

Business services have not driven operator revenue growth as hoped, but there are reasons to be optimistic

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Ericsson boldly stated in 2019 that “the expectations of significant growth in 5G B2B services is [sic] confirmed.”¹ This statement reflects a hope held by other vendors and operators that revenue growth will be driven by the business segment. This trend has yet to materialise, but there are reasons to be cautiously optimistic about future business revenue growth.

Business services accounted for around 20% of a typical operator’s total revenue in 2021. This is unchanged from 2017 (see Figure 1). Growth in new B2B revenue streams (such as IT services) has simply offset the decline in revenue from legacy business services. Furthermore, many operators’ business revenue growth has been achieved via acquisitions rather than generated organically.

However, if operators can continue to grow their IT service line, business services will increase in importance to operators as revenue from legacy business services bottoms-out.

The base data in this article is taken from Analysys Mason’s [Business revenue tracker](#).

Business services have accounted for only limited operator revenue growth in recent years

Operators’ business revenue has grown by 3% each year, on average,² since 2017, broadly in line with other parts of operators’ businesses (including consumer and wholesale services). However, the composition of business revenue has changed significantly over time. Operators have had to work hard to grow their IT service revenue to compensate for the loss of legacy revenue (mostly due to the migration of traditional voice services from PSTN to IP). Figure 1 shows the change in composition in business revenue for a typical operator, with revenue from IT services offsetting the decline in legacy business revenue, which indicates little change in the importance of business revenue.

This transition is apparent in the results of the small number of operators that provide details of revenue from IT services. The importance of IT services varies, but in our sample of 15 operators,³ IT service revenue has grown almost 50% between 2017 and 2021 (at a CAGR of 12%).

Not all recent IT service revenue growth has been organic. For example, Telecom Italia’s IT service revenue increased by 23% between 2020 and 2021 and this growth was partly fuelled by [three IT-related acquisitions](#)

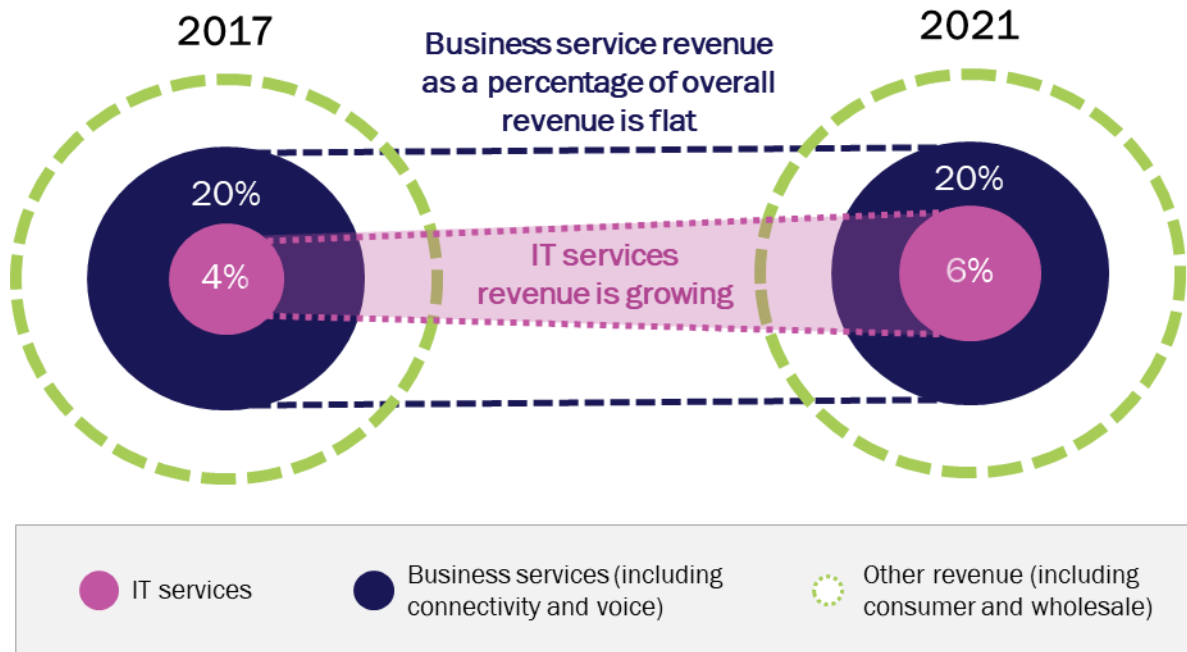
¹ See Ericsson’s *Our latest 5G business potential report: Set your compass now*. Available at: <https://www.ericsson.com/en/5g/forms/5gforbusiness-2019-report>.

² This is a simple average across all operators that have reported comparable business revenue since 2017. It is not the figure for the business market as a whole.

³ Only 15 of the operators included in Analysys Mason’s [Business revenue tracker](#) report ICT revenue.

that it made in 2020. However, these acquisitions should provide Telecom Italia (and the many other operators who have made similar acquisitions) with potential organic revenue growth in the future.

Figure 1: Illustrative comparison of IT and business service revenue as a percentage of total revenue for a typical operator, 2017 and 2021



Source: Analysys Mason

Incumbent operators are more exposed to changes to revenue from legacy business services

This picture is not uniform. Large incumbent operators such as BT have seen business revenue decline as a percentage of total revenue by 3.5 percentage points since 2017. Indeed, incumbent operators have fared worse than their competitors, with business revenue as a percentage of total revenue declining since 2017 for more than half of operators that reported results. Operators such as KPN, Orange France and Verizon have all struggled to grow the business share of total revenue despite each of them making significant investments in IT services. This is due to their greater exposure to legacy business services than challenger operators, for which business revenue has grown as a share of total revenue by an average of 1.2 percentage points since 2017.

Revenue from these legacy business services, especially from fixed voice services, will continue to decline in the coming years. For example, in Italy, fixed voice revenue from businesses will decline by EUR250 million (USD295 million) between 2021 and 2026.⁴ Established operators worldwide are transitioning customers to lower-cost VoIP and UC solutions, but alternative providers hold strong positions in business IP-voice markets.

⁴ For more information, see Analysys Mason's [Business-related content for key countries](#).

B2B services have become more important to some operators' overall businesses

For some operators, business revenue as a percentage of total revenue has increased significantly since 2017. For example, China Mobile generated 18% of its total revenue from business services in 2021, up from 10% in 2017. Its IT service revenue as a percentage of business revenue increased from just 0.7% of total revenue to 3% in the same period. This growth was achieved without any major acquisitions. Business services have accounted for more than 80% of China Mobile's total revenue growth in the period between 2017 and 2021.

China Mobile claims that this growth has primarily been the result of convergence of cloud services with networks, big data, AI and edge computing. These products have allowed China Mobile to strengthen and increase revenue from its business service offerings. Its goal is to become a market leader in the business services space in China.

StarHub in Singapore has also reported a strong increase in the share of business services revenue to total revenue (up from 18% in 2017 to 35% in 2021). However, much of this growth has been fuelled by major acquisitions. Other challenger operators such as Fastweb in Italy and Comcast in the USA have achieved more modest growth in business revenue as a share of total revenue.

We are cautiously optimistic that B2B services will drive future operator revenue growth

The decline in revenue from legacy business services is expected to slow and eventually flatten out, especially as the transition to IP-voice advances and because of the growing business demand for high-speed connectivity to support cloud services. For example, in Sweden, Telia reported growth in B2B connectivity revenue for the first time in "many years" in 2H 2021.⁵

Analysys Mason is optimistic that business services will deliver modest revenue growth for operators over the next 5 years, both in absolute terms and as a share of total revenue. However, this is dependent on operators' ability to continue to grow the IT service line. They will need to work hard to [enhance business services with 5G](#) and to use their recent acquisitions in areas such as cloud and security to improve their connectivity propositions (for example, with SASE)⁶ in order to generate continued, organic growth.

⁵ Telia. *Q4 Year-end Report. January–December 2021*. Available at: <https://www.teliacompany.com/globalassets/telia-company/documents/reports/2021/q4/q4-21-presentation-final.pdf>.

⁶ Secure access service edge.