

Carrier-Enterprise synergy: From telco to tech partner

The enterprise segment is a potential growth engine for telcos across the globe. Digital disruption requires enterprises to adjust their business models, become more flexible, and focus on customer experience, with next-gen networking technologies underpinning many of the digital solutions needed to achieve these goals. Carriers themselves are experiencing disruption and are going through internal transformation. There are opportunities for carriers to offset their own disruption by investing in the enterprise segment.

By Malcolm Rogers, Analyst of Global Data



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Threats to carrier business

The telecommunications industry is in a period of transition and disruption. Today's carriers are well aware of the threat posed to traditional voice and messaging services by OTT players such as WhatsApp, WeChat, and Facebook Messenger. Core carrier businesses like voice and messaging are no longer achieving the same levels of revenue they used to. However, there's little operators can do about it, and both fixed and mobile voice revenues are continuing to decline. According to GlobalData, mobile voice revenues declined by 11 percent worldwide in 2018, mobile messaging revenues by 10 percent, and fixed voice revenues by 5 percent. And this income is gone forever, with GlobalData estimating that by 2023 mobile voice, mobile messaging, and fixed voice revenues will drop to 22 percent, 43 percent, and 23 percent below 2018 levels, respectively.

Web companies like Amazon, Google, Facebook, and Alibaba are expanding their reach across a host of industries to encompass services like cloud computing, storage, AI, and Blockchain. Many



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benefited carriers, as data needs to be channeled from enterprise premises to data centers from cloud providers. However, many web players are investing in their own data transport capabilities, with Facebook, Google, Alibaba, Amazon, and Microsoft all building out data centers, connecting them with their own fiber, and developing virtual networking products.

Why carriers still matter

Despite OTT players' investment in data centers and cables, telcos still dominate the networking space. Enterprises (and consumers) will continue to rely on the networks owned and operated by traditional telcos. Today's enterprise customers are hyper-focused on customer experience, while enterprise employees expect great experiences from their company's technology. A dynamic network can enable businesses to scale bandwidth in real time, provision new branches quickly, enable employees to work securely from anywhere, and reduce pressure on internal IT teams to ensure that everything runs smoothly on the back-end. Analytics can be deployed for predictive monitoring and automated provisioning to minimize downtimes and network failures and enhance user experience. A telco that can provide a next-generation network that achieves solid business outcomes will be in a good position to remain a

trusted technology partner in the enterprise segment.

While OTT players can offer services on top of a connection, they cannot ensure end-to-end network performance. While carriers cannot compete with web companies for cloud services, it can be an enabler for enterprises to leverage cloud technology to drive transformation. Leading carriers already offer more agile networking solutions with SDN/NFV technologies, direct cloud connectivity, and managed security services.

Opportunities in the enterprise space

Bountiful opportunities remain for carriers to grow their revenue from the enterprise segment. These extend beyond simple Internet and voice plans to more advanced networking solutions like MPLS, Ethernet, and fiber, and pairing them with services like managed networks, cloud services, security, and data analytics. GlobalData expects that global Ethernet WAN revenues will reach US\$70 billion by 2022, optical networks US\$57 billion, and IP/MPLS VPN US\$47 billion. These revenues will also be supplemented by newer network technologies like NFV and SD-WAN that can make enterprise networks even more dynamic. The most successful carriers

will be the ones who can expand beyond core telecommunications to become technology partners.

Direct cloud connections

Cloud services are increasingly important to enterprises around the world. According to a GlobalData survey of over 3,200 enterprise IT buyers, cloud services accounted for 11.1 percent of total ICT spend in 2018 on average, up from 6.7 percent in 2017. Application performance, data security, and connection speeds are all major concerns for enterprises when connecting to cloud. Offering direct private connections to cloud through IP/VPN or Ethernet can help enterprise customers better achieve business outcomes, especially if they're operating in a hybrid (private/public) cloud environment.

Germany-based Deutsche Telekom (DT) has won business by offering its “Secure Cloud Connect” service, which allows enterprises to use a private Ethernet line to connect its premises to more than 40 cloud providers in Europe and America. The service offers simplicity and security to enterprises with cloud needs. DT offers Ethernet connections to cloud with over 40 Ethernet clusters across Europe, North America, Asia, Africa, and the Middle East. The company's focus on cloud has proven to be a good bet with cloud-related revenues, which grew 29 percent year on year in fiscal year 2018. Several major carriers have also adopted a similar approach.

Managed security

Today many enterprises are increasing spending on managed security services like network data filtering, network access authentication, security breach detection, and response services. Evolving security threats make businesses more likely to face IT security vulnerabilities. Further business digitalization and increasing digital touch points make business critical IT systems more susceptible to threats. As such GlobalData expects global enterprise spending



on managed security services to reach US\$123 billion by 2022. Carriers can offer the security of private lines alongside managed security services to add more value for enterprises concerned about security. This may be particularly attractive for industry verticals like finance, government, and healthcare which deal with very sensitive data and applications, and which are subject to regulation.

For example, the US carrier AT&T offers network filtering, firewalls, virus scanning, secure Internet gateways, and more, which it delivers on cloud. The carrier has been successful in winning customers based on simplifying security for enterprises. AT&T's success comes on the strength of its network, which offers the company the ability to scan massive amounts of data traversing its global network for threats. It uses AI and analytics to continually refine threat detection. AT&T provides managed security services to over 100 markets, having deployed eight security operation centers (SOCs) to provide 24/7 coverage for managed security clients when threats are detected and a response is needed. Due to these strengths, AT&T has won managed security contracts with key organizations, including the US Department of Homeland Security, the US Federal Trade Commission, and the retailer Aeropostale.

Managed Network Services

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managed WAN and LAN services, which combine a mix of technologies (Ethernet, MPLS, IP VPN, Internet, and so on). They can also offer features that optimize network performance and flexibility based on enterprise customer needs. Managed network services encompass a range of key functions, including carrier-built predictive analytics capabilities that reduce downtime. Managed network services can contribute significantly to revenue growth for carriers. GlobalData expects enterprises worldwide to spend US\$43.7 billion on managed network services in 2019, which will increase to US\$63.0 billion in 2022.

Australia-based Telstra has grown revenue from the enterprise segment with its managed network services. The company offers end-to-end management across all aspects of the enterprise network, including advisory services around network design, managing network elements like WAN and LAN switches and routers, and VAS like bandwidth optimization and 24/7 service desk and monitoring. Telstra is using these services to help drive growth for business, and so far it has been successful. In 2018, the operator reported A\$660m (US\$500m) in managed network services, deriving from the Telstra Programmable Network solution. The solution offers a simple management platform that enables fast provisioning, dynamic bandwidth on-demand, NFV

deployment, WAN optimization and more, all from a single pane-of-glass view.

Ultimately it's the combination of providing next-generation networks alongside managed services in key growth areas that can unlock future growth for carriers. Managed services can be even more lucrative than the networks themselves. GlobalData expects managed security services revenue to reach US\$123 billion by 2022, managed cloud services to reach US\$79 billion, and managed network services to reach US\$63 billion.

Despite pressures from digital disruption and changing consumer preferences, growing opportunities exist in the business segment. Next-generation networks will enable businesses to operate much more flexibly, and IT will move from a cost center to a business enabler. Carriers have an opportunity to guide their enterprise customers through this transition while simultaneously moving up the value chain from access provider to technology enabler. Operators who invest in the enterprise segment can see tremendous revenue growth over the coming years. Offering managed LAN, WAN, cloud and security are promising areas for operators across the globe. Ensuring that their products and services are capable of meeting enterprises' next-gen demands is the first step. [www](#)