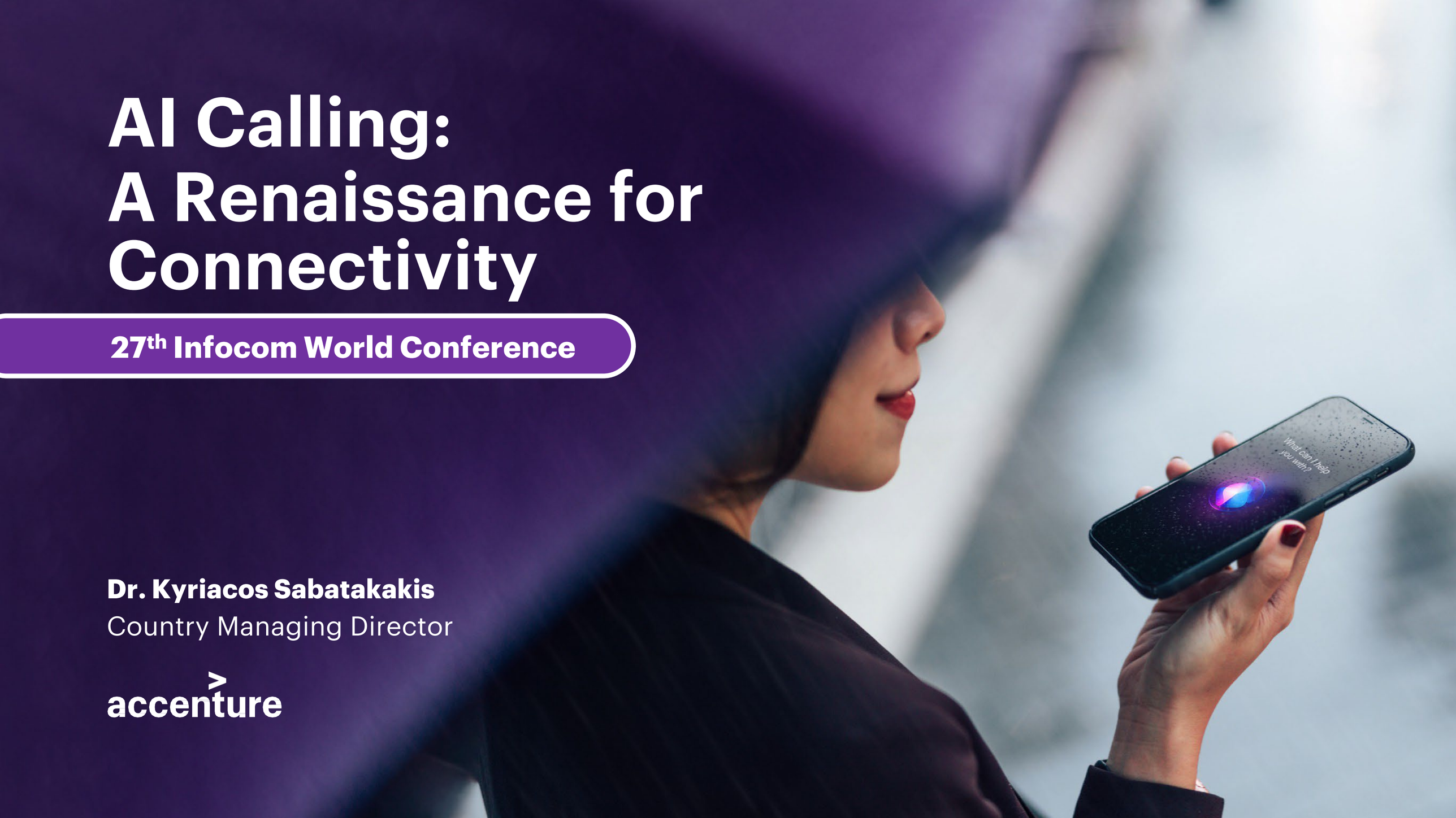
# AI Calling: A Renaissance for Connectivity

**27th Infocom World Conference**




**Dr. Kyriacos Sabatakakis**
Country Managing Director

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# The comms industry is caught in a cycle of value erosion

Over the last decade, the telecoms industry has faced stagnant growth, particularly in mature economies. Telcos' major investments in fiber and 5G have failed to deliver expected returns, thanks to market saturation, intense competition, regulation and all-you-can-eat service offers. And despite achieving significant cost efficiencies, margins remain under pressure.

This financial situation has restricted the industry's capacity to invest in new growth areas. As a result, telcos' multiples have been low compared to some of their adjacent peers.

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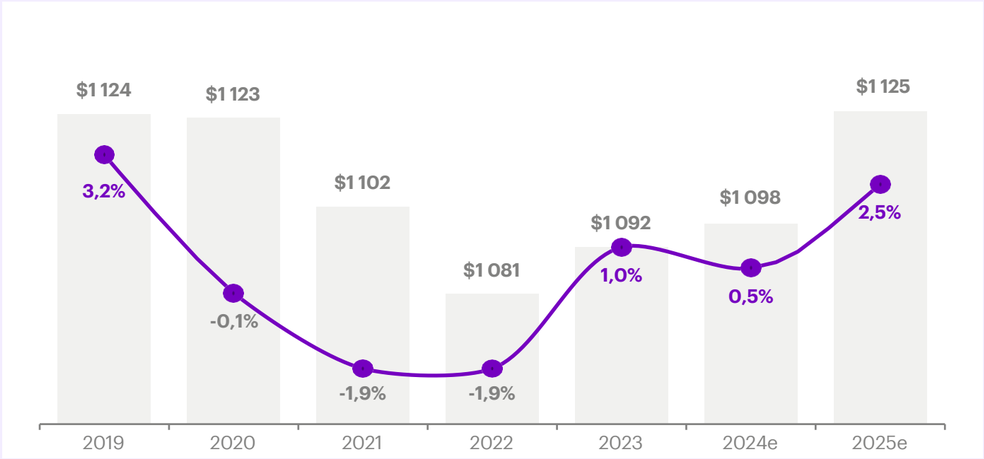
# The growth outlook for the communications industry remains flat, except for emerging markets.

Industry growth continues to be challenged despite some telcos recently raising prices. These **increases are expected to be short-lived**, not least because new, low-cost competitors are being drawn into the market.

While growth in mature markets remains subdued, **emerging markets show stronger prospects**, driven by rising smartphone penetration and data usage.

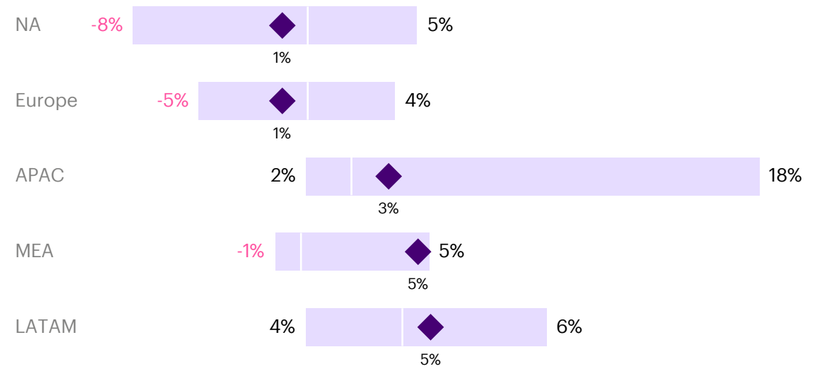
## Global comms revenue ($ Bn) and YoY growth rate
(top 36 telcos selected globally)




**Historical CAGR (2019-23):**
**-0.7%**

**Projected CAGR (2023-25e):**
**+1.5%**

## Revenue growth forecast range by region (2023-25e)
(growth in local currency)




◆ **Represents median for the region**

Source: CAPIQ, Accenture Analysis. Count : NA – 8, Europe - 13, APAC – 10, MEA – 3, LATAM – 2, Global – 36; Global data adjusted for parent-subsidiary companies.

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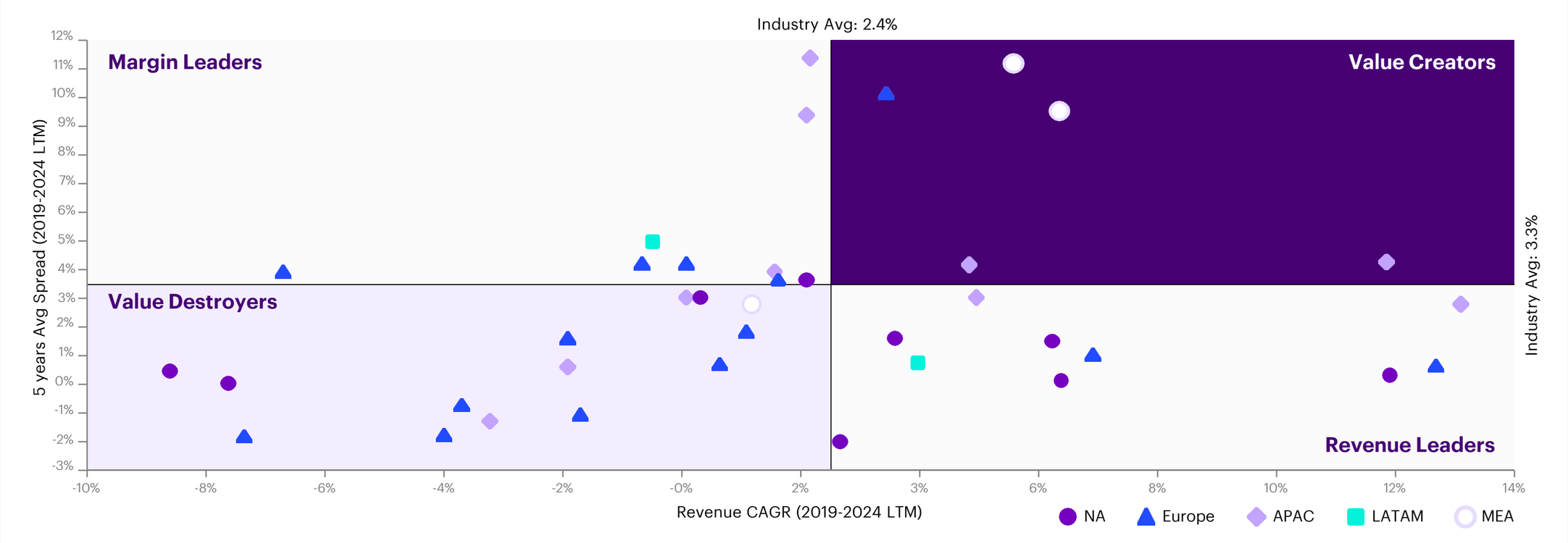
# Many CSPs are not returning the cost of their capital, with only a few being value accretive.

European telcos dominate the Value Destroyers quadrant. Asia-Pacific and Middle East & Africa operators dominate the Value Creators quadrant. North American telcos dominate the Revenue Leader category.

## Value Creation Analysis – Selected Telcos




Source: S&P Global Capital IQ. 38 Companies in analysis. Spread = ROIC minus WACC.

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# The new tech order: networks, digital core, AI

Despite these challenges, a new opportunity emerges in the Telecom-Software-Platform-Cloud-High Tech value chain.

Thanks to AI proliferation and sovereignty trends, new value will be generated and redistributed, offering telcos an opportunity to play a bigger role in the emerging AI economy.

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## Building a digital core

Deploy a digital core architecture, designed by AI, that can improve customer experience and time-to-market, reduce tech debt and open up new business models.

In parallel, use AI as an agent to prompt and extract from the old systems what's needed to enable the new—which will be the next generation of decoupling—leveraging ODA, but accelerating with AI.

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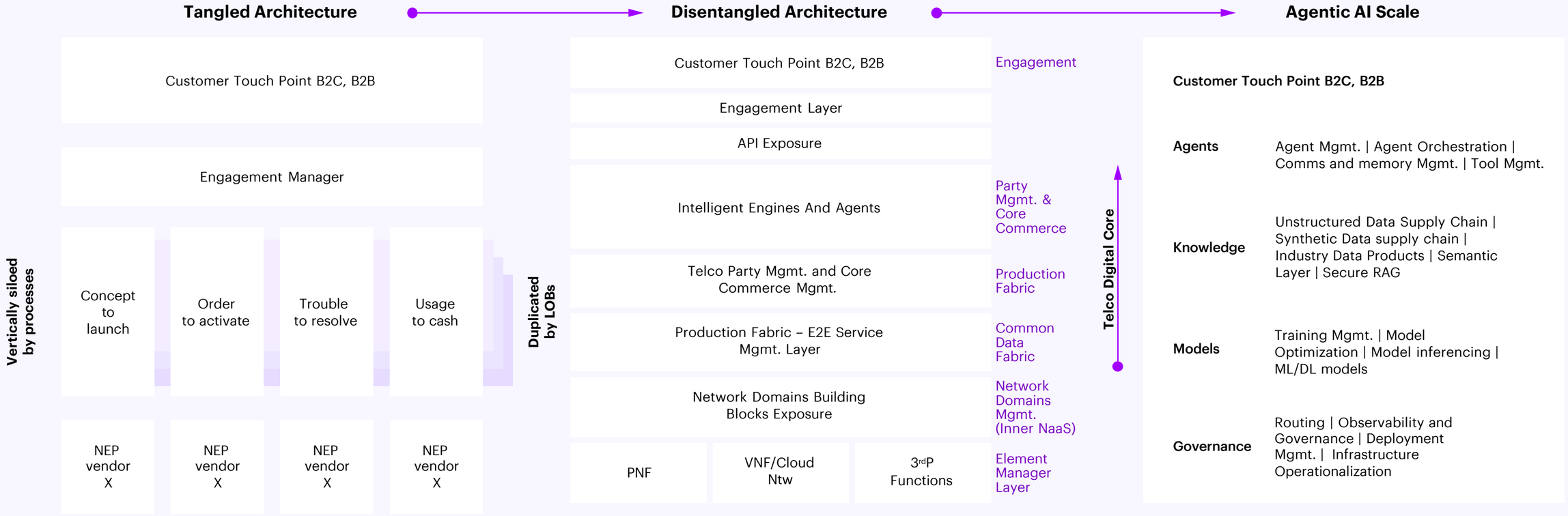
# Building a digital core allows telcos to meet the urgent need to disentangle architecture with AI, treating services as 'apps', and decoupling them from infrastructure complexity.




**Industry standards like ODA** are trying to help solve a part of this problem, but their applicability may be more effective in case of customer engagement and the move to greenfield/2nd digital brands

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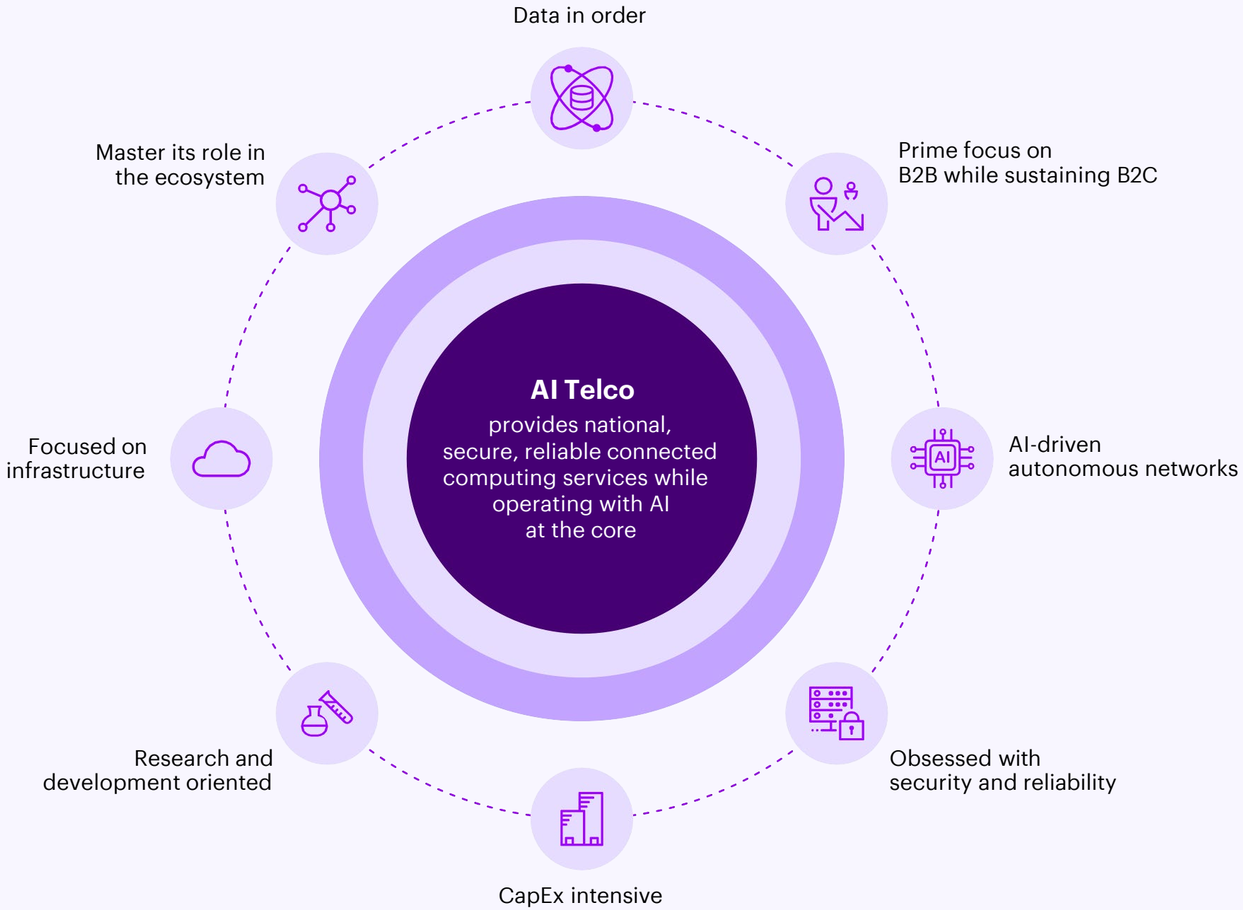
# The question is: what is an AI telco and how can today's telcos become one?

To operate as AI businesses, telcos need to understand how their customers will use AI to solve real-world problems and determine what data and resources they can securely and responsibly provide to support these solutions.

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# Unlocking new growth models: B2B connected infrastructure platform

Committing to modern networks, a digital core and becoming an AI company allows telcos to seize fast-emerging market opportunities.

A metered charging model combining infra-connectivity-cloud-edge-services and AI continuum for B2B, could entail revising the capital allocation strategy of the telco (e.g., data centers).

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# With exponentially growing AI demand and the enterprise need for secure, highly reliable and local connectivity, compute and data, there's a new opportunity to capture a bigger share in the B2B infra-connectivity-cloud-edge-AI continuum.

## Enterprise Local Connected Infra demand

### Digitalization agenda

Enterprises, mid-market and small business segments **seek trusted local partners for cloud migration, ICT, managed services,** and **local tech support**.

### Security and protection

Government and private sectors need high security standards to **protect critical data within national borders** while balancing cost.

### Uncertainty and future proofness

Geopolitical **instability** and potential policy changes, specifically for regulated and critical sectors, are shifting the focus towards local trusted partners.

## Enterprise Connected Edge demand

### Computing capacity for AI

Enterprises need growing GPU capacity to sustain their growing AI needs. When related to critical operations, they require **low latency and enhanced security at the edge**.

### Real-time processing

Enterprises need Edge offerings to achieve lower **latency for real-time processing** and to reduce bandwidth costs by **processing data closer to the source. Increasing data center demand from (Gen) AI**.

**84%** of surveyed organizations say European Union regulations have had a meaningful impact on their data handling policies and architectures.

**137** Countries worldwide have enacted specific data protection and sovereignty laws.

Source: https://www.accenture.com/ch-en/insights/cloud/sovereign-cloud

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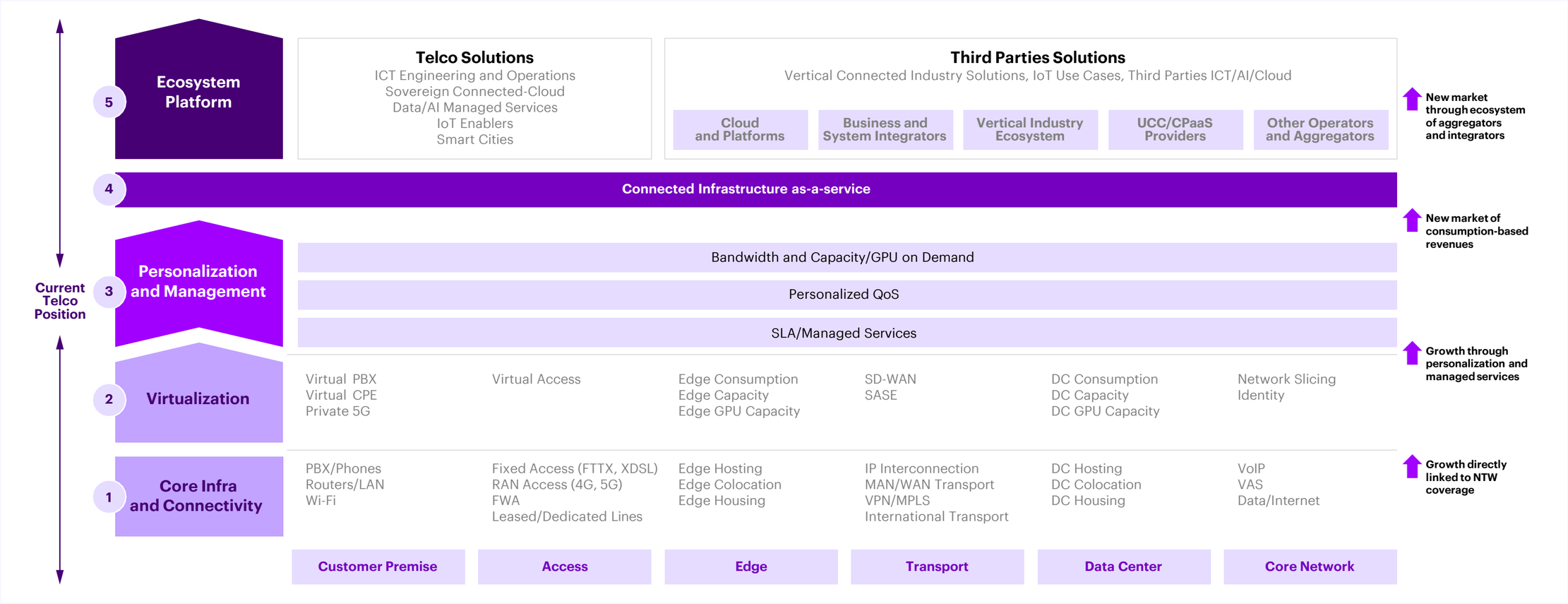
# The road to a Connected Infrastructure Platform requires a range of capabilities to grow the core, while building the foundation for the future

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# Unlocking new growth models: B2C

In B2C, telcos need to start by balancing the loyalty equation by going beyond trust to master experience and engagement – and to do so in a financially sustainable way that allows telcos to charge a premium for these services. This is a prerequisite to seizing two new opportunities:

1. A “Community Networks Premium” business model that opens up new growth channels (brand/influencers) to access their millions of like-minded followers who are willing to pay a premium for the badge effect.
2. An “AI Aggregation” play that entails providing integrated and aggregated AI services that make the consumer’s life convenient and secure.

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# What is the 'Community Networks Premium' model?

Tapping into this new marketing opportunity changes how consumers will interact and buy from brands:

1. CSPs can open new **"Growth Channels" (big brands/influencers/creators)**, accessing their **large communities**.
2. The **"Badge effect"** associated with these channels, coupled with exclusive curated products (core + ecosystem) and customer friendly experiences, allow telcos to charge a premium.

| New Consumer Marketing | **Telco**<br>**Connectivity**<br>+ Digital services | **Digital Services Ecosystem** | **Growth Channels**<br>Brand X/Influencer X/Creator X | **Consumer Cohort 1 (XXX Mn)**<br>**Consumer Cohort 2 (XXX Mn)**<br>**Consumer Cohort #** |
|---|---|---|---|---|
| **Give** | Connectivity + Services + Open platform | Digital Services, Discounts | Growth channels that allow access to large and loyal segmented base | $ Premium for badge buy services |
| **Get** | Volume (#) and Value (Premium) | GMV/commissions on adjacent services | White labeled services, Revenue share models | • Shared experiences<br>• Exclusivity<br>• Ease of buying and using<br>• Rewards program |

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# What does it mean to be a 'Consumer AI Aggregator'?

Leveraging the rise of consumer AI, telcos can provide integrated AI services that make the consumer's life convenient and secure:

1. Become an AI services aggregator for the consumer, starting with embedding AI assistants in the core app that are beyond just service bots, but true conversational assistants that can **interact, recommend and action consumer asks**.
2. These can then be supplemented by **new AI-powered** services that can be provided to the customer in **freemium models e.g., translation, spam protection, image generation, etc.**
3. Some operators can then expand beyond services into AI devices that help them increase acquisition or target specific segments.

| AI Aggregation journey | | 1 AI Assistance | 2 AI Services | 3 AI Devices |
|---|---|---|---|---|
| | | AI assistants in the App | Adjacent AI/digital services via ecosystem partnerships | AI native devices (e.g., smartphones) |
| Telco value exchange | **Give** | Applications/services embedded with an AI assistant to streamline a consumer's daily digital life | Work with the ecosystem to curate new/engaging and relevant AI powered services | A device with deep integration of AI in the core functionality |
| | **Get** | NPS+, XUS, commissions on recommendations | GMV/commissions on adjacent services | New acquisitions/device sales |

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# Consider a delayered operating model

The current economics of most telcos cannot sustain the move towards these reformed business models.

Delayering enables them to unlock the trapped value in the integrated whole by following a specialized strategy for each layer of the business.

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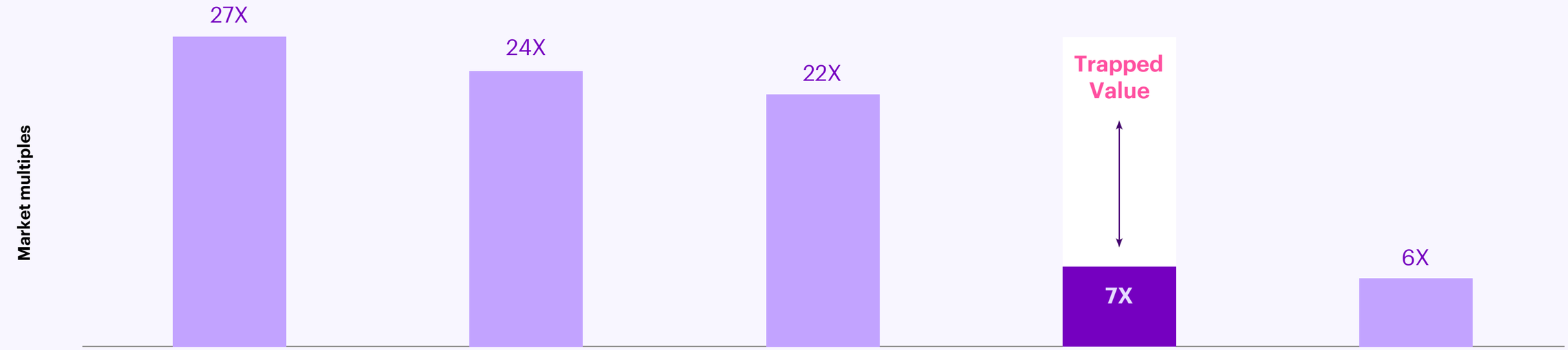
# There is trapped value in today's vertically integrated business, implying that the value of the whole is much smaller than the sum of the parts.

EV / EBITDA Multiple




**Infra**

- **Stable** long-term revenues appeal to **institutional investors** such as pension funds
- Strong demand for infra supporting **AI, Cloud, 5G, 6G**

**Tower co**

- **Predictable, long-term** lease revenue from **multi-tenant** contracts
- Rising demand from **5G densification** and edge computing requirements

**Digital Platforms**

- **Recurring** revenue streams with large **customer base**
- Global reach enables **scalability** with low marginal costs

**Comms**

- **Commoditization of** connectivity services
- **Capital intensive model** limits reinvestment in new growth areas
- **High competition**
- **Complex regulations** for M&A and consolidation

**NEPs**

- **Technological disruption** – shift towards software-defined solutions
- **High competition** in a commoditized market

Factors influencing multiples

Source: Company Financial Reports, S&P Capital IQ

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# Telcos can adopt a delayered model with a specialized strategy for each part of their business, generating greater agility and value.

## Vertically Integrated CSP

- **Consolidates** all telecom services under a **single, unified entity**
- Provides **end-to-end control** across all layers of operations
- Faces challenges such as **operational complexity, diluted management focus, rigid cost structures, and limited flexibility** to adapt to market changes

Vertically Integrated Model

**Services**

**Network**

**Infra**

**Support**

Operates as a single entity, combining all layers–Services, Network, Infrastructure, and Support–under centralized control

Emphasizes internal alignment but often leads to inefficiencies, with complex structures limiting agility and adaptability

Each layer is interdependent, focusing on serving the parent organization

## Delayered CSP

- Segments operations into **specialized entities or business** units, each focused on a distinct part of the business
- Enables **specialization and agility** with clear distinction of **strategy, capital allocation, performance metrics and talent for each layer**

**ServCo** — Customer experience focused entity (B2C, B2B) driving revenue growth via marketing and sales

**PlatformCo** — Innovates, develops and orchestrates products and solutions (e.g., digital services)

**NetCo** — Network-as-a-Service (NaaS) provider also enabling asset-based and AI-powered (B2B) models

**InfraCo** — Passive infra entity owning data centers, towers, dark fiber, etc. with steady stream of multi-tenant revenue, focusing on rent, facility and energy management

**SupportCo** — Captive shared service centers enabling economies of scale and cost efficiency and operating on a global scale

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# Thank you!

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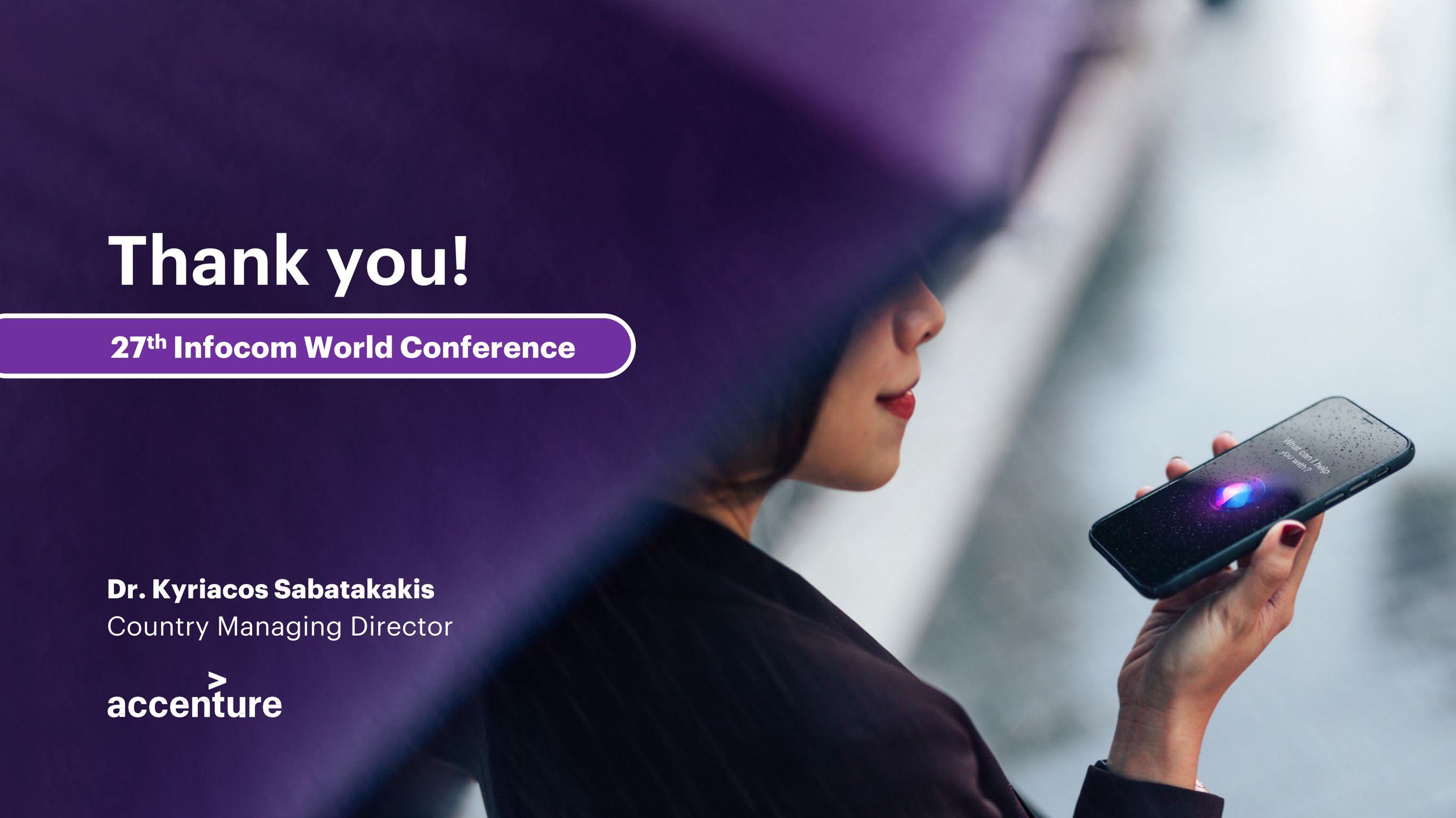


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