

21st CEO Survey

Telecom leaders maintain optimism

Key findings from the Telecommunications industry



Contents



4

A continued positive outlook...



6

...But digitisation is prompting a greater reliance on outside help



9

Other threats remain, though less pronounced

12 Conclusion

13 21st CEO Survey Methodology

14 PwC industry contacts

Introduction

Despite the rising threat of digital disruption, telecommunications leaders remain remarkably optimistic about the near future, according to the findings of PwC's 21st CEO survey. They're positive about the world economy as well as their own companies. Even as they invest in automation, they expect their workforces to expand. And while threats such as cyberattacks and renewed regulation from populist governments are in the background, CEOs report that these threats are manageable for now.

For this report, we defined telecommunications companies as those that manage the channels delivering messages, information, and entertainment. These are the wireless and traditional telephone providers, as well as cable television distributors and internet providers. As for the burgeoning number of companies that use the internet for connecting to customers, PwC classifies most of them as “technology” companies. (See Key findings from the Technology industry.)



Thomas Tandetzki
Global Telecom and TMT Assurance Leader,
PwC Germany

01

A continued positive outlook...

More than half of telecom CEOs, 57%, say they think global economic growth will improve in 2018, and only 5% expect a decline. As it turned out, 2017 was a banner year for global growth, so further improvement would mean quite a good year indeed. And while the telecom CEOs registered more optimism last year than the CEOs overall, this year the other industry leaders have caught up, with 57% expressing optimism about global growth and only 5% expecting a decline, in line with the telecom CEOs' responses.

Moving to their own companies, 90% of telecom leaders say they are somewhat or very confident about growth prospects for 2018, and likewise over the next three years (see exhibit 1). Their confidence matches the overall survey group.

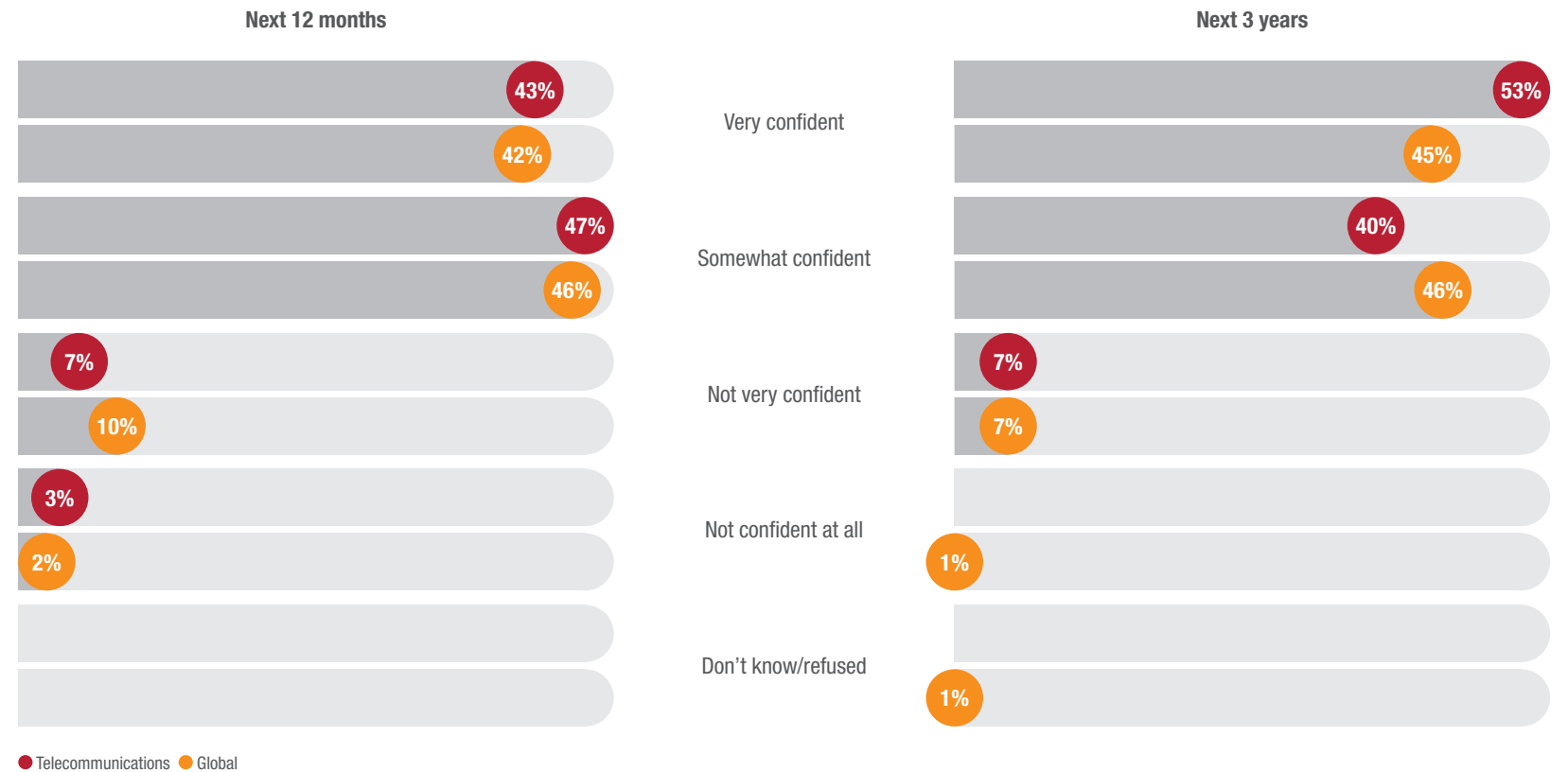
That confidence extends to hiring. Even as telecom companies are investing in automation, 60% of CEOs report that they expect to expand their workforces, while 22% foresee a decrease.

This confidence does come with an asterisk. Close to half of the leaders, 43%, were extremely concerned about uncertainty in economic growth – a jump from last year, when only 28% were extremely concerned. The prospects for these giant companies are closely tied to macroeconomic conditions, so they have more to lose from uncertainty than other industries. That's a change from previous recessions, when the industry was non-cyclical as customers saw telecommunications as a basic utility.

Exhibit 1

Telecom CEOs remain confident about growth

Q How confident are you about your company's prospects for revenue growth over the next 12 months and next 3 years?

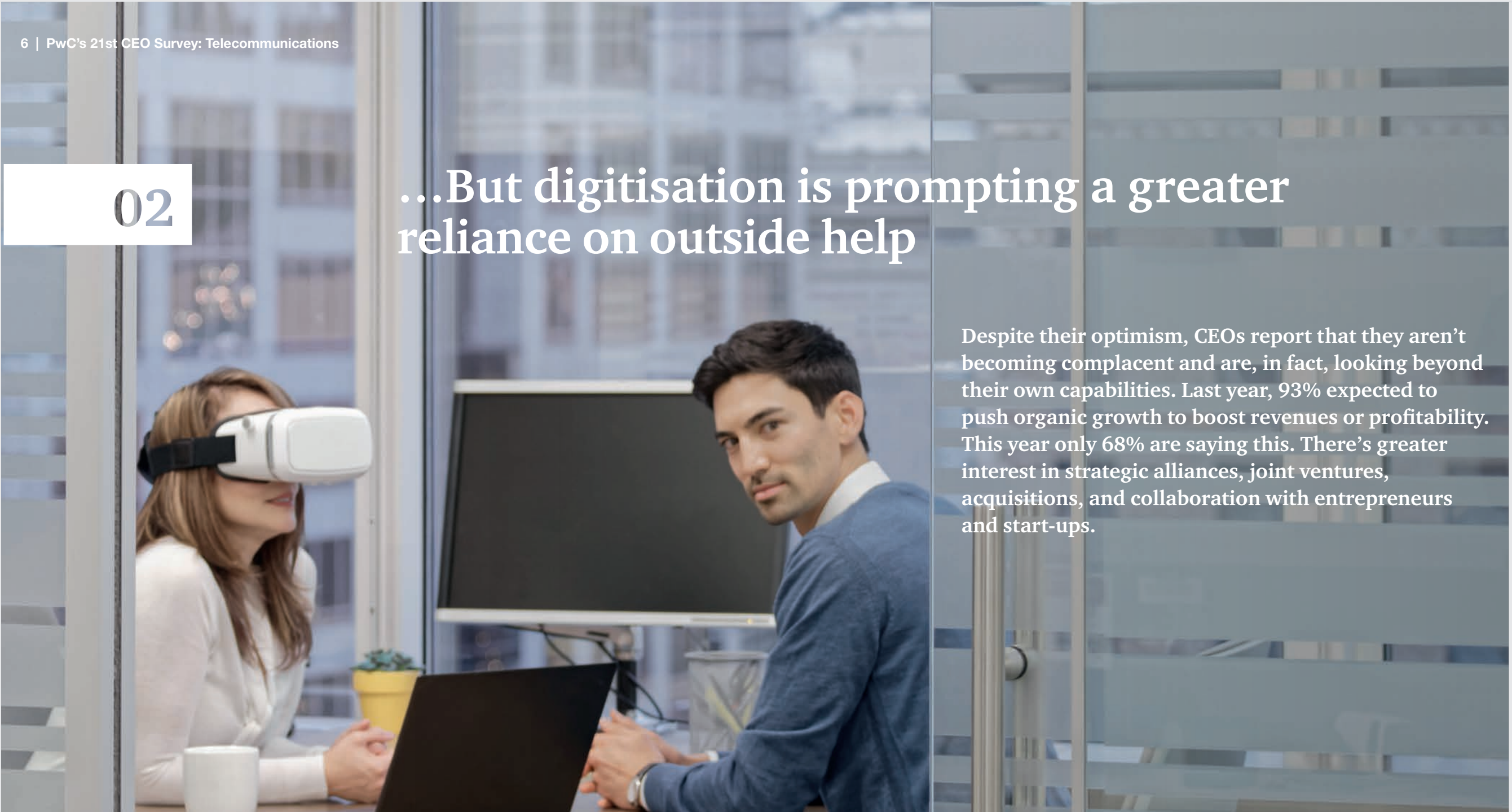


Source: PwC, 21st Annual Global CEO Survey. Base: Telecommunications respondents.

02

...But digitisation is prompting a greater reliance on outside help

Despite their optimism, CEOs report that they aren't becoming complacent and are, in fact, looking beyond their own capabilities. Last year, 93% expected to push organic growth to boost revenues or profitability. This year only 68% are saying this. There's greater interest in strategic alliances, joint ventures, acquisitions, and collaboration with entrepreneurs and start-ups.





The reason is apparent: the internet is increasingly disrupting conventional telecommunications markets. A large majority of leaders – 83% – expect disruption from direct and indirect competitors over the next five years. Three-quarters see disruption from changes in core technologies, customer behaviour, and industry regulation. And two-thirds see disruption from changes in distribution channels.

When asked about threats to their business, 45% were ‘extremely concerned’ about the speed of technological change, as were 35% about new market entrants (see exhibit 2). Cyber threats drew extreme concern from 45%. All of these numbers are higher than the responses for the overall cross-industry sample. Cyberattacks are especially serious for telecoms, as these firms handle not only

their own data but data for a great many other companies and customers. If telecoms can’t maintain privacy for consumers as they surf the web, then e-commerce won’t be able to fulfill its great potential.

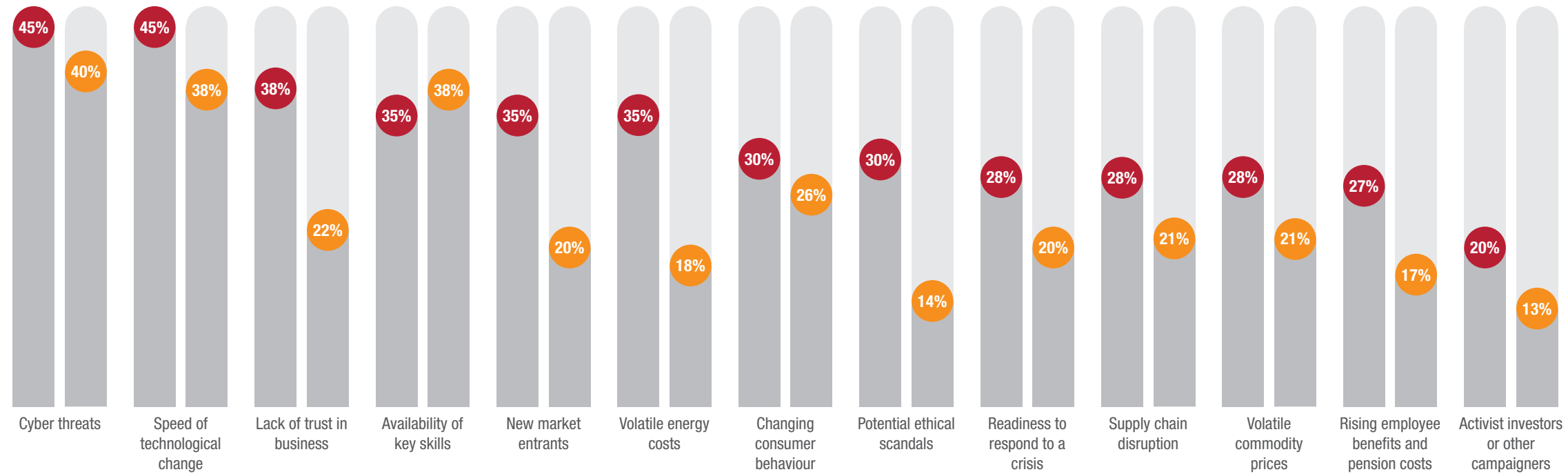
The main threat of digital disruption comes from web-based rivals on two fronts. If they work with existing telecom channels, they may use their platform power and customer relationships to extract disproportionate value. Or they might enable customers to bypass telecom channels and communicate directly on the internet. To combat this threat, telecom companies are moving beyond their long-time ‘dumb pipes’ infrastructure strategy and are moving to become purveyors of content and other services. But to get there, they need new capabilities and assets.

Exhibit 2

Telecom CEOs see business threats as manageable, for now

Q How concerned are you about the following business threats to your organisation's growth prospects?

i Chart shows percentage of respondents who stated 'Extremely concerned'



● Telecommunications ● Global

Source: PwC, 21st Annual Global CEO Survey. Base: Telecommunications respondents.

03

Other threats remain, though less pronounced

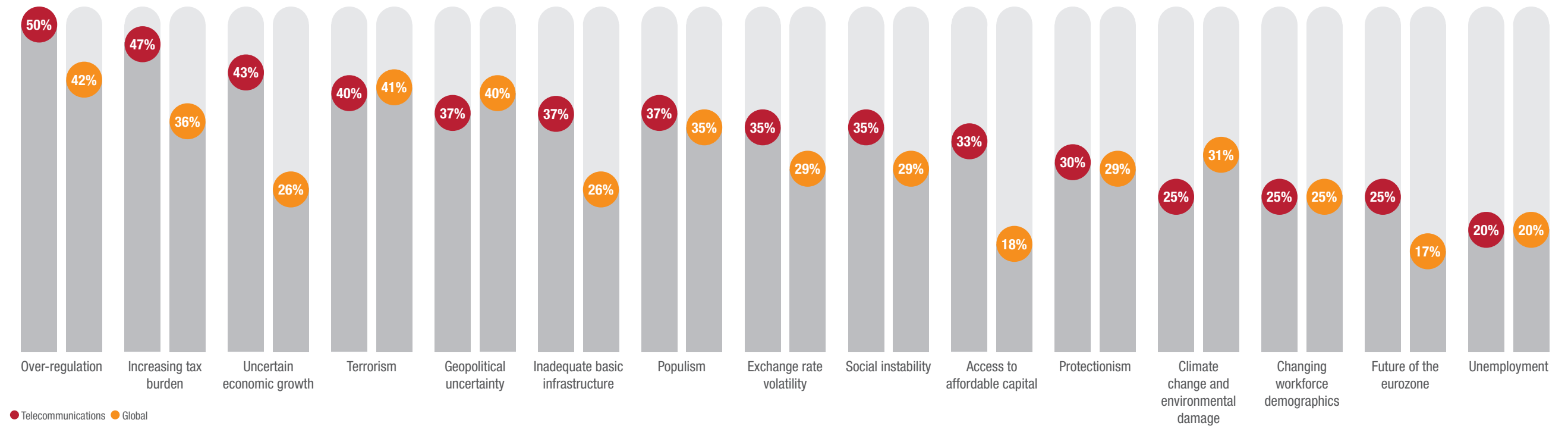
Aside from digital disruption, the survey suggests CEOs are not especially worried about dangers to their business. When asked how concerned they were about a variety of economic and social threats, none of the items drew extreme concern from a majority of the CEOs. The most pronounced areas were over-regulation (50% said they were extremely concerned), a rising tax burden (47%), and terrorism (40%). The threat of populist governments drew extreme concern from 37% of these leaders (see exhibit 3).

Exhibit 3

Over-regulation topped Telecommunication CEOs' list of concerns

Q How concerned are you about the following economic, policy, social, and environmental threats to your organisation's growth prospects?

i Chart shows percentage of respondents who stated 'Extremely concerned'



● Telecommunications ● Global

Source: PwC, 21st Annual Global CEO Survey. Base: Telecommunications respondents.

The populist movement is also apparent in CEOs' attitudes about globalisation. They continue to be bullish on the internet: only 17% said the world was moving toward restricting access to the web. But most of them said countries were moving toward regional trading blocs, with nationalism driving a resurgence in multiple rules and regulations. As international markets become limited, telecoms must partner with players elsewhere rather than expand directly to those markets. However, these developments make it easier for telecoms to protect their home base.

Meanwhile, the companies' usual organisational and corporate pressures do not seem especially pronounced. Only half of the CEOs felt rising pressure for short-term performance, below the overall survey average of 60%. And only a quarter felt a dropoff in trust from regulators, employees, and customers.

Given their concerns about digitisation, telecom CEOs would be expected to worry a lot about acquiring digital talent. Three-quarters of them were indeed concerned about the availability of digital skills. Yet 43%

said it was somewhat or very easy for them to attract digital talent, higher than the overall average of 26%. Telecoms may not have as much buzz as technology companies, but observers have pointed out that the Great Recession affected the career plans of many 'digital natives' now entering the workforce. Telecoms continue to enjoy a reputation for offering stable employment, unlike some other industries, which are also competing for digital talent.

Conclusion

Digitisation has been an ongoing challenge for telecom companies for some years now, and so far have weathered the storm remarkably well. The industry has consolidated and given up some revenue streams, while discovering others, and profitability is still strong. Digital disruption will continue to play out, and may well intensify. But it seems that telecom CEOs have greater confidence now in their companies' ability to adapt and still thrive at the end.



21st CEO Survey Methodology

In the second half of 2017, PwC conducted 2,223 quantitative surveys with CEOs based in 85 countries. Most of those surveys (77%) took place online, with the remaining by phone (11%) or by post or face-to-face (12%).

Of those 2,223 responses, 60, or 3% were from the telecommunications industry. They came from all over the world, though they were overrepresented in China with 20 respondents from that country alone.

The profile for telecommunications respondents:

- 47% had 1–5 years tenure
- 80% were male and 20% were female
- 52% were younger than 50

Their companies:

- 55% were privately owned, most commonly backed by private equity
- 27% had government ownership or backing

Notes

- The overall report on the CEO survey uses only 1,293 responses, not 2,223, in order to achieve a representative global sample.
- Not all figures add up to 100%, due to rounding and the exclusion of 'neither/nor' and 'don't know' responses.
- The base for figures is 60 (all telecommunications respondents) unless otherwise stated.

We also conducted face-to-face, in-depth interviews with CEOs and thought leaders from five continents over the fourth quarter of 2017. Their interviews can be found on our website at ceosurvey.pwc.com, where you can also explore responses by sector and location.

The research was undertaken by PwC Research, our global centre of excellence for primary research and evidence-based consulting services.

www.pwc.co.uk/pwcresearch

PwC industry contacts



Thomas Tandetzki

Global Telecommunications and TMT Assurance Leader

PwC Germany

+49 211 981 1105

thomas.tandetzki@pwc.com



Wilson Chow

Global TMT Leader

PwC China/Hong Kong

+86 755 8261 8886

wilson.wy.chow@cn.pwc.com

ceosurvey.pwc

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory, and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2018 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.