

Predicting the Effects of the Economy on Telecom

November 24, 2008 by Ilissa Miller

I have been asked the big question by my long-term industry contacts around the world – **Has Telecom in the US been affected by the global economy woe's?**

I posed this question to my peers on Twitter and Facebook and received a mixed bag of responses including [Super Technologies, Inc.](#), a company that specializes in VoIP Hosted Platforms and VoIP 2.0 building components. Suzanne Bowen, the CEO of the Super Technologies commented that she hasn't had time to think about how the global financial crisis will impact their business and hasn't seen anything hindering their business so far. "We're a good player in bringing new global markets to businesses, so maybe that is why," commented Suzanne Bowen.

On the other hand, a technologist with vast experience at Fortune 100 companies has commented that many of his "telecom clients absolutely put spend on hold until next fiscal year. In fact many projects have been downsized to accommodate reduced budgets. This includes hardware manufacturers; broadband providers; infrastructure companies; and those that support the aforementioned," stated D.J. Schaefer.

In addition, [Rich Miller](#) the Editor in Chief at [Data Center Knowledge](#) added his expert insight "what I've heard from the data center realm is that companies are still spending cautiously on data center requirements, but are shifting their investment from building their own infrastructure to buying existing space, making for a smaller investment that shifts from CapEx to OpEx. Also, sales cycles are longer, and decisions are moving higher up the food chain, with C-level involvement." Rich Miller was careful to add, "that was the picture in mid to late October. Don't really have a read on November yet, and sentiment is very fluid."

So what is my take as a public relations and marketing executive for Telecom companies? As I hear many financial pundits forecasting for a bitter year ahead, I predict the following changes to the Telecom landscape. Some of these predictions are reiterated from messages above, some are simply common sense – others are out on the limb for your further thought and consideration

Decreases could be seen in the following areas:

- Slower sales cycles, as companies evaluate more technologies and solutions and decisions are made higher up on the Executive ladder.
- Minimizing IT expenditure both for in-house personnel and outsourcing services. Companies will restructure and re-evaluate employees' value to their bottomline.
- Reduction in the number of providers that companies will want to do business with in order to manage their relationships more effectively, ensure equipment utilization is maximized.
- Decrease in the number of companies who require data center space, but an increase in the number of companies that require colocation space. For colocation there is less of a commitment on resources and lease terms and there is more flexibility to provide redundancy through multiple locations rather than just one or two larger facilities.
- Decrease in the cost of bandwidth. Bandwidth is more cost effective to transport data and voice, however, the amount of capacity still available and the cost to increase that capacity is becoming efficient which will drive prices downward as companies compete for less business opportunities.

- Decrease in marketing initiatives including attending trade shows, advertising and messaging.

Increases could be realized through the following scenarios:

- Increase in outsourcing for network management services, due to the down-sizing of internal staff and the ability to measure ROI more effectively. As well as outsourcing for other types of services such as marketing and public relations that could be better managed through outside vendors than individual staff members.
- Increases in prices for certain services, such as colocation – since demand will increase in certain markets as companies downsize and right size their IT operations.
- Increase in virtualization services and prices for such services as companies seek lower-price options for the technology requirements, and while demand increases, the type and depth of providers offering these services decreases, driving higher prices (though still not as high as owning and operating your own gear).
- Increase in Mergers. Companies will look for partners to join forces so they can eliminate any unnecessary CapEx and OpEx in order to realize better business efficiencies.
- Creative business practices will be on the rise such as bartering.
- Increase in use of word-of-mouth marketing initiatives such as online social media tools that include Twitter, Facebook, LinkedIn and more.
- Increases in companies re-evaluating their network infrastructure. One of the things they should be looking at is their relationships with both buyers and vendors and how they can become more efficient, either internally or outsourcing this to companies that manage these relationships more effectively.
- Increase in use of technology to secure and maintain business relationships as travel budgets are restricted and tightened.

At the end of the day, the world's financial woes will present greater opportunities for a sub-set of companies that can effectively communicate the technology benefits and cost-savings that their services offer to the marketplace. All companies should be re-evaluating their communications infrastructure during this time period. I predict that more efficient ways of doing business will emerge as more and more service providers realize the benefits of leveraging the global communications infrastructure more cost effectively. Nimble service provider companies will modify their business plans in order to accommodate the market changes and will emerge at a quicker rate, as more of these service providers compete for the limited growth in IT spending that is still to come.