation design questions, capability questions and operating model questions.

Own the customer and services

Partnering with platforms to capture value indirectly.

Examples:

- Bundle services customers already use.
- Build partnerships that scale your offer.
- Vertical integration.

Winning through infrastructure and operational excellence

For some organisations, leadership will continue to come through infrastructure scale and operational efficiency. Scale remains important. Coverage remains important. Network quality remains important. However, infrastructure leadership today looks very different from infrastructure leadership a decade ago.

Increasingly, successful operators are focusing on:

- Simplified operating models
- Network automation
- AI-enabled operations
- Workforce redesign
- Platform consolidation
- Managed service partnerships
- Structural cost reduction

BT’s continued focus on network expansion while simplifying and digitalising its operations reflects many of these themes. Importantly, the objective is not simply cost reduction.

The objective is creating an organisation that can operate more efficiently, adapt more quickly and reinvest savings into growth and strategic priorities.

The organisations creating long-term value are not simply reducing costs. They are fundamentally changing how they operate.

Win in infrastructure & operations

Cost transformation, outsourcing, AI-enabled operations.

Examples:

- Outsourcing operations (e.g. VMO2 and TCS).
- AI-driven network optimisation.
- Cost reset programmes.

The real challenge: translating strategy into customer value

Most telecom organisations understand these strategic options. The greater challenge is execution. This is where many transformation programmes underdeliver. The strategic ambition may be clear. The executive team may be aligned. The business case may be compelling. Yet the underlying operating model often remains largely unchanged.

As a result, organisations struggle to convert strategy into measurable business outcomes.

In our experience, three questions determine whether transformation succeeds:

Who are you serving?

Different customer groups require different operating models, service experiences and commercial approaches. Without clear choices, organisations risk becoming generic providers in increasingly fragmented markets.

How do you differentiate?

Differentiation must move beyond marketing messages. Customers experience differentiation through outcomes such as reliability, simplicity, service quality, ecosystem integration, sector expertise and flexibility.

Whatever the chosen differentiator, it must be reflected consistently across products, channels, processes and customer interactions.

What experience do you deliver?

Ultimately, customers judge organisations through experience. Many transformations fail because the desired experience and the underlying operating model evolve at different speeds.

Technology changes while processes stay the same. Products evolve while governance remains unchanged. Customer expectations advance while organisational capability does not.

Why telecom transformations fail

Many telecom transformation programmes still focus on individual initiatives. Cost reduction programmes operate independently of customer transformation efforts. Digital programmes proceed separately from workforce redesign. AI pilots are launched without broader operating model changes. The result is fragmented improvement rather than meaningful transformation.

The reality is that strategy, people, process, technology and governance are interconnected. The most successful organisations are increasingly taking a whole-system approach that integrates business strategy, technology transformation, capability development and organisational design.

Making strategy operational

The next phase of telecom transformation will be defined by execution.

Organisations must move beyond isolated change initiatives and rethink how the business operates as a whole. For many operators and service providers, this will mean:

- Simplifying complex operating environments
- Redesigning operating models around customer outcomes
- Embedding AI into core business processes
- Automating repetitive operational activities
- Rationalising technology estates
- Strengthening ecosystem management capabilities
- Developing future workforce skills
- Aligning governance to strategic priorities

AI deserves particular attention. Many organisations continue to view AI primarily as a technology initiative. This is too narrow. The greatest impact of AI is likely to come from its ability to reshape operating models.

The most successful organisations will not necessarily be those deploying the highest number of AI use cases. They will be those redesigning processes, organisational structures and ways of working around AI-enabled operations.

This is where cost reduction, productivity improvement and value creation begin to converge.

Four Questions Telecom Leaders Should Now Be Asking

As telecom operators navigate the next phase of industry evolution, four questions should shape strategic decision making:

1. **Where do we create distinctive value beyond connectivity?**
2. **How will we differentiate in a market where network performance is increasingly expected rather than rewarded?**
3. **Which capabilities should we build, retain or access through partners to compete effectively?**
4. **How must our operating model evolve to turn strategy, AI and ecosystem opportunities into measurable customer and commercial outcomes?**

The operators that answer these questions early, and act decisively on the answers, will be best positioned to compete, adapt and capture the next wave of value creation.

Telecom operators built the foundations of the digital economy. The next chapter is not simply about building better networks. It is about creating organisations capable of capturing greater value from the ecosystems those networks enable.

For telecom leaders, the question is no longer how to build the roads. It is where they want to sit in the economy that has been built around them.

The organisations that thrive will be those that make deliberate choices about where they create value, how they differentiate and how their operating model enables that ambition. If you're exploring what that means for your organisation, we'd welcome a conversation.

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