

# New private lines, new B2B growth

Fixed connections are basic business for telcos, making up over 30 percent of their B2B revenues. However, they must quickly respond to changing customer needs and competitors, maximize the value of business areas where they have an edge, automate more services, and offer differentiated products. This is the only way they can retain customers and produce new revenue streams.

By Ryan Ding, Huawei Executive Director and President of Carrier BG



## Private lines are driving new B2B revenue growth

**T**oday's telecom operators are entering a new phase of development. The penetration of broadband services for individuals and households has hit new levels, enabling operators to continue to monetize their large user bases. At the same time, governments have been pushing operators to speed up connections and reduce connection fees, which has meant slugging revenue growth.

In contrast, quite a different trend has appeared in the B2B market. Companies are accelerating digital transformation, and thus the demand for high-quality ICT services is growing. We predict that global corporate spending on ICT will exceed US\$3 trillion in 2020, with B2B services set to be a new growth engine for many telecom operators.

Private line services are the gateway to the B2B market. In one real-world example, a telco was doing business with a real estate company. At first, the customer only wanted to order basic commercial

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broadband for its 500+ branches. But once they’d established a relationship, the operator was able to offer a package of services that included broadband, desktop cloud, cloud Wi-Fi, and employee SIM cards. It shifted the realtor to a hire-purchase model under which the company could open and close branches faster. What was originally an order worth 500 yuan (US\$73) per month per store became a package worth US\$550+, reflecting a sevenfold-plus upsell.

Private lines are lucrative, giving operators a “fixed target” and fast ROI. Unlike B2C users, high-value corporate customers have fixed locations. They’re often concentrated in downtown office buildings or industrial parks and aren’t hard to find on a business register. Operators can easily reach high-value customers and turn the fiber they have laid into a revenue source: Corporate connections produce 10 times as much revenue per bit as home broadband, and contracts are often more than two years.

Thus, operators can recoup their investment in less than three years.

Companies need multiple suppliers, so it’s never too late for operators to enter the private line market.

Many large corporate customers procure services from two or more telecom operators to guarantee the resilience of their WAN networks. They want to divide their data traffic between two totally independent networks. For example, many of Huawei’s overseas offices lease both a main and a backup private line from two different local operators. Our market insight has found that some major Internet companies lease private lines from three or more suppliers to boost network reliability. Their applications are capable of sharing multiple lines and if a line breaks down, data traffic can switch to other live links.

Private lines are the control point in the cloud era because they represent an operator’s core competency. Back in 2013, AT&T realized the opportunities that cloud represented and launched its NetBond product, providing fast, secure, scalable, and low-latency products for corporations to connect to multiple clouds. As a result, AT&T created a strategic position on the chokepoint of cloud data flows and reinforced its position as a leading provider of corporate ICT services. Deutsche Telekom’s PLAS products and China Mobile’s Cloud Socket products served a similar purpose in their respective markets.



Operators must learn to adjust their business models, introduce more unique value to their local connections, and win their core business – backbone connections – back from cloud service providers.



## Differentiation is necessary given that all telcos are focused on private line services

Private line services are the key to unlocking the B2B market, prompting many new players to appear. Established cloud services providers are starting to build their own undersea cables or lease fiber to build their own high-capacity backbone networks. They also have the ability to synergize cloud and network infrastructure and enable high-speed connections between the Virtual Private Clouds (VPCs) of any two branches of a multinational within minutes. When these cloud and connection services are sold in volume to high-value customers, they will dramatically cut into the ability of operators to profit from international VPN services – a lucrative business. Instead, operators will be forced to subsist on lower-value local connection services. To deal with this threat, operators must learn to adjust their business models, introduce more unique value to their local connections, and win their core business – backbone connections – back from cloud service providers.

As competition intensifies, many telecom operators are still selling their products in the same tiered format, offering customers a list of bandwidths, including protection bandwidths. But B2B customers want TTM within days, self-service bandwidth, latency options, and fully transparent SLAs.

### Focusing on the needs of high-value customers and delivering low-latency options

Maintaining a tight focus on the top customers and their priorities can help operators avoid large-scale investments with little return. The highest priority should be maintaining relationships with customers that deliver high profits, so operators can quickly build up their brand for cutting-edge, innovative services.

For example, some of China Telecom Shanghai's major customers are stock exchanges and futures exchanges. In 2018, to boost trades and commissions, a futures brokerage wanted to reduce its private line latency from 4 milliseconds to less than 3 milliseconds by ensuring peak trading speeds, so the brokerage could execute thousands of trades every

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millisecond. In response, China Shanghai Telecom provided a private line with a latency of just 0.63 milliseconds.

Cloud service providers are another major market for low latency services. Last year, one of China's biggest online gaming companies leased Huawei Cloud's infrastructure-as-a-service (IaaS) solution to help it serve the Chinese market. To ensure a superior countrywide user experience, Huawei Cloud paid a premium of 20 percent above the standard price to an operator and cut the latency of the networks connecting the gaming company's three data centers to less than 25 milliseconds.

Low latency is also important for office applications on the cloud. According to Huawei's own experience, when end-to-end latency exceeds 100 milliseconds, cloud-based communications and conferencing quality declines sharply. In many countries, high network latency is the main barrier to the wide adoption of public cloud services. This also represents a perfect opportunity for operators to enter the market with low-latency products.

**Faster TTM, bandwidth on demand,**

### **transparent SLAs**

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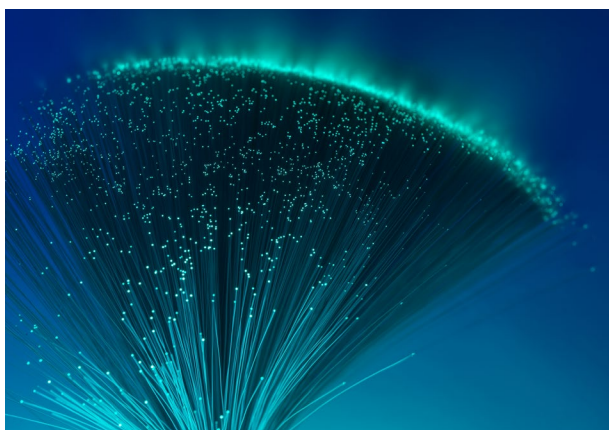
We analyzed the end-to-end private line service provisioning processes (service subscription, design, installation, product configuration, and acceptance checks) of many global operators, and found that more than 60 percent of their total time was spent on checking the availability of network resources (fiber readiness, equipment capacity, and port availability) and last-mile fiber engineering. The way to reduce the TTM of private line services is to lay fiber in advance for high-value users and to build a constantly-updated IT system that manages passive and active network resources.

For operators, IP RAN networks offer the perfect platform for entering the corporate private line market. There are always mobile base stations around high-value buildings – IP RAN networks provide backhaul services for base stations and are frequently

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of bandwidth between 10 Mbps and 100 Mbps, and check the quality of their lines (speed, packet loss, latency, and jitter) on a mobile app 24/7. Within just one year, Unicom had attracted nearly 1,000 new corporate customers thanks to fast service provisioning, flexibility in bandwidth, and SLA transparency.

### Optimizing network architecture for differentiated services

expanded. In addition, a mature system that manages all network resources is available, all with updated information for sites, ducts, device ports, and the links needed for private lines.

China Unicom Guangdong laid short fiber optic cables from its mobile stations to buildings nearby. The operator was then able to achieve 100 percent coverage for the 1,000+ most valuable business properties, housing tens of thousands of companies. With these fiber resources in place, China Unicom Guangdong was able to offer a market-beating 2-week TTM for corporate communications services. Unicom customers could select any level

As companies continue to undergo digital and cloud transformation, we predict that their demand for private lines and bandwidth will grow strongly. We expect the global market to be worth over US\$170 billion in 2020. To win in a fiercely competitive environment, operators need to clearly recognize the changing needs of their corporate customers in the cloud era, keep refining their network architecture and operational processes, and provide higher-bandwidth, lower-latency, and more agile services with more transparent SLAs. This will put them in the perfect position to lead in the corporate services sector. [www](#)