

*The Next Normal* | Video transcript

# The telecom sector in 2020 and beyond

McKinsey's Philipp Nattermann and Karolina Sauer-Sidor reflect on how the COVID-19 crisis has changed the telecom sector—and what lies ahead for telcos.



## Resilience amid crisis

**Philipp Nattermann:** The biggest impact that the COVID-19 crisis has had so far on the telecom industry has been that the industry has become ever more central to how modern society operates. Think about how many people had the need to work from home and to log into the system—videoconferencing has been booming; file sharing has been booming.

**Karolina Sauer-Sidor:** For me, public health has been one of the key examples of how telecom operators have stepped up to the challenge and supported the transition. They have supported creation of contagion heat maps. They've even partnered with organizations to create virtual clinics. The initiatives and measures that used to take months—for example, creating a partnership—are now taking just a couple of days or, maximum, a couple of weeks.



**Philipp Nattermann:** An example of great resilience from a telco in this crisis is Telecom Italia. It moved from having its call-center agents working in the physical call center, which is the only place they had ever worked, to having 3,500 call-center agents working from home. And within 72 hours, I believe, the entire group of 7,000 agents were working from home.

## Expanded services and stronger connectivity

**Karolina Sauer-Sidor:** Businesses are currently working differently, and this requires new products and a new sales-and-service model to support the digitization of multiple industries. This includes a faster shift to the cloud, as well as to an as-a-service model. We see a much greater demand for both artificial intelligence and automation services.

**Philipp Nattermann:** Increasingly, people are realizing the strong value of not just a broadband connection but a very viable, robust, and resilient broadband connection. They're willing to pay

more for fiber optics than they were before. So I think there's an opportunity to upgrade from plain old connectivity and move to 5G—consumers potentially being willing to pay a premium for 5G, almost as an insurance policy.

**Karolina Sauer-Sidor:** Operators are looking into providing an expanded set of services with higher bandwidth: educational services, entertainment services, digital-business building—for example, supporting retail customers in being able to sell online.

**Philipp Nattermann:** Given what most companies have gone through, the realization that having resilient connectivity with your employees across a wide-area footprint is increasingly important. And so I think if the telcos play this right and really define their propositions in an attractive way, this could be a very lucrative way going forward.

## What the future holds

**Karolina Sauer-Sidor:** Most importantly, we see corporate social responsibility being a must. We see that the operators are collaborating, both within the telecom industry and outside.

**Philipp Nattermann:** How do we create new applications that allow safer home working but also allow tracking and tracing of infections to limit the spread of the virus? How do we allow for more effective remote learning? How do we enable students in very remote areas to have the same level of access to high-end education as people in metropolitan areas? These types of things, I think, are potential expansion opportunities for telcos.

**Karolina Sauer-Sidor:** Fully online entertainment. Fully online education. But also things that we've never imagined before: virtual visits to museums, virtual tastings—basically, a virtual way of living that has not been possible before. Above all, telecom operators need to think about the future: the future role that they want to play in society, within their communities, and also within their ecosystems.

**Philipp Nattermann** is a senior partner in McKinsey's London office, and **Karolina Sauer-Sidor** is a partner in the Vienna office.

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