Analysys Mason's predictions for the business telecoms market in 2023

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A weak economy, continued high inflation and soaring energy prices (in some regions) will put pressure on business spending in 2023, which in turn will affect telecoms operators' business divisions.

However, opportunities are still arising. Changing working patterns are persisting, thereby creating demand for SD-WAN, remote working and other types of SASE solution. Skills shortages, especially for IT and security, mean that businesses are more likely than ever to turn to telecoms operators for managed or co-managed communications, security and other IT services. Operators with wide and growing portfolios should be able to defend, and perhaps even grow, their revenue.

In this article, we outline our predictions for the business telecoms services market in 2023.

Business services

Businesses will spend USD4.7 billion on SASE solutions in 2023

SD-WAN is already deployed at around 3.5 million business sites worldwide as of late 2022. Secure access to the cloud is a priority for many businesses, and the adoption of cloud security services is rising rapidly. Zscaler, a leading player in secure web-gateway (SWG) services, grew its revenue by 56% in the year to July 2022. We expect that the market for SASE services (which bring together SD-WAN and cloud security in a single, integrated solution) will begin to grow rapidly in 2023, and businesses' spending on such services will increase by more than 50% year-on-year to USD4.7 billion.

5G FWA will play an important, but limited, role in improving connectivity to branches and small business sites

Just over 40% of Verizon's 5G fixed-wireless access (FWA) customers are businesses; this is a sign of the technology's role as a solution for temporary sites (for example, construction sites and pop-up retail stores), small branches and micro businesses, as well as for remote working within larger organisations. FWA in the USA also appeals to businesses that want the same solution (and pricing and support) nationwide, which is something that fixed providers cannot offer. FWA will support the extension of rural broadband coverage in many countries, but fibre services will dominate last-mile connectivity solutions for businesses in most places. It beats FWA on just about every metric (throughput, reliability, cost and energy usage).

Microsoft Teams will further increase its share of the unified communications market

Growth in the number of customers taking PSTN for Teams has been described by more than one operator as 'phenomenal' following the launch of Operator Connect in 2021. Teams Phone Mobile will become available from late 2022 and Teams Essential for SMEs is already available, so we expect to see further rapid growth in the adoption of Microsoft Teams in 2023. This will significantly outpace the growth in the take-up of other unified communications services. Operators need to continue to invest in developing their Microsoft capabilities because this is a rapidly evolving area.

Almost half of operators' cloud compute customers will upgrade their subscriptions to include multi-cloud services

28% of the operators in our survey reported that at least half of their customers already take multi-cloud services, and most reported that this share is increasing. Many businesses remain reluctant to rely on a single public cloud platform, and concerns over data sovereignty mean that there is also likely to be a long-term demand for hybrid services. We expect that the share of cloud compute customers buying multi-cloud or hybrid cloud services from their operator will increase to almost 50% in 2023.

SMEs worldwide will spend almost USD50 billion on IT solutions from operators

Small and medium-sized enterprises (SMEs) will increasingly look to their telecoms providers for IT advice and support, as well as subscriptions to IT services. Indeed, over three quarters of SMEs surveyed in 2022 said that they would consider subscribing to IT services from their telecoms operator. Operators are increasingly focusing on the SME market and are creating portfolios of IT services bundles that address SMEs' needs to help to offset declines in core service revenue. BT's Small Business Support Scheme and Vodafone's V-Hub platform are good examples of operators' efforts.

IoT and private networks

5G IoT on the public network will finally start to emerge, led by the automotive sector

5G IoT activity on the public network has been limited due to poor coverage and device availability. However, automotive OEMs are now starting to sign contracts to embed 5G connectivity into new cars. For example, AT&T will provide 5G connectivity to Ford's 2023 Super Duty models, and Stellantis and GM have signed 5G connected car deals that will start with 2024 model year cars. Nonetheless, 5G IoT adoption in other verticals will remain low until at least 2025.

Private networks take-up will continue to grow, but progress will not be smooth

Take-up of new private networks has been led by very large organisations with networking teams and significant internal expertise. We expect this to continue in 2023, but if take-up is to be strong in the next tier of organisations, private networking solutions will need to be simpler and easier to buy. Suppliers will need to offer networks, devices, edge computing, spectrum and other capabilities as a package. Some form of opex/as-a-service pricing will need to be offered. If these developments do not happen, it is possible that adoption will stall.

The wave of IoT M&A activity will not stop

A number of mergers, acquisitions and investments occurred in the IoT market in 2022. For example, Semtech bought Sierra Wireless and Unabiz took ownership of Sigfox. Several high-profile deals are already planned for 2023, potentially including the spin-off of Vodafone's IoT unit, which could be worth billions of euros and will be watched closely by other operators that are considering a similar move. Aeris should also complete its acquisition of Ericsson's IoT unit in 1Q 2023, and Soracom plans to list on the Tokyo Stock Exchange making it just the second IoT connectivity firm to list publicly (after KORE in 2021). Further deals in 2023 will include the acquisition of small players by larger IoT MVNOs such as Wireless Logic and KORE, as well as operators' investments in, or acquisitions of, innovative connectivity disruptors to gain new capabilities.

Sustainability

ESG policies will become increasingly important in supplier selection

Businesses' awareness and prioritisation of environmental, social and governance (ESG) initiatives will continue to rise and will influence supplier selection. Many large enterprises already have ESG requirements in their RFPs; indeed, 56% of large enterprises and over 40% of SMEs are more likely to buy from vendors with ESG policies. Operators need to promote their ESG initiatives, such as device recycling and carbon emission reduction using renewable energies, energy-efficient technologies and carbon offsetting. Operators should also do more to help their business customers to achieve their own ESG goals. For example, BT Global recently developed a portal that enables its contact centre customers to measure their carbon emissions.