analysys mason

Operator business services: UK forecast 2019–2024

Catherine Hammond

RESEARCH

Contents

5. **Executive summary**
6. Executive summary: the overall operator business revenue in the UK will remain stable, but the contribution from ICT services will continue to grow
7. Implications for operators
8. **Forecast results**
9. Operator business revenue in the UK will grow slightly in the period to 2024
10. Fixed broadband, ICT and IoT services will account for an increasing share of operator business revenue
11. Operator revenue growth will be the greatest for micro businesses
12. Revenue from business mobile services will remain flat as revenue growth in IoT connectivity offsets small declines in handset services
13. Revenue growth from next-generation broadband will partially offset declines in legacy fixed voice service revenue
14. High-bandwidth services for both broadband and dedicated connections will continue to grow in importance
15. The addressable market for ICT services for operators will continue to grow as businesses migrate further towards cloud-based business solutions
16. Operator revenue from ICT services forms a small but rapidly growing share of the overall business revenue
17. **Operator profiles**
18. The enterprise market in the UK is characterised by the presence of a large number of small business specialists alongside the market leaders
19. Operator profiles: BT
20. Operator profiles: Virgin Media
21. Operator profiles: Colt
22. Operator profiles: TalkTalk
23. Operator profiles: Gamma
24. Operator profiles: other operators
25. **Forecast methodology and assumptions**
26. Forecast methodology and assumptions: presentation of results
27. Forecast methodology and assumptions: market definition
28. Forecast methodology and assumptions: modelling approach
29. Forecast methodology and assumptions: mobile services
30. Forecast methodology and assumptions: fixed services [1]
31. Forecast methodology and assumptions: fixed services [2]
32. Forecast methodology and assumptions: ICT services [1]
33. Forecast methodology and assumptions: ICT services [2]
34. **About the author and Analysys Mason**
35. About the author
36. Analysys Mason’s consulting and research are uniquely positioned
37. Research from Analysys Mason
38. Consulting from Analysys Mason

List of figures

Figure 1: Change in telecoms operator retail revenue from businesses by service type, UK, 2019–2024

Figure 2: Connections for businesses and CAGRs by type of connection, UK, 2019–2024

Figure 3: Telecoms operator retail revenue from businesses in 2019 and CAGR for 2019–2024 by enterprise size, UK

Figure 4: Telecoms operator retail revenue from businesses by service type and share of total market, UK, 2015–2024

Figure 5: Percentage of operator retail revenue from businesses and CAGR by service type, UK

Figure 6: Percentage of retail revenue, employees and business sites for each enterprise size, UK, 2019

Figure 7: Telecoms operator retail revenue from businesses by service type and enterprise size, UK, 2019 and 2024

Figure 8: Telecoms operator mobile service retail revenue and connections for businesses, UK, 2015–2024

Figure 9: Telecoms operator fixed service retail revenue and connections for businesses, UK, 2015–2024

Figure 10: Number of business fixed broadband and dedicated connections by type of connection, UK, 2015–2024

Figure 11: Addressable ICT services retail revenue from businesses by service type, UK, 2015–2024

Figure 12: Addressable ICT services retail revenue from businesses by service type and operators' share of this revenue, UK, 2024

Figure 13: Revenue for business fixed calls and access, by provider, 2014–2018

Figure 14: BT enterprise revenue, by service, 1Q 2017–2Q 2019

Figure 15: Virgin Media business revenue, 1Q 2017–3Q 2019

Figure 16: TalkTalk corporate revenue, by service, 2015–2019

Figure 17: KCOM business revenue, by division, 2016–2019

Figure 18: Gamma's revenue, SIP trunks and cloud-hosted voice seats, 2013–1H 2019

Figure 19: Percentage of enterprises, employees and business sites by enterprise size, UK, 2019

Figure 20: Diagram of the forecast modelling approach

Figure 21: Definitions and key drivers for mobile services

Figure 22a: Definitions and key drivers for fixed services

Figure 22b: Definitions and key drivers for fixed services

Figure 23a: Definitions and key drivers for ICT services

Figure 23b: Definitions and key drivers for ICT services

About this report

This report analyses the demand for telecoms services by micro, small, medium-sized and large enterprises, expressed in terms of revenue, the number of connections or users and the average revenue per user (ARPU).[1]

The report highlights that ICT services play an increasingly important role in sustaining the overall operator business revenue as legacy service revenue continues to decline.

It quantifies the market for fixed and mobile voice and data services, IoT connectivity services and ICT services such as unified communications (UC) and hosted voice, security, co-location and hosting and cloud services.

The report is based on several sources, including Ofcom, the Office for National Statistics, operator reporting, Analysys Mason's 2019 survey on business telecoms and ICT usage and third party reports. It does not assume any significant negative impact from the UK leaving the EU.

WHO SHOULD READ THIS REPORT

- Operators that want to identify key areas for revenue growth, both in terms of enterprise segments and individual services.
- Vendors that are considering targeting the enterprise market.
- Third-party service providers that are seeking to collaborate with operators.

REPORT COVERAGE

Geographical

Countries modelled individually:
- UK

Enterprise size

Segments:
- Micro (0–9 employees)
- Small (10–49 employees)
- Medium (50–249 employees)
- Large (250+ employees)

Services[2]

Mobile:
- Voice and messaging
- Handset data
- Mobile broadband
- IoT connectivity

Fixed:
- Narrowband voice
- VoBB
- ADSL/SDSL, vDSL, FTTP/B, cable, FWA, other fixed broadband
- Dedicated connections: below 100Mbit/s, 100Mbit/s and up to 1Gbit/s, and at least 1Gbit/s
- Pay TV

ICT:
- UC and hosted voice
- Security
- Co-location and hosting
- Software-as-a-service (SaaS)
- Infrastructure-as-a-service and platform-as-a-service (IaaS/PaaS)
- Enterprise mobility
- Desktop management

DataHub

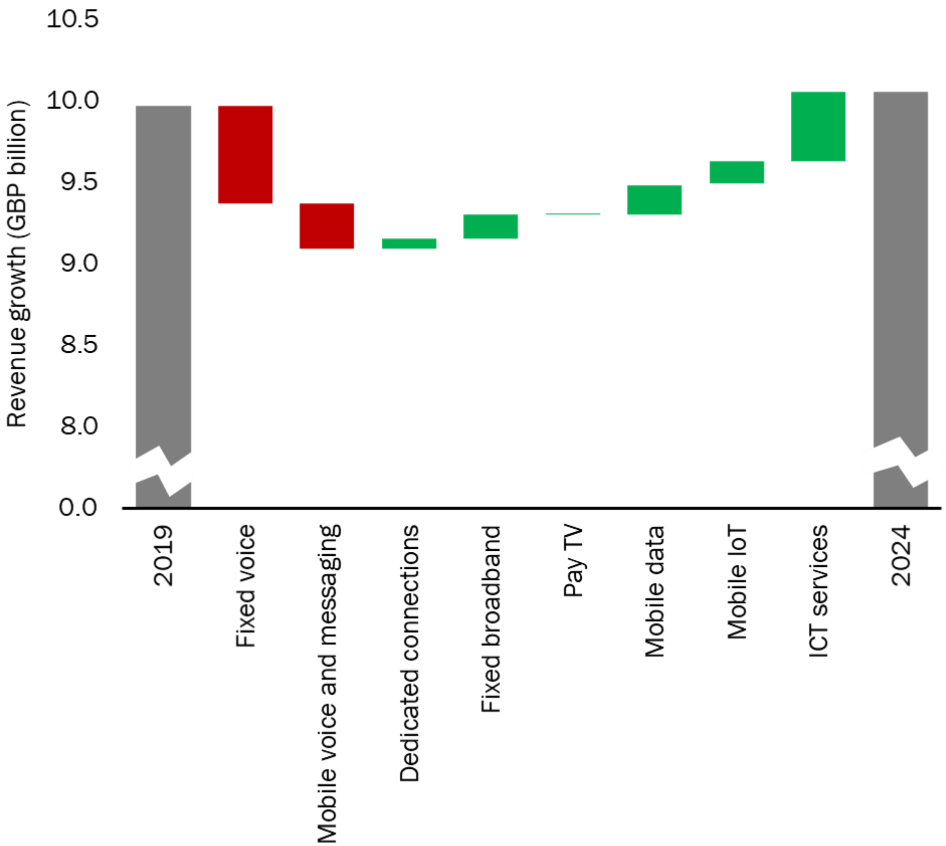
Our forecasts are refined throughout the year. This report presents the results at the time of publication and will continue to give useful background information about key drivers. However, we recommend that you always use the Analysys Mason DataHub to view the latest data associated with this report.

[1] For the complete data set, see Analysys Mason's DataHub.

[2] See service taxonomy in the 'Forecast methodology and assumptions' section of this report.

Executive summary: the overall operator business revenue in the UK will remain stable, but the contribution from ICT services will continue to grow

Figure 1: Change in telecoms operator retail revenue from businesses by service type, UK, 2019–2024[1,2]



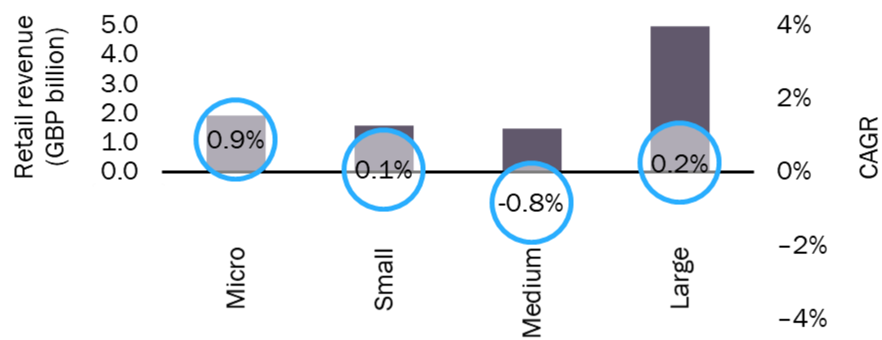
Source: Analysys Mason

Figure 2: Connections for businesses and CAGRs by type of connection, UK, 2019–2024[2]

Connection type	Connections (thousand)		CAGR	
	2019	2024	2014–2019	2019–2024
Mobile handsets	10 660	10 920	1.2%	0.5%
Mobile broadband	1604	1690	1.8%	1.1%
Mobile IoT	18 650	69 170	18.4%	30.0%
Fixed voice	8430	7340	−2.0%	−2.7%
Fixed broadband	2847	3141	1.8%	2.0%
Dedicated connections	438	444	−1.0%	0.2%
Pay TV connections	406	418	0.4%	0.5%

Source: Analysys Mason

Figure 3: Telecoms operator retail revenue from businesses in 2019 and CAGR for 2019–2024 by enterprise size, UK[2]



Source: Analysys Mason

[1] Red denotes a decrease, and green an increase.
[2] See the 'Presentation of results' slide in the 'Forecast methodology and assumptions' section of this report for full definitions of the aggregate categories presented in the figures.

Operator business revenue in the UK will grow slightly in the period to 2024

Operators' retail revenue from businesses in the UK is forecast to increase at a CAGR of 0.2% between 2019 and 2024.

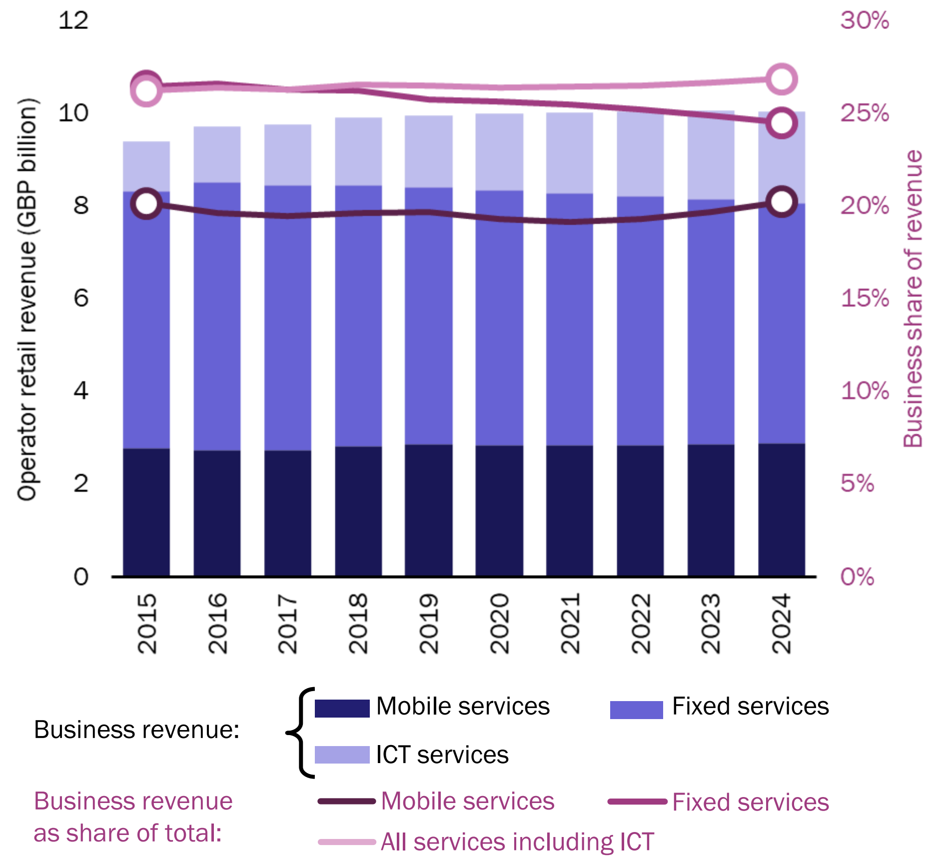
Operator enterprise revenue for telecoms and ICT services is estimated to grow from GBP10.0 billion in 2019 to GBP10.1 billion by 2024. Revenue from fixed and mobile services will remain flat or decline, and ICT services (such as security and cloud) will drive the small overall growth.

Business revenue currently accounts for 26% of the total operator revenue. This share is expected to remain fairly constant over time, although it will vary significantly by operator.

Many of the smallest businesses (typically as many as 30% of micro enterprises in the UK) rely on consumer products for mobile services and for fixed voice and broadband.[1] We expect that this practice will continue, particularly for fixed broadband, because improving consumer services will limit operators' ability to differentiate their entry-level business products.

IoT connectivity services account for a growing business share of the total mobile market. We anticipate that the business share of mobile handsets will increase slightly due to the take-up of converged offers, which will see businesses shifting away from consumer mobile services.

Figure 4: Telecoms operator retail revenue from businesses by service type and share of total market, UK, 2015–2024[2]



Source: Analysys Mason

[1] Revenue from consumer products is excluded from our business revenue estimates, in line with operator reporting practice.
[2] See the 'Presentation of results' slide in the 'Forecast methodology and assumptions' section of this report for full definitions of the aggregate categories presented in the figures.

Contents

Executive summary

Forecast results

Operator profiles

Forecast methodology and assumptions

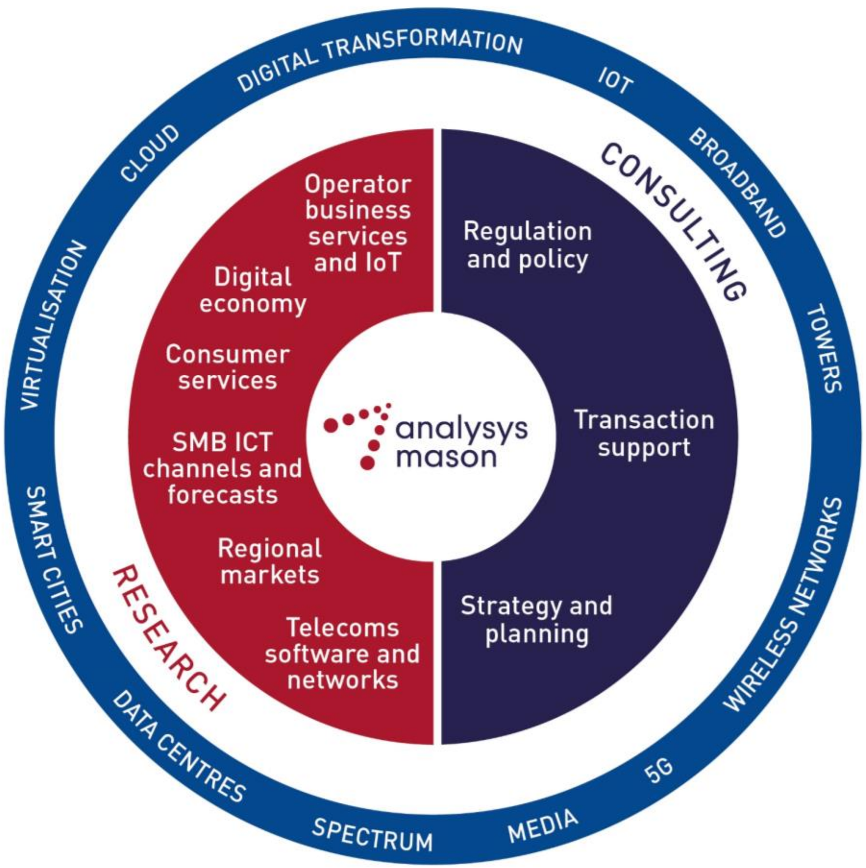
About the author and Analysys Mason

About the author

Catherine Hammond (Principal Analyst) is member of Analysys Mason's *Operator business services and IoT* research practice, specialising in market forecasting. She previously worked for 9 years as a Senior Manager within Analysys Mason's Consulting division, undertaking work for a wide range of operators, regulators and government agencies in Europe and Asia. Her work included the development and review of quantitative models, assessment of business plans, development of market forecasts, collation and analysis of benchmarks, development of white papers and leading client workshops and major presentations. She holds an MA in mathematics from the University of Cambridge.

Analysys Mason’s consulting and research are uniquely positioned

Analysys Mason’s consulting services and research portfolio



Consulting

We deliver tangible benefits to clients across the telecoms industry:

- communications and digital service providers, vendors, financial and strategic investors, private equity and infrastructure funds, governments, regulators, broadcasters and service and content providers

Our sector specialists understand the distinct local challenges facing clients, in addition to the wider effects of global forces.

We are future-focused and help clients understand the challenges and opportunities new technology brings.

Research

Our dedicated team of analysts track and forecast the different services accessed by consumers and enterprises.

We offer detailed insight into the software, infrastructure and technology delivering those services.

Clients benefit from regular and timely intelligence, and direct access to analysts.

Research from Analysys Mason

Consumer services programmes

Mobile Services
Mobile Devices
Fixed Broadband Services
Convergence Strategies
Video Strategies

Operator investment programmes

Operator Investment Strategies
Network Traffic
Spectrum

Telecoms software and networks programmes

Software Forecast and Strategy
Telecoms Software Market Shares

Network-focused

Next-Generation Wireless Networks
Video and Identity Platforms
Service Design and Orchestration
Automated Assurance
Network Automation and Orchestration
Digital Infrastructure Strategies

Customer-focused

Digital Experience
Customer Engagement
Monetisation Platforms
AI and Analytics

Digital economy programmes

Digital Economy Strategies
Future Comms

Operator business services and IoT programmes

Large Enterprise Voice and Data Connectivity
Large Enterprise Emerging Service Opportunities
SME Strategies
IoT and M2M Services
IoT Platforms and Technology

SMB ICT channels and forecasts programmes

Managed Service Provider Strategies
Cyber Security

Regional markets programmes

Global Telecoms Data
Americas
Asia–Pacific
Middle East and Africa
European Core Forecasts
European Telecoms Market Matrix
European Country Reports

DataHub

~2500 forecast and 250+ historical metrics
Regional results and worldwide totals
Operator historical data

Consulting from Analysys Mason

REGULATION AND POLICY

- Policy development and response
- Ex-ante market reviews, remedies, costing …
- Universal Service Obligation (USO)
- Scarce resources: radio spectrum management, auction support, numbering …
- Ex-post/abuse of dominance
- Postal sector

TRANSACTION SUPPORT

- Commercial due diligence
- Technical due diligence
- Mergers and acquisitions (M&As)
- Debt and initial public offerings (IPOs)
- Joint-venture structuring
- Mid-market financial sponsors

STRATEGY AND PLANNING

- Commercial expertise
- Technology optimisation
- New digital frontiers

analysysmason.com/consulting

PUBLISHED BY ANALYSYS MASON LIMITED IN **JANUARY 2020**

Bush House • North West Wing • Aldwych • London • WC2B 4PJ • United Kingdom

Tel: +44 (0)20 7395 9000 • Email: research@analysysmason.com • www.analysysmason.com/research • Registered in England and Wales No. 5177472