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## Blueprint for Service Providers Selecting a Cloud Communications Platform

### DATE AND VERSION

18 June 2020

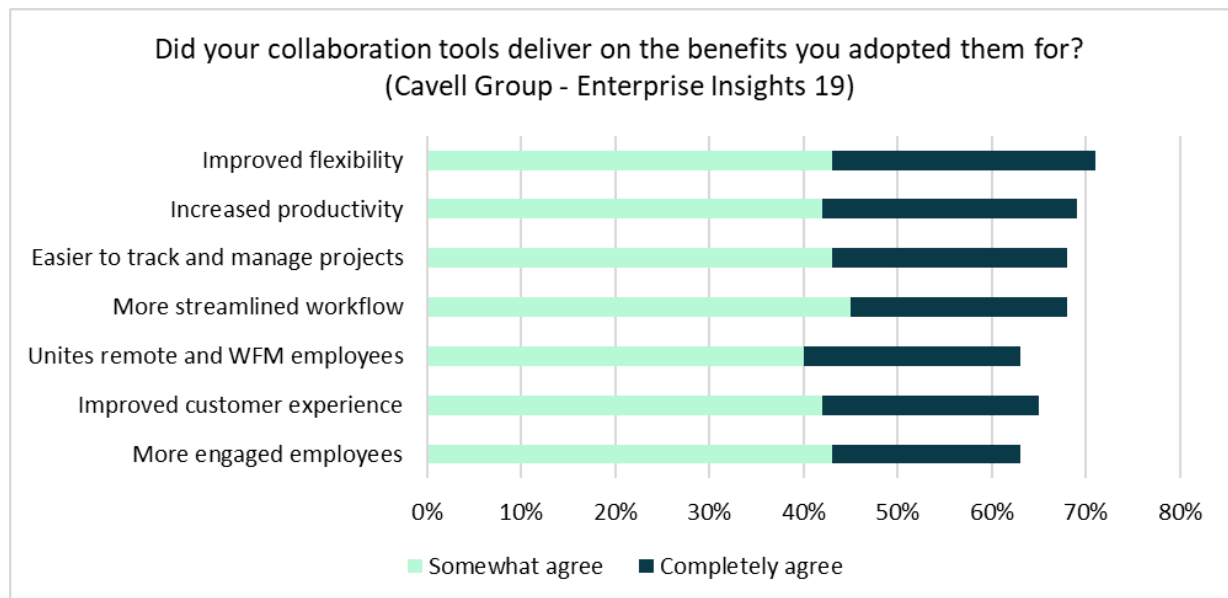
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## Executive Summary

A transition towards cloud-based and over-the-top (OTT) communication services is widely acknowledged by the service provider community. To stay relevant in this dynamic market service providers are now looking to evaluate new solutions that allow them to modernise their technology portfolios to cater for business demands.



The relatively low levels of satisfaction with individual aspects of collaborative solutions outlined from data from Cavell Group's Enterprise Insights research demonstrates that there is a requirement for technology providers to equip their end customers with solutions that better suit organisational demands for collaborative technologies.

This whitepaper aims to provide a framework for service providers to review, highlighting key considerations and important factors that should underpin any move toward evaluating current cloud communications platforms and considering adoption of a new one.

For many service providers the appraisal of underlying technology platforms may not be based on a structured and well-defined evaluation process. During such an evaluation, service providers, are faced with several obstacles that need to be navigated to ensure the optimum outcome is achieved:

- ▼ Selection process based on features and function rather than process or outcome-based assessment.
- ▼ Historical or traditional platform preference contributing to a biased appraisal process.

Evaluating the potential options available can be complex in a large and dynamic market with a growing number of vendors solutions available for consideration. It is critical for a service provider to select a platform which best suits their specific needs, market environment, strategic objectives, and their end customer demands.

#### Key takeaways and considerations from the report:

- ▼ The platform that enterprises use to drive productivity is no longer the PBX and remote working is expected to be the norm. Whilst COVID-19 has accelerating these trends, placing cloud-based collaboration tools at the centre of working environment is key
- ▼ Service providers should evaluate wholesale cloud communications in four dimensions: go-to-market, technical requirements, innovation and profitability. Profitability calculations should and can only be done after careful considerations of the former dimensions.
- ▼ While technical considerations should have a strong weight in evaluations, legacy focused approach with PBX feature-parity and retrofitting cloud platforms to OSS/BSS should not be the bottleneck in most cases
- ▼ Mobile often overlooked in the case of enterprise communications. Service providers should consider their mobile estate which can lead to FMC, IMS Integration and offerings around VoLTE & 5G.
- ▼ Service providers should carefully evaluate how vendors can assist in ranging go-to-market activities
- ▼ Wholesale platform providers should be regarded as an extension of service provider networks.
- ▼ Service providers should carefully evaluate the cost of feature overshoot and how cost and time variances of development / upgrade projects will impact their bottom line.

Cavell Group would endorse both a structured evaluation process, as well as supplementary services from subject matter experts which will allow any service provider to make the most well-informed & profitable decision. Cavell Group's history of conducting such projects for service providers means we are well placed to assist in building such models if required.

# Transforming Workplace Requirements

Adoption of a new underlying technology platform is a huge strategic decision for service providers and a realm of factors, and possible models, need to be carefully considered to ensure the most viable solution is enacted. Before doing so, it is essential to have a strong grasp on what businesses are demanding today and will demand in the future. Cavell Group's Enterprise Insights Group articulates workplace requirements are changing rapidly.<sup>1</sup>

## IMPACT OF COVID-19 CRISIS

The global COVID-19 crisis, which began to impact businesses in 2020, has had an effect on the global adoption of communication and collaboration services. Cavell Group commissioned a study in March of 2020 canvassing service providers on the impact of the crisis on their provision of services.

Some of the reports key findings are highlighted below as they have wider ramifications for service providers who maybe considering decisions relating to their underlying technology platforms.

*“Service providers saw a 39% rise in new business enquires, and a 29% rise in new businesses wins during March 2020” - Cavell COVID-19 Impact Study 2020*

The increased demand outlined above, stemming from the COVID-19 crisis, shows that service providers need to have underlying technology platforms that are capable of scaling rapidly to meet the needs of end customer organisations due to unexpected external global factors. As well as a general increase in demand for their services, providers also outlined end customer demand changes for different forms of communication channels.

	No change	<50% increase	50–100% increase	>100% increase
Team Collaboration usage	7%	31%	43%	19%
Audio Conferencing usage	7%	36%	40%	17%
Video Conferencing usage	7%	21%	47%	26%
Voice minutes usage	38%	30%	15%	18%

**Figure 1:** Service provider end customers demand changes for different communication channels

<sup>1</sup> Cavell Group's Enterprise Insight Report 2019 canvassed technology decision makers representing over 1800 organisations of varying sizes – across geographical markets in Europe and North America covering over 282 datasets.

The above table highlights the variation in communication channel usage during March 2020, the first month where the majority of western economies were being impacted by social distancing measures put in place to mitigate the pandemic. Particular areas of interest for service providers are highlighted, with massively increased usage of both team collaboration and video conferencing services.

The increased demand for these types of services was driven by a workplace demand that more easily enabled productivity from a dispersed workforce. Service providers can analyse this data to draw a variety of conclusions:

- ▼ Underlying technology platforms need to be elastic, agile, and flexible to meet unexpected surges in demand
- ▼ Any service provider technology platform deployed needs to include a wide range of different communication and collaboration services to enable transforming working models
- ▼ Technology providers responses also showed that the ability to offer free trials or freemium application tools was a crucial go-to-market strategy during the crisis

The selection process that service providers undertake when evaluating new underlying technology platforms should now take into account some of the consequences that resulted from the COVID-19 pandemic to ensure that their provision of services would be capable of meeting end customer demands if any new global crisis were to occur in the future.

“77% of organisations surveyed still utilise ‘face-to-face’ communication methods internally. In contrast only 35% of those surveyed utilise team tools like Slack or Microsoft Teams to communicate internally.” - Cavell Enterprise Insight Report 2019

With the dramatic changes taking place, in terms of transforming working practices, dependence on physical interaction in central locations such as offices or meeting venues is likely to decrease with greater reliance falling on other communication methods such as e-mail and phone calls. Larger businesses are more likely to utilise more advanced collaboration solutions than SMBs although that trend is less pronounced due to the rise in home working from COVID-19 as businesses look for collaboration solutions to enable business continuity.

## KEY ENTERPRISE PARTNER DEMANDS

“Only 22% of organisations surveyed look for providers who sell or advise on a variety of vendor solutions” - Cavell Enterprise Insight Report 2019

The above statistic shows that end user businesses are not looking for a choice of solutions to be offered when they approach a service provider. Therefore, for a service provider, choosing the correct vendor technology platform initially, to build their solutions and services on top of, is key. End customer organisations placed highest value on the following attributes:

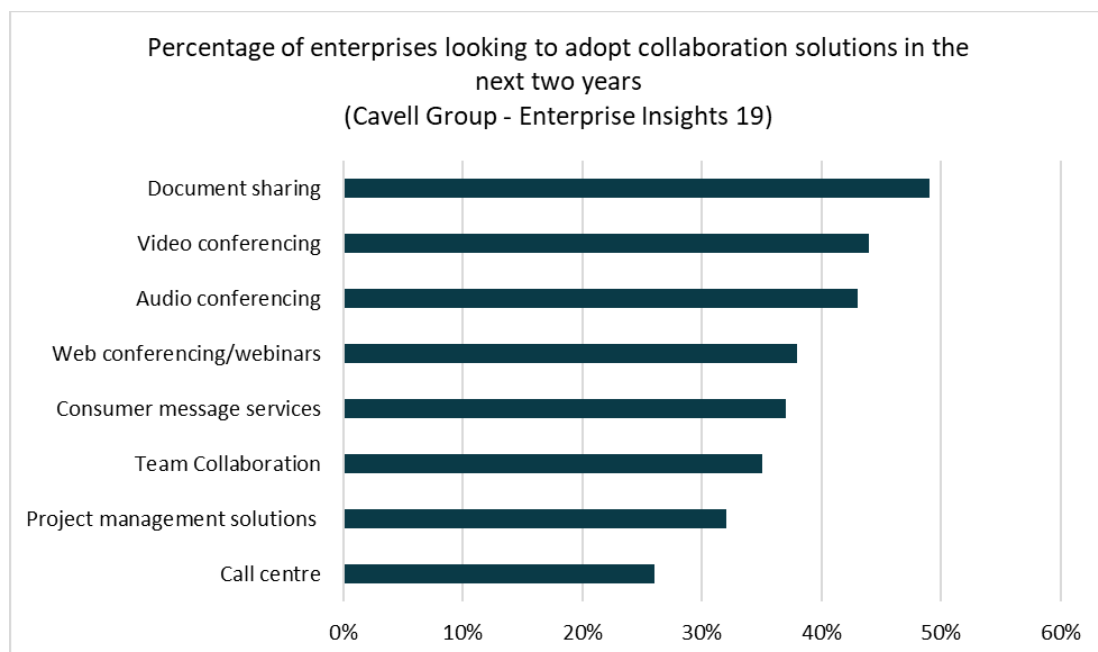
- ▼ Provides excellent, trustworthy pre-sales advice about the best solution - 47% of organisations surveyed

- ▼ Provides most advanced solutions - 41% of organisations surveyed
- ▼ Provides the cheapest solution – 38% of organisations surveyed

Value placed on the provision of the most advanced solutions again reinforces a requirement to carefully evaluate underlying technology platforms.

## INCREASING DEMAND FOR COLLABORATION

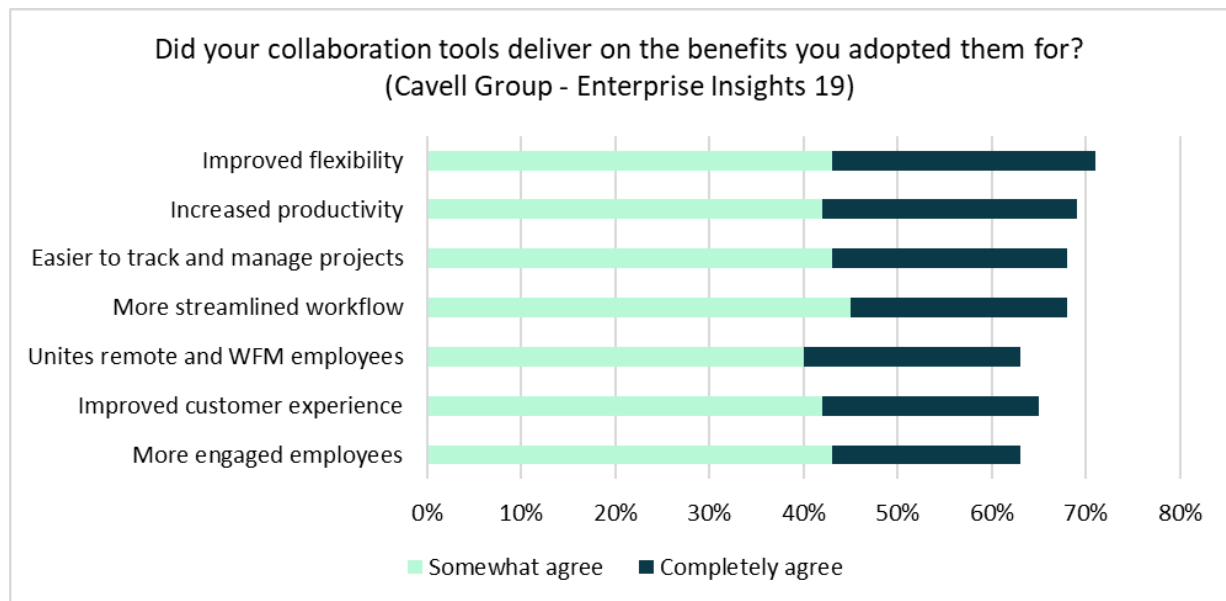
Collaboration represents one area of technology that is witnessing increased demand and the adoption of platforms based in the cloud may allow service providers to equip their customers with platforms that are available globally and meet the needs of modern organisations looking to transform digitally.



**Figure 2:** Increasing demand for collaboration features across the suite

“51% of organisations surveyed are likely, or very likely, to adopt document sharing technology within two years, and 35% of organisations surveyed are likely, or very likely, to adopt team collaboration services within two years.” - Cavell USA Enterprise Insight Report 2019

Although demand for collaborative services is increasing globally, Cavell research shows that only one third of businesses completely agreed that collaboration tools have delivered the benefits, they adopted them for across several areas.



**Figure 3:** Satisfaction across promised benefits of collaboration tools

The relatively low levels of satisfaction with individual aspects of collaborative solutions – detailed below – demonstrates that there is still a requirement for technology providers to equip their end customers with solutions that better suit organisational demands for collaborative technologies.

Key considerations for service providers looking to improve end customer satisfaction levels, gain positive referrals and reduce customer churn are:

- ▼ Leverage underlying technology platforms that are equipped with the capability to deploy effective collaborative services
- ▼ Ensure that presales and technical design phases of deployments are completed diligently to ensure that the solutions provided will meet the outcome goals of any end customer organisation
- ▼ Enable closer integration between collaboration solution and platforms that manage customer experience - such as customer interaction and CCaaS systems



# Key Service Provider Considerations

## Four Dimensions of Wholesale Cloud Communications Strategy



**Figure 4:** *Four dimensions of wholesale cloud communications strategy for service providers*

Contrary to majority of evaluations, considering cloud based / wholesale business communications services only as a technological replacement of legacy premise-based or software based hosted PBX offerings is simply wrong. This technical evaluation is often followed by a simple profitability calculation, whereas GTM and innovation are often either overlooked or evaluated in a very simplistic manner. However, without proper consideration and factoring of these dimensions, profitability modelling would simply be inaccurate. In such cases, evaluation of CAPEX investment will typically win over OPEX. On the other hand, if proper consideration of go-to-market models and enhanced innovation capabilities were factored into profitability calculations, business leaders could be facing very hard decisions to make. Obviously, this is always a nice problem to have.

It is extremely important to fully grasp that an evaluation needs to have a minimum of four dimensions, which all has cross-functional requirements and consequences if fully executed. Service providers are generally competent at grasping negative aspects due to disruption to their typical business model, but at the same time equally inept at understanding immediate positives and long-term benefits if they manage to get out of their comfort zones.

In this section of the whitepaper, we will dive deeper into all four dimensions above, aiming to provide guidelines on how to tackle the following:

- ▼ **Go-to-market:** What are the potential benefits and drawbacks of service provider options? What are some of the key go-to-market support considerations when evaluating potential wholesale offerings?
- ▼ **Technical Requirements:** What value should be the given required technical requirements of solutions? How can service providers differentiate between what is absolutely required, vs. what are nice optional extras?
- ▼ **Innovation:** What are some of the common and not so common areas of current and future service provider differentiation?
- ▼ **Profitability:** How to approach profitability calculations. What is beyond just OPEX vs. CAPEX? Considerations around key metrics such as ARPU, Churn, Base & Net Adds alongside reallocation of budget.

## Go-To-Market Exploration

Without a solid go-to-market plan, providers with the best technology in the world will struggle to sell their products. Cavell has identified a number of areas from our extensive experience working with some of the industry's leading providers. Service providers must ensure that any strategic decision in this area has taken into account various critical factors that will allow them to maximise the value proposition from the underlying platform selected.

### CUSTOMISATION, SUPPORT, AND COMPETITION

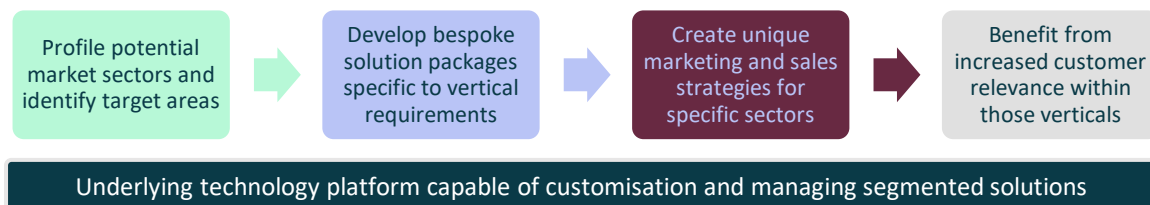
#### CUSTOMISATION

In increasingly competitive markets service providers are looking to offer unique propositions allowing them to differentiate from competitors and stand out from the market as a whole. Some of the go-to-market approaches open to service provider engender the ability for customisation more readily.

The ability to stand out from competitors in region who may be adopting the same underlying technology is key. A number of considerations need to be evaluated to ensure any underlying platform allows the service provider ample scope for differentiation:



The range of customisation options available to service provider partners is a important factor and ensuring that the appropriate customisation options are available will allow a service provider to locate themselves in the most advantageous position within their target market sector.







Service providers must consider key areas when evaluating white-label platform provider to ensure that the most suitable partnerships. These considerations can be summarised in the following areas:

- ▼ **Vendor vision alignment** – Taking on a platform partner will require shared objectives and goals as a strategic relationship may be entered into for many years
- ▼ **Robust platform with business synergies** – Ensure the software platform is suitable, being constantly developed and suitable for end customers
- ▼ **Established reputation and history** – Does the platform partner have a good industry reputation, transparent history, and market leading position

- ▼ White-label partner experience – Clear and established record of working with partners on a white-label basis and able to provide references etc
- ▼ Good support and service provision – Structure for organised support for on-boarding, training, and ongoing development with adequate resource to support this style of wholesale agency model
- ▼ Clear contract terms – Detailed contract process outlines key partnership areas and covering key areas for consideration such as compliance and competition
- ▼ Ability to trial or evaluate solution – Can you test and evaluate the software beforehand to ensure it is suitable for your end customers?

## SUPPORT

In the everyday management of technology solutions, support, is arguably the most impactful area relating to the successful proliferation of a product portfolio. Providers who choose deploy platforms from vendors – either partially with integration or via a wholesale arrangement –benefit from ranging forms of support unlike those who have built their own solution or platform.

Experience 	Technical 	Commercial 	Consultative 
<ul style="list-style-type: none"> <li>▼ Using a platform partner's industry experience can be a valuable asset to establish best practices for deploying a new underlying solution</li> <li>▼ Leveraging a platform with well established market presence can be beneficial by reducing time to market and potentially other areas of expenditure</li> <li>▼ Operators of well established platforms are likely to encounter less technical and logistical issues</li> </ul>	<ul style="list-style-type: none"> <li>▼ Support during initial platform deployment and then during individual end customer deployments will be crucial in ensuring a smooth transition to a new platform</li> <li>▼ Ongoing support during periods of increased customer adoption will ensure minimal logistical strain is placed on the service provider</li> <li>▼ Development of supporting or integrated technologies will require the technical support of the platform partner to ensure compatibility</li> </ul>	<ul style="list-style-type: none"> <li>▼ Initial pricing discount and assistance with purchasing model migration can ease the upfront cost burden placed on any service provider during platform transition</li> <li>▼ Platform partners may be able to provide marketing resource to any service provider looking to go-to-market with any new solution</li> <li>▼ Incentives and rebates may also be in place to reduce ongoing OPEX and assist the partner with revenue growth</li> </ul>	<ul style="list-style-type: none"> <li>▼ Leveraging the power of a platform partner's sales or marketing resource may improve a providers initial success with any new platform</li> <li>▼ Understanding the platform's strengths and weaknesses will allow a platform partner to better assist the service provider with market evaluation allowing for more accurate targeting of relevant opportunities and the most viable sectors</li> </ul>

Supporting elements form a key part of the new platform provider relationship and for any migration to maximise benefits for the service provider the relationship and contractual agreements between the two parties need to be as effective as possible. Strong customer management with a dedicated account team will allow service provider to easily collaborate with their technology partner to drive success and give a level of support

## COMPETITION

If a service provider adopts a platform from one of the industry's leading vendors, then it is likely that at some point a customer may be in discussion with multiple parties exploring a solution offered by multiple providers or even one of the platforms proprietors themselves. The competitive relationship with any platform provider needs to be considered in advance of any formal agreement being reached for wholesale, or part, use of a technology platform.

Any service provider adopting a new unified communications technology platform may well have concerns about the rollout of these deployments. Will the platform vendor utilise these updates in advance before allowing partners to utilise the same developments? The key consideration for service providers in this area is to ensure that this process is identified upfront at the start of any wholesale partner relationship. If the vendor can clearly explain the processes, procedures, and timelines relating to the platform's ongoing development in a transparent manner then a service provider should be able to plan and strategize based on this information.

## SALES STRATEGIES

Cavell Group's research has highlighted that service providers have been able to shorten and optimise the sales cycle by having enabling their products to be purchased, configured and managed online. Cavell's research in conjunction with the CCA highlighted that 64% of their providers globally utilised an online sales process, however this had only translated to 8% of their overall sales. However, this type of sales approach was particularly effective during the COVID-19 crisis for providers with a clear online customer journey as customers wanted to be able to quickly be able to add additional services to satisfy their transition to remote working and they were able to onboard more new customers than providers without a digital sales journey.

One area of go-to-market strategy which has become increasingly popular within technology sectors globally is the concept of 'freemium' products. Popularised by tech start-ups and application developers - the provision of a free version of any kind of software or application allows users to explore a solution – often with limited functionality and features – without having to acquiesce to a typical consumption pricing model. The ideology behind this model is one of gaining market presence, interest in the application, and free user trialling and testing. Freemium products also provide a simplified way to offer businesses a trial and grant access to power users who may be influential in end customer technology deployment decisions.

# Technical Requirements

## "THE OBVIOUS"

When looking for and evaluating wholesale offerings, there are certain items that are absolutely needed, and outside of any sort of negotiation. It is extremely important to scope these aspects accurately, but it is also equally important not to solely scope requirements based on these. Such obvious requirements include:

- **Uptime:** What is the required reliability of the offering? 5-9s? 4-9s? 6-9s? If/when the offering is going through service provider network, how does that translate into my channels and end customers? What are my current agreements and is the new product considered going to meet my contractual obligations?
- **Georedundancy:** How many data centers does the evaluated vendor operate and where are they located? Are they relevant to my current and future business needs?
- **Security:** What sort of security requirements do I need? What would my customers be looking for? Encryption? Security protocols to integrate with my network and operating flows etc.
- **Legislations (Including GDPR):** Many countries, regions or unions may have their own legislation for maintaining voice/data within the country's networks, or may have certain data privacy rules such as the GDPR. Evaluated offerings must be compliant with all such requirements.

## MOBILE, IMS & 5G APPROACH

Mobile is often overlooked in the case of enterprise communications as commonly business units providing such services in mobile operators have some sort of separation with mobile offerings. This has been changing though, first through Mobile PBX launches in the Nordics, then through Fixed Mobile Convergence (FMC) launches with the likes of Telstra, Verizon, Elisa, Vodafone and Gamma. Fixed operators may need to sort out other issues before thinking about a mobile strategy, however, when it comes to Mobile Operators there are certainly a few key topics to discuss.

**Fixed Mobile Convergence (FMC):** With a decreasing need for desk phones and increasing phenomena of mobile-first worker, any sort of strategic initiative today MUST include a mobile angle. In the case of business communications, a very promising trend is a move toward one business number, dual-persona devices and native dialing. It is important to understand if/how evaluated wholesale vendors can provide or assist with such an implementation.

**IMS Integration, VoLTE Support & 5G:** If the evaluated wholesale offering is pre-integrated, or has strong potential to integrate with IMS, this would allow providers to claim VoLTE speed business communications, which provides an immediate edge on cloud communications, without a change project on existing infrastructure leading to shorter deployment cycle. Building on top of IMS & VoLTE, having a robust 5G story would complement mobile operators' work in the space with the likes of instant activation, IoT etc.

*Please note that this section should also be considered along with "Innovation".*

## END OF POTS

Some operators and countries have already migrated from legacy technology to all-IP, some have concrete plans and some still have concerns. While copper-based connections are turned off at a rate of 700,000 lines per month<sup>2</sup>, just around that number of business PBX seats are moving to cloud, at around 2% each year<sup>3</sup>. So, the natural flow of communications becomes:



**Figure 8:** *Flow of business communications services infrastructure*

However, these steps do not need to be incremental, and a visionary provider could choose to directly migrate to cloud based services when it comes to business communications. Reasons for such a move could be found throughout this whitepaper, however, Cavell summarize some benefits to evaluate:

- **CAPEX Savings:** Lift from a technology to another requires significant CAPEX investments. A provider could choose to allocate these funds to other areas of core network/digital transformation, while utilizing an OPEX model in business communications. This would also save the provider time in moving to cloud, whereas otherwise, a provider would need to invest in technologies that would need some sort of re-visiting soon, bringing up the issue of return and period of return on investment.
- **Go beyond voice:** A provider looking to migrate from legacy networks would most probably be selling business voice only solution or could be complementing this offering with some sort of hybrid approach. Migrating to a wholesale platform could give an immediate edge on the breadth of services any provider can offer, leading to ARPU increase in contrast to pricing pressure of voice, and also increase stickiness, avoiding simple, voice-based provider transition.

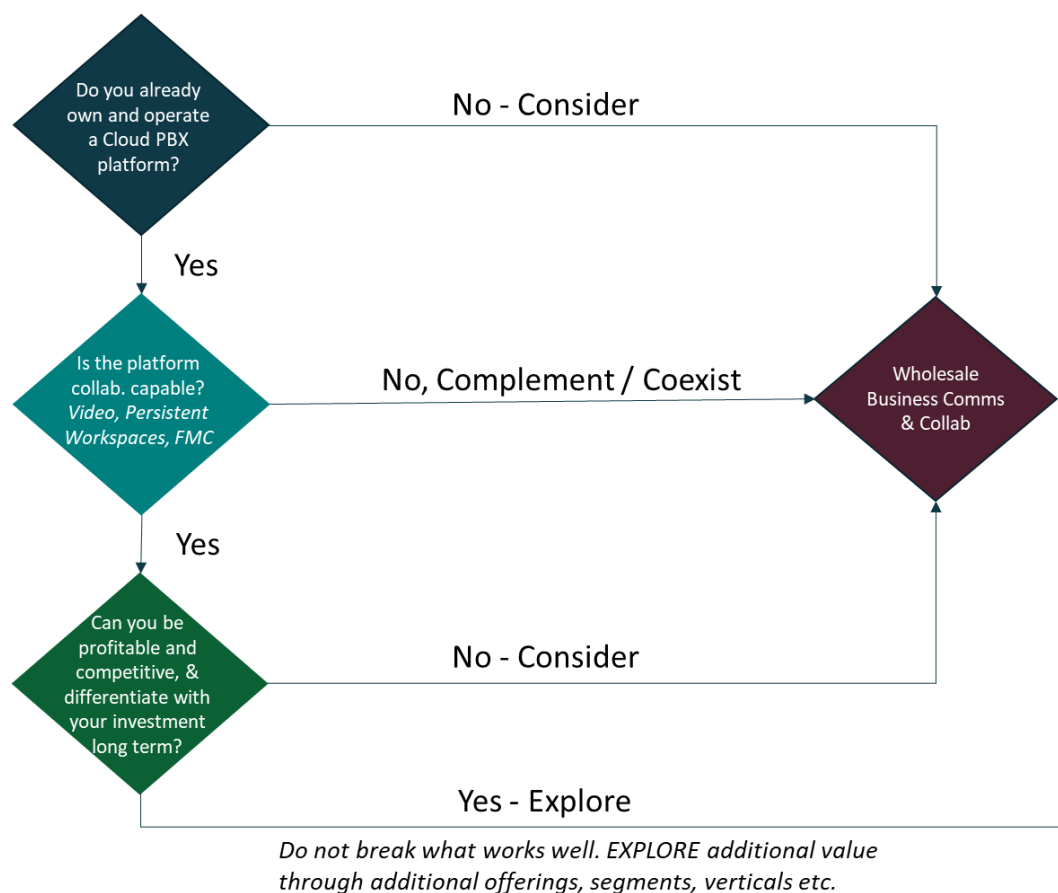
## NEED FOR & DEPTH OF CLOUD PBX FUNCTIONALITY

As the section title indicates, there are two aspects to evaluate when it comes to cloud PBX functionality. The first one is need. Most large service providers today have some form of cloud PBX investments already made. So, do these providers need to consider wholesale offerings as well, and when? We tried to build a very simple framework on how to approach the NEED to explore a wholesale offering below. Obviously, this cannot be a one size fits for all approach, but we wanted to convey the message that if you currently operate your own cloud communications platform it does not translate to I do not need to explore other offerings. There is still significant value to be received in certain cases.

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<sup>2</sup> <https://www.nojitter.com/pstn-closure-end-pots-challenges>

<sup>3</sup> Synergy Research, UC Market Tracker - PBX Installed Base, 4Q19 report



**Figure 9:** When to evaluate wholesale offerings and how to approach

When it comes to the DEPTH of cloud PBX functionality, there is a popular recent debate around how many PBX features do the enterprise really use. We can apply the Pareto Principle quite confidently claiming that only a fraction of PBX features are among the most demanded and value of the remaining are diminishing due to the fundamental shift of the productivity platform.

In the end, the question comes to, do you really need to provide all these hundreds of features included in a traditional PBX, or in other words, do you really need feature parity with on-premise PBXs? In some cases, this could be a yes, but today, productivity platform has shifted from the PBXs, and now we are even debating the mass need for desk phones. Most vendors are investing towards and innovating through productivity features, and it would be very rare to see a roadmap with a wide range of non-mobile focused PBX features.

Cavell's opinion is, when evaluating cloud strategy, that a provider should identify their must have PBX functionality, but that list may be well below PBX feature parity. How much below should be dictated by business plans, regional requirements, contractual agreements, and some product management intuition, but feature parity should NOT be the bottleneck to block transition to cloud.

## ECOSYSTEMS



In general, there are two distinct approaches to ecosystems. Some vendors promote more open ecosystems, while some others do not prioritize this as much as others. What are some of the key components of ecosystems that service providers should consider? In the case of wholesale business communications, these would mainly be comprised of developer ecosystem, handset support, SD-WAN integrations.

**Advantages of Open Ecosystems:** Such offerings provide more flexibility around bundling, go-to-market & getting creative around the product. Product wraparounds could have more variety and you can hit the ground running quicker. Future integrations would be handled by a developer community already familiar with the platform and rip & replace of existing customers would be less likely. These offerings enable providers to further capitalize on existing investments and providers have less dependence on a single vendor's innovation capabilities & roadmap.

**Advantages of Closed Ecosystems:** Such offerings typically promise tighter integrations while providing many business collaboration & productivity tools in-house. Less go-to-market planning and work would be needed. Integrations happen immediately with limited pain, if any at all. Providers who choose such an ecosystem will have an advantage in situations where an enterprise has already fully invested into that ecosystem, or enterprises that are looking to unify investment.

*Please note that this section should also be considered along with "Innovation".*

## OSS/BSS INTEGRATIONS

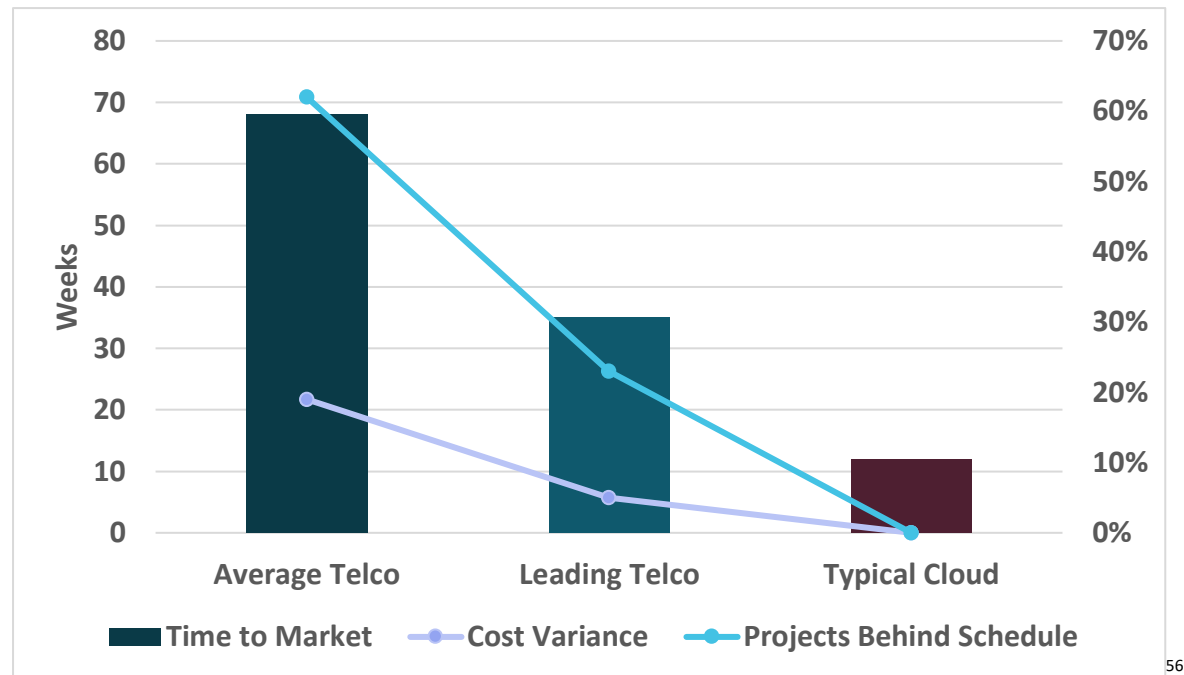
Over the course of many years of service providers operations, most of them have built very complex operations and business support systems into which services and products would need to be integrated. This piece could be a separate whitepaper on its own, but providers should carefully evaluate to confirm if the offering provides the required capability.

On the other hand, such complex operations tend to carry baggage from legacy products and processes. Time to market and full utilization of cloud capabilities are of essence, so retrofitting or restricting a modern cloud solution to meet the limitations of archaic business processes and systems should never be the case. Like giving up on PBX feature parity, service providers should carefully evaluate what portion of such complex processes are needed and look to transform to simpler & leaner processes.

# Innovation

## SERVICE PROVIDER DEVELOPMENT CYCLES

Today's leading organizations know how to generate new sources of revenue by turning innovative ideas into new products and bringing them to market quickly. Telecom service providers, however, are currently experiencing slower revenue growth from traditional voice and data services. As they look to introduce new products and services, they are facing off with technology companies considered as innovation powerhouses. Can telecom service providers keep up with the innovation and agility of the high-tech leaders to compete with them effectively?<sup>4</sup>



**Figure 10: Telco time to market vs. cloud time to market**

Figure above depicts product development cycles of varying companies. Typically cloud companies have a tonne of innovation planned and prioritized even before the beginning of product development cycles, however, in the case of business telecommunications, especially if telcos are procuring 3rd party software, there is a market education period prior to product development, which would push telco cycles further to a year or two years, excluding project delays. In addition, there would be cost variances to telcos in CAPEX models. However, in cloud procurement models, there are no R&D risks of cost variance. There could be some late deliveries, however due to typical frequent and aggressive release cycles of cloud, we have assumed it to be negligible.

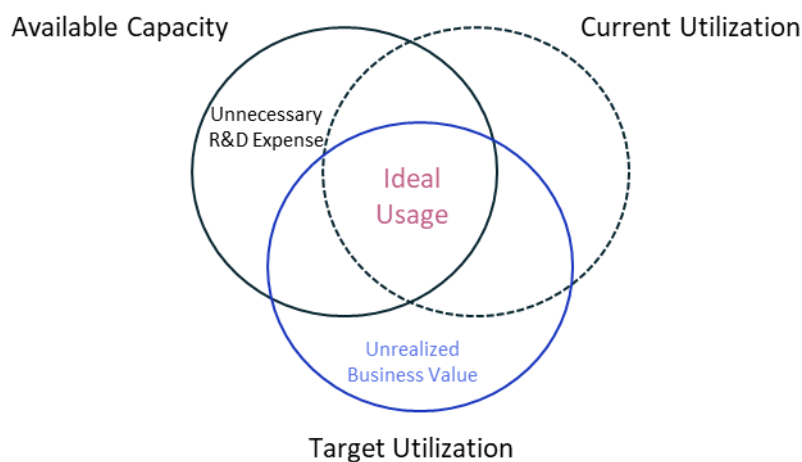
Cost and timing are not the only issues in a typical telco model. There is also a significant risk of feature overshoot. Unless providers and software vendors collectively conduct flawless projection of market & customer needs in advance, there is R&D work that will either go unused, or at least will be less utilized, whereas if those R&D hours were spent in favour of other projects or capabilities, those would prove better business value.

<sup>4</sup> <https://www.pwc.se/sv/pdf-reports/pwc-benchmark-insights-innovation-and-development.pdf>

<sup>5</sup> Assumes 0 delay and 0 cost variance as there is no development carried out or funded by service provider.

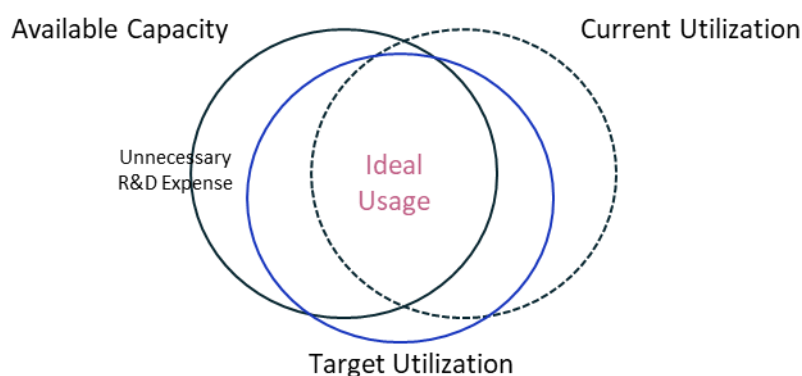
<sup>6</sup> Sources: Cavell Best Practices & <https://www.pwc.se/sv/pdf-reports/pwc-benchmark-insights-innovation-and-development.pdf>

Below is a typical R&D efficiency figure of current non-cloud-based models:



**Figure 11:** Typical R&D efficiency with CAPEX models<sup>7</sup>

In an ideal world, "unrealized business value" would be 0, however we must consider that we do not live in a perfect environment, so your goal should be minimizing that:



**Figure 12:** Moving towards a consumption-based development<sup>8</sup>

Wholesale vendors are constantly in touch with providers & customers worldwide and prioritize product enhancements through aggressive development cycles. So, unless service providers with CAPEX based R&D do an excellent job of predicting the market & customer needs 1-2 years ahead of time, providers with wholesale business communications offerings will eventually have a natural advantage. However, service providers who are extremely confident in their product management could also be advantageous, as their development will be focused solely on their needs, perhaps further decreasing unrealized business value.

## FEATURES, ADDITIONAL SERVICES & COVERAGE

<sup>7</sup> Consumption Economics, The New Rules of Tech - Book by J.B. Wood, Todd Hewlin, Thomas Lah

<sup>8</sup> Consumption Economics, The New Rules of Tech - Book by J.B. Wood, Todd Hewlin, Thomas Lah

In the traditional CAPEX operating model, the product or platform you procure will transfer into your ownership, where you would need to install, integrate, and maintain it as part of your network and products. When occasional patches and updates are released, it is YOUR responsibility to get the patch, test, install and integrate. Some providers are on top of this process and always try to stay on top of the most recently released technology, though this requires time & investment. On the other hand, most service providers are behind in upgrading to the most recent version of their platform. Either they do not want to break something that functions well enough, or they cannot spare the resources to do so. Worse, they might not even be aware of such an upgrade.



**Figure 13:** *Procured business communications products need testing, Installation, Integration and maintenance.*

In the cloud model, ownership does not fully transfer over to service providers. Most of the upgrading, testing and integration works are carried out by the service provider and its developer ecosystem, either immediately, or soon after features are generally available. (There could be special wholesale agreements where the vendor requires some time to upgrade service provider instances to avoid integration issues).



What this also provides are some significant innovation benefits to service providers. In summary:

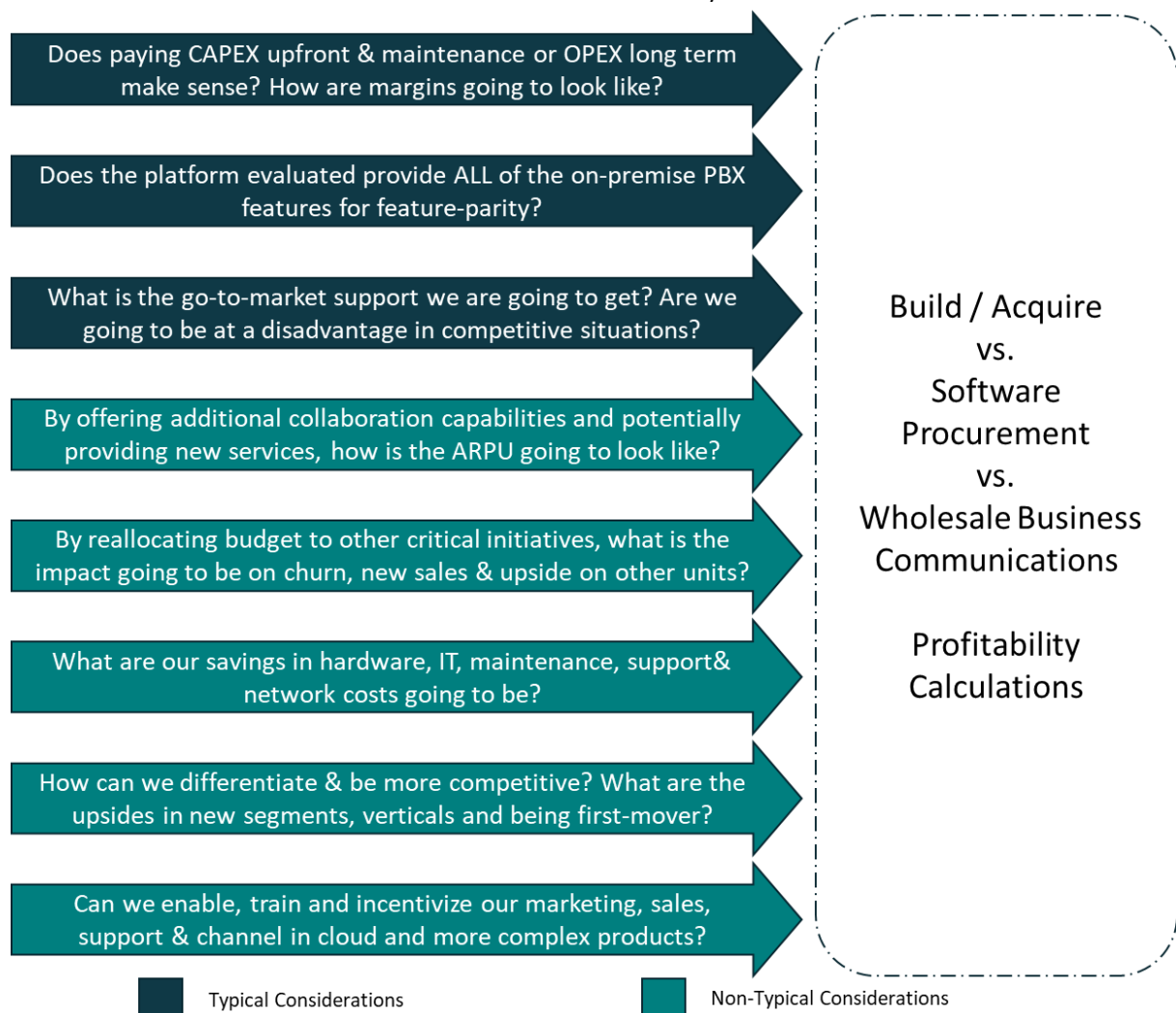
- Features are immediately available to the service provider
- For collaboration features beyond voice, it is only a matter of offering SKUs and packaging them
- If your wholesale provider has, or comes up with adjacent services such as CCaaS, Managed SD-WAN, CPaaS, or add-on features such as Call Recording, Analytics, WFO etc., there is a simpler service introduction path.
- Vendor geographical coverage, both georedundancy and multi-national offerings, become your service backbone.

**Figure 14:** *Wholesale cloud provider takes care of most of testing, installation, integration and maintenance.*

# Profitability

As mentioned in the beginning of "Service Provider Considerations", often profitability calculations originate from the legacy world. Cloud transition is regarded as a product & service replacement; however, they should be regarded as part of digitization journey, adapting to new generation of work & staying relevant in the long term.

To be frank, modeling this transition is extremely difficult, and requires candid cross-functional work to be compiled. In a typical environment, product BUs mainly consider feature parity and some sales/GTM aspects, as laid out below. Below are some considerations that should carefully be factored into these calculations.



**Figure 15:** Wholesale cloud provider takes care of most of testing, installation, integration and maintenance.

Assuming a successful implementation of a cross-functional adaptation of cloud procurement model, you would need to invest further into the KPIs such as net new customers, decreasing churn, increasing ARPU etc. Assuming inventory of licenses was managed well relative to customer base, move from maintenance to OPEX model may have an immediate negative impact on business margins. Best way to normalize this would be to improve these KPIs. Also, with larger base comes better negotiation power to drive margins up in the future. However, in the long term, due to reallocation of budget to other critical areas, synergies should be realized. Moreover, if your inventory of licenses were not managed well relative to your installed base, cloud transition may even have an immediate positive impact on your margins.

In the cloud procurement model, staying "as profitable as" you have been, will prove challenging and requires organizational. Also, in certain cases, your business may just be better off staying with your existing investment or going hybrid. All aspects need to be carefully factored in, and Cavell Group's consulting practice can assist in building such models.

## Conclusion

Rapidly changing workplace requirements are forcing service providers to think, operate and execute differently. In the world of business communications and collaboration, enterprises are looking to service providers to enable them with tools to operate at today's standards, ranging from mobility, collaboration, remote working and with a pace and agility on par with the likes of leading cloud giants. This requires service providers to completely shift the focus from CAPEX, PBX and 1-2 years of development cycles to customer experience, customer satisfaction, rapid feature development and network extension. This whitepaper is compiled during the initial outbreak of COVID-19 and Cavell expects that these trends will only accelerate after initial outbreak.

Cavell argues that there is a minimum of four equally important dimensions to consider, when evaluating cloud communications platforms, including wholesale offerings:

- ▼ Go-to-market
- ▼ Technical requirements
- ▼ Innovation capabilities
- ▼ Profitability calculations

Profitability calculations, obviously, should follow the former. However, without proper consideration and factoring of these dimensions, profitability modelling would simply be inaccurate, which Cavell Group observes to be a good portion of today's market state. For a proper analysis, some key considerations, and questions to ask are identified on Figure 15. This hopefully will provide a decent framework for service providers.

Throughout various sections of the whitepaper, Cavell have underlined the importance of a mindset shift. Most of the analysis that could be conducted through the topics in the framework will have a lot of room for interpretation and subjectivity. As much as framing the conversation, it is important to be factual, honest and most importantly adept at the analysis. Not only it will be a complete waste of time, it will also lead to wrong results if such analysis is conducted under the shadow of:

- ▼ Selection process based on features and function rather than process or outcome-based assessment.
- ▼ Historical or traditional platform preference contributing to a biased appraisal process.
- ▼ Multiple stakeholders with conflicting interests responsible for final adoption decision.
- ▼ Retrofitting cloud into legacy processes mentality

Cavell Group would endorse both a structured evaluation process, as well as supplementary services from subject matter experts which will allow any service provider to make the most well-informed & profitable decision. Cavell Group's history of conducting such projects for service providers means we are well placed to assist in building such models if required

To sum up, all will come down to execution. Regardless of the path chosen, failing to focus on KPIs measuring success of any model will lead to failure. Along with planning, must come operational commitment for success.