Enterprise 5G: Missed Opportunities

By: Angus Ward

The COVID-19 crisis has been a great accelerator for key pre-pandemic trends. It's made strong industries stronger, increasing their economic power, and left those that were already weak weaker.

For the telecoms industry, though, it's a different story. During this period, telcos have donned the hero's cape to keep us all connected remotely, meeting the demand for more network capacity as it grew exponentially to support widespread transformation. But the industry has not seen its economic power increased. It's clear that now is the time for CSPs to evolve from selling standard connectivity products to selling prepackaged solutions that solve genuine business problems.

A missed opportunity?

When it comes to 5G, it's clear that the opportunity lies in the enterprise and B2B space. Nurturing a factory of collaboration where compelling 5G solutions are co-created that enable use cases across industries including manufacturing, automotive, agriculture, utilities, smart cities, healthcare, and transport will be key.

The challenge is that CSPs are still very oriented toward the consumer market, with only 31 percent focusing on channeling investment into the enterprise. And when it does come to focusing on the enterprise, our recent research revealed that the majority of CSPs focus 70 percent of their B2B resources on less than one percent of the enterprise universe made up by large businesses. In essence, they are overlooking a vast opportunity to grow 5G B2B revenues,

by focusing so little of their time on SMEs, which account for 99 percent of the world's businesses—and represent a $433 billion revenue opportunity.

Another harsh reality is that many large and multinational enterprises do not view CSPs as their preferred partner for 5G strategy execution. According to [new research](#) recently launched by Beyond by BearingPoint in collaboration with Omdia, although enterprise 5G projects more than doubled in the last year, the share of those projects led by CSPs declined by five percent, from 21 percent in 2020 to 16 percent today. With 72.3 percent of CSPs believing that B2B/B2B2X opportunities will derive the most 5G revenues, they must start picking up the pace and putting dedicated resources in place faster if they are to seize opportunities as they emerge.

Less talking, more co-creation

CSPs are well-aware of the urgency to capitalize on 5G revenues in an effort to claw back their [$1 trillion investment](#) in the network. Awareness, however, doesn't always translate to action. The telecoms industry has spent the last several years generating hype for 5G, but when it comes to marrying promise with reality, telecoms have been slow to adapt to market requirements. A year ago, it looked like the enterprise opportunity might slip through the fingers of CSPs that were trapped in that dated mindset of "if you build it, they will come." While there has largely been a shift in that view, the enterprise opportunity remains untapped.

5G cannot be a standalone technology. Instead, 5G offerings must be part of a wider solution designed to solve enterprise business and operational problems, encompassing a multi-technology, omni-partner, vertical-oriented approach. Through increased speeds and significant latency reductions, 5G will complement a breadth of technologies such as IoT, AR/VR, mobile edge compute, analytics and AI. CSPs are not expected to be specialists in all these areas; rather, they are encouraged to collaborate, adopting principles of openness, within an ecosystem of multiple partners and multiple technologies, multiple vertical experts, and the enterprises themselves.

The ambition for CSPs should be to facilitate the creation or co-creation of enterprise 5G solutions, regardless of the origin of each individual application. They must act instead as masters of orchestration, bringing technologies together to deliver unique solutions that are easy to understand and simple to implement.

CSPs then must harness this factory of co-creation and make it scalable, repeatable, and ensure it generates a true growth engine. The enterprise customer won't understand or have time to learn about the technology, and the onus lies on the CSP to orchestrate the complexity and connect the technologies that form the successful outcomes that the enterprise requires. Stop hesitating and continue to be more collaborative even when you may not be in full control of the product or solution. Learn how to work with partners when it comes to developing commercial models between different organizations. Ensure you have a plan in place to navigate customer ownership and how the customer will be directly impacted.

Emerging models reveal a complex reality

For CSPs, the enterprise 5G landscape is not without its share of challenges. Moreover, the depth of the 5G opportunity has attracted competition from players that often have a much deeper vertical understanding. Despite enterprise 5G projects doubling in the last 12 months, the CSP-led model slipped by five percent, with their efforts outpaced by smaller private network specialists. These private network specialists—or more broadly alternative service providers—represent the fastest-growing 5G provider model, jumping from seven to 27 percent share in the last year.

These local, specialist private network players have captured a significant share of the market because they have achieved what CSPs have not: a clear understanding of vertical applications coupled with the ability to quickly shift resources to target new opportunities. They were also faster to identify and react to spectrum developments and opportunities. Comparatively speaking, the enterprise DIY 5G model has declined in popularity in the past year. Most enterprises simply don't have the resources to go it alone, but it is a challenge that CSPs must be aware of. It also signifies that enterprise demands are neither being met, nor are CSPs demonstrating the know-how to deliver 5G strategies that are essential for successful outcomes.

It's clear that the 5G race is far from over for CSPs. Certain service providers are realizing the importance and urgency of the enterprise 5G market, enhancing their 5G value propositions with an increasing number of CSP-driven 5G enterprise new service launches. The likes of Verizon, Orange Business Services, Telia, Rogers, and many more joined Vodafone, Deutsche Telekom, and Telefónica in announcing private 5G multi-access edge (MEC), campus LTE and 5G networks, and enterprise 5G offerings.

Carving a middle path

Traditionally, there have been two different models to selling solutions in the market. The first is the system integration model, in which someone buys all the pieces, makes the solution and tailors it specifically to the customer. The second is the app-store model, a central place where you can buy generic services.

The issue with the system integration model is that although it usually creates high profit margins, it requires high capabilities, which take time to develop. It is also very hard to scale. The app-store model requires low capabilities and has the potential to scale, but it creates very low margins and often low adoption because of its generic nature.

What CSPs need is something in between: a non-linear and multi-sided business model focused on aggregating their own capabilities and those of their partners. This approach would enable them to create sophisticated and high-margin multi-partner solutions using an ecosystem of partners to genuinely solve customer problems—and then easily orchestrate and monetize them.

As orchestrators of an ecosystem, CSPs have the potential to offer so much more and decide what part they want to play in the economic power curve, as virtually no other company can offer such a broad portfolio covering wide needs via an already public network.

And this is exactly what enterprises are looking for. According to research, the three most critical attributes when choosing an enterprise 5G partner are security expertise, commercial innovation and technical architecture and network design skills. Of course, technical architecture and network design are the core competencies of the CSP. Commercial innovation will require the CSP to harness models akin to the hyperscalers—business models that include opex, pay-as-you-grow, as-a-service, and cloud-like contracts. Demonstrating their ability to scale projects and solutions through long-term flexible commitments will establish CSPs as an ideal partner for those enterprises with complex, cross-border needs. With other specializations such as security expertise, CSPs can of course consider M&A, but this is where partnerships and co-creation become so critical. Partnerships reduce complexity and eliminate the need for CSPs to be specialists while enhancing the value of the 5G service if the solution is co-created with a partner who has expertise in a certain field. The saying that 'two heads are better than one,' rings true, and through specialist partnerships, CSPs will see 5G from the customer's perspective.

The power of partnerships

In enterprise 5G, standing still is really no longer an option, especially in an era when share prices of telecoms companies dropped on average by 20 percent over the year. As 2021 comes to a close in this last quarter, time is running out for CSPs to understand the changes necessary for success and to simply learn by doing. Prioritizing continuous service experimentation with an agile approach to co-creating 5G-enabled solutions with partner ecosystems—with a laser focus on the customer—is key for success with this new generation.

There will be no one "killer" use case with 5G, so waiting for one is not an option. 5G enterprise solutions must be built with the customers' needs in mind, and the solutions must be complete, based on a combination of technologies and partnerships. The solutions must address specific industry problems and be developed in line with dynamic changes in the market. This will mean gradually developing a growing number of solutions with an increasing number of technology partners and vertical specialists. 5G success will be achieved by those CSPs that partner and scale at speed.