

BRIEF: Telstra's Connected Future 30 drives a new industry narrative

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DAVID KENNEDY

david.kennedy@ventureinsights.com.au

Telstra's Connected Future 30 drives a new industry narrative

Abstract: Telstra's Investor Day announcement of its new Connected Future 30 Strategy is a watershed for the telecommunications industry. But this is not because there is anything new about AI technology or digital infrastructure. Telstra's achievement is to craft these elements into a narrative of growth and innovation that sets a new bar for the industry, and challenges the perception the industry is turning into a commoditised utility.

In many ways, this is a response to investors spooked by higher cost of capital who want a reason for confidence in the industry. This will require the rest of the industry to respond in kind. Indeed, the impact will extend beyond the industry into other industries where the systematic application of AI and programmable platforms is underway. But in the short term, Telstra's competitors must respond with similar strategies, or find themselves on the wrong side of investor (and customer) sentiment.

Telstra sets a new narrative

Telstra's Connected Future 30 Strategy outlines Telstra's vision through mid-2030, focusing on enhancing connectivity and innovating for Australia's digital future, particularly in the context of AI development. The key elements of the strategy are:

- **Enhanced Connectivity Focus:** The strategy emphasises strengthening Telstra's position as Australia's largest mobile network by prioritising robust and reliable connectivity. This includes expanding and optimising 5G and NBN broadband infrastructure to meet growing data demands driven by AI and digital transformation.
- **AI-Driven Innovation:** Telstra aims to leverage artificial intelligence to enhance customer experiences and operational efficiency. The strategy is designed to address the evolving needs of customers in the AI era, potentially integrating AI-powered tools for network management, customer service, and new service offerings.
- **Digital Future Innovation:** The Connected Future 30 Strategy seeks to position Telstra as a leader in Australia's digital ecosystem. This involves investing in technologies and services that support digital inclusion, smart infrastructure, and innovative solutions for businesses and consumers.
- **Customer-Centric Growth:** The strategy likely builds on Telstra's commitment to improving customer experiences, offering tailored plans for mobile, broadband, and streaming services, and ensuring accessibility across urban and regional areas.
- **Sustainability and Long-Term Vision:** Telstra's five-year plan (2025–2030) is expected to include sustainability goals, aligning with global trends toward environmentally responsible operations, such as energy-efficient networks and reduced carbon footprints.

The active elements of the strategy are all Telstra-owned assets, to be assembled through AI-enabled software into autonomous service delivery designed to meet tailored needs of consumer, business, and enterprise customers in a way that is more scalable than currently possible. Those capabilities are internal and proprietary to Telstra, and support ongoing differentiation from its competitors.

This will enable a lot of new commercial approaches to the market, with payment options, dynamic capacity adjustment, revenue sharing models, and other product innovation. This is not just a niche enterprise strategy, but involves their consumer customers as well.

The strategy targets both improved NPS scores and higher return on invested capital (ROIC). Telstra is adopting a more integrated focus on operating and capital costs, with a view to driving materially higher ROIC. It is aiming for 10% underlying ROIC by FY30, up from ~8% in 1H25.

Why does this matter?

There is nothing new about any of the elements of this strategy. What is new is the way Telstra has crafted these elements into a convincing narrative about future growth and innovation, challenging the perception that the telecommunications industry is turning into a commoditised utility.

This strategy is at least partly inspired by growing investor concern about returns from the industry, including sluggish growth in the enterprise segment. The situation is actually worse for Telstra's competitors - Telstra covers its weighted average cost of capital (WACC), which its competitors do not (as far as we know).

Recent improvements in industry growth have been largely driven by price increases (see our recent report "[Mobile price rises are now a fixture in the Australian market](#)"). While the industry is due for price increases after a long period of deflation, this is not enough to secure the industry a long-term future.

Further, investors have been spooked by higher interest rates (and hence higher WACC) in the industry. This has undermined confidence in the industry's long-term prospects.

Connected Future 30 will help to restore that confidence. Other telcos will follow Telstra in developing and announcing these kinds of strategies. Of course, many telcos are already putting into place some of these elements. But Telstra's initiative will place more pressure on other telcos to narrate their own network development strategies, and how they will meet customer needs for flexible bandwidth, required latency, and appropriate security. This includes NBN Co, which will need to expand the narrative around network investment beyond the growth of basic connectivity to emphasise modernisation and software innovation.

This will be a watershed for the industry. The telcos that succeed in developing these narratives, and demonstrating the execution capabilities needed to deliver, will find themselves favoured. But those who do not will increasingly find themselves on the wrong side of investor and consumer sentiment. This means that there are real prospects of a shakeup of the industry ranking by the end of the decade.

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David Kennedy, Managing Director
david.kennedy@ventureinsights.com.au

Venture Insights
Level 3, 461 Bourke Street, Melbourne, VIC 3000