

Beyond the Pandemic: How Enterprise Needs Can Drive CSP Growth

The rise of IoT, security, cloud computing and 5G creates new revenue opportunities for service providers to upsell their large enterprise customers.

By Ken Kennedy / CSG

Necessity is the mother of invention, which was never truer than during the COVID-19 pandemic. The rise of the internet of things (IoT) and 5G created an age of opportunity for enterprises that want to disrupt existing industries and launch new services quickly and cost-effectively. The enterprise market's transformation represents a significant opportunity for communications service providers (CSPs), which make tough decisions on where and how to modernize their networks.

To support operators in their decision-making, CSG recently teamed up with industry analyst firm Analysys Mason to delve into the current state of the CSP market and learn more about enterprise priorities, challenges and opportunities.

The new survey, "Large Enterprises' Demand for Communications and IT Services," found that more than 80 percent of the largest global companies are interested in investing in edge computing, 5G slicing and cloud and IoT services within the next five years. An overwhelming 92 percent of enterprises have accelerated their plans to tap IoT, security, cloud and unified communication services as a result of the pandemic. What does this eye-opening data mean for CSPs?

CHANGING ENTERPRISE DEMAND PATTERNS

The 2020 global pivot to remote work created a boom in demand among large businesses

and government agencies for new technology tools/solutions, including VPNs, secure remote access, e-commerce, unified communications, and network-as-a-service. As a result, most enterprises expect to increase their IT and communications services spending in the next 12 months. A high percentage of enterprises report an expected increase in spending on mobile communications, cloud computing and applications, and secure remote access.

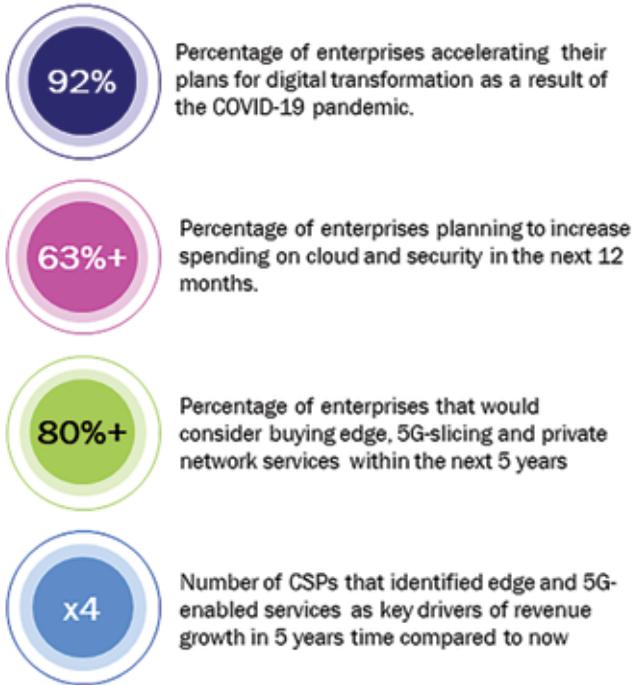
There is also greater demand among enterprises to buy these services from their primary service providers. Although many enterprises rely on more than one CSP for additional services, more than half the surveyed enterprises reported using three or more providers for core communication services. Nearly 80 percent want to reduce the number of vendors they work with and get their services from one supplier.

Companies have also expressed an interest in improved billing and invoicing services. In the CSG sample, 21 percent reported that they hadn't renewed their supplier contracts within the last five years because of poor billing and invoicing. With the proliferation of cloud and "as-a-service" models, enterprises are looking for consolidated, customized billing from their leading suppliers, a trend likely to increase in the future.

CSP OPPORTUNITIES

Currently, only 25 percent of service providers offer IT services to enterprises even as the cloud,

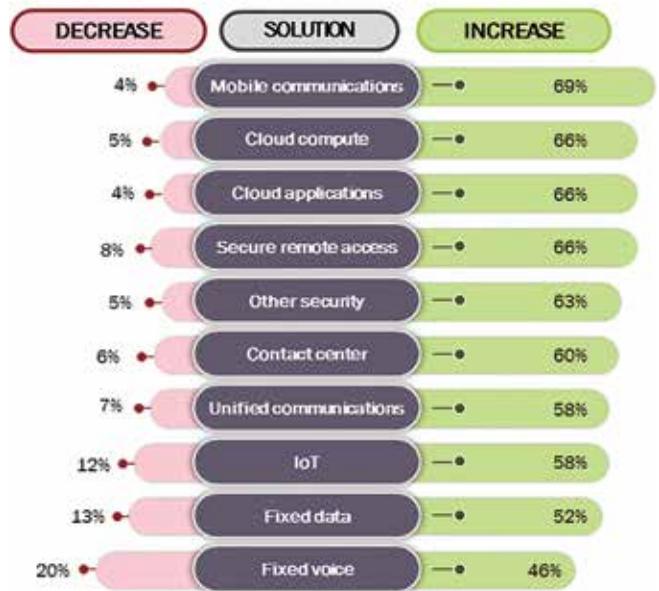
Key metrics highlighting growth in digital services



Source: CSG and Analysys Mason Large enterprise demand for comms and IT services: survey results 2021



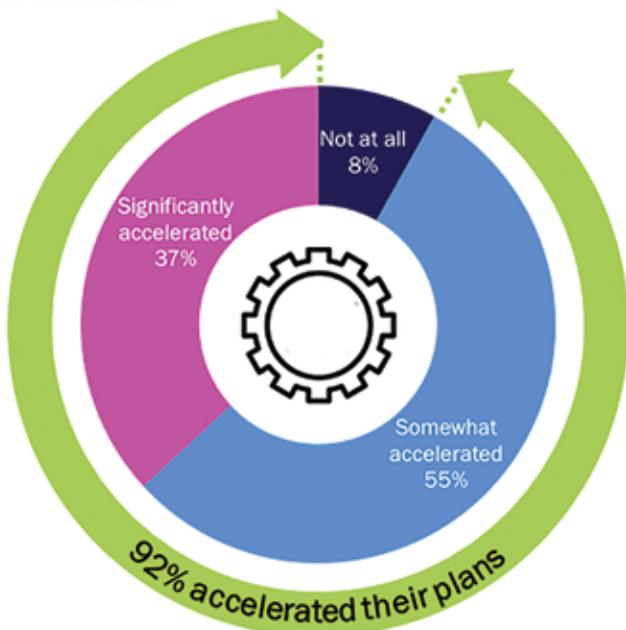
Enterprise survey: Do you expect to change levels of spend on these services in the next 12 months?



Source: CSG and Analysys Mason Large enterprise demand for comms and IT services: survey results 2021



Enterprise survey: Impact of COVID-19 on plans to use services such as IoT, security, cloud and unified communications.



Source: CSG and Analysys Mason Large enterprise demand for comms and IT services: survey results 2021



5G and IoT disrupt the market in waves. The enterprise market's need for IT services creates new opportunities for service providers, who can use the growth in demand to their advantage by expanding their respective portfolios and upselling add-on services. These trends require CSPs to continue to invest in security, cloud and IoT propositions to drive further adoption; invest in new recommendations based on edge, 5G and private networks; and offer a broader portfolio of communications and IT services.

By investing in leading-edge technologies, CSPs will expand their portfolios and could become one-stop shops for enterprise IT needs. By holding all services in one place, service providers can gain traction with their customers and upsell added services.

Operators can take a similar approach with invoicing and billing by automating their services to save time and costs while reducing the number of billing systems used. Automating services and simplifying billing satisfies the expectation for flexible billing and reduces reliance on manual and ad hoc processing, which leads to errors and increased costs. CSPs can also take a more integrated approach to handle partner payments within billing systems and invest in scalable solutions to ensure they deliver real-time, on-demand and usage-based bills.

THE CHALLENGES AHEAD

Of course, nothing good comes easily, and meeting enterprise demand may present a challenge for CSPs in the short term.

Right now, many service providers have stagnant or declining revenue from connectivity services, and few have a large enough portfolio to sufficiently manage enterprise demands for edge, 5G and private network investments.

On top of that, enterprises and operators have different takes on the value of certain products and services. On a scale of 1 to 5, enterprises reveal that they rate the value of technical solutions at 4.4 to CSPs' 4.1. Similarly, enterprises and CSPs rate billing and invoicing differently. As CSPs underestimate opportunities for broadening their portfolios and upselling products to their large enterprise customers, suppliers and large business customers will likely be left unsatisfied.

SEIZE THE DAY

These are still the early stages of an era of hyper-connectivity. Despite

conflicting views and stagnant revenue, service providers have enough time to build on their skills and services and create new opportunities for the future.

CSPs can capitalize on their customers' ever-growing appetite for IT services and align enterprise spending with their revenue in the post-pandemic economy. Most service providers recognize the need to broaden their capabilities to deliver new IT services. Partnerships will be critical to their success to meet the scale of direct competition with major global IT providers. CSPs can optimize their portfolio and technology investment strategies to deliver enterprises' choice by leveraging a partnership model.

Enterprises crave an end-to-end suite of innovative services from a single CSP to allow them to maximize their business potential and revenue. CSPs have a vast opportunity to invest in propositions based on edge, 5G and

private networks that can meet client demands for years to come. Ultimately, finding ways to differentiate services will be essential to the long-term success of CSPs. ❖



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