

Redefining the Consumer Value Proposition (“CVP”)

Strategies for Engagement and Growth in the Telecom Industry



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Historically, telecom companies have leveraged technological advancements like 2G to 5G transitions and upgrades from copper to fiber to enhance customer value. However, as these technological improvements become less differentiated and more commoditized, there is a pressing need to pivot from technology-driven strategies to consumer-centric approaches.

This report serves as a blueprint for innovation and strategic realignment, emphasizing the necessity of long-term planning and customer engagement to achieve sustainable growth and profitability.



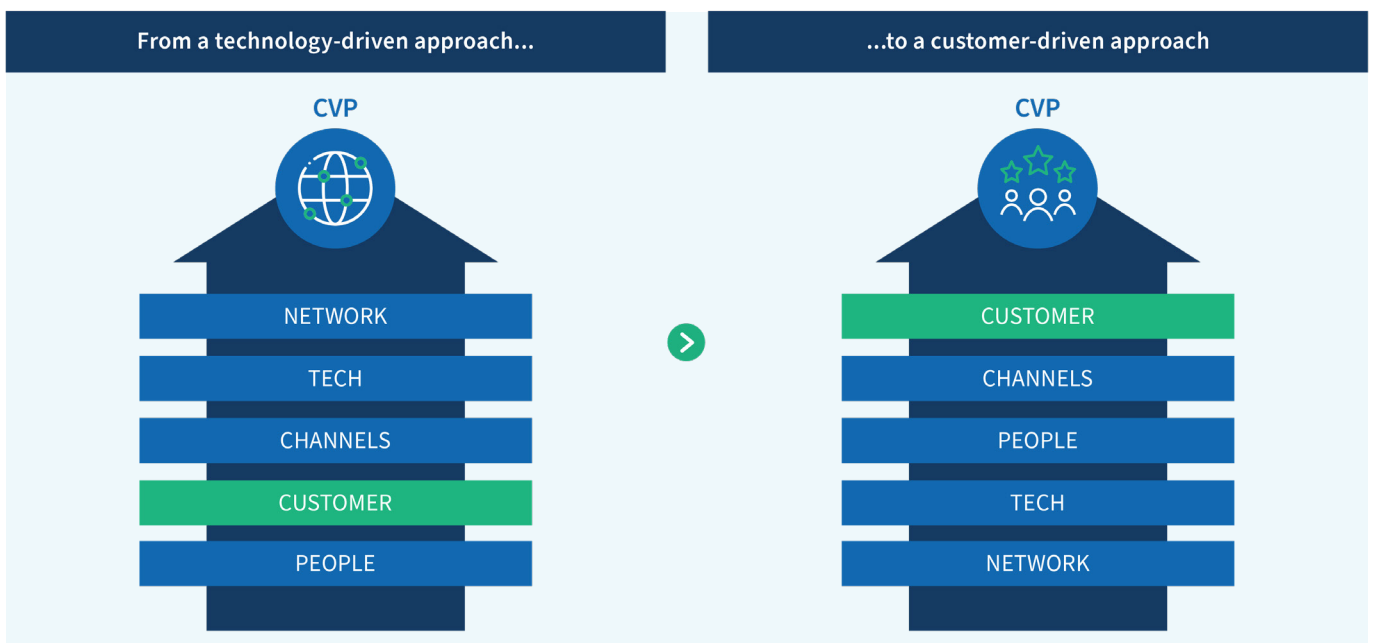
The need to accelerate the shift towards customer centricity

Historically, the telecom industry has generated value for customers by following industry-wide technology step-ups (2G to 5G, copper to fiber, etc.) and gradually offering volume and speed upgrades. However, the diminishing relevance of the upcoming waves of technology innovation for B2C consumers is pushing telecom markets toward commoditization and competition wars focused on price and discounts, with little differentiation in the value proposition offered. This explains the decline or stagnation in average revenue per user (ARPU) across many markets and the success of efficiency-centric models, where late entrants and mobile virtual network operators have a competitive advantage and less to lose.

Reversing this trend requires a paradigmatic change by established telecom players — a transition from a technology-driven to a commercially driven business model, with propositions that create incremental value for customers, enrich the conversation with customers beyond price and create unique competitive differentiators.

The telcos that started to make this shift have managed to gain significant value shares or at least defend their competitive positions. For example, Movistar in Spain successfully managed to defend its #1 revenue share position in a highly competitive market over the last decade by being at the forefront of CVP innovation by developing strong FMC propositions and a household ecosystem play, including adjacent home services such as entertainment and security.

FIGURE 1: EVOLUTION OF CONSUMER VALUE PROPOSITION APPROACH



A CVP redesign required

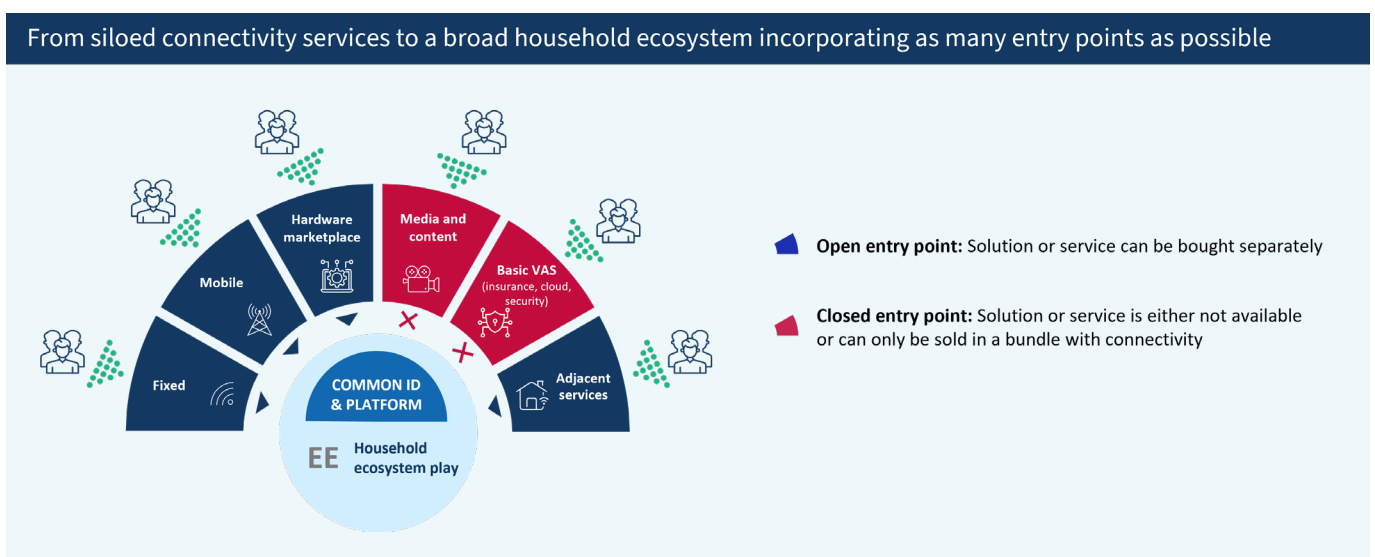
An incremental approach to improving the commercial proposition is no longer enough. Instead, Telcos need to break with past CVP constructs and consider a three- to five-year view to define a new “north star,” not only to enable structural value creation but also to provide for long execution times, as such deployments can take up to 12-18 months to get to market.

The UK’s recently launched EverythingEverywhere (EE) proposition is a good example of forward-thinking CVP evolution, as it sets the foundation for true convergence

and ecosystem play, although several features are still being developed. EE is structured around four needs (home, game, work, learn) and expands the number of entry points beyond connectivity, especially with its new hardware marketplace and a common ID across the whole ecosystem that is not necessarily attached to connectivity services.

Most telcos tend to deprioritize mid- to long-term thinking, however, owing to short-term performance pressure that ends up absorbing most of the commercial focus. If longer-term considerations are not prioritized, it might result in competitiveness loss.

FIGURE 2: TRANSITION TO A COMPREHENSIVE HOUSEHOLD ECOSYSTEM IN TELECOM SERVICES



FTI Delta developed a unique framework to guide the CVP evolution

There are several attributes that operators can include in the consumer value proposition to build incremental value and evolve from the old two-axis paradigm of speed/volume versus price. Based on customer surveys and hands-on experience in CVP design, FTI Delta identified seven key dimensions where telecom operators can provide value to customers through propositions.

By deciding the target positioning in each of these dimensions, telecom operators have been able to build a solid and consistent CVP vision. But there is not a standard, defined way forward. It is important to follow a holistic approach that ensures consistency with target market positioning, corporate strategy,

and strengths and weaknesses versus competition. For example, established integrated operators might want to differentiate on quality, while market disruptors will differentiate on ease and pricing.

The CVP vision should be aligned with the needs of the targeted customer segments, which means that a single operator will offer several value propositions, at least one for each targeted segment. The CVP framework establishes a crucial reflection within operators’ portfolio strategy, as it helps to identify the key dimensions to differentiate in the market as well as the dimensions to differentiate each of the segmented propositions within the portfolio. The framework also provides strong guidance to drive brand strategy and prevent cannibalization of the operator’s premium brands by its own low-value brands.

FIGURE 3: FTI DELTA'S SEVEN CVP DIMENSIONS FRAMEWORK

CVP DIMENSIONS	1	Quality of connectivity 	Top-notch connectivity in and out of home	+	-	Limited speed, drops, high latency, etc.
	2	Convergence 	Fully integrated service and experience	+	-	Mobile and fixed are disconnected services
	3	Richness 	Broad scope beyond connectivity (content, IoT...)	+	-	Connectivity focus
	4	Packaging Personalization 	"Segment of one" packaging	+	-	Standard packaging unrelated to customer needs
	5	Choice 	Many services and attributes to customize offer	+	-	Few services and attributes to customize offer
	6	Freedom 	Easy to leave	+	-	Lock-in fees
	7	Simplicity 	Easy to understand conditions and account management	+	-	Complex rules

CVP guiding principles enable innovation aligned with customer needs

Each CVP dimension should be developed with innovative features that allow the operator to differentiate in the market. See some examples below:

- 1. Increased choice with needs-based extras:** Allow customers to adapt the service to needs related to specific moments or events; e.g., increase broadband for an important call, or easily pause subscription when going on holidays. EE CVP includes a “work mode” to prioritize broadband when using Teams or Zoom and a “game mode” that includes geo-filtering and ping-optimizer for lower latency.
- 2. Increased quality of connectivity with in-home solutions:** Historically operators have focused on providing high-quality connectivity to the home, but the particular set-up inside the home can greatly affect the customer’s experience. Telcos can add value to customers by providing enhancement options (e.g., higher-range routers, repeaters, mesh network and even fiber inside the home) as well as offering advice for the optimal setup to meet the specific needs of each home. Google Fiber

provides different router options and the option to set up a mesh network.

- 3. Increased package personalization through a digital configurator:** As telcos continue to grow their service lines (fixed, mobile, media, services) and the choices within each of them, the traditional “good/better/best” approach to packaging is becoming outdated, failing to address the variety of needs of customers. That’s why a digital configurator that allows customers to build their own plan can be very attractive for customers who want to pay for only what they need. As an example, KPN has built a solid and user-friendly digital configurator that serves this purpose.
- 4. Increased simplicity with fewer rules and conditions:** Historically operators have tried to maximize their revenues with extra recurring fees, lock-in fees or other T&Cs, frustrating customers and losing their trust. Operators can change the paradigm and create an angle for differentiation and market disruption. This was the foundation of T-Mobile’s highly successful “Uncarrier” campaigns in the USA (2013-2022), which included customer-friendly policies such as the elimination of hidden fees and price locks.

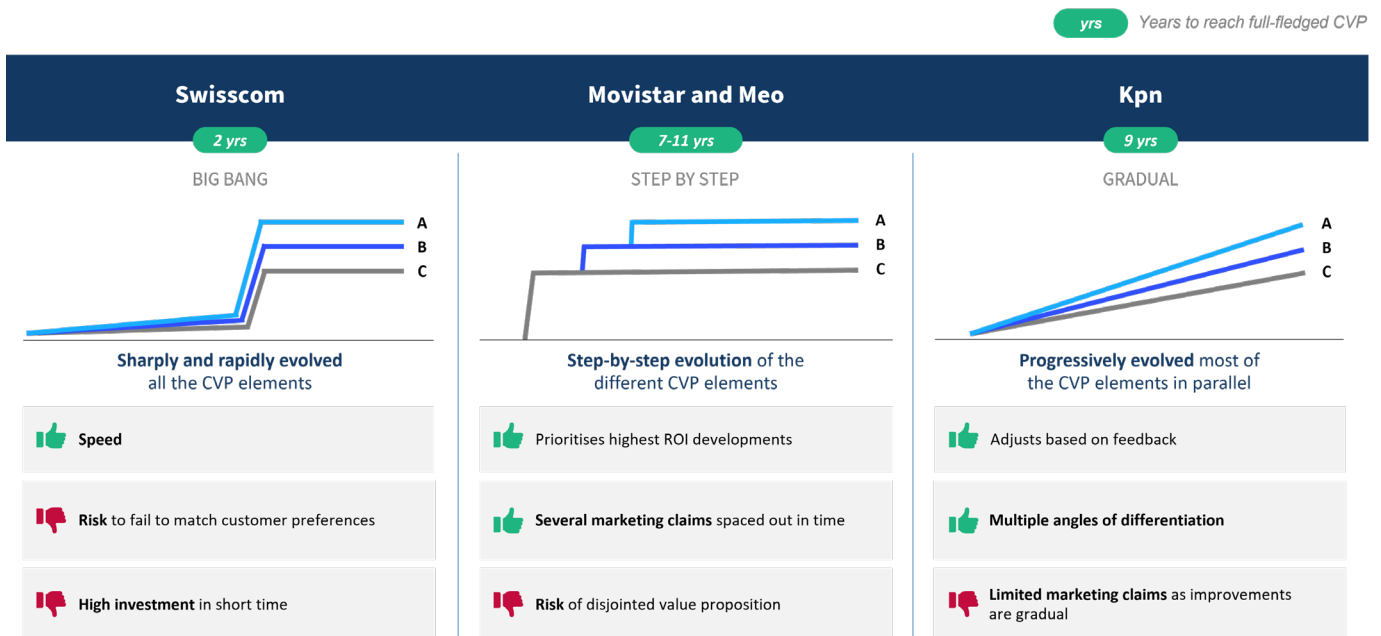
Rome was not built in a day

A truly differential value proposition cannot be built in a day. Implementation will be complex and full of challenges, and it requires a well-thought-out roadmap with a prioritization logic that goes beyond the usual trade-off between commercial value and technical effort. Given this is a long-term roadmap, mid-term commercial needs become very relevant in the prioritization. For example, an operator might need to prioritize a truly convergent offering to defend from an aggressive mobile-only competitor. Another important aspect to consider is the interdependencies among CVP

dimensions; for example, packaging personalization does not add much value if the operator has not developed a broad-enough range of options across different services.

Besides prioritization, another key aspect to define in the roadmap is the timing to release each of the elements in the market, depending on commercial needs and technology constraints. For example, Swisscom followed a “big bang” approach with a new proposition that brought major breakthroughs across many dimensions in one go, while KPN followed a very gradual approach wherein the different dimensions have slowly evolved over time.

FIGURE 4: APPROACHES TO PHASE CVP BUILD-UP



Conclusion

Evolving customer needs offer fresh opportunities for telecom operators to differentiate themselves in the market and escape from commoditization and price wars. However, an incremental approach to improving the commercial proposition is no longer enough.

Instead, Telcos need to break with past CVP constructs and consider a three- to five-year view to define and implement a new “Customer Value Proposition North Star” through a structured approach that fosters innovation and aligns efforts with specific target customer segments.

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