

# Insight into the Industry Report

November 2018





# Introduction

The idea that every company needs to be a technology company today is a little misleading. Certainly, every successful company will have mastered technology. That doesn't make them a technology company, but it's clear that to really get on in this modern, digital, data-driven economy, businesses of all shapes and sizes have to embrace change and use the technology available to them to differentiate and compete.

Commentary:  
**Simon Brisbourne,**  
**General Manager Broadband**  
**at BT Wholesale**

The same is very true in the telecoms space. Change is rampant and worlds are colliding. New technologies are disrupting and the traditional connectivity market is flattening. Legacy products continue to decline, forcing the hand of those that have relied on their margin and maintenance contracts to dig their heels in or re-invent themselves. Change always creates winners and losers, so how do we as a communications partner help our resellers, to ensure there are more winners than losers?

We listen and connect our technology roadmap and services to the needs of our reseller customers. We've been doing a lot of that recently. Partners asked us for data flexibility and greater management control and we delivered. They asked us for simple, flexible, easily manageable hosted solutions they can upsell, so we delivered. They've asked for more options when it came to the data portfolio. They needed it to be fast and reliable, so we delivered.

But we wanted to do more. So we conducted some anonymous online research with over 100 resellers to create a barometer of how resellers are feeling about the overall change in the market and their ability to respond to it. This report summarises the findings from the research.

What's clear from the findings is that we do face a number of challenges today, and tomorrow. But what's important is facing them together. No one needs to be left isolated. We believe in the power of partnership to overcome problems and face the immediate and future challenges of this industry. Doing nothing is not an option, but doing something together to embrace change will be the difference between success and failure.

We'd love to hear if it reflects your views on the market and how best we can support you now, and in the future. Come to speak to our team in Gleneagles and let us know what you think.

# Industry challenges

The spectre of Brexit (29%) and strong competition in the voice and data market (28%) are inhibiting forward planning according to our research. Coupled with slow UK market and economic growth, this is having a serious effect on how resellers foresee business opportunities in the coming months.

Commentary:  
**Emma Foulds,**  
**General Manager Propositions**  
**at BT Wholesale & Ventures**

Other factors, such as a lack of customer understanding of the technology (22%) and limited internal resources for long-term projects (18%) are also impeding planning. While building sustainable, long-term strategies requires a certain degree of economic stability and confidence, it also requires resources and differentiation.

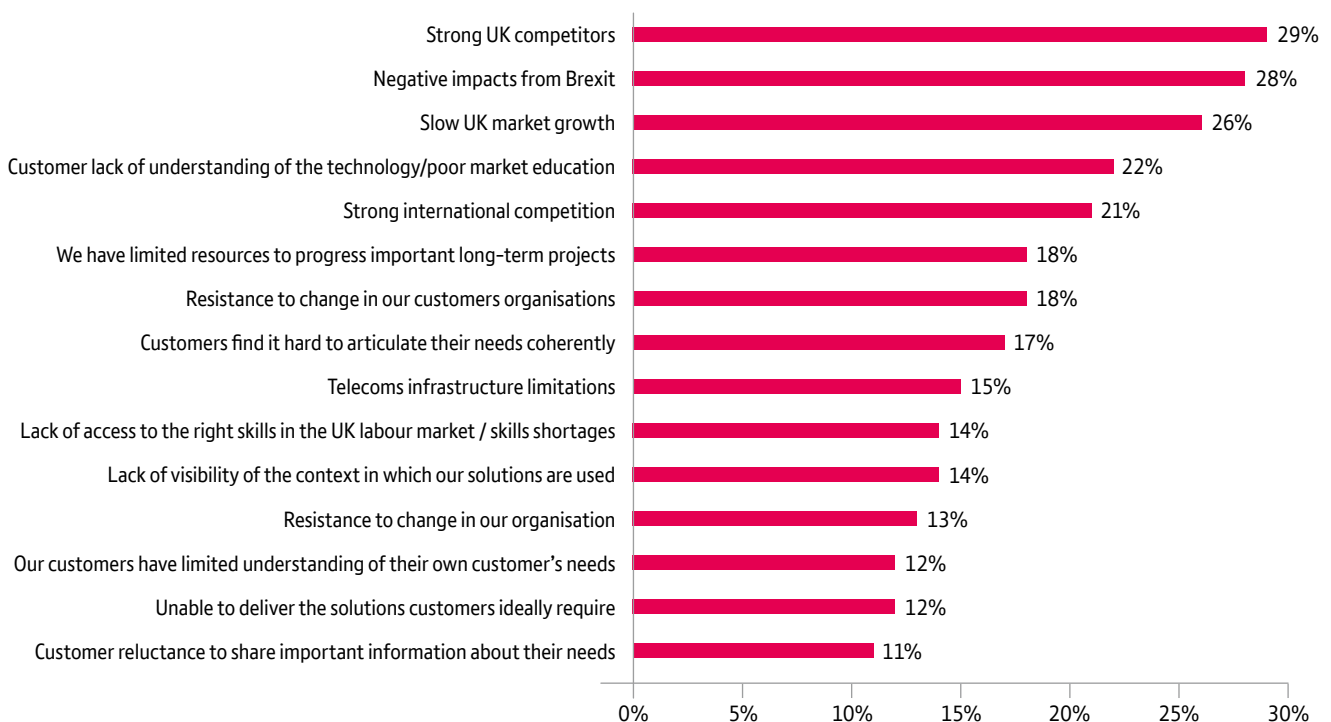
Resellers need a strong communications partner that can offer a scalable infrastructure that takes away the pain of planning. Resellers can then re-focus on their branding and customer education.

This means product strategies can be tailored to suit specific customer requirements, enabling customers to migrate slowly towards unified communications, for example, if they are already tied-up with legacy investment.

By focussing on products that provide opportunities for cross-selling and upselling, resellers can start to forge a migration plan for all customers. While there is no legislating for political and economic upheavals, resellers, with a strong partner such as BT Wholesale, can ride the wave of change and plan for the future.

## Factors making future planning difficult

What factors, if any make it difficult for your business to grow and plan ahead for the future?





# Customer relationships

Customers, like people can be creatures of habit, at least that’s what our research has shown. With 36% of respondents claiming they have a very clear understanding of their customers’ future requirements, it should make planning for the coming months and years that much simpler.

Commentary:  
**Noreen Hallbery,**  
**Client Director, Indirect**  
**at BT Wholesale**

Much of this will be derived from the fact that around 42% of respondents say they have regular contact with customers. However, one in five had contact with customers quarterly or less often and 15% were not at all clear on what their customers would need in the future.

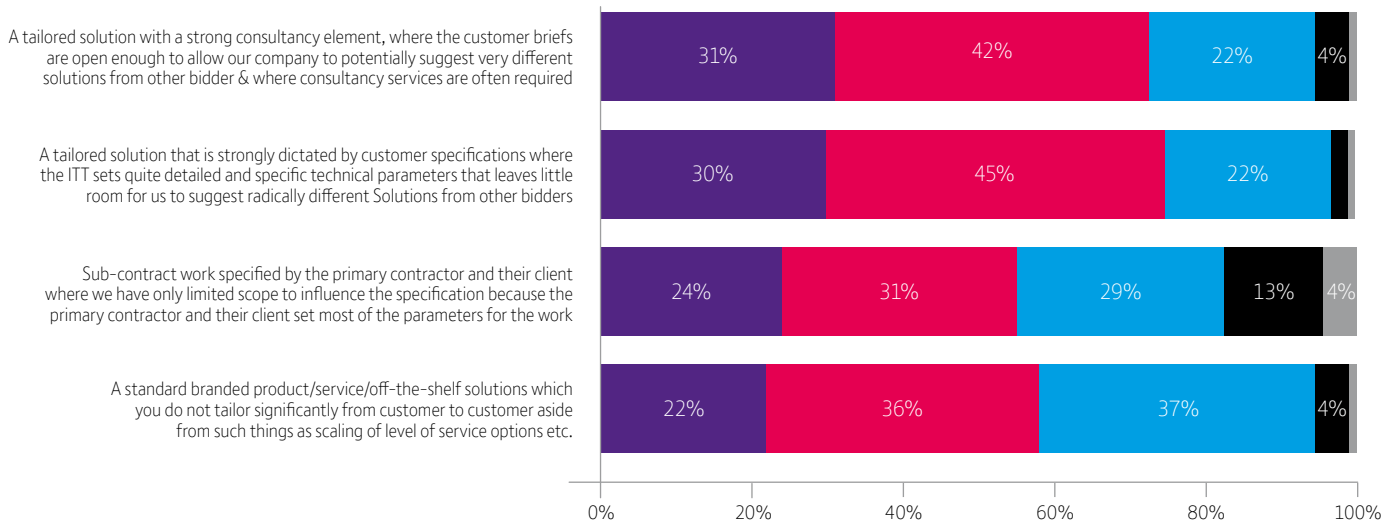
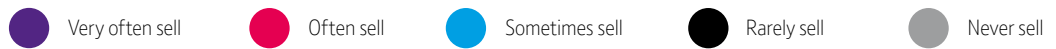
While the research shows that resellers have a mix of work, from heavily consultative to transactional, there is clearly a need for a large number of resellers to rethink their customer management and balance the two roles. How can resellers build more strategic relationships with customers?

Regular communication is certainly one way to help, especially when it involves educating customers about products that can reduce costs and improve performance. While traditional relationships were geared around the long lead times of PBX replacement, today the technology is more fluid.

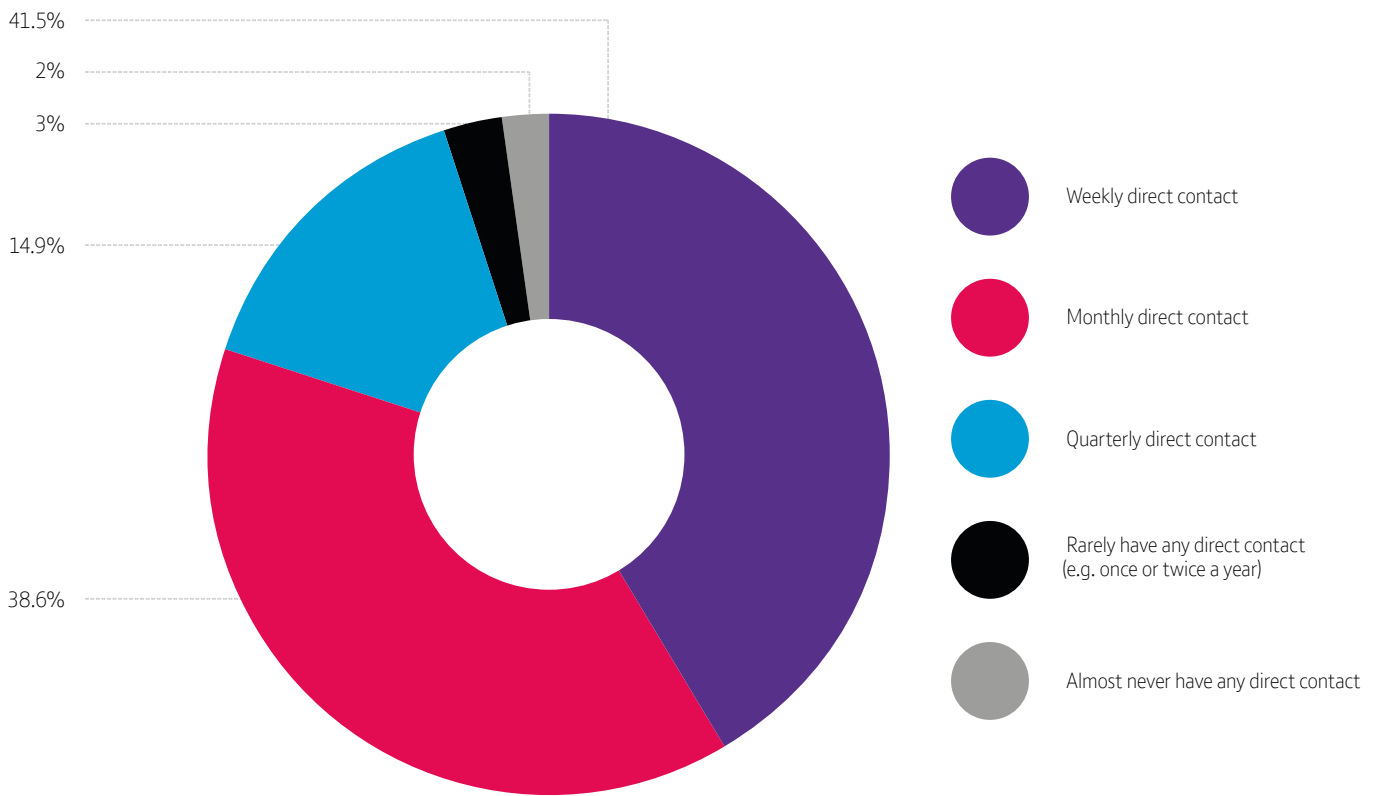
Relationships and communications should reflect that, as there are solutions to help customers migrate from legacy, upscale, downsize and consolidate.

It’s great to see resellers optimistic about change and we’re looking forward to going on this journey with our customers. Partnership is key to overcoming problems, to helping with customers in terms of technology education and product roadmaps. It’s important that neither us, nor our customers are ever complacent about the future. Given the rise in competition, political and economic factors and the rapidly changing technology landscape, communication with customers is essential and a good partner is always there to help.

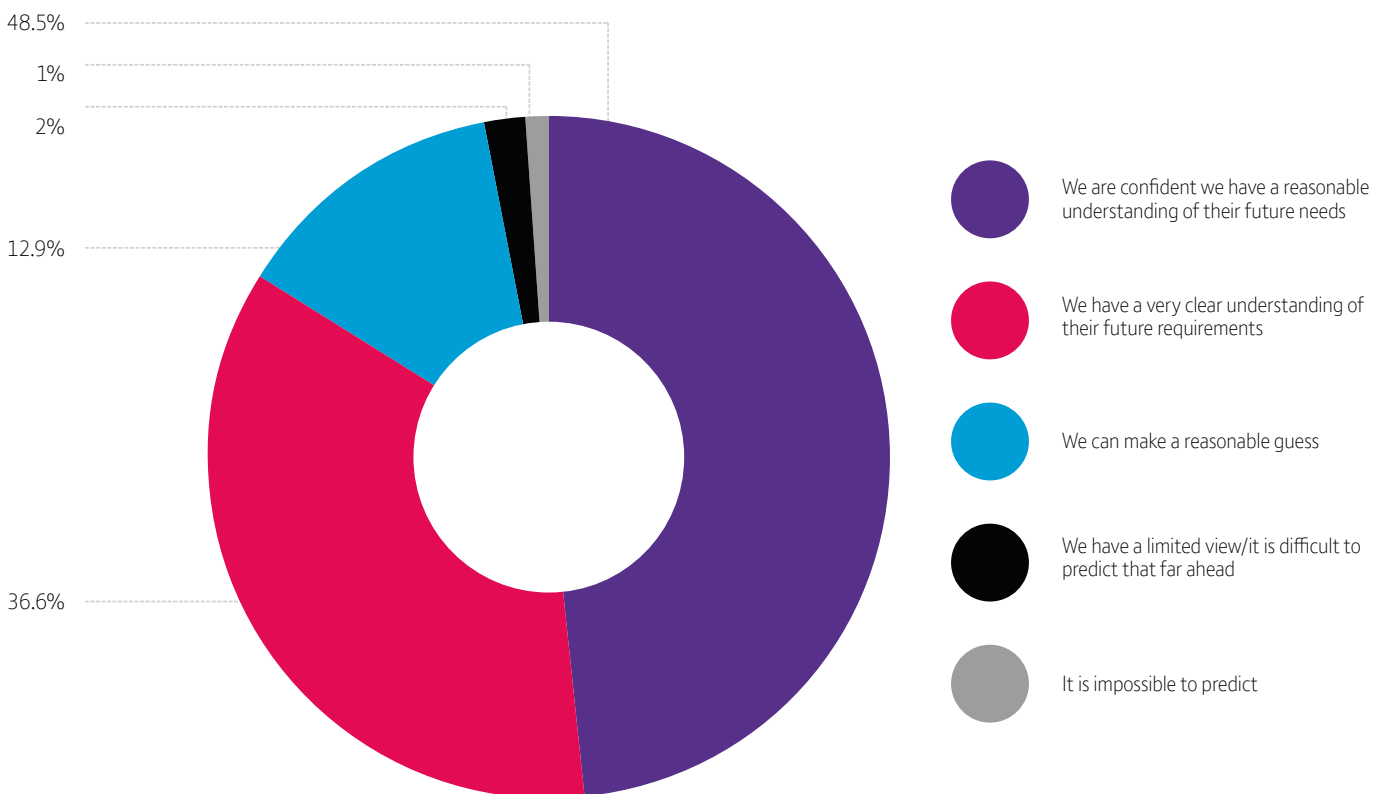
## What they sell



### How much contact they have with the end clients



### Ability to predict future customer requirements



## Technology trends

Our research shows that the services in highest demand with customers are cloud (22%), mobile (16%) and broadband (15%) and we wouldn't disagree with this. As organisations transform these are fundamental enabling technologies for modern digital business. We'd also agree that ultra-fast broadband and mobile are only going to increase in demand over the next few years.

Commentary:

**Simon Brisbane,**  
**General Manager Broadband**  
**at BT Wholesale**

As capacity grows so does the demand of applications, so it's perhaps unsurprising that over a third of resellers think both demand for cloud apps and ultra-fast broadband will increase. As the GSMA points out, mobile growth will continue to 2025 and beyond, even where there is high saturation in areas such as Europe. Over 37% of resellers agree.

One of the biggest leaps in broadband technology is Gfast. As well as offering greater broadband speeds – it offers download speeds of up to 330Mbps (or 160Mbps depending on which product is chosen) and upload speeds of 30 to 50Mbps – Gfast also offers greater network resilience. It's an enhanced product because it's been built on a higher service level agreement and will provide a degree of future-proofing for at least five to ten years. That means there is enough bandwidth to nurture innovation in services without reducing network capability. That's good for business, good for start-ups and good for consumers.

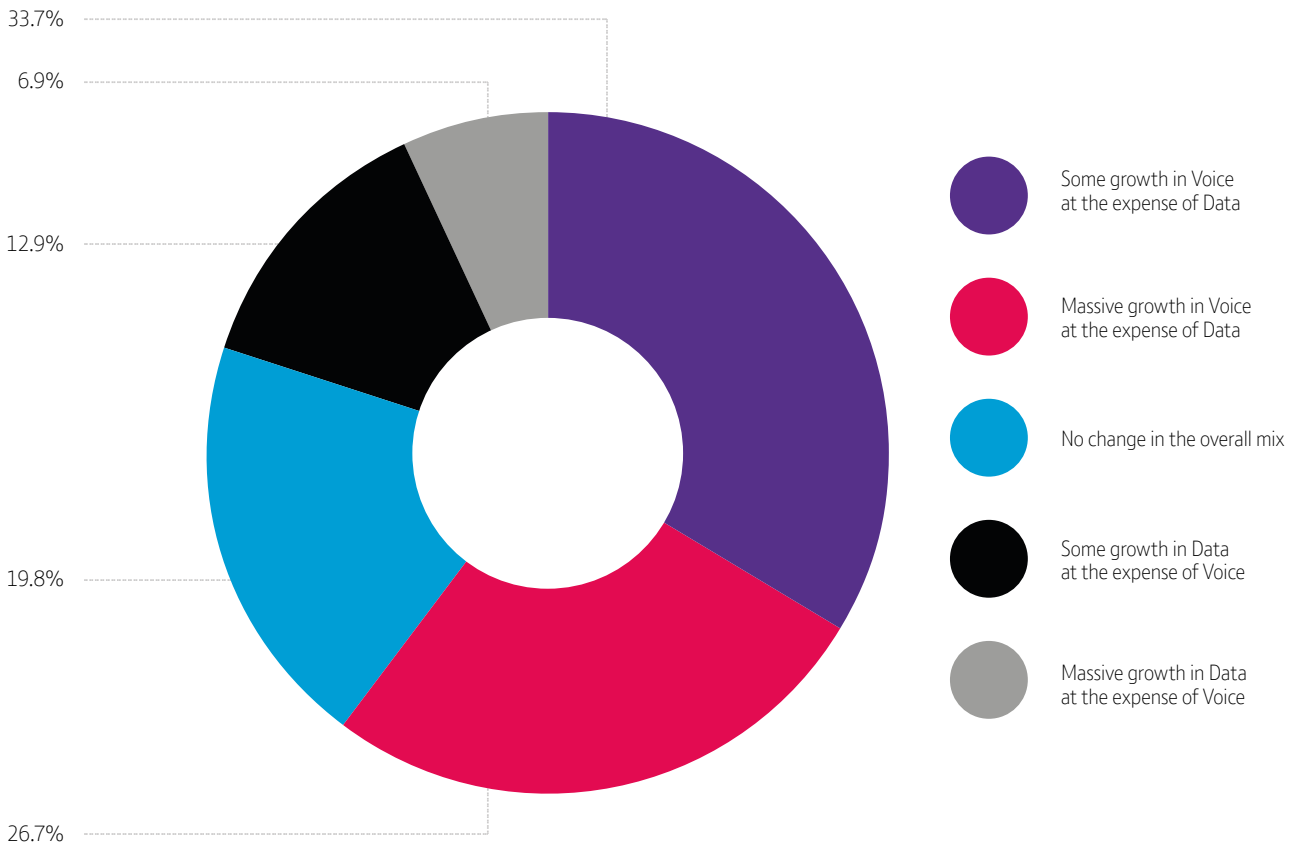
In terms of voice it's interesting to see that over half of respondents (61%) believe that voice will grow at the expense of data. We would certainly expect to see growth in voice through VOIP services and of course, mobile. For resellers this will eventually mean a shift, from voice provider to data line provider, with voice one of many services carried across the infrastructure.

Our Wholesale Broadband Connect (WBC) SOGEA is a new broadband end user access option in our portfolio that will help resellers meet the voice needs of customers. As a broadband only connection, it's suited to end users that don't use fixed line voice or rely on VOIP services carried on the broadband link. SOGEA will use the same network infrastructure as existing WBC FTTC services and will be available at the same data rates upon launch in 2019.

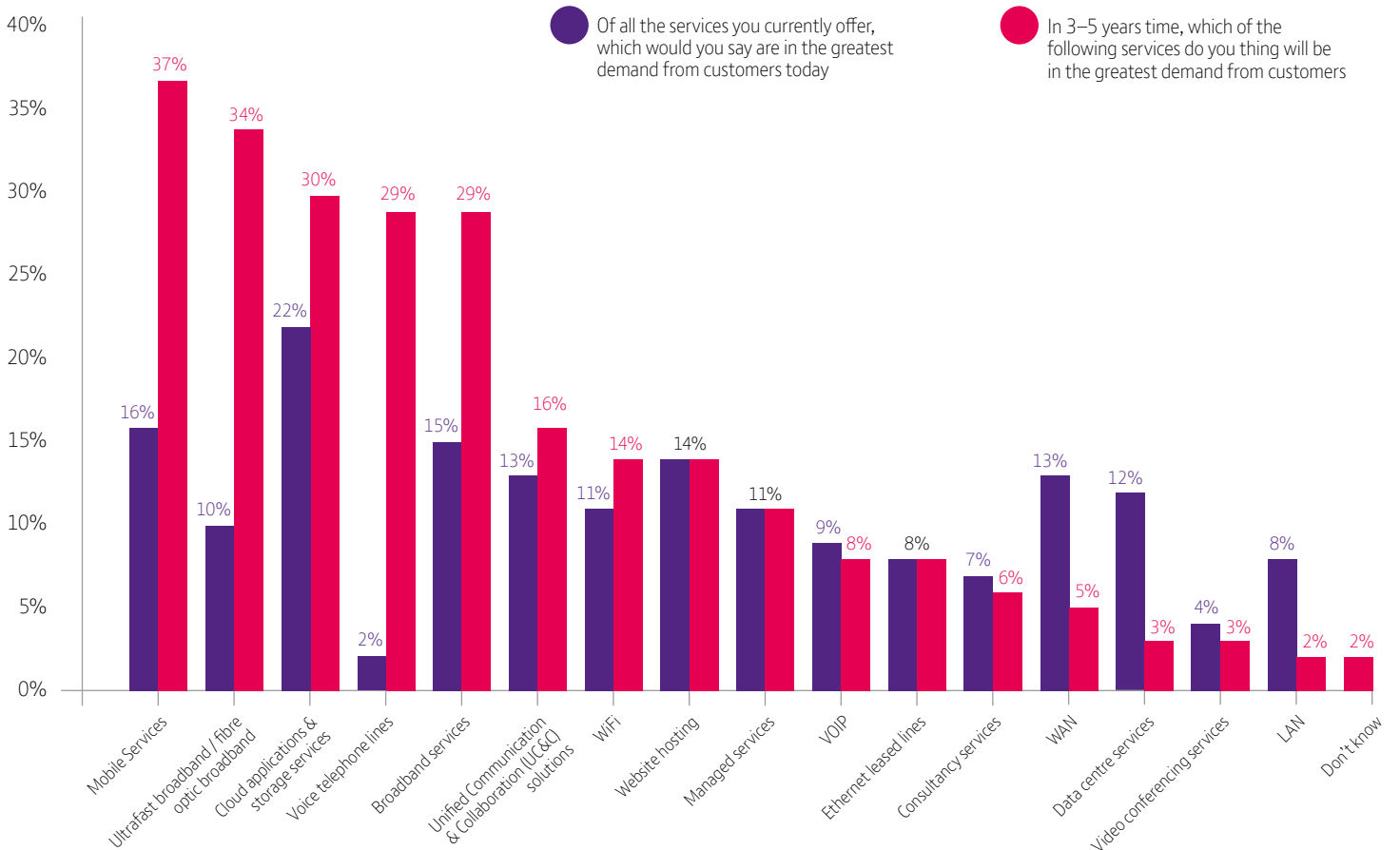
From a technology point of view, resellers have a bright future ahead. The roadmap is strong, so it's about ensuring good partnerships and communications with customers to really make the most of the opportunities, today and tomorrow.



Data vs. Voice changes



Services with the most customer demand



# The impact of PSTN withdrawal

It's a concern that so many respondents (31%) are adopting a 'wait and see policy' when it comes to PSTN. It's risky. The whole industry is shifting to IP. It has been announced that the PSTN network will close down in 2025 and although this seems some way off, there are significant opportunities in migrating customers now.

Commentary:

**Marc Timmermans,**  
**Director WCalls &**  
**Hosted Communications**  
**at BT Wholesale**

This doesn't have to be a full migration either. If legacy technology needs to be protected, resellers can help customers with a phased migration using Hosted SIP trunking for example, giving them some of the benefits of unified communications in tandem with their PBX investment.

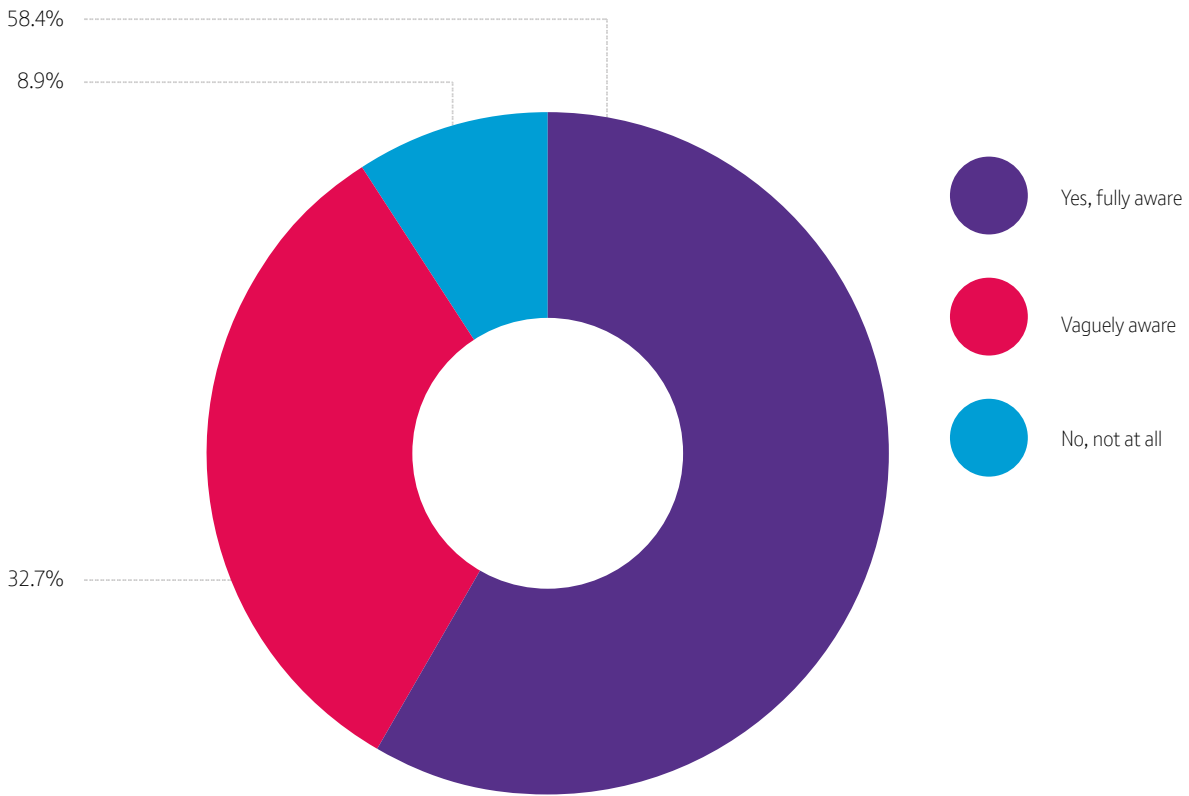
It's also encouraging to see that one in three respondents regard VOIP migration as the way forward. We shouldn't take this for granted. As legacy products, such as traditional fixed voice and partial private circuits decline, support is needed in educating customers about IP-based alternatives and managing and servicing new product portfolios. We need to help those that have already accepted change, as much as those that haven't.

This comes down to education and support. Change is complex and resellers and their customers need to know that they have a strong and reliable partner capable of delivering on the product and service promises post-PSTN.

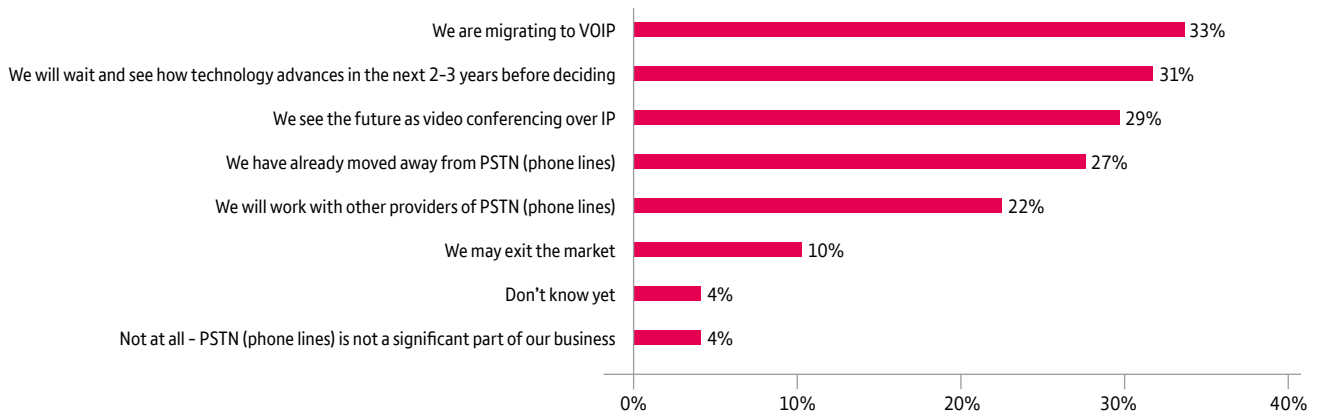
Recognising that there are cost and performance benefits is fundamental to helping customers make the leap to IP now. By taking advantage of lower IP costs, more manageable products and more flexible services today, resellers and their customers can be more competitive.

It's interesting to see that nearly a third of respondents believe that the withdrawal of PSTN will hurt BT and open the gates to disruptive international competition. Nothing is further from the truth. We have backed IP because it's the best way to provide fast, cost-effective and flexible communications services. We have a resilient network built for the 21st century and a roadmap of leading-edge products to help customers do business better, faster and cheaper. So unlike PSTN, we are not trading on our past, but trading on our present and future.

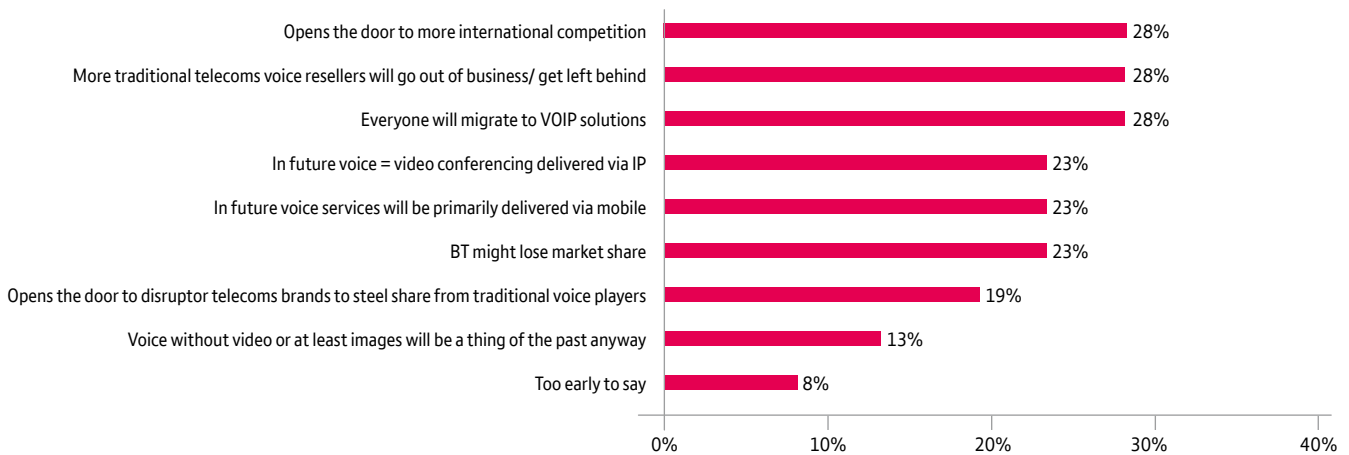
### Awareness of PSTN



### How PSTN is impacting business



### Impact of withdrawing PSTN



# Making BT a partner for change

It's perhaps not that surprising that the reseller market is divided when it comes to adopting new technologies, especially when PSTN has been the backbone of the industry dating back to Alexander Bell. We understand that IP is not just disrupting the communications network, it's disrupting business models too.

Commentary:

**Alex Tempest,**  
**Managing Director**  
**at BT Wholesale**

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The research has shown a degree of reticence when it comes to change, perhaps driven by the fact that 40% of resellers are only vaguely aware that PSTN is going to be turned off in the near future. That's probably the problem. The deadline is too far away. It doesn't seem real. Why change now if you don't have to?

There are many business performance and economic advantages to adopting IP now, but we understand that many resellers have customers that have just paid for a PBX upgrade for example. IP requires a new business model, less long lead time and large margin and more regular, recurring revenue and regular contact with customers.

This is a big administrative shift in how resellers do business but the fundamentals are the same - products and services that help customers communicate seamlessly, so they can focus on their core business. It's a change but it will be necessary. We understand this as much as anyone

because we have had to undergo a significant cultural and administrative change ourselves. We have had to adopt new technologies, develop new products and services and engage with partners more to develop more flexible, personal, transparent and accountable relationships. We've had to combine being nimble and value-conscious with the scale and roster of products, services and support, to meet pretty much every need reseller customers are likely to have, however the market changes.

Ultimately, we want to be a better partner, the best partner, that helps resellers deal with change regardless of whatever stage they are at. It's a conversation based on mutual interest and shared goals, that will secure all of our immediate futures, regardless of what the market, the economy and innovation throws at us.

## Research background summary

### Methodology:

- 101 interviews were held with resellers
- The research was conducted online
- July 2018
- Research provided by Morar HPI

### Business type:

- 19 tier 2 telecoms businesses (internet transit / peering dependant)
- 44 tier 3 telecoms businesses (reseller, VAR or other specialist providers)
- 38 IT businesses that also provide some tier 3 telecoms services



Notes

Notes

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