

EXCERPT

IDC MarketScape: Asia/Pacific Next-Generation Telcos — ICT Services 2013–2014 Vendor Analysis

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IN THIS EXCERPT

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IDC OPINION

This study represents vendor assessment of ICT services market in Asia/Pacific (AP) through the *IDC MarketScape* model. Vendors in this study are regional and global telecom service providers (SPs) that have strong regional network presence and a suite of managed services with large client-base of mid- to large-sized enterprises, multinationals corporations (MNCs), and government clients that have international ICT needs. Some key differentiators for success in this market are as follows:

- ☒ **Comprehensive managed services and network portfolio.** This criterion remains an important differentiator. SPs should have a range of international connectivity services, including low/ultra low latency service and hybrid networks. Consistent in-country network performance and service delivery is also important. They should also have an extensive range of managed ICT services including Third Platform technologies.
- ☒ **Full-fledge cloud capabilities.** SPs that provide cloud orchestration service and brokerage service will be a major differentiation. SPs should also have strong cloud advisory services, able to deploy on-premise cloud solution, customize self-service portal, variety of application knowledge (e.g., SAP, Microsoft), and integration capabilities. Capability in vertical cloud solution is also a plus.
- ☒ **Suite of enterprise mobility solutions.** Business contextualization of mobility solutions is critical. Application life-cycle management (ALM), customization, and application development capabilities are highly sought after. Industry-specific machine-to-machine (M2M) solutions integrated with analytics will be rated well. Proximity-based intelligent solutions are also popular business-to-business-to-consumer (B2B2C) engagements.
- ☒ **Strong service delivery and integration skills.** Strong IT and network integration skills and good governance in service delivery are important for contract renewal and can open doors to larger ICT projects. SPs should also have good consultancy skills, in-depth industry knowledge, and vertical solutions/knowledge in order to engage in any large ICT deals.

- ☒ **Ability to deliver business benefits and customer life-cycle management (CLM).** SPs that demonstrated their ability to help IT deliver business outcome, such as improve business efficiency, enhance customer engagement or experience, and revenue generations, will be able to capture large transformational deals leveraging Third Platform technologies.
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IN THIS STUDY

This IDC study represents the vendor assessment of the AP next-generation telecom operator's ICT services market using the *IDC MarketScape* model. This is an annual study and is the fourth year that IDC is conducting it in AP. In the past, it was titled as "AP Next-Generation Telecom Services." This telecom SPs' vendor assessment uses a sophisticated scoring and ranking method based on both qualitative and quantitative criteria. Key vendors in this market are being assessed on their current capabilities and longer-term strategies that will impact their ability to service the medium to large enterprises, MNCs, and the government clients that have regional or international ICT requirements.

The evaluation of the vendors is based on a comprehensive framework and a set of parameters that assess vendors' position to one another, and those factors that are expected to be most conducive for success in a given market in both short term and the long term.

Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end-user communities. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. The individual vendor scores and, ultimately, vendor positions on the *IDC MarketScape* are based on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capabilities.

SITUATION OVERVIEW

The consumerization of IT, availability of high bandwidth technologies (LTE/4G and gigabyte networks), accelerated adoption of smart devices, explosion of data, and other phenomenon are changing how businesses use IT. Increasingly, enterprises or CIOs are looking for IT that delivers business-outcome or business benefits as they face various businesses and IT challenges. The top business priorities, based on

IDC's APEJ C-Suite Barometer Study 2013, are about finding new customers or segments, handling escalating cost of operations (especially labor cost) and finding new innovations to compete in the market. Especially for the global MNCs, their operations in AP have been given huge revenue targets by their headquarters to close the gaps left by their U.S. and European operations. These regional operations are trying to find new customers through finding "white spaces" within their market segments to grow their revenue in AP. More advanced enterprises are looking at Third Platform technologies like cloud, social media or business, mobile, and Big Data to drive innovations and help them meet the business and ICT challenges that they are facing. These enterprises are looking toward ICT providers to deliver innovative solutions to compete in the marketplace and deliver the desired business outcomes.

Telcos are progressively moving into offering these Third Platform services, especially in the area of cloud services to help enterprises resolve some of those business challenges such as rising operation costs or enabling mobile workforce through offering solutions like unified communications as a service (UCaaS) on mobile, workspace as a service (WaaS) or future workspace, cloud-based contact centers, and others. With bring your own device (BYOD) and consumerization of IT, enterprise mobility solutions are also beginning to be offered by some telcos in the region. These services generally include telecom expense management (TEM) and mobile device management (MDM). Some telcos have also ventured into mobile application management (MAM) or even mobile application development (MAD), and increasingly into M2M leveraging cloud, fixed or mobile networks, and analytics. All these solutions aim at delivering business benefits to enhance productivity, customer centricity, and helping enterprises find "white space" to grow their revenue. However, as a telecommunications provider, enterprises expect their SPs to deliver high level of connectivity service reliability and quality as a minimum hygiene factor. Hence, telcos have also been upgrading their networks and datacenters capabilities, building more point of presences (POPs), as well as widen their network-to-network interface (NNI) relationships with local providers to extend reach, especially into tiers 3, 4, or inner cities in emerging markets. With the advent of cloud technologies and mobility, having a reliable network and access to in-region or country datacenters have become even more important.

IDC MarketScape Vendor Inclusion Criteria

As in previous years, IDC defines the "next-generation telcos: ICT services" to include international IP VPN, international Ethernet services, suite of managed services, which include cloud services and professional IT services (excluding support services) offered in the AP region for the enterprise segment. IDC defines the enterprise segment to include the mid- and large-sized enterprises, the MNCs, and the government clients that have regional or international ICT requirements. Vendors are evaluated based on their current capabilities and next 3–5 years strategies they set for this customer segment in this region. Capabilities or strategies in the consumer, small and medium-sized enterprises (SMEs), or wholesale segments are not included as part of this vendor evaluation.

To qualify for inclusion in this AP next-generation telcos' ICT services *IDC MarketScape* study, vendors must have network services, minimally multiprotocol label switching (MPLS)-based, and/or Ethernet-based international services for the

targeted enterprise segment in AP, and provide cross-border connectivity to major markets in AP regionally and beyond. Vendors should also have a reasonable set of managed services portfolio, including managed WAN/LAN, managed security, WAN optimization services, application acceleration, or other ICT services targeting at the said enterprise segment.

The 12 SPs are:

- ☒ AT&T
- ☒ BT Global Services
- ☒ NTT Communications
- ☒ Orange Business Services
- ☒ Pacnet
- ☒ Reliance Globalcom
- ☒ SingTel
- ☒ T-Systems
- ☒ Tata Communications
- ☒ Telstra & Telstra Global
- ☒ Verizon
- ☒ Vodafone Global Enterprise (previously, Cable & Wireless Worldwide, which has been acquired by Vodafone)

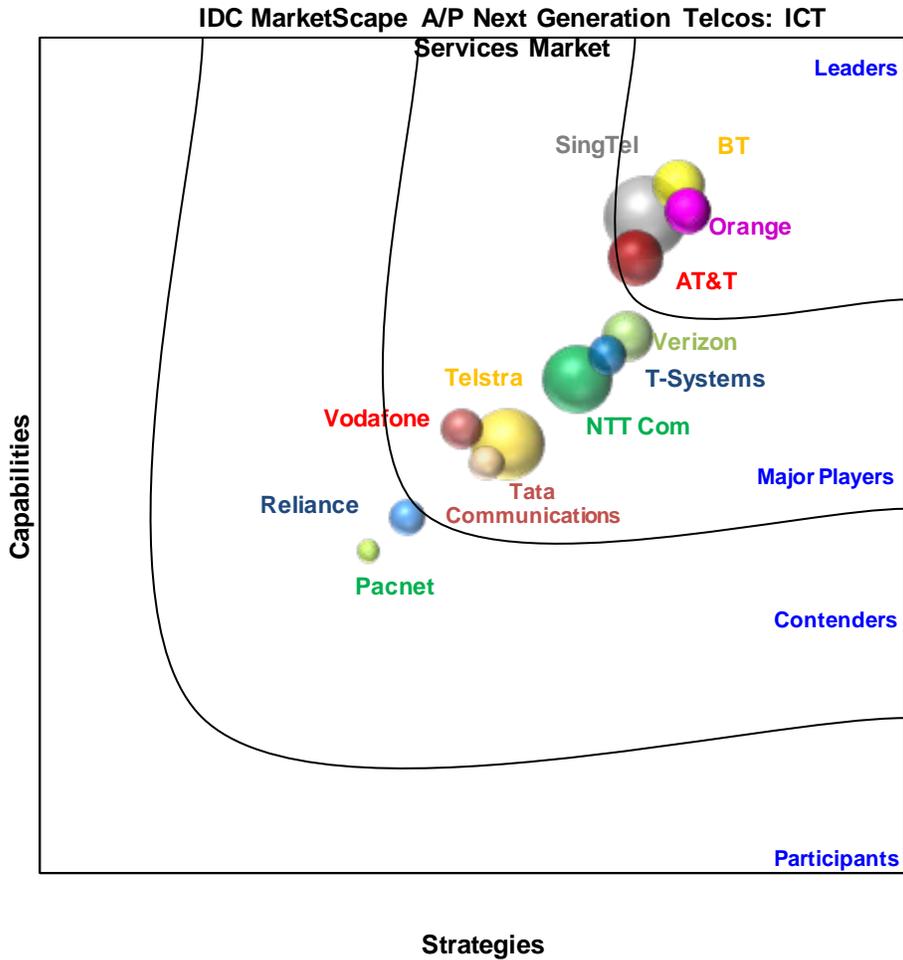
FUTURE OUTLOOK

IDC MarketScape Asia/Pacific Next-Generation Telcos: ICT Services Market Vendor Assessment

Figure 1 shows each vendor's position in the vendor assessment chart. Its relative market share is indicated by the size of the bubble. This market share is derived from revenue on international MPLS- and Ethernet-based data services and managed services (excluding support services) from both midsize to large enterprises and government segments within AP. IDC scales down the size of the bubbles so as to better reflect the positioning of each vendor in the chart.

FIGURE 1

Asia/Pacific Next-Generation Telcos: ICT Services Vendor Assessment



Source: IDC, 2013

Vendor Summary Analysis

BT Global Services

BT Global Services (BT) maintains its position as a leader for the 4th year running in this AP telco ICT services *IDC MarketScape*. It has illustrated its commitment to the region with continued investments in networks, service portfolio, or people and has been able to garner a number of A-end or Asian-based accounts, leveraging its professional services capabilities in the region.

Over the past 12 months, the provider launched numerous new offerings and service enhancements to its already broad suite of service portfolio in AP. These include the

multi-tenant infrastructure as a service (IaaS) (BT Cloud Compute) and on-premise or hosted dedicated IaaS (BT Private Compute) delivered across datacenters in Singapore, Hong Kong, China, and/or India; BT Assure Analytics that could analyze both structured and unstructured data for security threats; BT One Voice Anywhere to help enterprises manage roaming cost; MDM; BT MobileXpress suite of mobile security services; BT Global Trace; and has invested in a 10G core network in AP, and the lists go on. Recently, it has also launched the MAM and MAD service in AP. BT has also embarked in a new service delivery model, which includes automation (with customers, as well as with suppliers or carriers) to improve both the speed and right first time of internal processes and has consolidated different service delivery teams into one group to reduce duplication and provide E2E service delivery. For its contact center solution, the provider is able to integrate third-party solution, such as Salesforce.com, into its contact center platform and linking it back to sales and operations systems, which illustrates its ability to help enterprises in CLM.

Further enhancements and new offerings are also expected in the pipeline, including the extension of BT Cloud Compute and BT Private Compute to be delivered from additional countries; network acceleration for cloud services; the 40G and 100G network services; 3 additional NNIs for deeper domestic coverage in India, Indonesia and Indochina; UCaaS based on Microsoft Lync; Tele-health; and others. The provider has also invested in the Global Delivery Center (GDC) for ICT innovation and a Contract Delivery Shared Services Center (CDSS) for contract and project management in Malaysia, which it will be hiring approximately 600 staff in these centers. It has also spent approximately £2 million on marketing programs across AP, including continued rollout of its customer showcases and the development of its virtual showcases.

In AP, the provider owns 44 MPLS POPs covering 16 countries, delivers Ethernet Connect Global services in 7 countries, and currently has 5 NNI partners across China, India, and Australia. The provider operates 9 datacenters in 6 countries with at least 10,000 sq m of datacenter space in AP, has three security operation centers (SOCs), and just launched the Ethical Hacking Center of Excellence in Singapore. Its 7 customer technology showcases have enabled BT to build more than £400 million of sales pipelines, of which, approximately 10% of them have been realized. It is expected that another 4 new showcases will be built in 2013, including one in Malaysia and Indonesia.

Strengths

- ☒ **Differentiation with vertical knowledge.** The provider is deeply focused on vertically tailored industry solutions, including cloud services, and has practice set up in some of its targeted verticals within the region. Having strong vertical knowledge or vertical-specific solutions will allow providers to tightly link solutions with business processes and deliver tangible solutions to the industry. Cross pollination of industry knowledge is also highly sought after these days, as businesses want to learn from other industries as well. Having a strong vertical-focused strategy and portfolio will place BT at a very good position to enable all these. BT has expanded the number of verticals from the original four to 10 verticals as it builds up expertise and solution portfolio in each of those verticals. The additional verticals include logistics, pharma, manufacturing (formally, these were grouped under global commerce), mining, oil and gas, SIs (for sell-through and sell-with relationship), and the telecom markets (for carriers). In the cloud space, BTGS is a leading provider to-date to offer vertical cloud solutions and it has been able to attract adoptions for these solutions within the region. Some of the vertical-specific cloud solutions are the BT Radianz platform, which has now been combined with the in-region BT Cloud Compute. It also launched the BT for Life Science R&D (a cloud service to enable collaboration within the life science industry) and the cloud-based BT Global Trace solution, which is tailored to specific sectors like pharmaceutical, logistics, retail, or manufacturing. The provider has also set up the Asia Pacific Health Practice last year, which consisted of 120 staff including 20 health specialists located in Singapore, Australia, and China. These countries are also where the provider had clinched a number of the health IT deals. Besides the Fiona Stanley Hospital in Australia and the Connexion at Farrer Park in Singapore, BT has also won a healthcare deal with Ningxia General Hospital in China, as well as other health IT deals in Australia and Singapore.

- ☒ **Strong professional services (PS) capabilities critical for large transformational deals.** Professional services capability has been one of BT's key strengths, and this asset will be critical for seeding large-scale transformational projects, as well. Most of its wins in the healthcare sector have been entered through PS. Almost every of BT's service portfolios are wrapped with PS and PS-selling is usually the first point of engagement with customers. In its PS team (BT Advise), the provider has close to 700 employees in AP to provide professional and consultancy services, ranging from networks, security, cloud, contact center, collaborations, and others. BT has invested substantially in PS for its Compute portfolio (datacenter services and cloud IaaS), which comprises more than 400 consultants located in the region that have expertise in datacenter and cloud migration consultancy services. Its Quick Starts suite has been expanding each year to provide deeper first-level PS engagement with customers. In 2012, the provider launched 11 new Quick Starts and it is expected to launch another 20 new Quick Starts in this financial year. The provider has observed an increased in revenue, margins, as well as customer engagements for its PS over the past months. It will be building consulting expertise in health, Big Data, and in the mobility space and will further expand its PS knowledge to other geographies within AP.

- ☒ **Lead in the area of innovation.** The provider has always been an advocate of innovation and has a number of in-region collaboration programs with customers, partners, and institutions. Over the past five years, the provider invested more than £3.8 billion in R&D and innovation, which included the partnership with Tsinghua University in Beijing, China. Together with Tsinghua lab, the provider is creating a supply chain center of excellence (COE) focusing specifically on supply chain security such as anti-counterfeiting and food safety. BT had appointed a Head of Innovation for AP, based in Singapore, to lead conversations and projects with customers. Over the past 12 months, the provider had completed a number of key research and studies in AP, which included the China electronic (e) health landscape study, semantic business intelligence for the banking and financial sector, and the China Stock Exchange trading floor trading behavior study. The provider is also working in the areas like software-defined networking (SDN) and network function virtualization (NFv) to enhance its next-generation network platforms.
- ☒ **Continue to build A-end customer base.** The provider has been successful in clinching A-end contracts and Asian-based logos in the recent 1–2 years, including local deals in China. Example is the Ningxia General Hospital in Beijing. A number of these deals were professional services-led. The provider is also working with SIs to jointly go-to-market in countries like India and Japan.

Challenges

- ☒ **Scalability may be a challenge for too vertically focused strategy.** Other than a good range of core horizontal portfolio, BT is also very focused on vertical-specific solutions, wrapped with professional services. This vertical-focused strategy demonstrates thought leadership and innovation. However, vertical (rather than horizontal) solutions will find it difficult to achieve economies of scale, especially for some of its vertical cloud solutions such as the BT for Life Science R&D. Vertical-specific solutions also tend to require higher level of customization and would require professional services expertise in-region to provide consultancy advices. BT stated that it has more than 600 consultants in AP for professional service engagements.
- ☒ **Need to demonstrate ability to capture deals in enterprise mobility in AP.** BT has aggressively built up its enterprise mobility solutions portfolio in the region over the past 12 months that includes BT Managed Mobility Expenses (mobile TEM), BT Mobile Device Management, BT Mobile Applications Management, BT One Voice Anywhere, BT Mobile Application Development, and BT MobileXpress. With this extensive range of portfolio, the provider will need to demonstrate its capabilities to capture such deals in AP, as some of its competitors already have successful deployment in the region.

ESSENTIAL GUIDANCE

IDC observes that in the past 12 months, not only did SPs in AP continue to expand their managed services portfolio, especially in the area of cloud and enterprise mobility (including M2M), networks and back-end process improvement or standardization have also taken equal precedence. As more cloud services are being

launched or deployed, network resiliency and security become extremely important. Some providers have also looked into deploying newer technologies like SDN within their core network and datacenters infrastructures to enable more efficient delivery of networks and hybrid cloud services.

Of the 12 SPs evaluated in this vendor assessment study, some of them lead in the managed network space and are building out their managed services portfolio in the region. Others already have a suite of managed services solutions and IT capabilities and aspire to lead in the ICT space in AP. Each of the vendors would have their own set of strengths and challenges to meet the varied needs of the enterprises. Therefore, enterprises should note that providers that are positioned high in this *IDC MarketScape* do not necessarily be the best fit for their specific IT and connectivity needs and they could be better served by providers that excel in the specific areas. The following are some guidance for enterprises and SPs:

- ☒ **No "one-size-fits-all" provider. Hence, select one that best fits your ICT needs.** Depending on the ICT requirements and network coverage requirements, enterprises should then select the providers that best fit their IT needs. This will also depend on at what stages of the business road maps and IT development the enterprise is in. At times, a niche managed network provider like Pacnet or Reliance Globalcom might be more suitable and can better serve an enterprise's specific networks requirements, due to their strengths in providing connectivity into areas that are their sweet spots. On the other hand, enterprises that are looking into IT transformation and a provider that could help them devise an IT road map that will bring their business into the next level of growth might consider an ICT provider that has deep integration capabilities, professional services skills, and a comprehensive suite of managed services solutions that are aligned with their business and ICT priorities. Hence, there is no "one-size-fits-all" provider, and enterprises need to clearly identify their expectations and requirements when selecting their choice provider.
- ☒ **Deliver the desired business outcome to enterprises.** Increasingly, CIOs are expected to deliver business benefits or outcome for any IT investments. IT is no longer a cost center but is becoming a business contribution center. Enterprises will be looking at providers to devise solutions that help them generate business value, including lower their operation costs, improve staff productivity, deliver faster quote to cash process, deliver better customer experiences, or generate new revenues. Enterprises are also looking at innovative solutions to maintain their competitive edge within its industry and want to learn from the successes of other industries in deploying newer technologies, specifically in areas of mobility. SPs that have good vertical knowledge and are able to translate or cross pollinate some of the vertical specific solutions to be implemented in another industry will be highly sought after.
- ☒ **ALM is important in enterprise mobility and in cloud brokerage.** Eventually, majority of IT will be purchased and deployed over the cloud, and enterprises will want providers to be able to help source and integrate different enterprise applications or IT resources from any sources (in-house or external) into a common delivery platform for both office and mobile users. Thus, SPs will need to be able to offer brokerage service and able to migrate certain Windows-based

enterprise applications onto different mobile operating systems. Users will also expect their IT to keep up to date of newer applications and hence, application modernization and life-cycle management will be important. Furthermore, as enterprises started to embrace solutions like M2M or Big Data, application development will become an essential component of the solution. SPs should build up a pool of application developers and independent software vendors that they can leverage to develop solutions as they move deeper into the enterprise mobility space.

- ☒ **Build capabilities in cloud to enable seamless migration and deployment of hybrid cloud.** As indicated many times, enterprises will embrace a hybrid cloud model where resources will reside in multiple platforms (co-location or on-premise, provider's hosted cloud environment, and third-party public cloud environment). SPs that have an open API cloud infrastructures will be better able to deliver a true hybrid cloud, enable seamless orchestration between different platforms and hypervisors, and deliver greater business benefits to enterprises. SPs should also consider verticalized cloud solutions as horizontal cloud-like IaaS (compute and storage) is quickly being commoditized. Vertical cloud will enable providers to capture higher-value managed services and greater customer stickiness as it requires deep vertical and business process knowledge from providers. However, SPs will also need to balance between scalability and being too customized and not able to scale.

LEARN MORE

Related Research

- ☒ *IDC MarketScape: Asia/Pacific Next-Generation Telecom Services 2012–2013 Vendor Analysis* (IDC #AP3053306U, September 2012)

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