



IDC PERSPECTIVE

TELUS: Where Innovation Spawns a Start-Up Culture in Big Business

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: TELUS – Where Innovation Spawns a Start-Up Culture in Big Business

TELUS is building lasting customer relationships and creating a work environment where people have the freedom to interact, explore, and innovate. The playbook for the future of TELUS has innovation at its centre, customer experience as an underpinning to its purpose and strategy, culture as a defining outcome, and digital platforms as its enabler for growth. This document highlights TELUS' efforts and how innovation is leading to different business models, approaches, and results.

Key Takeaways

TELUS is driving better customer experience in:

- Retail, via its Connected Experience stores and TELUS Mobile Innovation Centre
- Business, with its TELUS Innovation Centres that demonstrate the art of the possible
- Building digital properties and experiences that enhance innovation with TELUS Digital Labs
- Community leadership and diversity through TELUS Ventures and Women in Coding

Recommended Actions

- Expand your view of competitors, become more agile, and embrace experimentation – this is where start-up meets big business.
- Focus on customer experience, one of the defining factors of digital transformation. TELUS leverages principles such as design thinking to better understand the customer journey and decision-making process.
- Give back to the community. Diversity and inclusion are key for TELUS, with technical literacy programs for women and minorities, internet and smartphone safety programs, and support for the Canadian start-up community.

Source: IDC, 2017

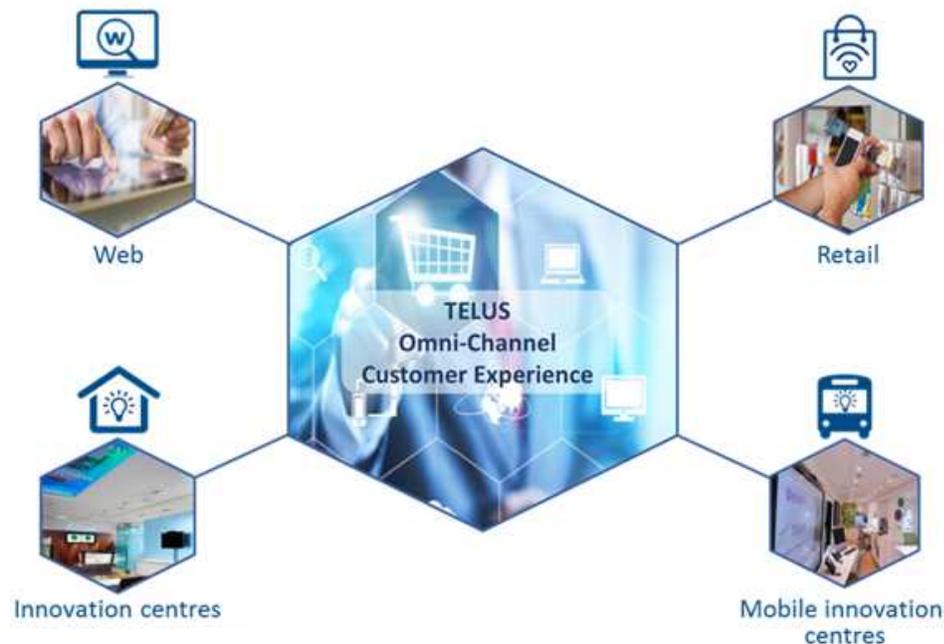
SITUATION OVERVIEW

Having the courage to innovate is one of TELUS' core values. We are on a journey to redefine what it means to be a technology company in our ever-changing digital society. Evidence of this can be seen throughout TELUS, including our innovative workplaces; our "connected experience" retail concept stores where customers can touch, test, and play with new technologies; our TELUS Innovation Centres, which showcase current and future technologies in action; and TELUS Digital, which enables customers and team members to enjoy an immersive online experience. Through these and other innovations, TELUS is driving bold ideas forward to seamlessly connect citizens, businesses, and communities. – Benoit Simard, vice president, Business Strategy, Planning & Marketing, TELUS

Innovation is redefining the face of Canadian business. While advancements in technology have reshaped markets in the past, the speed of change today is unmatched. A case study for success is TELUS, a communications and IT provider that is reinventing how communications companies interact and connect with customers. The playbook for the future of TELUS has innovation at its centre, customer experience as an underpinning to its purpose and strategy, culture as a defining outcome, and digital platforms as its enabler for accelerating growth. TELUS has embraced innovation and experimentation through start-up-designed initiatives and investments in next-gen network services. TELUS is also redefining the customer experience through business and consumer apps on its website, its Connected Experience stores, and state-of-the-art innovation centres (see Figure 2).

FIGURE 2

TELUS Customer Experience



Source: IDC, 2017

TELUS Retail: The Connected Experience Store

There is no single explanation for why some retailers thrive while others experience shrinking market share. One of the fundamental keys to success in retail is understanding what customers want and why, personalizing the experience regardless of location and where customers are in the buying cycle. Consumers, through social media, mobile commerce, and payment processing, create over 3GB of data daily. Retailers pore over the data to shape their strategies, design products, and develop campaigns. This disruption is reshaping the retail industry, including bricks-and-mortar retailing, and it is what keeps executives up at night.

TELUS looked at the future of retail and did not like where it might soon find itself. You could buy a phone, activate a plan, pay your bill, and buy certain accessories but do little else at its locations. "The stores needed to better reflect the needs of our customers, be more conducive to the things that would differentiate us from other carriers," recollected Marc Jamieson, senior strategist, TELUS Retail. "Customers are looking for a stimulating retail experience. When we looked at our options, we decided that we weren't going to act just like the other telcos. We felt we needed to compete as a retailer."

In 2015, TELUS opened its first Connected Experience stores in Edmonton and Toronto, moving forward with a bold plan that would see it shift away from being solely activation focused to becoming a premiere provider of communication and productivity services, entertainment, and technology (see Figure 3). "This is the market we are after. We wanted to give people a reason, whether they were a TELUS customer or not, to come into our store," said Jamieson.

FIGURE 3

TELUS Connected Experience Store



Source: TELUS, 2017

Where There Is Risk, There Is Reward

In creating the TELUS retail brand of the future, Jamieson met with customers, observed how retailers in other sectors were succeeding, and discussed product road maps with business unit leaders. From these conversations, it was apparent that the phone had shed its image as primarily a device for making calls. Today's consumers are just as likely to use their smartphone to surf the web, watch a YouTube video, download *Clash of Clans*, post a tweet, or send a text as they are to dial someone. Apple's iPhone was launched only 10 years ago and has since then changed how we shop, seek medical care, and listen to music. Yet it did not change what consumers thought about telecom-based retailers. "They expect long lines, aggressive sales reps, and problems," says Jamieson. "TELUS wanted this to change. We wanted to become a destination."

The disruption in retail and emergence of the smartphone converged, and while a potential threat to TELUS, it also provided the company with what it saw as a chance to leapfrog other national carriers and compete against select high-end retailers. "Our thinking," recalls Jamieson, "is that we were really going to turn the TELUS store on its head, shift the mix, and make it no longer all about the phone or plans but about the connected digital life."

While activation remains at the core, TELUS wants a greater share of connected products, including high-end accessories, entertainment with cable services, and emerging technologies such as robotics and virtual reality. The Connected Experience store had to be bigger to support the new products and categories – three times the size of a typical G2 store. TELUS no longer viewed itself as a commodity player in the smartphone market and needed to relocate from "wireless alley" in the mall to strategically placed locations. TELUS also changed its staffing model and recruited sales reps who had proven themselves in the new reality of retail, providing them the training and technical tools to succeed. "We also moved away from individual, activation-focused compensation to a team reward system," says Jamieson. "The plan rewards teamwork, knowledge [of product options], and putting the customer first."

Integrated Innovation

The investments TELUS is making in retail are significant, expanding the Connected Experience footprint to 11 stores over the past year. Many of the products and features introduced originated from TELUS Labs and its sister site, Koodo Labs. Established in 2016, the labs are test centres that allow TELUS to experiment with colour schemes, visuals, store fixtures, and technologies, such as new point of sale systems. "The first store in the Eaton Centre was loud," recalls Jamieson. "It was designed to foster communication, deeper conversations, and the series of learning sessions that occur in the stores, and it was noisy. We went back and tested different baffles (sound reducing fixtures). Now when you go into a Connected Experience store, you can really feel and hear the difference."

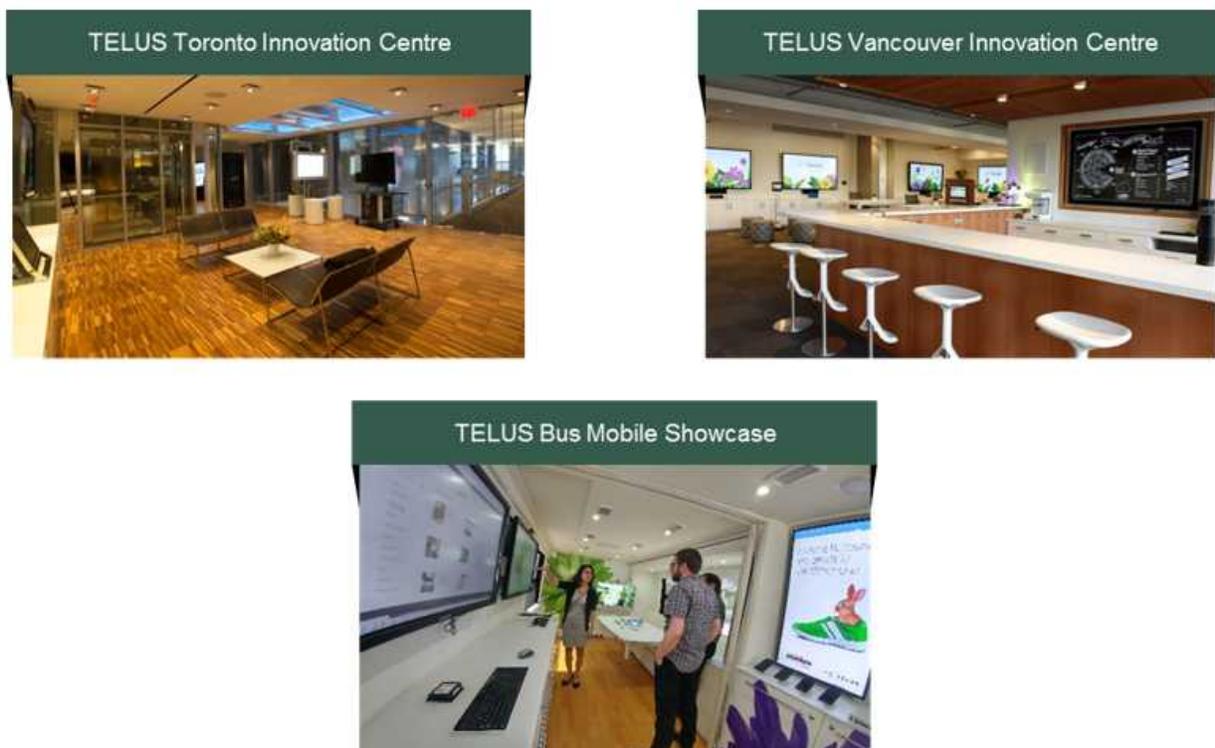
TELUS established a public-facing learning centre program that educates and demonstrates how people can get the most value from their devices, regardless whether they are TELUS' customers or not. The stores also host internet and smartphone safety programs. The design of the store, quality of the staff, and community-based environment give the Connected Experience stores an energy of learning and possibilities.

The Connected Experience is part of a movement at TELUS to better engage customers, change the culture, and foster collaboration, respect, and creativity. Making the shift to a hub connecting people with technology and solutions also aligns with the TELUS Innovation Centres (see Figure 4), with half a dozen working labs introducing TELUS' business customers to the power of virtual reality and

potential of artificial intelligence and augmented reality. They also act as an accelerator, incubating start-ups and connecting them with some of Canada's leading businesses. "TELUS is a large corporation and has been around for quite some time," says Kevin O'Sullivan, director of Technology Strategy. "We are trying to transform a mindset to show team members who their new competitors are, not just the traditional telco. TELUS has grown far beyond this, so we now have lots of competitors from different fields. We want to grow that awareness and, by changing the way we look at our competitive landscape, to influence people to approach challenges differently. We want to enable people to see things with a fresh perspective, to see the threats and opportunities, and that TELUS can help realize those opportunities."

FIGURE 4

TELUS Innovation Centres



Source: TELUS, 2017

Challenges

There is an ongoing shift and expansion of today's endless aisle for retailers. Advances in technologies such as virtual reality and automated assistants allow customers a different way to experience products. Shopping can be done with Apple Pay (and Apple Watch) and Amazon's new retail concept, Amazon Go, which uses Amazon's Just Walk Out Shopping technology. It is difficult to keep up with changes and ensure a seamless shopping experience. While TELUS has a robust online presence, it still needs to work on tying it altogether, maintaining consistency between TELUS' website and store properties.

There also may be room, without making it too complex, to promote TELUS' business-focused products, particularly to small and SOHO operators. "It is a balancing act," says Jamieson. "You can have too much product and too many categories. We learned that lesson in the first few months. Some [products] didn't sell, and we've improved our [data] tracking system to pick up on this."

The first few Connected Experience stores were really living labs. One of the key pillars of the new thinking about innovation is the value of quickly developing prototypes that customers can see, feel, and test. Many companies have jettisoned the sometimes year-long development cycles in preference of lean prototyping, soliciting input, refining the process, and trying again. Lululemon used this method to reduce the design cycle for its Olympic wear from three years to six months. This works well with technologies such as the latest smartphone or apps but not necessarily with bricks-and-mortar retailing. By "just building it" and leveraging the TELUS retail labs, the Connected Experience store received immediate and comprehensive feedback from its target market. The stores are also designed with modular features, which can be updated and reworked as customer trends shift.

The lessons learned from the field have been invaluable in driving improvement across all TELUS retail. Because of size and location limitations, not every store can be converted into a Connected Experience store. TELUS has begun rolling out the next version of its standard G2 stores, nicknamed G2.5 or Connected lite. These stores have integrated a number of best practices from the Connected Experience store, including learning centres, product mix, team member compensation, and training.

Next Steps

TELUS continues to focus on innovation and has a differentiated strategy from other Canadian telecom providers. The Connected Experience stores have quickly become destinations of choice – focal points where people can learn and experience. No other national carrier has taken steps to break out of the wireless alley in the malls. "We said 'why not?'" says Jamieson. "If we didn't do anything, we were going to be in a bad position in short order. Failure to act would have had a larger impact on TELUS than any misstep in the Connected Experience journey."

The Connected Experience store has been no small feat. The TELUS retail arm brings in hundreds of millions of dollars in revenue and employs thousands of people across Canada. The change in retail strategy has wide-scale implications on areas such as:

- **Recruiting:** TELUS needs to build a larger pool of next-gen sales representatives. It will need to refine its process to identify individuals, compete for talent, continue to interest and challenge its Connect Experience team, and most importantly, learn from its experience.
- **Compensation:** TELUS' new incentive plan shifts the focus from the individual and activation metrics to team rewards based on increased traffic.
- **Real estate:** Real estate is one of the biggest costs for TELUS retail. Long-term leases make relocating stores difficult and do not lend themselves to experimenting with different formats. Given the current upheaval in the retail sector, TELUS may have opportunities to negotiate creative arrangements with property owners/managers. TELUS has planned its rollout of Connected Experience stores to maximize its real estate portfolio and designed the locations with modular features that enable change based on the needs and preference of the customer.

"There were a lot of reasons why we shouldn't have done this, tons of excuses," says Jamieson. The biggest change TELUS has seen is the impact the Connected Experience store has had on its customers. The stores are attracting a different audience who are building one-to-one relationships with retail team members while also becoming part of the TELUS connected community.

TELUS Digital

From TELUS' perspective, innovation is a path that extends from R&D to real business productivity. To create value, innovation alone is not enough; rather, it must be aligned with strategy, culture and brought to life through execution. Thus strategy, culture, innovation, and execution are inseparable. It extends far beyond just the technology. That said, digital disruption is a very real concern in our current business landscape. Being prepared means leveraging technology to compete and thrive while focusing on enhancing the customer experience. Thus we believe it is crucial for businesses to connect the path from innovation to execution, driving long-term customer engagement. — Steve Leslie, senior vice president, Business Sales, TELUS

Diversity is a key strength of TELUS, from its legacy, landline services to mobility, IoT, security, and healthcare solutions. TELUS Digital helps unify these diverse groups into a cohesive, powerful go-to-market brand. "We help connect the dots between various TELUS products, services, and regions," according to Shawn Mandel, vice president, TELUS Digital. "We also enable a lot of the digital [technology] we are bringing to market."

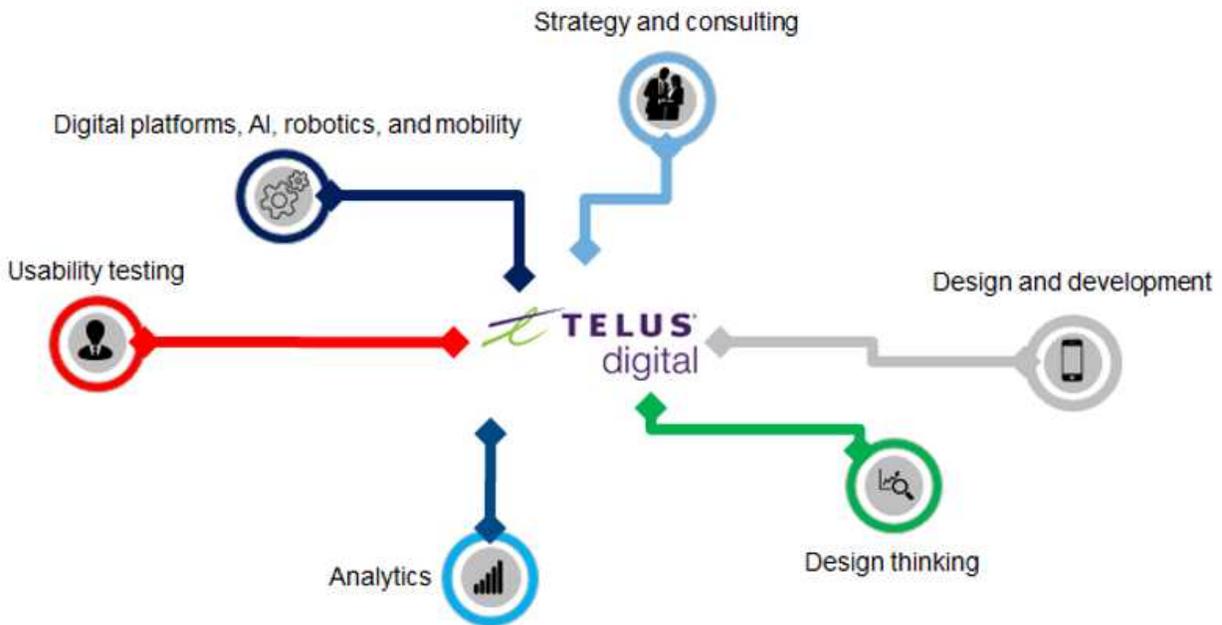
Formed as Digital Labs in 2012, TELUS Digital is a start-up within TELUS' large, multibillion-dollar company. "We are where start-up meets big business," says Mandel. "Development was slow, inefficient, and costly. Our group was different," recalls Mandel. The team quickly proved itself and has from the start worked to be much more than a development shop. Mandel met with the innovation community, which at the time was centered on start-ups and accelerators. It was there that the concept of being a start-up within a FP100 company took shape. Instead of exhaustively perfecting products in an isolated manner, Mandel's team adopted a lean start-up approach that promotes testing with prototypes and where failure leads to learning and better results. This was different from how TELUS had done things in the past, as was the team's approach to people. TELUS Digital recruits individuals with an eye on curiosity, creativity and team dynamics, gender, cultural, and thought diversity. TELUS Digital is organized dynamically with small teams and guilds (specialty or practice areas) that can be quickly deployed, pivoted, and reorganized to focus on high-priority initiatives.

TELUS has a governance structure that ensures the Digital team is integrated with TELUS' other innovation efforts as well as the forward-looking activities of its network division. TELUS Digital's focus is on short- to medium-term projects (up to three years), while the R&D group is focused on long bets, such as 5G and the future of TELUS' cross-country fibre network. The near-term horizon enables the Digital team to deliver quick, measurable results, with a high likelihood of driving in-year cost savings or revenue gains, in addition to improvements to customer experience. "That is our sweet spot," says Mandel. "We work best between where marketing operations ends and traditional technology practices begin. It's provided our group a lot of currency within the company."

TELUS Digital has an open and constructive relationship with other TELUS business units, where it acts as a front end as well as a back end, with design, development, and testing capabilities (see Figure 5), often facilitating linkages among groups. "We may be working on building capabilities for our home solutions product line that our mobility teams can also leverage. There may be something the Eastern team may be thinking about that the Western team isn't yet, or vice versa," says Mandel.

FIGURE 5

TELUS Digital: Scope of Capabilities



Source: TELUS, 2017

The focus of TELUS Digital is also critical to how the lines of business (LOBs) view it and the value it can drive for the company. Another factor is its ability to pick projects that will have the most impact for the company. "Out of necessity, we've become experts at prioritizing our backlog and deciding on the right initiatives to tackle," says Mandel. "The secret sauce is in the data. We care a lot about data."

There is a flood of data coming from TELUS' network operations every day. "We have access to vast amounts of data – everything from [customer service] interaction information to feedback we get from our websites and our app," says Mandel. "TELUS Digital uses video focus groups and usability testing, and we spend the effort in analyzing the data."

TELUS Digital was instrumental in redesigning the TELUS website, developing one of the most feature-rich mobile apps in the industry, and raising the bar with its design for TELUS.com/business. Home activation for cellular, IPTV, and internet was supported by the team. These initiatives involved numerous stakeholders, with the Digital team being a key cornerstone every step of the way. The team has established a modular, standardized platform for everything digital at TELUS, which is moving from a legacy-run to a digitally run company, with cloud, analytics, IoT, and next-gen networks and security as the foundation for market relevance and competitive differentiation.

Measures

TELUS Digital fosters inclusion, creativity, and learning. It is a high-performance team with high expectations, measured through the lens of the team engagement, customers, and business performance. Surveys are used to assess the engagement of employees as well as what motivates

them and how TELUS as an employer is performing. "We put a lot of attention on it," says Mandel of team member feedback. "It is what makes us who we are and the value we provide. We believe we will continue to develop a team that works well together and loves its work. We believe that this will improve the culture of the whole company."

Customer ratings come from net promoter scores, customer feedback on recently launched products or new channels, uptake and churn, and Apple and Google app store ratings, to name a few. Corporate performance primarily comes down to outcomes: driving cost efficiencies and improving customer experience. Digital technologies combine to achieve this. The results of TELUS Digital extend beyond most corporate innovation efforts. Because TELUS Digital represents the ability to bridge the gap and connect disparate business units, the biggest impact it has is in changing the culture of TELUS. Encouraging, promoting, and providing a space to create, solve problems, experiment, and learn is providing TELUS with tremendous value. These start-up principles are ingrained in its team members, some of whom rotate through TELUS Digital and back into the business, evangelizing the value of innovation, sharing, and diversity.

Challenges

When start-ups meet big business, it can be expected that there will be significant differences in culture, time horizons, and how ideas come to market. For innovation to show long-term value, it is imperative that organizations have the resolve and support needed to overcome these differences. TELUS Digital is one of the more established innovation teams in Canada. It has executive and business line support, access to talent, and a funding model to sustain its growth. The following are areas that TELUS Digital continues to work on to support its continued success:

- **Culture.** Organizations want a culture that includes innovation, but there is no common understanding of how to achieve it. While continuing to be open to all parts of the TELUS organization and identifying areas where it can provide value, TELUS Digital needs to focus on the areas where it will have less resistance and the most impact.
- **The tension between data and intuition.** TELUS Digital leverages data analytics in prioritizing the projects within its portfolio, changing direction and making fact-based decisions. Customer input, trend analysis, and predictive analytics provide insight on customer behaviour, and TELUS Digital needs to help the various lines of business understand the value it offers.
- **Growth.** TELUS Digital has grown tenfold since its launch. Growth of this magnitude is challenging. TELUS Digital monitors activity across its teams, ensuring they focus on high-priority items, maximizing the experience of team members, customers, and ultimately business outcomes. TELUS also manages growth with small teams and a player/coach model with a shared responsibility for results. The team leverages tools to recruit, support, grow, and promote its members. The key for the Digital team is its ability to provide value to the organization without growing so rapidly that size and politics hinder innovation.

Best Practices

- **Transparency and promotion.** TELUS Digital stresses a culture of openness and transparency that sustains a strong relationship with its team members and business unit sponsors across the organization. The team leverages Twitter (@telusdigital), Instagram (@telusdigital), and its own blog (labs.TELUS.com) to tell the story of how it has grown and continues to progress.
- **Diversity.** Cultural and gender diversity is a source of strength. Acceptance and inclusion can foster creativity and an appreciation for different ways of viewing and solving problems.

Diversity helps create an environment where risk taking is encouraged and is a source of learning.

- **Where start-up meets big business.** Markets are changing rapidly, and the rules of business are no longer certain. No one has a monopoly on industry disruption, but companies need to become more agile and embrace experimentation and risk taking – the new way of doing business in the digital economy.
- **Fact-based decision making.** A key driver in the digital economy is understanding and meeting the needs of changing buyer behaviour. The Digital team leverages customer records and revenue trends and extends these data points (as well as line-of-business input) with focus groups, ethnographic research, usability testing, and feedback from piloting and continuously iterating on proof of concepts.
- **Giving back.** Community engagement is key to TELUS Digital's commitment to diversity and inclusion. This includes active participation in technical literacy programs for women (@learningcode), minorities, and children and celebrating the diversity of the Digital team.

ADVICE FOR THE TECHNOLOGY BUYER

Besides the disruption created by competition, new technologies, and changing consumer patterns, business leaders also need to negotiate uncertain economic and global marketplaces. Innovation provides a route for executives to take control of change, transform their technology platforms, scout for new talent and venture relationships, and be innovative on their own terms. As the innovation strategy advances, executive and LOB support is needed. Most of the challenges will be internal, with those who see innovation as risky. Innovation is about change, and it is critical to have the right people to experiment, create and, more importantly, participate and "own" the concepts as they are transitioned to the core business – otherwise you have great ideas that never get off the ground. Firms need to balance freedom and autonomy (and not allow innovation ivory towers that will be resented) with repeatable processes and LOB engagement (avoiding roadblocks). A culture of innovation needs to be fostered across the organization. In detail:

- **Innovation and business.** A business strategy in today's digital economy must be linked to innovation and be clearly set: What does innovation mean (a shared understanding), what is in and out of scope of the plan, and what are the metrics? An innovation culture starts at the top, and management needs to support the activities. Innovation should also be translated into business terms. Phrases such as "lean start-up" and "fail fast" should be replaced with business language such as "a focus on learning" and "business outcomes."
- **Think like a start-up.** For TELUS, it wasn't about extending its bricks-and-mortar footprint or what was the next logical step in retailing. TELUS asked itself what would it do if it were starting from scratch. The Connected Experience store was progressive and something dramatically different from what the competition was doing.
- **Focus on the customer.** Customer experience is one of the defining factors of the digital transformation era. TELUS has doubled down on customer experience and is leveraging principles such as design thinking to better understand the customer journey and decision-making process. Investing the time and effort to continuously understand the gaps and opportunities that present itself in the market is one way of future proofing the organization.
- **Change things up.** The objectives that TELUS has for the Connected Experience store could not be met with its existing G2 stores. It needed to adjust, switch to a new format, relocate from "wireless alley," and provide reasons for customers to think differently about TELUS. Part

of innovation is considering new products and different business models, potentially leading to rebranding in support of these efforts.

- **Culture and people.** While innovation frequently involves technology, it comes down to culture and people – both are deeply integrated with innovation. TELUS laid out a goal for creativity, diversity, empowerment, and a strong belief in customer service. This is the culture to which TELUS aspires. The shift in culture is potentially the most important component and outcome of innovation.
- **Extending the community.** The importance of the connected world is apparent in the products TELUS sells and in the communities it is trying to build. TELUS Digital and Connected Experience teams understand this and from the start have extended their activities to engage the larger society. Women in Coding and other efforts are consistent with TELUS' social responsibility mandate. Innovation and community go hand in hand.
- **One to one and one to many.** TELUS' innovation efforts work on multiple levels. TELUS Digital and Connected Experience stores take a very focused approach on personalizing solutions. Through the company's layout, the Connected Experience stores are designed to facilitate the one-to-one relationships as well as grow a community to expand the TELUS message and build customer loyalty.
- **Lessons learned from the field.** TELUS values feedback from retail team members and customers alike and uses this data in making decisions that are shaping the future of retail. At TELUS, feedback from the field has helped improve store designs, optimizing the mix of products as well as the introduction of new features at its existing G2 stores.

LEARN MORE

Related Research

- *LCBO|next: Innovation Down the Aisle* (IDC #CA42296817, June 2017)
- *Innovation Inside the Box: The Canadian Playbook for Innovation Centres* (IDC #CA41971417, March 2017)
- *What to Expect in the Canadian Services Market, 2017* (IDC #CA40622616, November 2016)
- *Chief Experience Officers, Design Thinking, and Mobile Experience: Connect the Dots on Digital Transformation* (IDC #CA40652616, September 2016)
- *The 2016 Canadian IT Skills Gap Report* (IDC #CA40621916, June 2016)
- *The ROI of Digital Technologies: Canadian Conclusions and Insights* (IDC #CA40621816, June 2016)

Synopsis

This IDC Perspective discusses how the best customer experience is across all sales channels and touch points, building long-lasting customer relationships and creating a work environment where people have the freedom to interact, explore, and innovate. These beliefs empower TELUS to provide the best experience in:

- Retail, with the growth of its Connected Experience stores and TELUS Mobile Innovation Centre, a leading-edge, hands-on mobile showcase of new technologies and products
- Business markets, via its cross-country network of TELUS Innovation Centres that demonstrate the art of the possible in technology and communications

- Canadian innovation, through TELUS accelerators for start-ups (such as TELUS Technology Accelerator with Innovate Calgary and T-Squared Accelerator with TEC Edmonton) and TELUS Ventures, a financing arm

"TELUS is also reinventing the way it works internally, optimizing the delivery of digital technology with TELUS Digital, a prototype for the future of the digital operations department," says Mark Schrott, strategic advisor, Innovation and Public Sector research. "TELUS Digital focuses on building digital properties and experiences that enhance customer-centric collaboration and innovation."

About IDC

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