

I D C T O P L I N E

Leveraging Telcos for Regional ICT Expansion

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Enterprises are starting to resurrect their regional expansion plans as economic recovery continues to strengthen across the Asia/Pacific region. With business optimism on the rise, enterprises are looking at expanding into new markets with existing and new products, and are subsequently resurrecting projects that have been on the back burner for the last 18 months. Business expansion will correspondingly call for upgrading of existing ICT infrastructure and new technologies to enable the business. For example, enterprises will be looking at extended enterprise collaboration tools, enhancing security to protect their most valuable assets, building an ICT environment that is flexible enough to meet the fast-changing needs of the business, and ensuring a sustainable green footprint.

The 'New Normal' in ICT Service Provider Selection

The recent credit crisis has also driven enterprises to reconsider their ICT vendor relationships and to apply new criteria when selecting the right partner. These new shifts are reflected in the following areas:

- **Preference for fewer suppliers.** During the downturn, enterprises found it difficult to manage multiple vendor relationships, and are therefore looking to work with fewer suppliers or partners which have a broader set of ICT skills to meet their requirements.
- **Business outcome and utility pricing models.** Enterprises are now more open to exploring new pricing models where they pay a fixed monthly fee for a certain level of service. Unlike the traditional approach, these alternative models focus on business results such as the volume of new business generated and managed business outcomes. Cloud services, which is attracting huge interest, is an example where the enterprise pays for only what is used.
- **Flight to value vs flight to safety.** During the pre-crisis days, organizations were willing to pay a premium for market leading brands or service providers, believing that they couldn't "bet against them". However, over the past 12 months, many organizations faced tightening budgets and heavier scrutiny by the CFO to deliver near-term ROI. This has forced them to consider mid-tier vendors/service providers for their ICT needs, which has equally yielded results to having services managed at "arms-length" by perceived leading brands.
- **Preference for regional vendors.** The flight-to-value argument has also led many enterprises to consider using strong regional ICT players for their needs. Previously, MNCs and large Asian enterprises used global players almost exclusively for many of their ICT needs. Today, more are leveraging strong regional players because of their intimacy with local markets, experience, and the growing realization that they often have, at the very least, the same level of skills as the global players, and at best bring unique insights and capabilities only a strong geographic presence can deliver.

The Telco Advantage

IDC believes there are several key reasons why telcos are well placed to take advantage of this "new normal" in vendor selection.

- **Partner model.** Over the last two to three years, there has been a sea change in telco partnering models. Continued investments into IP-centric competencies for applications such as unified communications, telepresence and security have helped fuel this change. In addition, the strong customer influence to support trends such as cloud computing is further blurring the lines between telcos and traditional IT service providers like IBM, HP and CSC, often resulting in strategic partnerships, increasing enterprises' confidence in the ability of the combined partnership to support ICT projects.
- **Network strengths.** Network resiliency is a key criterion for enterprises that are looking to set up branch offices as well as improve collaboration between suppliers, partners, clients and remote workers. The increasing stability of interoperability standards and the build out of extensive Network to Network Integration (NNI) agreements with operators in China and India, Vietnam, Indonesia, Malaysia and the Philippines and Japan and Korea, are reducing the need for enterprises to select multiple service providers, without compromising an end-to-end service experience. Extended enterprises require fast, secure connectivity between users and applications, and that is where the telcos' core network expertise and their knowledge of IP-centric applications play a vital role.
- **Regional strengths.** The flight to value and preference for regional service providers align strongly with regional carriers that have strong regional presence and partnerships, particularly as foreign-based MNCs seek local support, partners and knowledge to underpin their expansion in Asia. Subsequently, many enterprises are seriously considering regional carriers as indeed, there is now a greater realization that regional telcos are able to deliver enhanced value in terms of providing a "one-stop shop" for ICT services.
- **The price is right.** Perhaps, the greatest advantage for a telco in the new normal is the strong interest among businesses in utility- and volume-based pricing models. IDC believes that there will be an eventual (without any definitive timing) migration to "everything as a service". In such a scenario, the telco community will have the networks to deliver content, the infrastructure to host it, and the financial muscle for R&D. IDC's opinion is that telcos, being the oldest and largest utility player in the world, are among the best natural fit to cloud services. Their ownership of the networks puts them in pole position to take advantage of this new market landscape.

Essential Guidance

IDC recommends that enterprises first aim to understand their business requirements and the pricing models that they would be most comfortable with. At the same time, they should find out more about the service provider's partnerships. Does the service provider have a deep partner network including local and regional partners? The natural partners for many MNCs and larger Asia-based enterprises have always been the global IT players, but as this paper highlights, there are alternatives in the marketplace.

While this paper is not giving a resounding endorsement that telcos are now the natural ICT partners for MNCs and large Asian enterprises, IDC acknowledges that today's telcos are beefing up their portfolio to ensure they are well placed to play a key role. It is also important for enterprises to note that not all Asian telcos are built equally or made the same; some are further up the innovation curve while others are only just at the starting point. Similarly, not all Asian telcos have all the partnerships in place to deliver a broad suite of ICT services and networks required to ensure last-mile connectivity to the enterprise. IDC strongly recommends that enterprises do their due diligence in understanding the capabilities of these carriers and matching them to their needs before selecting a partner.

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