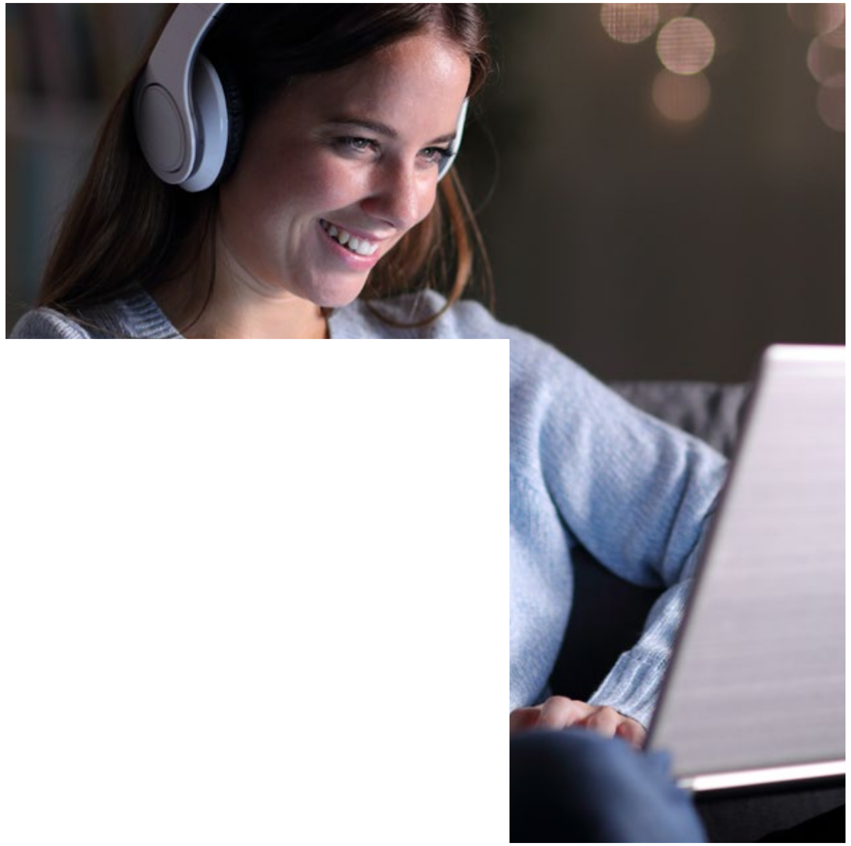
2021 CGI VOICE OF OUR CLIENTS

Communications & media



While we see continued convergence in the communications and media industry, we also see growing divergence in business strategies in response to hyper-competitive pressures.

Read on for more insights into executives' top trends and priorities, along with recommendations for key actions they can take now transform to become more business-flexible, cost-effective digital service providers that can deliver an increasing number of new services at pace and scale.

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Competition drives business model specialization

Globally, while we see continued convergence in the communications and media industry, we also see growing divergence in business strategies in response to hyper-competitive pressures. Evolving strategies and business models range from concentration on content and media to emphasis on Internet of Things (IoT) to expansion into information technology, and more.

The next sea change will be capitalizing on cloud, 5G, edge computing and IoT advancements, along with a refocus from consumer-based markets to large enterprise services, which account for over 70% of the sector's 8% growth. At the same time, support for remote working accelerates the need for secure and highly automated self-services and field-services.

Additionally, providers must reduce the technical debt that consumes an estimated 40% of IT budgets. Top enablers to reduce this technical debt include: automation, legacy modernization, cloud migration, DevOps, open APIs, edge computing, 5G, fiber-to-the-home/business, IoT and on-demand networks. These enablers help to reduce costs and create platforms for delivering new services at speed.

Being at the epicenter of digital communications requires further safeguarding of access, systems and infrastructure and improving data governance and protection. This is particularly important with data at the heart of everything from intelligent automation to developing innovative apps to generate new revenue, and to understanding customer behavior to create new products and services and get the right content to the right users.

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders. This report summarizes the trends and priorities from our discussions with 87 communications and media executives, along with recommendations for how to transform to become a more business-flexible, cost-effective digital service provider that can deliver an increasing number of new partner services with speed.

About the insights

In 2021, we met with 1,695 business and IT executives. This summary shares sample insights from 87 communications and media industry client executives. This market sector includes communication service providers, which typically are a combination of telecommunications companies with media companies (or divisions). This in turn includes media information, content, entertainment and application services providers over broadcast and two-way networks.

Interview demographics

52% Business leaders	**48%** IT leaders
37% C-level	**63%** Ops-level

Over the past 6 years through the CGI Voice of Our Clients program, we've held 7,470 client discussions, collecting 1 million data points across the industries and geographies we serve. Our anonymized benchmarking data reflects insights from 5,500 client organizations located in countries representing 68% of the world's IT spend across all economic sectors.

Top trends and priorities

Top trends and priorities for communications and media executives remain largely consistent year-over-year with a continued focus on digital transformation, investing in networks, new products and services, improving the customer experience and embracing new IT delivery models.

Communications

Top trends

1. Becoming digital organizations to meet customer expectations
2. Increased investment in network
3. Increasing investments in new products and services to accelerate growth

Top business priorities

1. Improve the customer experience
2. Develop new, convergent offerings, product bundles and digital services
3. Optimize todays operations

Media

Top trends

1. Becoming digital organizations to meet customer expectations
2. Increased investment in network
3. Assuring regulatory compliance

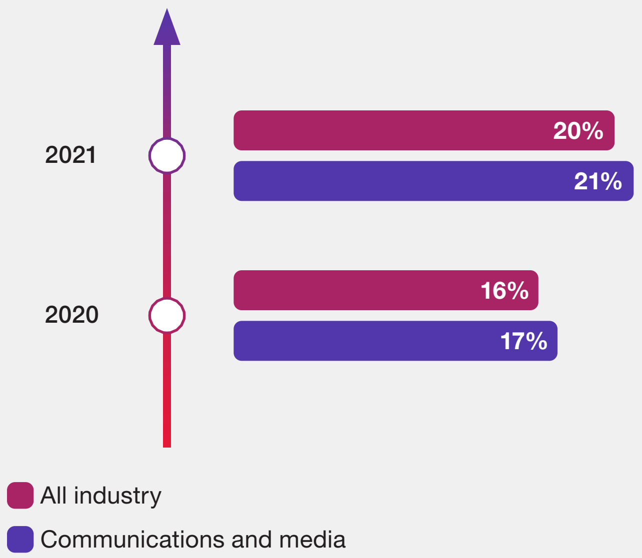
Top business priorities

1. Develop new convergent offerings, product bundles and digital services
2. Improve the customer experience
3. Harness the power of data analytics (get real-time insights)

Top insights for communications and media

Communications and media companies use digital strategies as a method to deliver new and cost-effective services, faster, to compete in a hyper competitive market. These strategies are designed to generate new revenues, increase profitability and improve customer experiences. Appropriately, digital strategies are in focus for this year's top insights.

Clients *producing results* from digital strategies



1 More executives say their digital strategies are producing results.

94% cite having a defined digital strategy while 40% say their strategy extends to their partner/supplier ecosystem. 21% say their strategies are producing results — just above the all-industry average and a rise from 17% in 2020.

2 Digitization impacts business models.

90% say they are evolving their business models as a result of digitization.

3 Legacy systems hinder digital progress.

74% say legacy systems pose a challenge* to successful implementation of their digital strategy.

4 Cybersecurity is an ongoing concern.

81% cite protecting through cybersecurity as a top IT priority. 90% view security training and awareness as the top cybersecurity program element.

* score of 6–10, with 10 very challenging

5 Application modernization and cloud migration are in focus.

70% plan to modernize at least 21% of their organization's applications portfolio in the next 2 years and 60% are planning to migrate at least 21% of their applications to the cloud.

6 Innovation plans focus on new offers, agile IT and analytics.

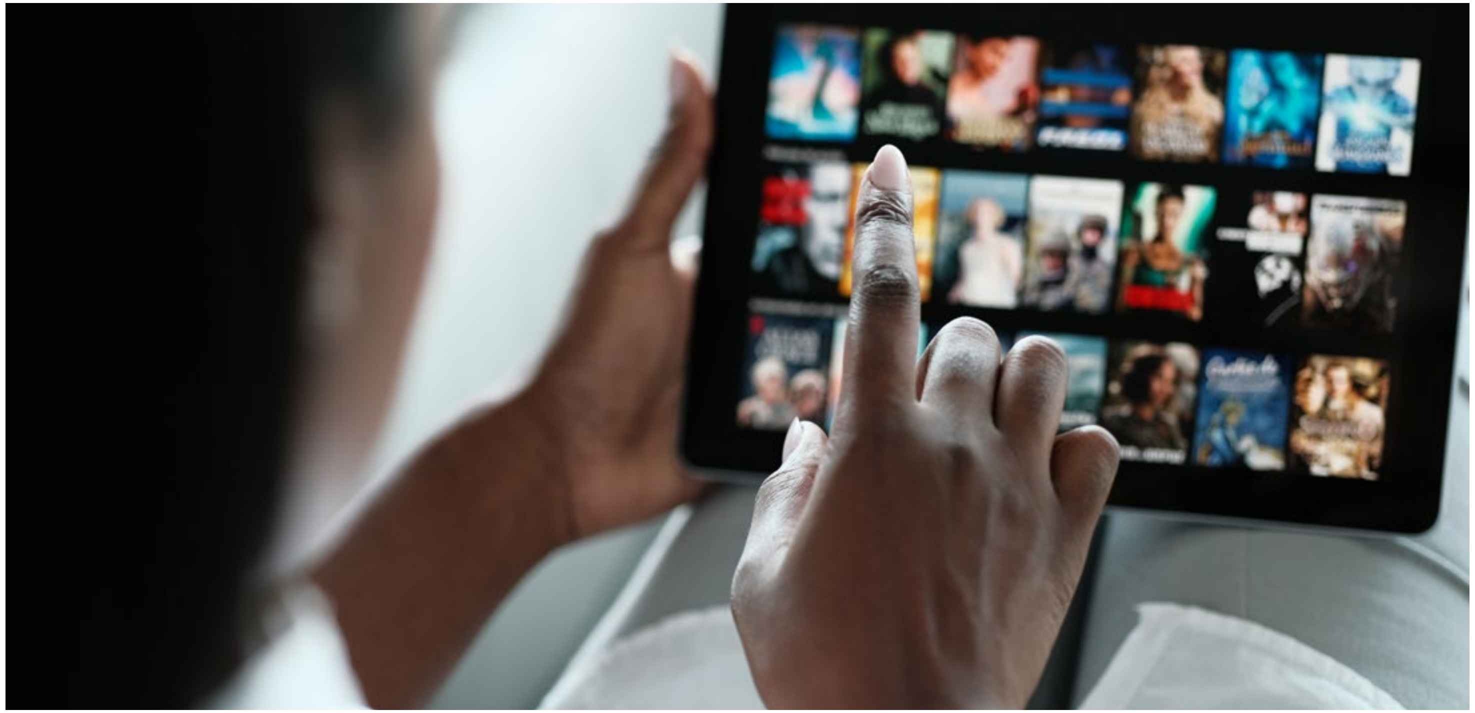
Top areas for innovation investment in the next 3 years include developing new offers/accelerate time to market (92%), agile IT delivery and infrastructure (78%), data and predictive analytics (79%).

7 Automation tops digital initiatives.

79% cite automation and/or use of robotics as their top digitization initiative, followed by omni-channel customer experience management (81%).

8 Few see their IT supply chain agility as high.

Only 23% rate the agility of their IT supply chain as very high (8–10 with 10 high). At the same time, 32% say the complexity of the IT supply chain poses a high degree of challenge to implementing their IT priorities.



Digital leaders in communications and media

Digital leaders are communications and media companies with defined digital strategies in place and producing expected benefits from those strategies. This year, 21% of executives we interviewed report they are producing results from their digital strategies. Of these digital leaders, some common attributes emerge. The table compares responses to questions from the digital leaders to those whose organizations are still building or launching digital strategies.

Common attributes of digital leaders	Executives producing results from digital strategies	Executives building or launching digital strategies
Better align IT and business priorities	**60%**	50%
Are more aware of local data privacy laws	**92%**	71%
Run a more secure IT environment	**60%**	53%
Modernize more of their applications	**64%**	55%

5 recommendations for achieving your top priorities

From our perspective, the communications and media industry must solve five critical problems that are driving their business strategies:

- Replace billions of lost revenues as customers move away from traditional services such as home phone, long distance, SMS text messaging and linear TV
- Reduce costs up to 10× to compete with new over-the-top (OTP), all-digital service providers
- Eliminate customer churn through service differentiation and new relevant services, at competitive prices
- Increase the speed of new product introduction by, from months to days
- Drive the next generation of self service for the digital-savvy consumer with all configurations available on-demand, anytime, anywhere, on any device

This year's Voice of Our Clients insights, reflecting these critical problems, underpin our recommendations to achieve your top priorities:

1 **Evolve digital strategies with new models and offers to be relevant in a changing market.** To replace lost revenues, and as digital enablement and customer expectations accelerate, executives must constantly evolve their digital strategies. They are moving from yesterday's automated processes (e.g., same-day ordering and self-serve), to today's demands (e.g., curbside pickups and self-installation).

Whether evolving their business models, innovating new platforms or driving speed to market, ecosystem partners will play a larger role in accelerating new services and key initiatives.

The communications ecosystem expanded substantially with remote working, increasing both usage, connections and security risks (the latter rising 71% globally). Such threats have risen constantly since BT announced a 1,000% rise in threats via TM Forum in 2016. Service providers must secure the extended ecosystem and also provide valuable security services to their networks, looking to third parties to offer services such as customer identity and access management, privileged access management, user behavior analytics, etc. This is an increasingly growing evolution, opportunity and responsibility.

2 **Use cloud as enabler to reduce costs.** Pure digital players operate at a fraction of the cost base of traditional players. In efforts to reduce costs exponentially, this year more than ever, communications providers are looking at cloud solutions both to change their models and to enable the right use cases for cloud. Providers can deliver cost-effective services using cloud site reliability engineering with DevOps to drive higher automation in the right cloud-ready applications. Migrating large numbers of such applications to the cloud can reduce capital costs significantly for new services and reduce operating costs for support.

Case in point:

Helping a communications service provider simplify, automate and cloudify

As part of a holistic digital transformation program for a leading communications service provider, we partnered with the client to modernize their core network as well as the access network technology (cloud-native, fiber wireline and 5G wireless). The focus was to simplify, automate and cloudify operations with a network cloud and edge computing platform. These efforts enabled 10× scalability to drive new revenue streams and better understanding of the customer experience. On the IT side, we helped the client transform to a single IT stack, reducing complexity, increasing flow-through automation and supporting near-real-time operations.

3 **Unlock data for the right offer to the right customer at the right time, to reduce churn.** Losing customers faster than adding them is never sustainable. To eliminate churn, providers must achieve effective service differentiation and new relevant services — delivered at competitive prices. In other words, get the right offer, to the right customer at the right time. This requires being able to extract insights from huge volumes of data to proactively provide the next best action to customers.

4 **Tap partners to rapidly meet customer needs with new digital platforms.** Getting to market 10× faster with new digital services is key to success. But communications providers cannot create all the new services themselves. They need to partner effectively to be part of the value chain. This requires improving business agility with digital platforms to onramp partners that offer value-added apps, content, security, communications and entertainment services (adding them quickly to product catalogs, and integrating for immediate fulfilment and activation and monthly billing). The right partners and new agile digital platforms will help communications providers compete with OTP providers who are overtaking value-add services.

Case in point:

Transforming systems to improve agility and speed to market

This major telecom company needed to improve agility and speed to market by transforming numerous systems. We worked with the client to simplify their order-to-cash process, eliminate legacy applications, provide end-to-end order orchestration, and migrate and consolidate billing systems. In doing so, the client cut time to market from months to days, reduced new launch costs and operational costs, created zero-touch flows for better user experiences, enabled new revenues and lowered customer churn.

5 **Create a compelling digital experience.** Customer experiences are evolving at an accelerated pace. Driving the next generation of digital experiences for the digital-savvy consumer requires effective understanding and optimization of the customer journey. A compelling digital experience includes enabling the customer to create and update all service configurations on-demand at anytime, anywhere and on any device. These digital experiences not only are a preferred customer channel, but also are cost effective. The drivers for a better experience and minimizing costs are why communication providers are moving toward 80% digital transactions.

Case in point:

Optimizing customer experiences through journey mapping

For a large communications provider seeking to improve customer experiences, our experts mapped current processes and customer journeys and then optimized those journeys across multiple channels. The team also enhanced the self-serve portal platform, IVR, call center systems and business support systems. Results include faster rate of first contact resolution, better customer experiences with quick problem resolution, and lower customer churn. In addition, employee experiences improved by giving customer service representatives more comprehensive information about the customer journey.

About CGI

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 80,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

For a complete set of the CGI Voice of Our Clients industry insights, and to consult with one of our experts, please visit cgi.com/voice-of-our-clients or contact us at info@cgi.com.