



PERSPECTIVE

CSPs' B2B SUCCESS WILL BE DEFINED BY THE FLEXIBILITY OF THEIR COMMERCIAL MODELS

John Abraham and Hansang (Andy) He

MARCH 2022

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Analysys Mason Limited
North West Wing, Bush House
Aldwych
London WC2B 4PJ
UK
Tel: +44 (0)20 7395 9000
london@analysismason.com
www.analysismason.com
Registered in England and
Wales No. 5177472

1 Executive summary

The enterprise segment has emerged as a beacon for new revenue growth and differentiation as communications service providers (CSPs) confront the challenges of declining revenue from traditional sources, continued investment and investor pressure on margins and profitability. Indeed, emerging enterprise opportunities are expected to provide CSPs one of the largest windows for new revenue generation and margin expansion in the medium-to-long term. CSPs that successfully deepen their relationships with enterprises in the long term also stand to gain from substantially improved valuations and public market recognition. CSPs are therefore driven to expand their systemic capabilities in order to better engage with small and medium-sized businesses (SMBs) and large enterprises and to monetise the related opportunities.

5G remains a key driver of new opportunities, but CSPs are also exploring other enterprise-focused topics such as network-as-a-service (NaaS), edge computing and SD-WAN. However, the lack of clarity on the nature of emerging enterprise use cases remains a cause for concern for CSPs. It means that there will have to be a paradigm shift in how CSPs define and procure their

support systems because this will now need to be done without detailed specifications of the use cases that will be supported, as has historically been the case. Instead, CSPs will need to embrace an agile architecture-centric design for future systems that emphasises flexible, scalable, configurable and extendable frameworks to support dynamic commercial models and as yet unseen use cases.

Analysys Mason conducted a survey of, and interviews with, over 350 CSPs and enterprises worldwide in November and December 2021 to assess the commercial models that are being considered and deployed for enterprise services. The results highlight the need for CSPs to urgently transform their enterprise commercial models because only 21% are currently ready to support new enterprise commercial models (Figure 1.1).

The key findings of the survey are as follows.

- **Enterprises** prefer partnering with CSPs over public cloud providers, even though they acknowledge that the latter have a more attractive commercial model.

FIGURE 1.1: CSPS' CATEGORISATION OF THEIR OVERALL VIEW IN THE CONTEXT OF THEIR COMMERCIAL MODELS FOR ENTERPRISE SERVICES, WORLDWIDE, DECEMBER 2021¹ [SOURCE: ANALYSYS MASON, 2022]



¹ Question: "When you look at the 'big picture' and your position in the market, how would you categorise your overall view in the context of your enterprise services commercial model? (CHECK ONE)"; n = 61.

Flexible commercial models and seamless onboarding are the two main factors that make CSPs more attractive partners.

- **Enterprises** reported that the ability to track spending and usage in real-time, the ability to configure new products and services in real-time and pay-as-you-use commercial models that do not have major set-up costs are the most important factors in new commercial engagements. There is an acute need for such capabilities, especially in the SMB) space.
- **Enterprises** plan to launch between 6 and 25 new offerings that require agile commercial models in the next 2 years. Enterprises also plan to increase their spending with CSPs during this time, provided that CSPs are prepared to offer flexible commercial models.
- **CSPs** are planning to transform their enterprise-focused systems within the next 2 years. The key

outcomes that are expected from the transformation are an improved time to market, support for flexible commercial models, lower commercial risk and a reduction in operational costs.

- **CSPs** consider cloud players to be more of a competitive threat for enterprise services than other CSPs. They reported that platform flexibility, enhanced experience and a broad portfolio of enterprise applications are the key factors that make cloud players a competitive concern.
- **CSPs** consider digital marketplaces and advanced partner settlement models to be strategically crucial to their participation in the B2B2X value chain and are prioritising their development.

This perspective summarises the key findings and takeaways from our research.



2 Recommendations

- CSPs should focus on agility and should accelerate the transformation of their enterprise architecture framework to provide a configurable and modular platform. They should establish themselves as partners that are comparable with public cloud providers.
- CSPs should embrace SaaS-based delivery to support flexible commercial models such as pay-as-you-use or monthly subscription bundles. These are vitally important, especially for SMBs.
- CSPs should prepare for enterprise-focused digital marketplaces. These will become a key enabler of new revenue opportunities and will help CSPs to better compete with non-telecoms rivals.

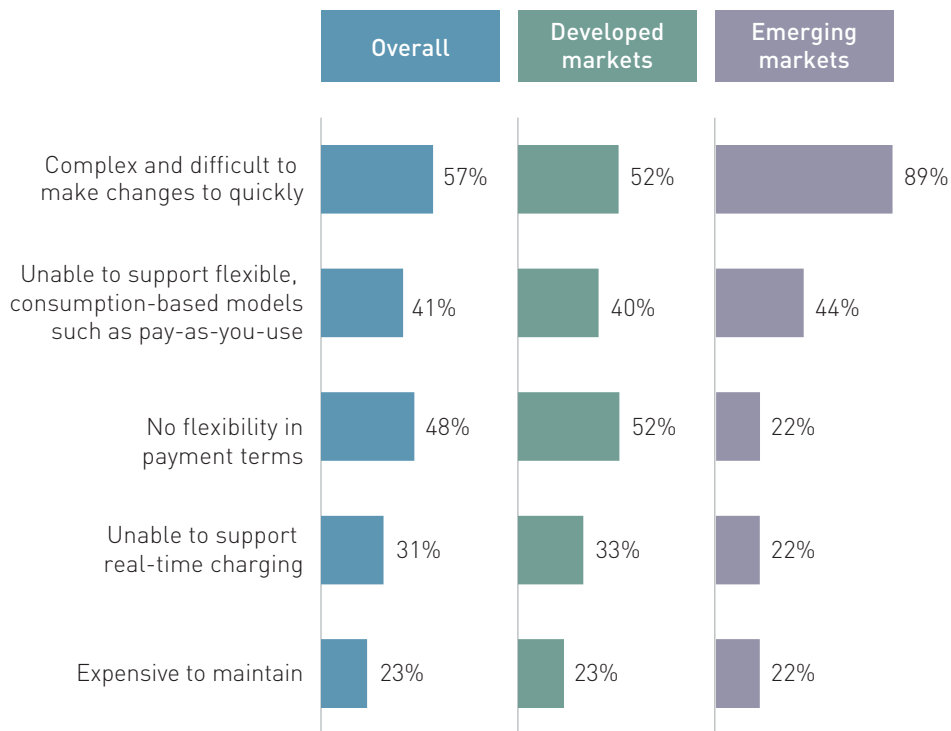


3 CSPs are not prepared to support emerging use cases that require support for flexible commercial models

CSPs are mostly in agreement regarding the inadequacy of their existing systems and processes to support enterprise-specific commercial models (Figure 3.1). Most CSPs call out the complexity of their existing systems as a key shortcoming, which delays their time to market and reduces their overall competitiveness. This is particularly an issue for CSPs in emerging regions, where investments to support enterprise applications have lagged behind those in

most developed markets. The complexity of legacy systems can also be linked to the second-most-common shortcoming: the lack of flexibility, either regarding payment terms or the support of consumption-based models such as pay-as-you-use.

FIGURE 3.1: MAIN SHORTCOMINGS OF CSPS' CURRENT COMMERCIAL MODELS FOR ENTERPRISE SERVICES, ACCORDING TO CSPS, WORLDWIDE, DECEMBER 2021² [SOURCE: ANALYSYS MASON, 2022]



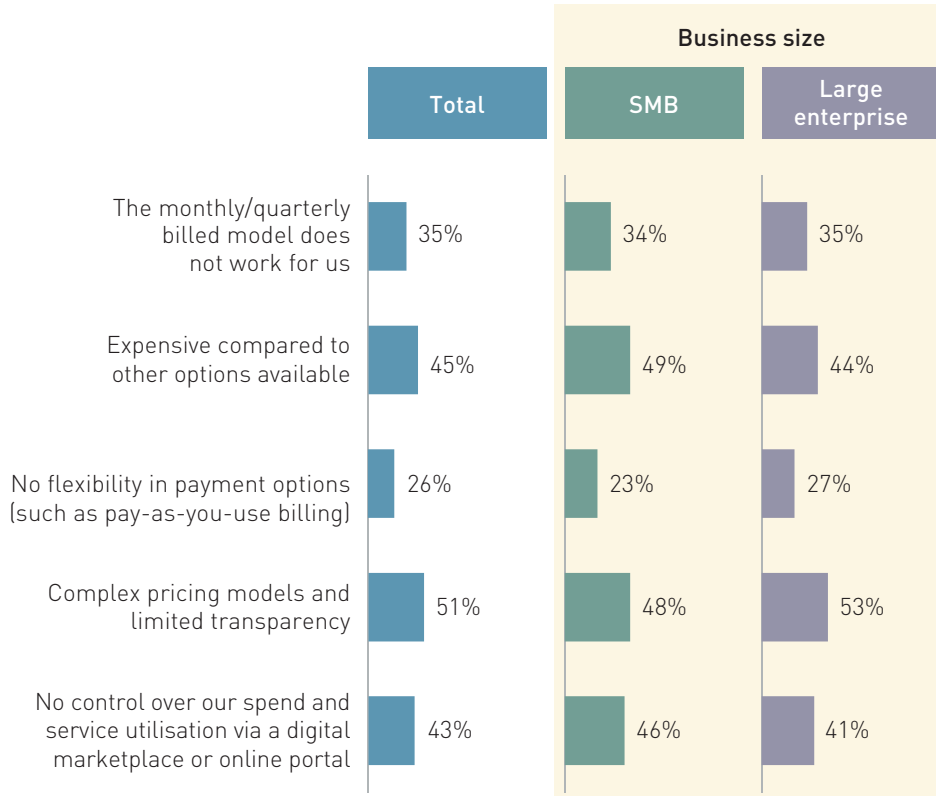
² Question: "What do you see as the main shortcomings of your current enterprise services commercial model? (CHECK ANY TWO)"; n = 61.

> CSPs' B2B SUCCESS WILL BE DEFINED BY THE FLEXIBILITY OF THEIR COMMERCIAL MODELS

Enterprises mostly agree CSPs' assessment; they also cited complexity and a lack of flexibility as the key shortcomings of CSPs' commercial models (Figure 3.2). Enterprises also reported that transparency and trackability were key concerns; modern enterprise

monetisation systems will help CSPs to address these issues.

FIGURE 3.2: KEY DISADVANTAGES OF CSPs' COMMERCIAL MODELS, ACCORDING TO ENTERPRISES, WORLDWIDE, DECEMBER 2021³ [SOURCE: ANALYSYS MASON, 2022]



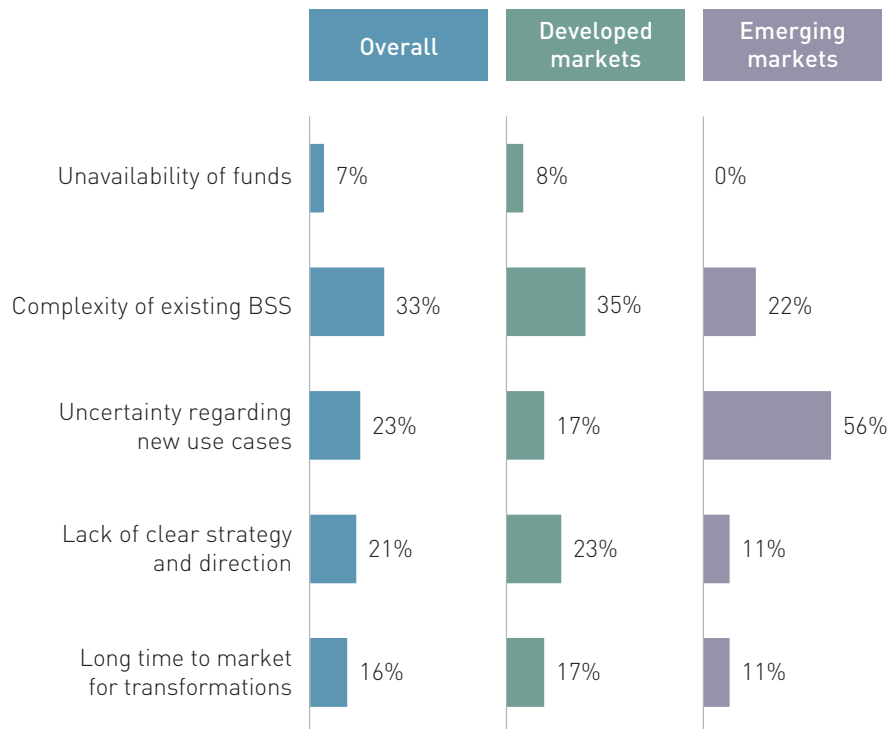
³We define SMBs as businesses with 50-249 full-time employees and large enterprises as those with at least 250 full-time employees. Question: "What are the cons or disadvantages of the commercial model between you and your main telecoms operator? [CHECK TWO]"; n = 309.

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CSPs need to urgently transform their enterprise engagement models to better address their current shortcomings. The complexity of existing BSS is the most-cited challenge that delays CSPs' transformation plans (Figure 3.3). This is because the lack of a long-term strategy forces CSPs to design new developments around their existing systems, meaning

that any shortcomings of the legacy system are carried over into the new implementation. The lack of clarity regarding emerging use cases is also a key impediment to transformation, especially because CSPs are used to defining and procuring new systems to support a specific use case or application.

FIGURE 3.3: MAIN INTERNAL CHALLENGES FOR CSPS WHEN TRANSFORMING THEIR COMMERCIAL MODELS, WORLDWIDE, DECEMBER 2021⁴ [SOURCE: ANALYSYS MASON, 2022]



⁴ Question: "What do you see as your main internal challenges to transforming your current model? (CHECK ONE)"; n = 61.

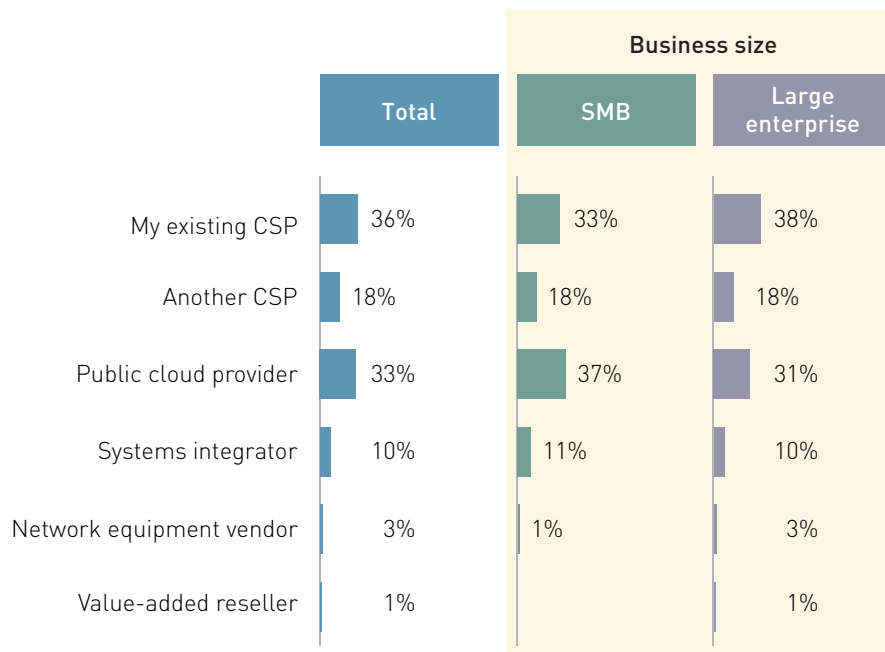
4 Key finding: CSPs remain a favoured supplier, but need to improve their capabilities to stay relevant to enterprises

4.1 Most enterprises rank CSPs as their preferred suppliers for ICT services and are planning to increase their spending with them

CSPs remain a preferred partner for many enterprises, contrary to commonly held views. Indeed, over half of the enterprises surveyed ranked them ahead of public cloud providers (Figure 4.1). This will translate into an increased revenue opportunity for CSPs because nearly two thirds of enterprises are planning to increase their spending with CSPs within the next 2–3 years (Figure 4.2). However, CSPs will need to accelerate

their transformation plans to access this increased spending because enterprises are preparing to launch up to 25 new products (Figure 4.3) that require flexible commercial models that many CSPs do not currently support. CSPs also need to focus on the requirements of SMBs because our survey results suggest that they are more likely to work with public cloud providers than their larger counterparts are (Figure 4.1).

FIGURE 4.1: ENTERPRISES' PREFERRED SUPPLIERS FOR CURRENT AND PLANNED ICT SERVICES, WORLDWIDE, DECEMBER 2021⁵ [SOURCE: ANALYSYS MASON, 2022]



⁵Question: "Looking ahead and thinking about current and planned ICT services, who will be your preferred main supplier? (CHECK ONE)"; n = 309.

FIGURE 4.2: ENTERPRISES' PLANS FOR ICT INVESTMENT WITH CSPS OVER THE NEXT 2-3 YEARS, WORLDWIDE, DECEMBER 2021⁶ [SOURCE: ANALYSYS MASON, 2022]

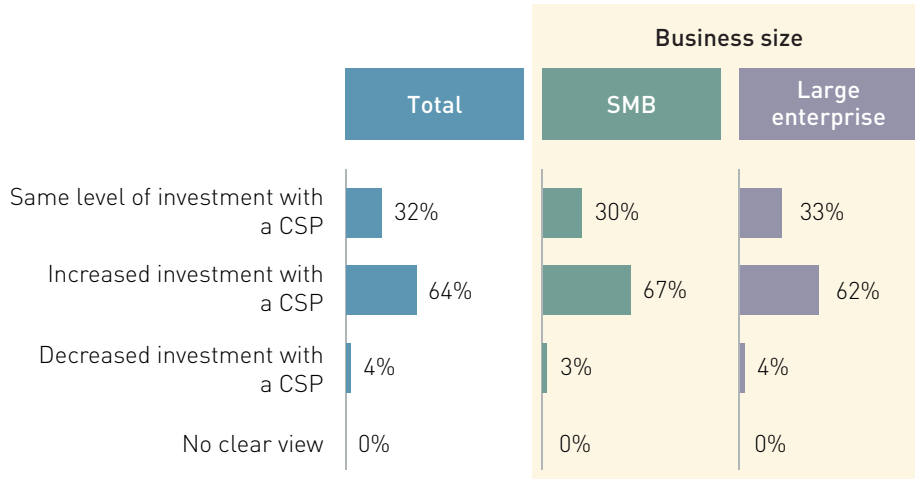
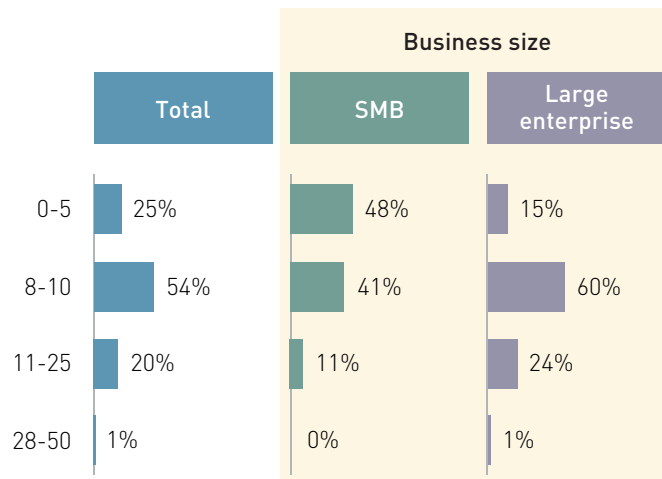


FIGURE 4.3: NUMBER OF NEW LAUNCHES IN THE NEXT 3 YEARS THAT WILL REQUIRE FLEXIBLE COMMERCIAL MODELS, WORLDWIDE, DECEMBER 2021⁷ [SOURCE: ANALYSYS MASON, 2022]



4.2 CSPs are preparing to upgrade their enterprise commercial capabilities in order to better compete with public cloud providers

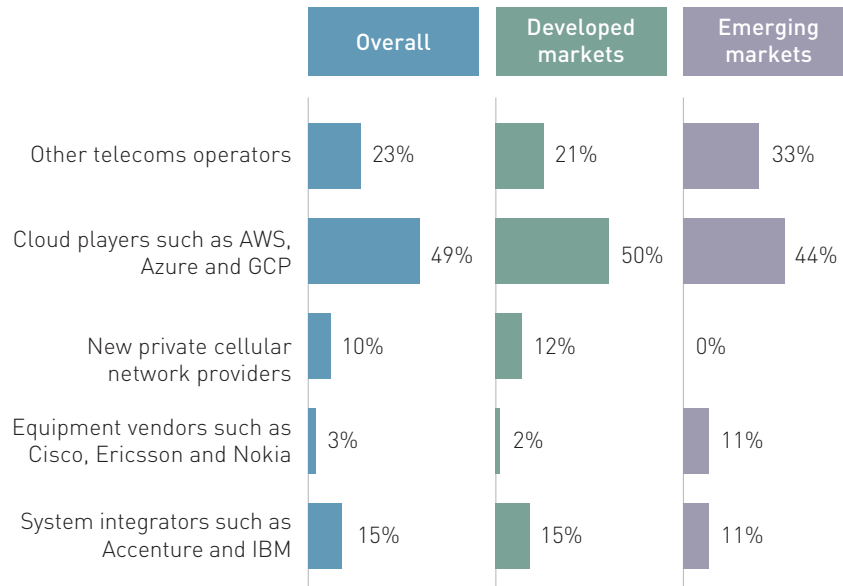
Most CSPs view public cloud providers as their biggest competitors for enterprise services, followed by

other CSPs and mainstream professional service providers (Figure 4.4). This has significant implications for how CSPs address the competition and respond to it, especially from a system transformation perspective.

⁶ Question: "Stepping back and taking a high-level view of the commercial relationship you have with a CSP over the next 2-3 years and your overall ICT investment plans, what is your view? [CHECK ONE]"; n = 309.

⁷ Question: "How many new products and services do you think you will launch in the next 3 years that will require some form of flexible commercial models (such as usage-based pricing, dynamic volume discounts, support for marketplaces and pricing bundles)? [CHECK ONE]"; n = 309.

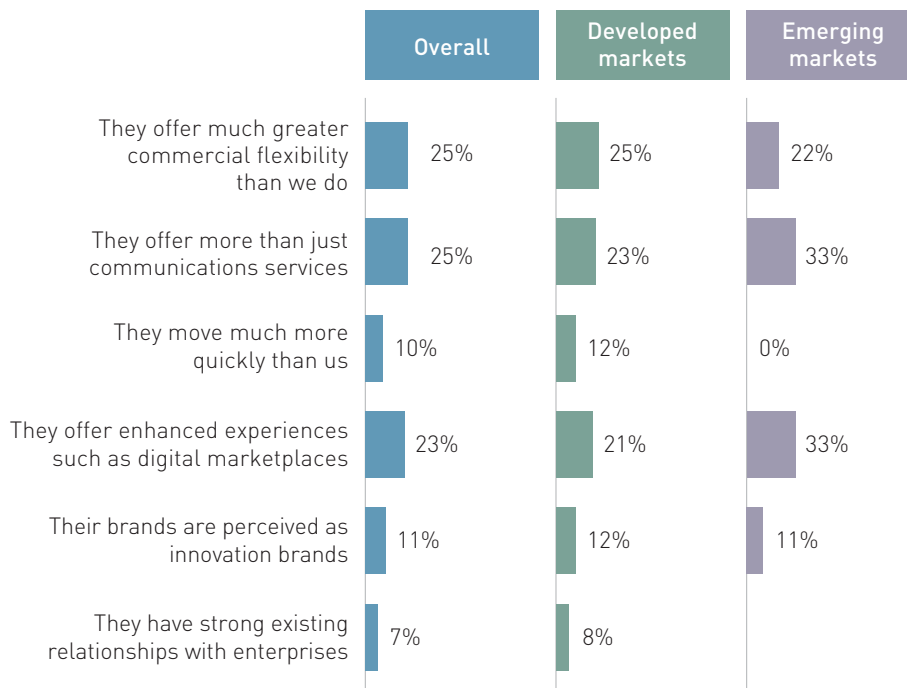
FIGURE 4.4: CSPS' MAIN COMPETITORS FOR ENTERPRISE SERVICES, WORLDWIDE, DECEMBER 2021⁸
[SOURCE: ANALYSYS MASON, 2022]



CSPs believe that their competitors, especially public cloud providers, are at an advantage because of their architectural agility and flexibility, as well as the wide range of enterprise-focused applications and services that is already available on their platforms (Figure 4.5).

Cloud players also offer a more seamless experience via a marketplace model and are perceived to be more innovative.

FIGURE 4.5: ADVANTAGES OF CSPS' COMPETITORS, WORLDWIDE, DECEMBER 2021⁹ [SOURCE: ANALYSYS MASON, 2022]



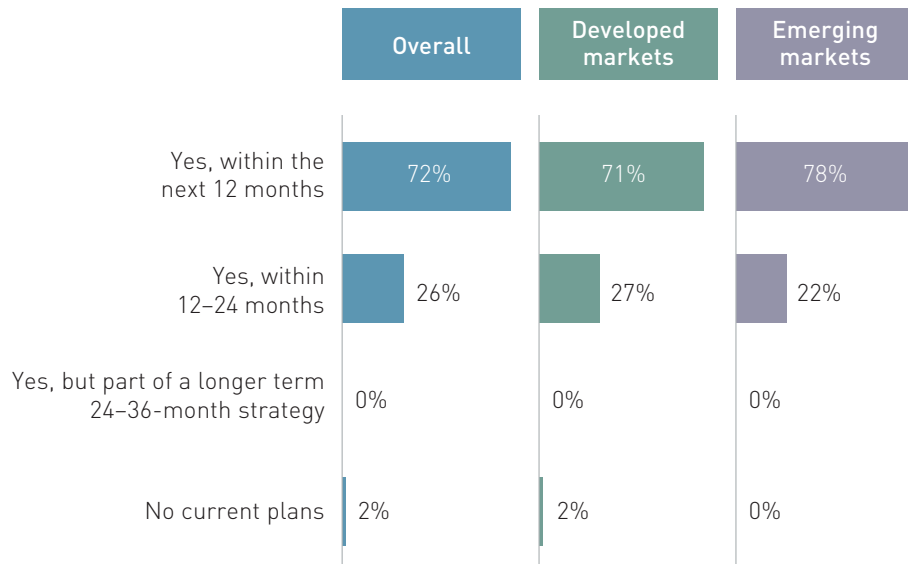
⁸Question: "Who do you see as your single biggest competitor for enterprise services? (CHECK ONE)"; n = 61.

⁹Question: "When thinking about your competitors, what is your main concern? (CHECK ONE)"; n = 61.

The overwhelming majority of CSPs are planning to upgrade their systems in the next 12 months in order to position themselves as viable alternatives to public cloud providers by better supporting emerging

enterprise commercial models (Figure 4.6). We expect that competition will further accelerate the pace of transformation across CSPs as more CSPs embark on their transformation journeys.

FIGURE 4.6: CSPS' PLANS TO TRANSFORM THEIR CURRENT COMMERCIAL MODELS, WORLDWIDE, DECEMBER 2021¹⁰
[SOURCE: ANALYSYS MASON, 2022]



CSPs anticipate launching multiple offerings based on public and private 5G and services tied to SD-WAN in the short term. Other technologies that were called out prominently in our discussions include network-as-a-service (NaaS) and edge computing-related offerings.

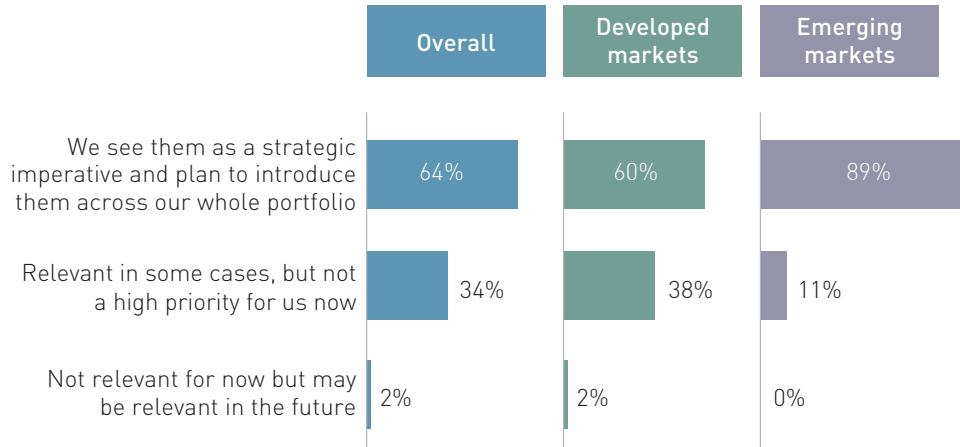
4.3 CSPs are planning to steadily introduce pay-as-you-use models across their enterprise portfolios

CSPs are preparing to better support consumption-

based commercial models by introducing pay-as-you-use offerings. Nearly two thirds of all CSPs surveyed consider it to be a strategic priority in the short-to-medium term; most of the remaining CSPs are expected to implement such models in the medium-to-long term (Figure 4.7).

¹⁰ Question: "Based on the shortcomings above, do you have plans to transform your current commercial model? (CHECK ONE)"; n = 61.

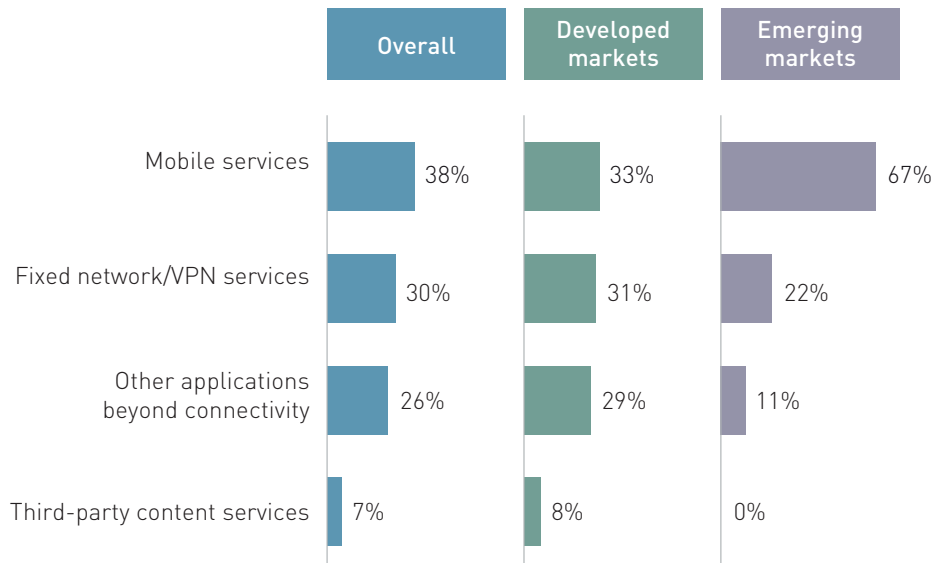
FIGURE 4.7: RELEVANCE OF PAY-AS-YOU-USE PRICING MODELS FOR CSPS' ENTERPRISE SERVICE PORTFOLIOS, WORLDWIDE, DECEMBER 2021¹¹ [SOURCE: ANALYSYS MASON, 2022]



CSPs in emerging markets will primarily focus on applying pay-as-you-use models to mobile services, while those in developed regions will focus on mobile

and fixed services, as well as non-connectivity based applications (Figure 4.8).

FIGURE 4.8: SERVICES THAT WILL INITIALLY SUPPORT PAY-AS-YOU-USE PRICING MODELS, WORLDWIDE, DECEMBER 2021¹² [SOURCE: ANALYSYS MASON, 2022]



¹¹ Question: "How relevant are pay-as-you-use pricing models for your enterprise services portfolio? (CHECK ONE)"; n = 61.

¹² Question: "What part of your portfolio will you move to pay-as-you-use pricing models first? (CHECK ONE)"; n = 61.

5 There are three essential factors to consider when building a futureproof model for effective enterprise monetisation

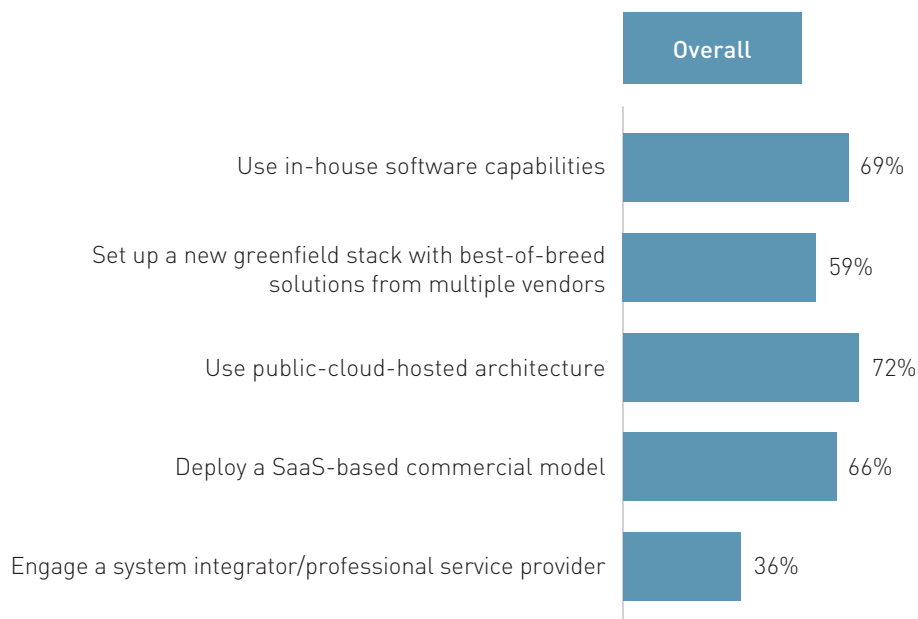
The survey results highlighted three factors that are essential for building a flexible commercial model for enterprise services: agile architecture, SaaS-based delivery and digital marketplaces. We discuss each aspect in turn in the following subsections.

5.1 Agile architecture framework will be the foundation for next-generation services

CSPs are considering multiple approaches to evolving their architecture framework (Figure 5.1). Deploying software on the public cloud is the most popular strategy because it allows for the most agility, configurability and scalability. However, such a move

requires a deep-seated change in CSPs' system frameworks from a monolithic model to one based on micro-services. This will require CSPs to make changes to team structures and process flows while working with solution providers to define and deploy new software. CSPs are also keen to expand their software expertise alongside this architecture evolution by bringing at least part of the development process in-house. Figure 5.1 also shows that CSPs are largely uninterested in assigning professional service providers a leading role in the transformation of their enterprise capabilities.

FIGURE 5.1: CSPS' PREFERRED APPROACH TO TRANSFORMING THEIR ENTERPRISE COMMERCIAL CAPABILITIES, WORLDWIDE, DECEMBER 2021¹³ [SOURCE: ANALYSYS MASON, 2022]



5.2 SaaS-based delivery models will become the standard for enterprises

Enterprises overwhelmingly reported that the suppliers with the best-in-class commercial models are those with SaaS-based offerings (Figure 5.2). SaaS-based solutions address two key requirements of enterprises: they intrinsically support pay-as-you-use models and

their initial set-up costs are far lower than those for traditional software deployments (Figure 5.3). CSPs can also benefit significantly from embracing SaaS-based delivery models because they help to improve competitiveness by reducing the time to market. They also encourage greater experimentation with commercial models.

¹³ Question: "What is your preferred systems strategy for transforming your enterprise commercial capabilities? (SELECT ALL THAT APPLY)"; n = 61.

FIGURE 5.2: SUPPLIERS WITH THE BEST-IN-CLASS COMMERCIAL MODELS, WORLDWIDE, DECEMBER 2021¹⁴
 [SOURCE: ANALYSYS MASON, 2022]

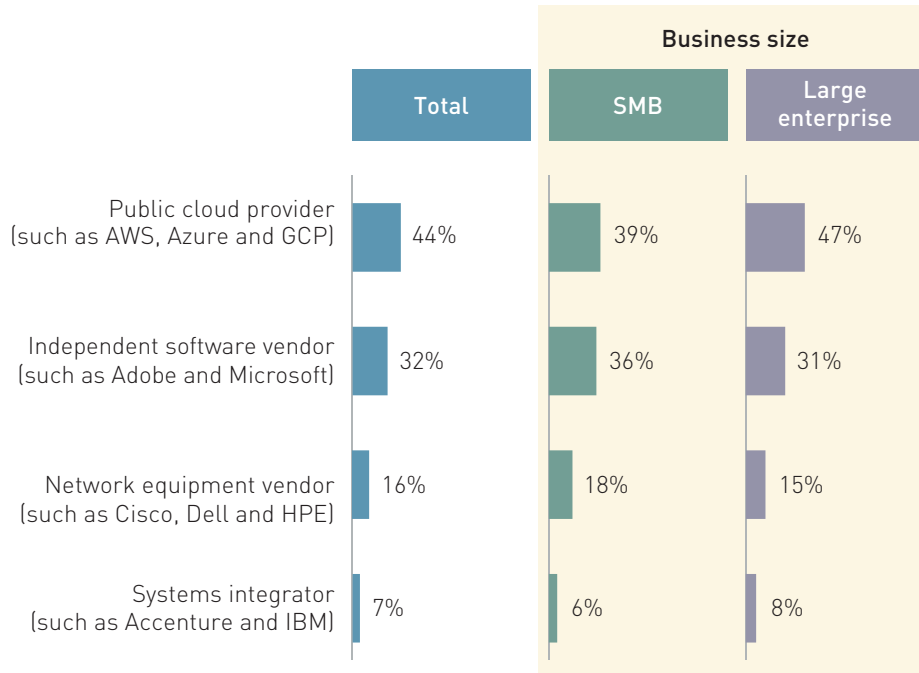
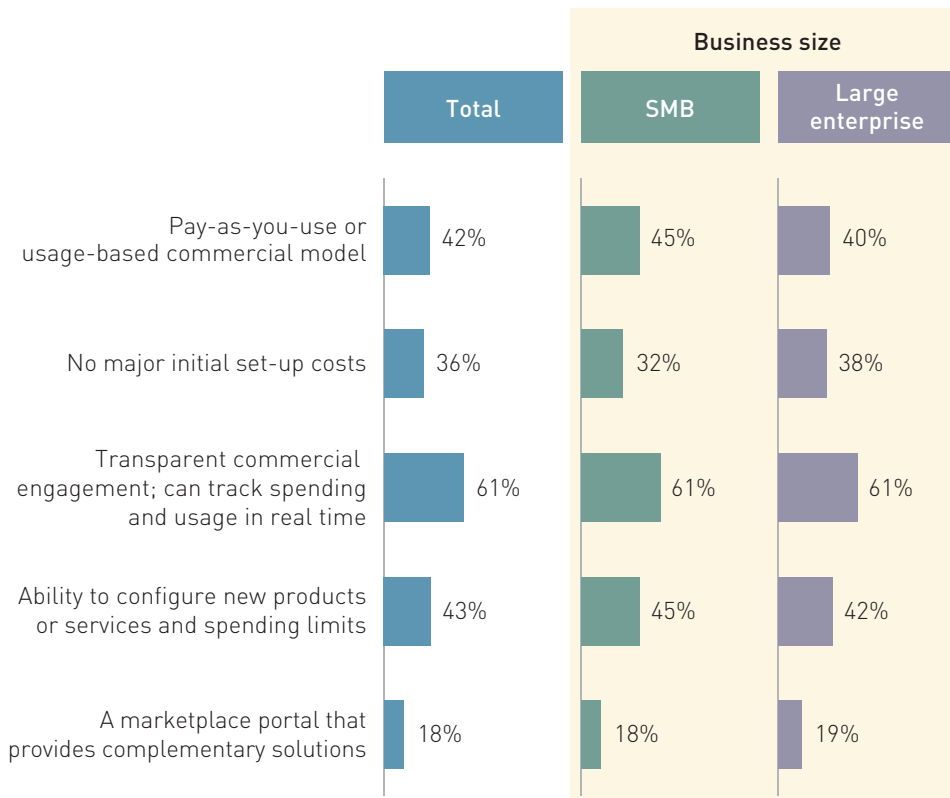


FIGURE 5.3: ENTERPRISES' PREFERRED CHARACTERISTICS OF MODERN COMMERCIAL MODELS, WORLDWIDE, DECEMBER 2021¹⁵ [SOURCE: ANALYSYS MASON, 2022]



¹⁴ Question: "Is there a supplier that you view as having a best-in-class commercial model? [CHECK ONE]"; n = 309.

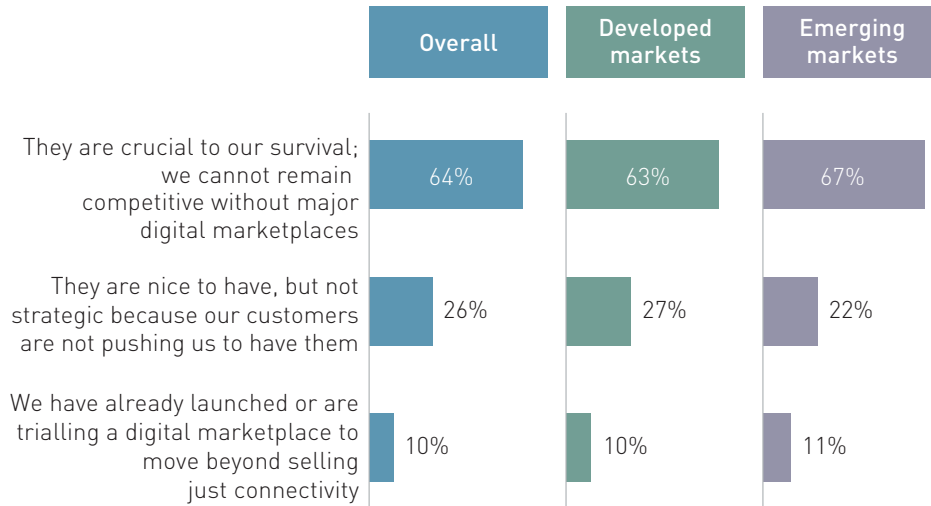
¹⁵ Question: "When thinking about the supplier that you view as having a best-in-class commercial model, what are the top two factors in that commercial relationship that you rate the highest? [CHECK ANY TWO]"; n = 309.

5.3 Digital marketplaces will be critical for CSPs to establish their role in the enterprise value chain

Most CSPs agree that digital marketplaces will become an increasingly strategic asset (Figure 5.4). Indeed, nearly two thirds of the CSPs surveyed reported that

the creation of digital marketplaces is a high priority, especially for B2B2X value chains. Digital marketplaces may become a competitive differentiator for CSPs in the long term.

FIGURE 5.4: CSPS' VIEW OF DIGITAL MARKETPLACES, WORLDWIDE, DECEMBER 2021¹⁶ [SOURCE: ANALYSYS MASON, 2022]



¹⁶ Question: "What is your view of digital marketplaces? (CHECK ONE)"; n = 61.

6 Conclusion

The modern enterprise offers most CSPs a unique opportunity to use their expertise, relationships and expansive network assets to build a multi-dimensional value chain across multiple industry verticals. This is easier said than done thanks to the intense competition in the segment and most CSPs' inability to offer a comparable experience to that of digital natives. However, our research shows that CSPs remain enterprises' preferred partners, despite their shortcomings. CSPs must therefore ensure that they

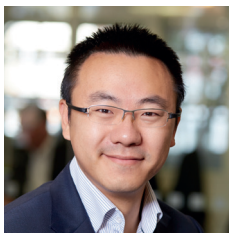
are able to offer configurable solutions, flexible commercial models and transparent and trackable transactions as enterprises prepare to launch multiple new offerings in the short-to-medium term. Indeed, CSPs risk being overtaken by their competitors if they do not invest in their enterprise monetisation systems in the medium term. CSPs that successfully enhance their enterprise capabilities in the near-term stand to gain substantially from improved market perception and well-established competitive differentiation.



7 About the authors



John Abraham (Principal Analyst) leads our digital transformation research, including three research programmes: Customer Engagement, Monetisation Platforms and Digital Experience. His areas of focus include customer journeys and experience, the impact of 5G on BSS systems, telecoms enterprise opportunities, cost transformation, ecosystems and value chains, and micro-services-based architecture models. John has over a decade of experience in the telecoms industry. At Analysys Mason, he has worked on a range of telecoms projects for operators in Africa, Europe, India and the Middle East. Before



Hansang (Andy) He (Manager) is a Manager in our Research division, based in London. He has advised various clients across the telecoms value chain, but has a primary focus on equipment and software vendors including Amdocs, Ciena, Cisco, Ericsson, Fujitsu, Huawei, Nokia, Red Hat and VMware. Andy has recently managed engagements related to network automation and cloudification, artificial intelligence, private wireless networks and edge computing to support clients' decision-making concerning product development, go-to-market strategies and their establishment of thought leadership. Andy holds a BEng in electronic and communications engineering from the University of Bristol and an MSc in management and strategy from the London School of Economics.





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