



TELECOMMUNICATIONS INDUSTRY

How Telcos Win with Strategic Procurement

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Telcos face an urgent need to transform procurement. Over the years, they have pushed the function to deliver ever-greater value, relying heavily on traditional commercial levers and, in some cases, forming alliances to capture additional scale. But as industry dynamics shift, functional excellence alone is no longer sufficient to optimize external spending, which often represents about half of total revenue.

To meet today's challenges, telcos must not only modernize the procurement function itself but also change how the broader business manages third-party costs. Business and procurement

teams must break down organizational silos and jointly rethink specifications, consumption, and sourcing decisions to unlock the next wave of value.

Success stories show that telcos can reduce overall costs by 10%, on average, over two to three years. Central to this transformation is the adoption of GenAI, which empowers teams to optimize demand management, streamline supplier negotiations, and enhance operational efficiency.

By transforming procurement into a strategic activity across the enterprise, telcos can improve their bottom line and also strengthen their competitive position, driving sustained innovation and superior growth.

The Case for Procurement Transformation

Procurement transformation is necessitated by the size and importance of external spending, along with several headwinds that have created financial challenges. Telcos' revenue growth is stagnating in mature markets, while inflation steadily erodes operating margins. Technology shifts—such as the transition to software-based networks and the rapid adoption of AI—are affecting all aspects of the business. Adding to these pressures, telcos face sovereign sourcing restrictions and new compliance requirements, making the traditional procurement playbook look painfully outdated.

The rising cost of labor-intensive services, such as IT operations and network maintenance, compounds the challenges. In an industry where operational expenditures are already high, inflation is magnifying inefficiencies and exposing gaps in sourcing strategies. Every misaligned contract and poorly managed supplier relationship gives suppliers an opportunity to negotiate substantial price hikes, sometimes greater than fivefold.

But while headwinds are strong, so are the tailwinds. Advances in GenAI are opening new avenues for cost optimization and process automation, both internally and at suppliers, helping procurement teams deliver more value. Shifts in network technology—including OpenRAN, virtualization, and cloud-native architectures—are creating opportunities to reassess long-established vendor relationships. Technology shifts are not only disrupting legacy models, but also enabling smarter, more agile supplier strategies.

With strong execution, procurement delivers fast, tangible impact. Unlike sweeping internal reorganizations or product transformations involving long lead times, procurement initiatives can be deployed quickly and scaled with relatively low risk. But the true potential goes beyond efficiency. Forward-looking telcos are embedding sustainability criteria into their sourcing decisions,

partnering with suppliers to co-develop innovations, and diversifying vendor portfolios to build resilience in the face of global instability.

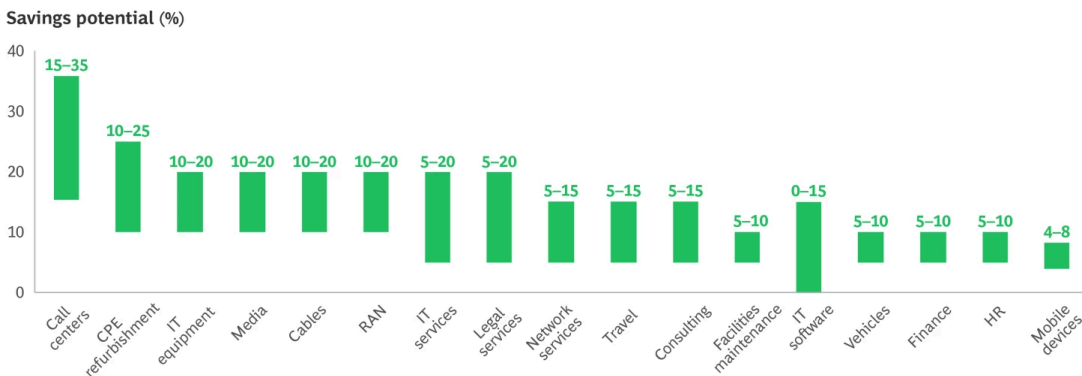
The Value at Stake: Fast, Sustainable, and Risk-Free Impact

The cost improvements are compelling. With a targeted procurement transformation, telcos can reduce costs substantially across spend categories. (See Exhibit 1.) For example:

- **Call Centers.** By improving the end-to-end customer service process, resetting the supplier panel, and optimizing the mix of onshore, nearshore, and offshore operations, telcos can reduce total costs by up to 35%.
- **IT Services.** Savings of 5% to 20% can be achieved by using traditional levers (such as supplier consolidation, nearshoring and offshoring, and shifting to managed services) and harvesting the benefits of GenAI-driven productivity gains at suppliers in activities such as application development.
- **IT Software.** Optimizing license portfolios, shifting to open-source options, and diversifying the supplier base can deliver cost reductions of up to 15%. Proactively managing software procurement across all suppliers is essential to secure stable pricing and protect against sharp cost increases.
- **Legal Services.** Telcos can reduce the cost of legal services by redefining the balance between in-house and external counsel and optimizing the delivery model across provider types, locations, and grade mix. Deploying digital tools to automate and streamline case management further strengthens efficiency. Together, these measures can deliver savings of up to 20%.

EXHIBIT 1

Procurement Savings Potential Varies Across Telco Spend Categories



Source: BCG analysis.

Note: CPE = customer premises equipment; RAN = radio access network.

Nearly two-thirds of the value is typically driven by demand management and technical optimization—not just by negotiating better prices. Because this upside is deeply rooted in operational change, procurement needs to activate transformative levers in close collaboration with business stakeholders.

The benefits extend beyond the balance sheet. Strategic procurement helps telcos future-proof their businesses in an era of uncertainty. Diversifying the supplier base reduces exposure to geopolitical disruptions. Embedding corporate social responsibility targets into sourcing processes creates greener, more sustainable value chains. And collaborating with suppliers to co-develop new technologies accelerates innovation and time to market.

Moreover, the relevance of procurement is no longer hidden behind the scenes. Across telcos and other industries, an increasing number of companies are now referencing procurement in financial communications and investor updates. Leaders are highlighting procurement transformations as critical levers to improve P&L performance and unlock competitive advantage. This public acknowledgment marks a shift: procurement is fast transitioning from an internal engine of efficiency to a core pillar of enterprise strategy.

For CFOs, a procurement transformation also provides a powerful opportunity to challenge business practices and optimize make-or-buy decisions. By examining supplier relationships, spending patterns, and category-level tradeoffs, finance leaders gain transparency into where money is going—and whether it is being spent wisely. This level of insight is not only essential to controlling costs but also to ensuring that the company onboards the best suppliers in terms of quality and cost, captures innovations from the supplier market, and accelerates time to market.

For CPOs, the opportunity is equally transformative. A redefined procurement mandate positions them as true strategic partners—shaping the company’s direction, attracting top talent, and bringing commercial discipline and innovation to the heart of corporate decision making.

For business leaders, the benefits are just as material: greater transparency into the procurement process, enhanced sourcing speed and agility, and the ability to deliver more with increasingly

constrained budgets.

The Five Pillars of Transformation

To fully capture these opportunities, procurement must undergo a profound transformation. Organizations that unlock the full potential take a comprehensive approach across five pillars that provide a powerful architecture for procurement transformation. (See “A European Telco Transforms Procurement” for an example of a telco that used this approach and demonstrated how procurement can become a catalyst for operational excellence and long-term value creation.)

— A European Telco Transforms Procurement

A leading European telecommunications provider embarked on a bold procurement transformation to unlock greater efficiency and value across its operations. With a mature central procurement team already in place, the organization sought to elevate its performance—moving from functional excellence to strategic enablement.

Several challenges shaped the starting point. While the telco had a strong procurement foundation, it faced untapped opportunities to optimize direct spend through improved end-to-end processes. There was also significant room to professionalize indirect procurement and capture the benefits of scale. Cost management and supplier relationships, though established, had space for refinement. Additionally, there was an opportunity to align procurement more closely with broader strategic priorities, including sustainability and innovation.

The transformation unfolded in several phases. First, a detailed assessment of procurement processes, spend data, and organizational structures surfaced inefficiencies and prioritized categories. Next, an operating model transformation, with streamlined governance and redefined roles and responsibilities, expanded the central procurement function’s scope of operations.

This foundation enabled a robust value optimization strategy: category-specific levers were defined and implemented through a phased roadmap that included proofs of concept and scalable rollouts. Finally, capability building ensured long-term impact, including the deployment of supplier relationship management tools and digital enablers for spend analysis and category management.

The transformation is projected to deliver substantial savings, but the impact goes beyond cost. The company now benefits from greater procurement efficiency, stronger supplier collaboration, improved risk management, and the integration of sustainability considerations aligned with strategic goals.

1. Mastering the Value Levers. Mastering these familiar levers lays the groundwork for a successful transformation.

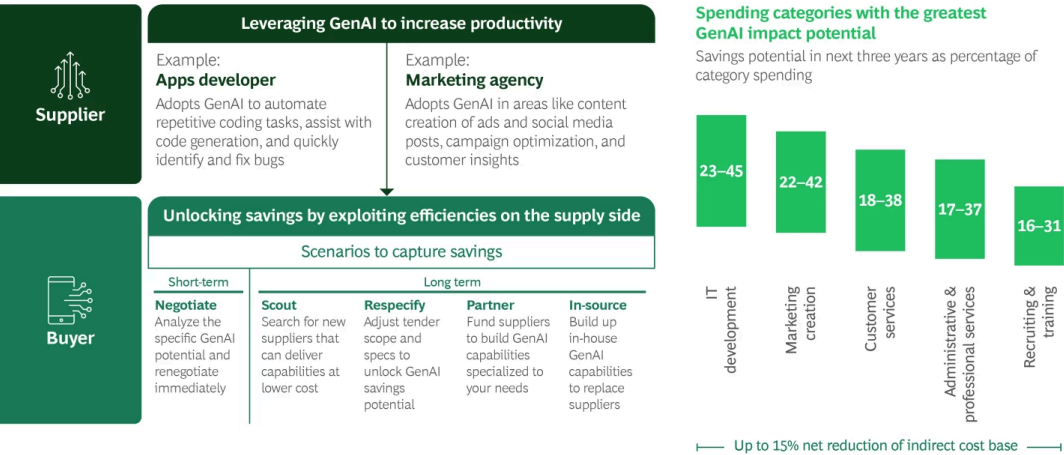
- **Demand Optimization.** Procurement should actively support the business in challenging demand, questioning the necessity and timing of purchases and projects through benchmarks or insights from suppliers.
- **Technical Optimization.** Telcos can realize significant value by simplifying specifications and standardizing purchasing. Suppliers can play a key role in unlocking this value, as discussed below.
- **Commercial Levers.** Traditional commercial approaches, such as pooling volumes across departments and countries, continue to yield value but are increasingly mature.

2. Applying GenAI to Turbocharge Savings. GenAI is revolutionizing procurement by unlocking value in several ways:

- **Supplier Productivity Gains.** Suppliers adopting GenAI report substantial productivity increases in areas such as IT and administrative services. To benefit from these efficiency gains, telcos must adapt strategies, supplier panels, negotiation techniques, and contracts. The result will be significant reductions in indirect costs. (See Exhibit 2.)
- **Enhanced Buyer Negotiations.** With improved analytics, real-time data access, and negotiation coaching powered by GenAI, procurement teams can more effectively identify and capture opportunities.
- **Internal Productivity and Strategic Focus.** Automating routine procurement tasks through GenAI frees procurement teams from administrative burdens, allowing them to concentrate on value-creating activities, such as scouting new suppliers and managing risks.

EXHIBIT 2

GenAI Enhances Workforce and Supplier Productivity, Reducing Costs Significantly



Source: BCG analysis.

3. Partnering with the Business to Manage Costs. In this new context, procurement can only deliver its full potential when business teams and the procurement function share a common ambition for managing third-party costs. This requires moving beyond a handoff model to true joint ownership of spend. Cross-functional teams, or “cost squads,” can play a critical role—bringing together procurement, finance, and business colleagues to improve visibility on demand, align on specifications, and jointly prioritize the right sourcing strategies. This shift transforms procurement from a reactive gatekeeper engaged late in the process to a forward-leaning partner embedded upstream in business decisions.

4. Partnering with Suppliers to Generate More Value. In recent years, procurement organizations have captured substantial value through traditional category-based approaches. To unlock the next level of savings, telcos need to take a supplier-centric approach.

Supplier collaboration is especially important in a telco environment. Because network complexity (for example, RAN deployment) and highly integrated operating models (such as network services) often make it difficult to switch suppliers and run competitive tenders, telcos must work with existing suppliers to challenge costs and drive improvements.

Leading telcos are strengthening supplier relationship management and developing joint improvement plans with their strategic partners. Together, they work to reduce end-to-end costs by eliminating overspecification, rework, and waste. When implemented rigorously, these programs deliver cost reductions of 10% to 15%. Key success factors include, among others, CEO-to-CEO alignment and data transparency on both sides.

5. Delivering End-to-End Financial Performance. Procurement organizations regularly report on savings achievements, yet these savings are often not reflected in the company's financial statements.

To address this challenge, leading procurement functions are emphasizing end-to-end performance and are increasingly using GenAI to drive improvements here as well. This involves clearly linking procurement outcomes to measurable financial results, considering inflation, changes in consumption, and evolving specifications. Additionally, buyers now play a broader role beyond negotiation, actively ensuring that contracted terms, rebates, and supplier commitments are consistently implemented.

Finally, stronger collaboration between procurement and finance helps embed procurement savings firmly within budgets, preventing leakages in consumption or uncontrolled reinvestment of savings into new needs.

A Proven Approach to Delivering Results

Successful procurement transformation requires a structured, collaborative approach that balances rigor with flexibility and drives alignment across the organization.

Phased and Collaborative Delivery. Effective programs begin with a diagnostic phase, typically lasting six to eight weeks. This is where the groundwork is laid: deep-dive workshops help uncover inefficiencies, benchmark data highlights gaps and opportunities, and a directional savings roadmap begins to take shape. Rather than prescribing a one-size-fits-all solution, this approach crafts a tailored vision aligned with the company's unique spending profile, procurement maturity, and strategic goals.

Once the blueprint is in place, the transformation is implemented in a 12- to 24-month journey rolled out in waves. Each wave targets specific spending categories, blending pilot initiatives with scaled execution. The focus is on disciplined delivery: tracking progress, fine-tuning tactics based on real-time data, and embedding improvements across functions.

“Value Tower” Execution Oversight. Central to the execution rhythm is what we call the value tower: a dedicated team empowered with digital tools and governance authority to ensure that procurement initiatives deliver real, measurable impact. This team orchestrates the savings delivery plan, monitors the full pipeline of initiatives, identifies new opportunities, and ensures that each one is progressing at benchmark speed and with the right ambition.

Integrated Procurement and Operating Model Transformation. Delivering sustained value requires more than transforming procurement alone; it demands transforming how the entire company approaches procurement. This involves deeply embedding procurement excellence within business operations, strengthening stakeholder engagement, integrating compliance and efficiency into everyday decisions, and fostering long-term supplier relationships. By integrating

procurement transformation within an overall operating model transformation, telcos promote long-term value creation, rather than one-off gains.

Getting Started on the Journey to Value

For telco CEOs, CFOs, and procurement leaders, the path to procurement transformation starts with pragmatic steps that generate momentum, build credibility, and deliver measurable results from the outset.

Apply an opportunistic lens alongside transformation. While a category-by-category transformation, in waves, is needed to deliver a step change in performance, re-examining contracts approaching renewal can unlock savings in the short term and reinforce early momentum.

Build cross-functional alignment. Procurement success hinges on more than just technical solutions. Early engagement with business and finance stakeholders ensures aligned priorities, shared responsibilities, and mutual incentives. This cross-functional ownership is critical to both early execution and long-term success.

Activate the right levers. A procurement transformation demands a radical departure from traditional approaches, recognizing that no two categories are the same. Some require deep technical optimization, others are ripe for demand reduction, and many benefit from smarter commercial strategies. Activating levers through a targeted, category-specific approach ensures that savings are not only captured but sustained over time.

Embed upskilling and change management from day one. With GenAI, savings levers are now just a click away—but achieving real impact is not. The challenge lies in mobilizing the entire organization, adapting processes and ways of working, and ensuring that change truly sticks. This complexity should never be underestimated. Successful organizations invest heavily in change management—through clear communication, updated policies, revised KPIs, and continuous upskilling of their teams—to secure lasting and sustainable impact.

Track and scale. Governance is what turns one-off wins into a system of continuous improvement. By leveraging automated dashboards and real-time tracking tools, leaders can monitor progress, identify roadblocks early, and ensure accountability. Closely aligning with finance on procurement initiatives—both individually and collectively throughout the budgeting process—is essential to scaling programs across regions and business lines while promoting financial discipline and long-term impact.

In today's high-stakes telecom environment—where rising costs and shrinking margins are reshaping the rules—procurement stands out as a lever for fast, scalable, and sustainable value creation. No longer just a cost control function, modern procurement can drive enterprise-wide transformation, boosting efficiency, resilience, innovation, and strategic flexibility. The mandate is clear: elevate procurement to the heart of enterprise strategy and create a new source of competitive advantage.

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