

Episode 54 | Bye-bye, private cloud; hello, public cloud
Released November 15, 2022

DR: [00:00] I'm Danielle Royston, and this is Telco in 20.

[00:14] Whenever I run into telco execs, consultants, and analysts around the world, I ask what they're hearing on the ground about the public cloud and telco. And every single person I talk to these days says the move to the cloud is real. They all agree that not only has it started, the migration is in full swing. Telcos are abandoning the idea of building their own private clouds, thank God. And many of them are finally getting the big picture that the public cloud is way more than infrastructure. It's really happening. And I couldn't be more excited, mostly because I think I had something to do with it.

But seriously, it is happening. I'm so excited to have a guest on the podcast, who's seeing and hearing the same things I am, but from a different perspective. Davide Bellini from Accenture speaks with telcos around the world about using the public cloud. Today on the podcast, we're sitting down to talk about what telcos are thinking, what challenges they're facing, and what they plan to do with the public cloud. So let's take 20.

Davide Bellini is a Managing Director at Accenture who leads Accenture applied intelligence for the communications and media industry. Hi, Davide. Welcome to Telco in 20.

Davide Bellini: [01:29] Ciao, Danielle. Thank you so much for having me. Big fun, by the way. Very nice to be here.

DR: [01:33] Yes, this is going to be literally the best conversation ever. I'm so excited to have it. First off, you've been with Accenture for more than 23 years. I think it was called Anderson Consulting when you started. Tell me about your role with Accenture and how you've become a practice leader for telco.

Davide Bellini: [01:52] Yeah, sure. It is, indeed, quite a lot of years, a lot of gray air and scars on my back, as you can imagine. But yeah, I started there in 1999, and that was the boom of the

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telco industry in Italy, the first private non-national telco was born. That was my first engagement as a start-up. But then after that, many new companies were born in those years, and we started doing the first bundled products for fixed line, and we invented the prepaid. So it was a very vibrant period.

Very early in those days, Accenture believed in industry specialization. They started organizing their consulting workforce by industry, and by being in a telco start-up, I got into the trajectory. But I had another big change, which was around 2005, when I started working on data. And that is where I really fell in love.

DR: [02:46] That's your love.

Davide Bellini: [02:47] Yes. That combination of telco industry and data was so much fun for me. Back in the day, it was always neglected because the big BSS initiatives and CRM transformation were much bigger and important than those nerdy analytics folks.

DR: [03:03] Yeah, no, but I think you're going to enter a renaissance time of data in telco. And we're already seeing some of these big projects around data, like with Vodafone and Google Cloud. I think there's going to be more, and I think you're going to be really happy.

Davide Bellini: [03:16] Exactly. I feel it's my time finally.

DR: [03:20] Yeah. No, I totally agree. I've been talking about the public cloud for a couple years, probably since my work as CEO of Redknee in 2017, and everyone literally told me it would never work and telco would never do it.

But what's so great about having you on our podcast today is that you have a different perspective. You're with Accenture. Are you guys starting to see telco clients evaluate the public cloud for their tech workloads?

Davide Bellini:

[03:46] Oh, absolutely, yes. Not only evaluating, but many of them have already started a journey and are in the middle of it. And I think that's another thing that we saw quite clearly as an organization. Three years ago, we created an organization inside Accenture dedicated to cloud, invested 1 billion in terms of asset acquisitions and talent, because we strongly believe in the trajectory.

I have to say that at the beginning, very typical of telco industry culture, it's the do-it-yourself. At the beginning, telco started to try to enter in the business of the cloud themselves and compete with the hyperscalers. But I think very quickly they realized that that was too capital-intensive line of business, and we all know that telcos are already under a big pressure to keep their network up and deploy 5G and deploy fiber. All their capital investment is going there. It wasn't sustainable in the long term.

After an initial period of trying to create their own clouds, they're all looking at the big hyperscaler and sign large strategic agreements. One is the one you mentioned, but pretty much all the major telcos around the world are going in that direction. It's happening.

DR:

[04:54] It varies around the world, but I think the United States telcos did that approach. "I'm going to build my own private cloud. I might even sell my cloud capacity to enterprise customers."

I think Verizon bought Terremark for billions of dollars and then sold it for a fraction when they wanted to exit the business. Even this week, I talked to a large African group, and their big strategic idea is to build a cloud and sell it to enterprises.

I think the thing that they miss is that telco thinks of clouds as just the servers and the infrastructure, and they don't really realize that the key to the public cloud are the platform services that the hyperscalers have developed. What I'm talking about here are databases as a service,

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machine learning as a service. Each one of these areas has a whole product team that's innovating and developing and moving features that enterprises, telcos and non-telcos, can build with. And that's something that just the telcos can't at all provide. They're not software people. And that's the big difference between AWS and, say, a telco. AWS is a software company putting out software.

Davide Bellini: [06:10] I agree a hundred percent. And I think that's, again, a little bit of an industry cultural mistake, because this is an industry that comes from network infrastructure.

DR: [06:20] Yeah, from hardware. Yeah.

Davide Bellini: [06:21] They're engineers, so it becomes natural, the idea of thinking about, "Okay, let's build a cloud data center," because that's in the nature of the business. But I think if telcos today find themselves in a position of being towards the direction of being commoditized-

DR: [06:37] It's unlimited and one price.

Davide Bellini: [06:39] Exactly. The margins are shrinking exactly because they've been a little bit too focused on the engineering aspect of the work, instead of the business value on top.

DR: [06:49] I totally agree.

Davide Bellini: [06:51] Now that there is the opportunity that someone else is bringing the engineering, so they can focus on business value on top, that's the challenge. I can understand the difficulty because they don't have the talent, they're not equipped, they don't have the operating model to fail fast or succeed in scale that is typical that you need to have for this type of a journey.

DR: [07:10] Well, I don't think they have the entrepreneurial culture inside the telco that they need to really build. I think they need to think about structuring a leadership team that takes a little bit more risk. Telco's famous for being highly

risk averse, almost a badge of honor of how slow the industry moves.

And I'm like, "You get a team that's entrepreneurial and moving fast and thinking like a tech company and moving more things to software, and that telco is just going to crush everyone." I think if you can get the culture right, it can just unlock a lot of new opportunities and new ideas that we don't really see coming from telco.

But I'm definitely pushing and hoping that that changes, because I agree with you. I think managing the servers is not a differentiator for a telco. It's the business ideas and agility on top, and speed to market makes the telcos different.

Davide Bellini:

[08:00] Exactly. And I think 5G is the opportunity to try to re-invent this a little bit, because 4G kind of passed and was simply a boost in speed and throughput and bandwidth. It's not been properly monetized by the telcos. If you consider the amount of money that they spent on licenses all over the world-

DR:

[08:23] It's crazy.

Davide Bellini:

[08:24] It wasn't a good deal.

DR:

[08:26] And then they're already starting to talk about 6G. I'm like, "You haven't even figured out 5G yet."

Davide Bellini:

[08:28] Exactly. I think that's the opportunity to finally turn around, start being focused on value, starting personalizing the offers, and not only for consumer but becoming an industry orchestrator for B2B and small media business, large enterprise. That's the name of the game. And public cloud in this context is an amazing platform to focus on business value.

DR:

[08:50] Well, exactly. We mentioned it earlier, talking about Vodafone and Google Cloud and this big data project that they've been doing. That's probably the most famous

project that I know of about starting to consolidate the data, getting the data cleaned, which is a whole big project, but then starting to extract business insights. Are you seeing movement like this around the world, from a continent perspective, where people are starting to lift the gravity of the data, which is locked in all these different silos of these different vendors, and starting to consolidate them in the public cloud?

Davide Bellini:

[09:24] Yes. You're right that the degree of maturity, depending on geographies, is slightly different. I think Europe, for being considered an advanced market, has been slowed down in the past by all the regulatory. A lot of organizations had skepticism in approaching the public cloud.

DR:

[09:42] GDPR and all that stuff.

Davide Bellini:

[09:43] Exactly. And I think in that case, the fact that the hyperscalers started creating data centers located in geographies that really helped lowering those barriers.

DR:

[09:52] Correct.

Davide Bellini:

[09:53] This is happening right now. The horizon is moving to Asia, because now Europe is unlocked. So the next wave is to enable the tiger market, and I see regions where I spent also a little bit of time, like the Middle East, that were strongly against the cloud, almost like a dogma, that now instead are opening doors and starting evaluating partnership. And that's something that has changed.

DR:

[10:18] Well, no. AWS launched a UAE region. Google has one in Saudi Arabia. I think AWS put another one in Bahrain. So yeah, I think it definitely helps that the hyperscalers are putting regions in countries, and I think that trend is just going to continue. You trend out 10 or 15 years, maybe not in Seychelles or Bolivia, but they're going to just keep marching and keep expanding. It's a growth engine for the hyperscalers.

Davide Bellini: [10:47] Exactly. They also quite aggressive and smart in their strategy because, in several cases, they're strongly financing this journey for clients, because at the end of the day, the best business for hyperscaler is consumption. So they can afford even in sustaining some large charter industry-defining clients doing that journey, and that generates a lot of followers then in the region, once they see that the first mover has done the step in the first place.

DR: [11:16] Yeah. Well, I think the hyperscalers actually spend more on CapEx than telco, and forever, telco was one of the biggest. Now they have this partner, they can use it spending the same if not more, that they can leverage for their business. It's amazing. Why do you think telcos are starting to get the cloud now? What's changed, or what's making them start to consider it? Do you think it was COVID and working remote and having to convert everything to cloud and digital, because we weren't in person anymore? Was it me talking about the cloud all the time?

Davide Bellini: [11:44] Probably you were the biggest driver of all this. But apart from you, some of these barriers that we already discussed, and I think those contributed. But I think that on one side is exactly this need of transforming their business. They need to create new product and services to get out of these declining core connectivity businesses that they have at the moment. And the only way to have the flexibility and the scale to create new product and services is to do it with public cloud, because doing it with all the internal infrastructure would take too long and would be too capital intensive.

That's another aspect, the capital intensive. The majority of capital investment budget for telcos today goes to network. So everything else has to struggle a little bit and trying to achieve success without a lot of sustained investment. So the transition to a more OpEx-driven type of business model helps again several business departments in making their own moves, without requiring CapEx investment internally.

The combination of all these elements, I think, significantly accelerated the journey. In some cases, if I have to say, even too much. I'm having conversation where the run to public cloud is almost done per se. But as you rightly said, there is a way to leverage public cloud, so it's not enough just to lift and shift everything over there. It's necessary to do the transformation of the operating model, of the talent, of the architecture, of product and service creation in a certain way to fully exploit the public cloud. Otherwise, you're just moving from one infrastructure to another.

DR: [13:25] Well, yeah. What is that hard part? Is it the talent? I think a lot of people write off the DISH strategy with AWS as, "Well, that's greenfield, so that's easy. And brownfield is a whole different story.

I disagree with that. I think it's still hard. There's not a lot of, what I will call, public cloud-native tools. Everything is still a little bit of a lift and shift. Dump it into Kubernetes container. "Oh, well Kubernetes is cloud-native, so now I'm cloud-native." But it's not born in the cloud. It's not built for the public cloud.

What do you see is telco struggling with? Is it the culture? Is it the change? Is it the people? Is it the tech?

Davide Bellini: [14:03] Definitely the starting point is very complex, layered up during the years, customized, undocumented technology architectures.

DR: [14:14] I call it a rat's nest of crap, because it's just like this spaghetti crap, and they got to unwind it. So I agree.

Davide Bellini: [14:21] Yeah. That is very, very difficult, while you're moving to public cloud, to be able to transform. You need to understand what you got, what to get rid of, what to keep and what to change. And telcos are high technology-intensive type of business, and they've been start-ups, growing very quickly, so they didn't have the chance to structure and make all the architecture clean.

That's a lot of technical depth that makes these journeys challenging.

In fact, sometimes the lift and shift is almost a better solution, in the sense that I move everything there, crap and not crap, and then I take the time, incrementally, value-driven, starting from the high-potential value cases, transforming, because if I wait to complete my entire transformation to move to the other side, I basically stay in the middle of the journey for so long that I have to pay my own premise infrastructure and my cloud infrastructure, because I'm in the middle of the river, and I'm not able to get to the other side.

DR:

[15:22] Well, I think that's a great point, actually. I call that the double bubble, where you're spending for both. You have your production on-prem, you're trying to move to the public cloud. You have this period of time where you're paying for both, and you really want to shorten it as quickly as possible and de-risk it as much as possible.

What I don't like about the strategy, about transforming on-prem and then moving to the public cloud, is that when you do that, you're forced to only use the tools that are available in both places. And I think cloud-native, the key to it, is using the tools that are native to the public clouds, the databases, ripping out Oracle and putting in DynamoDB or Aurora. I think that is the key to really leveraging and driving your cost down. Lifting and shifting is usually more expensive. You got to really shorten that. And I see telcos, "Oh, we're going to transform on the ground, on-prem, and then move it." And like you said, you're never going to get there. It's going to take too long.

Davide Bellini:

[16:23] Yeah, it's also not easy. I can understand all the possible options have to be evaluated, but in my view, that's the biggest challenge, to get to the other side, let's say.

Then, I think there is an important challenge which is more related to culture, talent, and operating model, organization

model. There is the capacity to identify value cases that can be enabled by this journey, because it's almost like the conversation about migrating the journey to clouds is inside the CIO/CTO offices. But then, all of a sudden, all the rest of the company have to jump on board. Sometimes they're not ready, or they're not being properly prepared, and it's a different type of business.

I was talking to a client in Europe that they said, "We literally don't have the company structure to be innovative in the new products and services on the cloud, because everything we do, we need to issue an RFP, we have procurement processes. It takes us ages to do anything." So they were almost thinking about creating a start-up, a separate brand, exactly to have the agility of operating in a different way, because otherwise, they're too slow.

DR:

[17:38] Yeah. It starts by breaking down that stupid RFP process that takes months and months. I'm building software with my company, Totogi, where you start with a free trial. It's literally free, doesn't matter the size. You don't have to do a commitment. I think you have to buy it on AWS Marketplace for a penny, and you can install a charger, an OCS charger. That's crazy. Think about how people have bought chargers to date, 18 months before you pick one, and then another 18 months to deploy. I can get you connected to the network in days.

That's the future is software that works this way for the telcos. But they also have to match their culture to that, to not issue an RFP to buy something that costs one penny. You just don't have to do that anymore.

Davide Bellini:

[18:20] Yeah, exactly. You need to have a product-oriented organization. That's another challenge, that you need new talent that is capable of designing new product and services, not just from an engineering standpoint but from a customer experience standpoint, from a commercial standpoint, and to create many of those and do it quickly and try new areas of business.

And again, the focus has to be the value on top of whatever is the infrastructure. I always bring the example of the router, because it's something that has always amazed me. There is a wifi router in almost every home, or at least of North America and Europe, in every family, and it's just a cheap piece of plastic with zero capabilities in it. It's almost like the meter of your electricity. And who put the cool stuff on top? The TV streaming provider-

DR: [19:11] The products.

Davide Bellini: [19:11] Google Home and Alexa, or your demotic of the house, an entire ecosystem of your family that today is completely digitized, that could have been owned easily by a telco. But the telco was focused on the infrastructure-

DR: [19:24] On the wires, yes, and the poles.

Davide Bellini: [19:25] Exactly.

DR: [19:26] Yes. I totally agree. I think you love data, right? It's one of your favorite things. I think it's, like I said at the beginning, a renaissance for data and telco. Moving the data to the public cloud opens up a whole world because you can store the data for a fraction of a penny. You can start to transform it and do cool AI and machine learning things. The old dinosaur vendors that we have in our industry are going to fight this like crazy, because they have control of the data in their siloed databases. They want your data trapped on premise in their products. Do you think we're going to start to see the opening up of databases so that the data can move up to the cloud, so that telcos can start to work with it, get the business insights, and move faster?

Davide Bellini: [20:10] Yeah. Well, first of all, data now is on the CEO agenda. Used to be in the CIO and CTO. Now is on the CEO agenda. We can clearly see that. It's a business imperative. All these organizations want to become data driven because they realize that that's the only opportunity they have to really transform. And the only way for an

organization to fully exploit the value of data is to break any silo.

DR: [20:37] It needs to be free.

Davide Bellini: [20:38] Yeah. They need to be aggregated, they need to be consumable by the different departments and role within organization. To be clear, because we witnessed the wave of big data four, five years ago, and I think that again was a missed opportunity, because in that case the mantra was, "Let's find all the data possible, put it all in a bucket, and then we'll see what we can do with it."

Now, the challenge is the opposite, is to understand, based on the business priority, where the data can help. The only way to do is to be quick, so there is no time to do it yourself on premise and be constrained by infrastructure limitation. I think the journey to cloud is inevitable. If you are a giant software company, you need to embrace the journey, or you're not going to last much longer.

DR: [21:27] This is what I'm working on in my Totogi business again, is not only do they need to get it into the public cloud and start to clean it and start to get the insights. You have to figure out how to get it back to the point of action. You have to get it into the call center agent's hand so they can make a decision. I don't know that it needs to be real time, but it needs to be timely. Get it into the hands of the retail store that sees the customer coming in, and they know probably what they're asking about, putting out offers to customers as it's happening.

This last weekend I was at a music festival, and no one had service because it was a temporary aggregation of thousands of people. And no one could use service, and everyone was frustrated. That's a great opportunity to send out, "Hey, let me give you a boost for \$5 and prioritize you higher on the network because you're willing to pay more." That's what we're going to go into in the next, probably, 10 years, where we have experiences that it's closer to dynamic pricing of airplanes than it's the cable bundles of

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old. I think that's where telco is going to go, and it's going to be amazing.

Davide Bellini: [22:33] Yeah, I think that's the direction. Owning the home, owning the small-medium business technology partnership, and becoming an industry orchestrator for large enterprise. I think these are the three main directions that telco should take towards their customer base. But cloud is critical.

DR: [22:52] Is the answer.

Davide Bellini: [22:52] Yeah, you can't do it without it.

DR: [22:54] That's so awesome. Well, Davide, this is such a great conversation, talking to you about your thoughts and what you're seeing from the Accenture point of view globally with telco and the public cloud. So thank you so much for coming onto the podcast.

Davide Bellini: [23:07] Thanks a lot, Danielle, for having me, and I wish this conversation could go out for hours.

DR: [23:12] I know. I could literally talk for an hour.

Davide Bellini: [23:14] Exactly. We can meet in person and have it much longer.

DR: [23:17] We will. We'll have a great time. Thank you so much. Stick around, because we're ending each podcast with a Telco in 20 takeaway. I have 20 seconds to tell you something you need to know.

Davide is right. The CapEx budget on the IT side is a fraction of what's spent on network infrastructure. Telcos are realizing that it doesn't make sense to build their own private clouds, and they shouldn't manage their own infrastructure for IT workloads. Instead, they should find truly SaaS software that lets them focus on their business, test new ideas quickly, and bring in more revenue. The key will be to move data from your siloed systems and

on-premise data lakes into the public cloud, where you can take advantage of unlimited capacity, use different databases for different use cases, segment and optimize your storage costs, and get business insights.

And Totogi can help you use those insights to build a better subscriber experience, increase your net promoter score, and drive up ARPU. I call this customer love. Creating an excellent customer experience is the reason internet companies are so successful and have such high NPS. I don't think telcos need to become tech cos. Telcos should take what internet companies do great and focus on the customer. Make your subscribers love you, and watch your NPS and ARPU soar.

I talk about customer love a lot on this podcast, which is a great reason to go check out our other amazing episodes. Don't forget to share them with your colleagues. Follow us on Apple Podcast and Spotify, and leave us a review. DM me on Twitter at #TelcoDR. Connect with me on LinkedIn. Sign up for an awesome email newsletter on TelcoDR.com, and check out our kick-ass YouTube channel.

And I'll also be giving a keynote at MVNO Nation Live tomorrow in Valencia, Spain. Totogi is the event's principal sponsor, and we're throwing an epic party. I hope to see you there. Later, nerds.