



OPINION · CAPACITY EUROPE

Beyond the Circuit

Where the next margin in wholesale connectivity is going.

The circuit is the commodity. The proof is the product.

Smarter Networks. Applied.

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That the circuit is finished as a margin business has been gone over too many times to be worth rehearsing here. The interesting part is what we do about it: most of us, having accepted the diagnosis, still run our companies as though proof of performance were a cost to be kept down, when it is the product we should be selling.

01

The part you already know

The commoditisation case needs no defending here. Broadband now undercuts dedicated access, transit has eroded to a floor measured in cents, and the largest content companies have gone from buying capacity to building their own, which leaves the traditional operator caught between flat revenue and rising capital. We have lived every part of it. The only question it raises is the one that comes next: when the circuit no longer holds a margin, what does.

02

The question the buyer now asks

For twenty years the test of a connection was whether it was live. That was never a trivial question, but it is no longer the right one. The question that carries value now is whether the service performs, and whether you can prove it, and it is on that second half that most suppliers either cannot answer or simply do not.

There is a straightforward reason for that. The network has become the most frequently reported cause of end-to-end IT-service outages, ahead of power on Uptime Institute's latest figures, at the same time as the tools meant to watch it catch fewer than six in ten problems before a user does, on EMA's. The part buyers most want assured is the part hardest to see, and that is precisely the gap a supplier can now be paid to close.

03

Proof is the product

The pricing itself hands you the line. Broadband costs less than dedicated access partly because it comes with less assurance that it will perform; the discount and the missing guarantee are the same fact seen from two sides. As buyers move down the price curve they give up confidence, and confidence is the one thing they will pay to get back. That is not a report at the end of the month. It is a product, and it behaves like one.

Consider what it does that a circuit cannot. It settles the argument when a service level is questioned, a dispute that today runs on competing spreadsheets and engineer-weeks because even the largest operators still work their credits out by hand. It turns the service review from a contest of narratives into a reading of shared evidence, which is a far stickier position to hold a customer from. And it lets you sell an outcome rather than a discount, which matters because outages are expensive, more than

half above a hundred thousand dollars on Uptime's count, and an outcome holds a margin a bit never will.

04

What it takes to sell it

This is the instrument XVOLV has built, and the how is the point. Parallax computes what a service delivered from measurement captured as it happened, the same inputs producing the same number every time, independently of both the supplier's systems and the customer's. Beacon and Link do the seeing, the wireless and wireline experience at the site, because you cannot prove what you have not measured. Between them they turn proof from an assertion into an instrument a provider can put on the table and stand behind.

The part that matters most is where it sits: behind your service, in your name, powered by xvolv. We do not go round our partners to their customers, and we have no intention of starting. The relationships you bring remain yours. What changes is what you are able to sell them.

05

The margin that is left

The circuit will go on commoditising, and competing on it alone is a business that shrinks a little each year. The layer above it is the one that does not, because assurance and proof are where the budgets, and the loyalty, are moving. It does not require becoming a different company. It requires deciding that proof is the product, and pricing it accordingly, before the market decides for you.

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