

EXCERPT

IDC MarketScape: Asia/Pacific Next-Generation Telecom Services 2012–2013 Vendor Analysis

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IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Asia/Pacific Next-Generation Telecom Services 2012–2013, by Sherlin Pang, Adrian Dominic Ho and Sandra Ng, IDC Doc#AP3053306U, September 2012.

IDC OPINION

This study uses the IDC MarketScape model to evaluate service providers (SPs) in this Asia/Pacific (AP) next-generation telecom services market. The criteria that SPs must meet to be included in this study are: (1) they must have a strong regional network footprint with extensive ICT portfolio; and (2) an installed base of multinational corporations (MNCs), midsize to large enterprises, and government clients with international ICT requirements. One of the key differentiators that IDC believes would contribute to the success in this market is:

- ☒ **Extensive and varied network services in the region.** SPs should have a range of network services, including low latency services, hybrid, and varied access catering to different customer's preference. The ability to manage carrier partners to deliver quality services to clients and network reach into frontier markets like Laos, Myanmar, Sri Lanka, and Bangladesh are also critical.

SPs should also have an extensive range of ICT services beyond managed networks. Some critical capabilities in strong demand include:

- ☒ **Full-fledged cloud capabilities.** The differentiator is SPs' ability to enable cloud orchestration, brokerage, and deployment of on-premise private cloud. Building platforms and integration of multiple cloud environments (including third-party cloud services) with strong cloud advisory and consultancy capabilities are a must for MNCs. Vertical cloud solutions are strong value propositions.
- ☒ **Strong service integration and delivery skills.** Display strong integration and/or delivery capabilities as these are critical, especially for contract renewals or for expanded ICT engagements. With growing demand for ICT-led projects, expertise in professional/consultancy services, vertical-specific solutions, and business processes are also essential.
- ☒ **Mobility solutions.** SPs should have solutions like mobile device/application management (AM), asset tracking, machine to machine (M2M), and others. Vertical mobility solutions are major differentiators.

- ☒ **Success with A-end logos acquisition.** New A-end logo acquisition in AP is important to capture market share and growth in the region. Some providers manage to acquire new A-end logos through domestic nationwide projects while others enter through systems integration (SI) engagements.
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IN THIS STUDY

This IDC study is the third AP vendor assessment study on the next-generation telecom services market, using the IDC MarketScape model. This model 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.

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

Introduction

In the midst of continued uncertainty in the global economic scene as a result of wavering recovery in the U.S. economy, as well as continued debt sovereignty issue in the Euro zone, coupled with a slowdown in the Asia economy, many enterprises and MNCs are more cautious with their ICT investments now, while they continue to find avenues to grow market share and revenue. Based on IDC's *Asia/Pacific (Excluding Japan) C-Suite Barometer, 2012* study, while the top business priority of CIO/CTOs in the next 12 months will continue to be on market expansion and being more customer-centric, they were also more cost conscious and would expect ICT investments to deliver on business outcomes.

Besides building presence locally to capture domestic consumptions in emerging markets, enterprises are also looking at expanding market shares through leveraging newer technologies, like collaboration, social media, mobility solutions, cloud solutions, and analytics. Enterprises are seeking to be "near" to customers,

"understand" customers' buying behavior better, and be the first to market new "customized" services to capture new revenue or market segments.

In the past 12–24 months, there have also been accelerated efforts by both global and regional SPs to increase investments, capabilities, and infrastructure, as well as even promote research innovation in the AP region. These investments include building points of presence (PoPs) and network-network-interface (NNI) partnerships in China, India, Vietnam, and other emerging markets; building and upgrading submarine cables that link Asia to the United States, Europe, and other regions to increase capacity and offer lower latency networks; expanding services portfolios to serve enterprises' ICT needs; increasing recruitment of capabilities in the region; and establishing research and development (R&D) facilities and partnership in Asia in response to the unique demands of the Asian customer. As global MNCs, especially U.S.-based MNCs, continue to expand rapidly into and across the region, SPs that have a huge customer base of global MNCs will also stand to benefit, as they now have the opportunities to extend a wider range of solutions to these enterprises within AP. Asian-based enterprises are also earnestly expanding their operations and upgrading their IT infrastructures to take advantage of newer technologies, which would help them compete. The increase in ICT demands in the region has also led to SPs' accelerated rates of launching new services in the AP market in the past 12 months. These new services include premises-based and cloud-based unified communications and collaborations (UC&C), M2M solutions, radio frequency identification (RFID) technology, mobile device management (MDM), WaaS, UC&C as a service, analytics as a service, ultra-low latency services for algorithmic trading, and many others.

Similar with the vendor assessment study in the past two years, IDC defines "next-generation telecom services" to include international IP VPN, Ethernet services, managed services (including cloud services), and professional IT services (excluding support services) offered in the AP region. Vendors are evaluated based on their capabilities and strategies that they set for the enterprise segments in the AP region. The enterprise segment, in this study, includes the midsize to large enterprises, MNCs, and government clients that have regional or international ICT requirements. Capabilities of the consumer, small and medium-sized enterprises (SMEs), or wholesale segments are not part of this evaluation.

IDC MarketScape Vendor Inclusion Criteria

This study includes the analysis of the top 11 global and regional telecom SPs that operate in the AP region. To qualify for inclusion in this AP next-generation telecom 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 portfolio of managed services, including managed WAN/LAN, managed security, WAN optimization services, or other ICT portfolio targeting at the said enterprise segment.

The 11 SPs are:

- ☒ AT&T
- ☒ BT Global Services
- ☒ Cable & Wireless Worldwide
- ☒ NTT Communications
- ☒ Orange Business Services
- ☒ Reliance Globalcom
- ☒ SingTel
- ☒ T-Systems
- ☒ Tata Communications
- ☒ Telstra & Telstra Global (Formerly Telstra & Telstra International)
- ☒ Verizon Enterprise Solutions (Formerly Verizon Business)

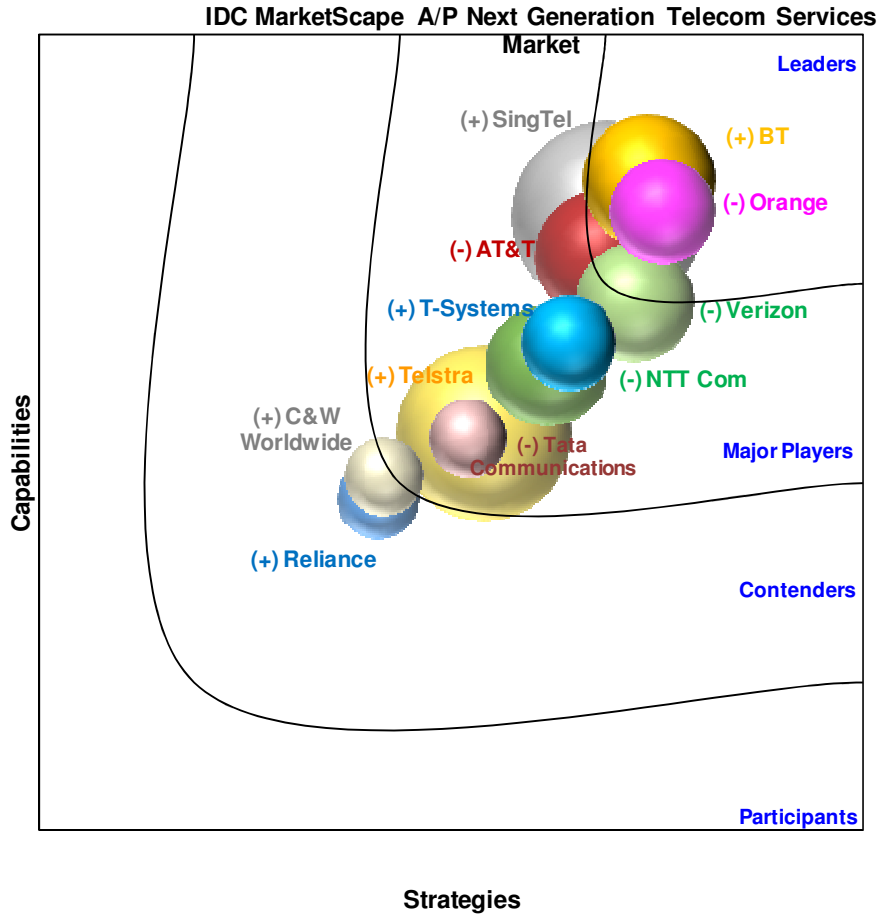
FUTURE OUTLOOK

IDC MarketScape Asia/Pacific Next-Generation Telecom Services Market Vendor Assessment

Figure 1 shows each vendor's position in the vendor assessment chart. Its market share is indicated by the size of the bubble, and (+), (-), and () icons indicate whether the vendor is growing faster, slower, or is even with the overall growth trend in this AP next-generation telecom services market. 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.

FIGURE 1

Asia/Pacific Next-Generation Telecom Services Vendor Assessment



Source: IDC, 2012

Vendor Summary Analysis

BT Global Services

BT Global Services (BT) maintains its position as one of the Leaders in this IDC MarketScape. The provider has executed well its investment plan in AP, which it set for the region about two years ago, including the hiring of close to 300 new headcounts, comprising business consultants, sales, and professional services specialists as well as country leads in Japan and China. It has also launched 20 new services, six new customer technology showcases, and a bid response center, among others. Moving forward, the provider will be investing in Japan, targeting the financial sector in the country. The provider has also launched a number of vertical specific solutions targeting retail sectors, life science research, and the financial industry.

In the AP region, BT offers coverage across 33 countries (including BT's managed nodes as well as hybrid VPN, satellite, and international private leased lines). It has expanded its MPLS PoP from 38 to 44, covering 16 countries, 600 professional service personnel (including business consultants, technical consultants, and industry vertical professionals), and has a total of 3,000 employees in the region. The provider has also recently launched Ethernet Connect Global service comprising Ethernet Private Line (EPL), Ethernet Virtual Private Line (EVPL), and Ethernet LAN (E-LAN) across seven countries in AP, with BT Connect IQ Evaluator and QuickStarts under its BT Advise professional services portfolio. Further enhancements of its connectivity services are expected this year and beyond, including 10G access for its Ethernet Connect Global services and more regional NNI for deeper coverage in Indochina and Southeast Asia (SEA) countries.

The provider has also managed to win a number of complex A-end deals, such as the managed IT healthcare services contracts in Australia and Singapore, a unified trading system and collaboration services contract with CLSA, a Singapore Exchange (SGX) contract to offer BT Radianz service connecting Singapore, Chicago and London hubs, and a community voice trading outsourcing deal with Tokyo-based Totan Information Technology (Totan IT).

Strengths

☒ **A strong focus on vertical-specific solutions.** BT continues to focus on tailored, industry-specific solutions and has launched a number of new solutions in each of its four main verticals, namely consumer packaged goods (CPG), global commerce, global banking, and financial markets (GB&FM), and the government and health sectors. Some of the new solutions include BT Radianz Venue Interconnect (a global low-latency platform connecting the world's key market centers) for algorithmic trading and unified trading that connects UC&C solutions to the BT Radianz systems targeting the GB&FM sector. Other new services include the "retail-in-the-box" solution for the retail sector, with which it will be offering shopper intelligence, and analytics solutions, digital signage, supply chain modules, and multichannel marketing, as well as BT Life Science R&D cloud platform to enable collaboration within the life sciences industry. It will also be establishing an AP Health Practice to address the health IT market in AP.

Over the past 12 months, the provider has clinched two large, local managed healthcare IT services deals. BT was selected by Serco as its IT partner for a new hospital in Australia and in another deal, it was chosen by the Farrer Park Company as its IT partner for the first integrated healthcare and hospitality complex in Singapore.

- ☒ **Continual commitment to innovation within AP.** BT continues to be a big advocate of innovation. Within AP, BT has a research center in China, as well as a number of collaboration programs with universities, governments, and technology partners in the region. Collaboration efforts include cooperation with the U.K. and India government, universities, and ICT specialists in both countries to develop next-generation telecom networks and ICT services. Some of the recent innovations are the BT Life Science R&D cloud platform, and retail solutions (such as the "retail in the box" for the China retail market) mentioned above. The BT Life Science R&D cloud platform enables research scientists to create global project groups and collaborate using social media tools. BT also has a global innovation partnership agreement with Deutsche Post DHL to develop logistic services and technical solutions for the client. In addition, the provider also collaborates with a U.S.-based global logistics company to develop supply chain solutions for the logistics sector. Besides, the provider has launched six customer technology showcase centers in the region (in Singapore, Beijing, Shanghai, Hong Kong, Sydney, and New Delhi) and will be opening a new center in Tokyo by year-end 2012.
- ☒ **Presence in the China market.** BT has service desks as well as local customer premises equipment (CPE) field support resources in the China and India markets, providing customer service supports and break/fix supports in these countries. In China, BT's JV company, MDCL, has allowed the provider to offer local delivery capabilities and break/fix services in China. Within China, BT has managed to garner some A-end deals, including the provisioning of MPLS services to a Chinese government policy bank, the provision of LAN and wireless LAN equipment to the new offices of a global pharmaceutical R&D company, and the provision of the "retail-in-the-box" solution in China for a global luxury retail company.
- ☒ **Not neglecting the core networks.** Besides the network services enhancements that are mentioned above, the SP will be providing 10G access with its Ethernet Connect Global services, further enhancing the features of its IP Connect Global services with a new customer portal, support jumbo frames, and IPv6 integration, among others. It will also be building regional NNI partnerships to deepen domestic coverage in emerging countries such as Myanmar, Laos, Cambodia, Vietnam, Indonesia, and the Philippines in order to deliver services to these countries. The provider has also launched the BT Diamond IP, a complete solution suite for IP address management (IPAM), domain name servers (DNS), and dynamic host configuration protocol (DHCP), which enable organizations to implement the latest technologies like IPv6 or DNS security extensions (DNSSEC). The provider also provides IPv6 consultancy services to local governments in developed countries in Asia.

Challenges

- ☒ **Limited capability in enterprise-orchestrated cloud.** BT is capable of offering cloud orchestration between on-premise dedicated cloud and virtual private cloud hosted in its own datacenters. However, it does not offer federation across third-party public cloud, which limits the ability of enterprises to take full advantage of a hybrid cloud model, although there are plans to federate across third-party public cloud next year. BT offers cloud brokerage for compute, storage, and applications, but applications are managed by third-party vendors or configuration partners. If BT is able to also help enterprises source the right cloud-based applications and manage the third-party vendors, as well as provide cloud orchestration across different cloud environments, this will deliver greater margins and value to customers.

- ☒ **Limited enterprise mobility solutions in the region.** Besides BT One Voice anywhere, which helps enterprises reduce roaming costs through access to their corporate VPN, BT has recently launched the BT MobileXpress applications for Apple and Android in August in AP, enabling enterprise users to download applications from Google Play or the iTunes Store. Its Mobile Xpress WiFi (largely for customers contracted outside of AP) helps reduce data costs by offloading data traffic onto BT's footprint of WiFi hotspots in the region. However, this will largely depend on how comprehensive its WiFi coverage in the AP region is. BT stated that it is currently developing enterprise mobility solutions like asset tracking and mobile AM. It offers the TEM solution in the region and will be launching MDM under its BT Assure portfolio at the end of 2012. It will also be launching mobile AM in early 2013. BT's collaboration with its the global logistic partner to develop supply chain solutions will also include track and trace solutions and will be launched in the region at the end of the year. With the launch of these mobility solutions in the next few months, BT will also need to demonstrate its capabilities to capture some of the A-end mobility deals in the region.

ESSENTIAL GUIDANCE

In the past two years, IDC has observed the accelerated pace of investments by both SPs and enterprises in the AP region. There have also been a number of M&A by SPs to strengthen their footprints in the region and ICT portfolios so as to capture the next wave of growth in cloud and mobility. Over the past 12–18 months, there were increased subsea cable investments in Asia, linking the region with the rest of the regions (specifically into MEA) that sought to enhance latency and capacity, strategic alliances with local carriers in closed countries, investments in cloud-ready datacenters in the region, investments in customer supports, and many others. SPs have also ramped up their ICT services portfolio in the region, including UC&C, mobility solutions and cloud solutions beyond just virtual private compute and storage service.

In this IDC MarketScape study, of the 11 SPs evaluated, some already have extensive network services and wide managed services portfolios in the region, and have set visions to be the leading ICT player in the region. Others are still building their presence and extending their managed services capabilities from their home

country to the region, in order to serve the expanded ICT needs of their enterprise clients in the region. Among these providers, there are some that maintain their lead in the managed network services space and also excel in providing connectivity and related services, while there are those that have gone deeper into IT-related services. Each provider will have its own set of strengths and challenges that it needs to deal with. Enterprises should be aware that SPs that have high scores or positions in this IDC MarketScape might not be the best option to serve their specific business and IT needs. They need to first evaluate their own business expansion plan and IT road maps and set clear objectives before selecting an SP that could best provide their business IT needs.

Some guidance for both enterprises and providers follow:

- ☒ **Select the provider that best meets your specific needs.** Depending on the stages of IT development and business road maps, enterprises' networks and ICT requirements would differ. Some enterprises might be better served by niche managed network players, while others might prefer ICT providers that have good IT integration skills and a range of other managed services or vertical-specific solutions that could help them in the next phase of business growth. Within AP, C&W Worldwide and Reliance are strong managed network services players, as each excels in its own area. Reliance is a niche managed network player, especially skilled in providing connectivity across multiple sites and countries and into remote sites. It also has a unique network outsourcing model and active price benchmarking for network services that offers good value to enterprises. C&W Worldwide is also established as a managed network provider, a niche player in the financial sector, and is well regarded for its low-latency service.

- ☒ **Enhance cloud orchestration capabilities and extend toward cloud brokerage services.** As cloud technology matures and enterprises have more choices on cloud services, they will begin to source different applications from external cloud providers, using varied selection criteria that cater to different user requirements. Eventually, these enterprises will end up having to manage multiple cloud vendor agreements and will prefer to outsource or outtask the management and sourcing of third-party cloud vendors to a provider. SPs that have capabilities in cloud orchestration across different cloud environments/platforms and have service aggregation skills with end-to-end IT service management will be able to assist enterprises in sourcing, integrating, and managing their cloud platforms. SPs with such capabilities will be able to capture higher margins and VASs, compared with delivering lower-level, cloud computing services.

- ☒ **Facilitate big data transmission and big data analytics.** With the proliferation of smart devices, the increased use of UC&C, social media, and content-rich applications, the need for larger bandwidth will be ever increasing. SPs need to have ready networks and complementary services, such as application acceleration and application performance management services to ensure that networks are fully optimized, as well as facilitate the smooth transmission of a large volume of data. In addition, large data storage capacity would also be in demand, in order to enable real-time or near-real-time big data analytics.

Low-latency networks that can handle multigigabytes of data bandwidth will be essential. SPs that have or are building capabilities in data analytics or socialytics solutions will be at the forefront, as enterprises will want to leverage the large amount of data already residing in various systems and platforms to help them make real-time informed decisions and to better understand end customers' buying behavior.

☒ **Build enterprise mobility solutions and service integration capabilities.**

As roaming costs escalate with a mobile workforce, SPs that offer TEM or solutions that can help enterprises control their roaming costs will resonate well with CIOs. Other mobility solutions such as VDI, fleet management, asset tracking, MDM, and RFID are also increasingly being demanded by large enterprises in the region. As enterprises begin to embrace the BYOD policy and enable a mobile workforce, end users would also expect similar features of customized enterprise applications that are accessible within the office to be also accessible on their mobile devices. Enterprises will be looking for SPs that can help them integrate these customized applications for their mobile users. SPs that have capabilities in mobile AD and in migrating on-premise applications onto mobile devices will also be able to capture new opportunities and revenue in this growing market phenomenon.

LEARN MORE

Related Research

- ☒ *Open Innovation: Key to Connecting to a Better Future – The BT Model* (IDC #AP3053311U, July 2012)

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