Telcos' strategies for serving MNCs: the Asia-Pacific opportunity

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Executive summary

In a nutshell

With a growing share of MNCs' investment dominated by neither the US nor the European group of telcos, the Asia-Pacific region is likely to become the most competitive and dynamic place for global services in the near future. Regional players are lifting their game, positioning themselves either as fierce competitors to or as partners of choice for global telcos building their regional offerings and trying to unlock the market for themselves and their MNC customers.

Ovum view

The enterprise market in Asia-Pacific is driven by high growth rates in the underlying economies of the region. Both domestic enterprises and MNCs are benefiting from this growth, and require sophisticated telecoms services to support their business. This scenario opens up significant opportunities for global and regional telcos, provided they can address the diversity of the market and meet the rising expectations for reach, service provisioning, and quality.

Only a handful of telcos have the global reach to support MNCs' integrated networks. We asked a number of telcos about their views on and plans for the Asia-Pacific market, and have consolidated these insights into an assessment of the trends and opportunities in the market. Further individual analysis of some of these players can be found in a series of Ovum briefs entitled "*MNC strategy review in Asia-Pacific".*

Telcos offering MNC services in Asia-Pacific fall into two main groups. The top global telcos such as AT&T, BT Global Services, Orange Business Services, and Verizon Business initially followed North American and European MNCs into the region and are now increasingly supporting regional-headed MNCs, especially companies expanding globally out of their home bases. These tier-1 global telcos are facing increasing competition from aspiring super-regional operators such as Tata Communications, SingTel, and Telstra, which have built substantial international business through extensive network investments and partnerships. However, these regional players may also act as important partners on multiple fronts.

The market for enterprise communications in the region is fragmented, with no telco dominating any market, and the competitive field is open. The biggest uncertainty is whether the global telcos will ultimately come to dominate the market, or whether the super-regional telcos will establish their own global presence and compete head to head with the tier-1 global service providers. With investment resources scarce, in the short to medium term we expect that partnerships to complement services and coverage will be more frequent than competition. We think the regional telcos should strengthen their position as a partner of choice for European and US telcos, building services and solutions across Asia-Pacific rather than aiming to compete against them.

Key messages

- **The major challenge facing global and regional telcos in Asia-Pacific is maintaining differentiation while sustaining profitability**. Most are increasing their offerings in managed services, and some are also developing IT services. However, this means entering the low-margin IT services game. All global telcos are rolling out cloud computing strategies to take advantage of their global-scale networks, which offer quality of service (QoS) guarantees and end-to-end SLAs. These offerings vary greatly. Telcos' ultimate aim is to increase their service scope to avoid the risk of being commoditized as merely global bitpipes.
- **Network coverage, either based on own assets or through partnerships, remains important, especially around IP-VPN and Ethernet services.** With an increasing number of cloud-based offerings, the number and location of data centers is expected to be another important differentiator. We believe there is more value in telcos differentiating based on network-embedded services and cloud computing with provisioning of end-to-end SLAs than in pure IT services.
- **There are good prospects for long-term differentiation in areas such as customer support, network integration, consulting, outsourcing, and professional services, where local presence is highly important**. These services help to build longer-term and more strategic relationships with MNC customers based on "inside knowledge" of customer requirements. This seems to be acknowledged by most telcos, who see long-term opportunities in ICT outsourcing. The stability of a three-to-five-year outsourcing contract is preferable to that of a two-year telecoms contract.
- **Telcos can optimize their investments in network assets and services in the region by looking at local partners to wholesale their excess capacity.** Some global and regional telcos are now planning to use their existing relations with national telcos to wholesale services as "white-label" solutions for local providers that want to deliver global services but can't afford to build a global presence. We foresee the evolution of a variety of business models, including revenue-sharing and partnership/alliance models.
- **The complex regulatory environment in the region offers opportunities in professional services.** Asia-Pacific is one of the most complex regions for MNCs to achieve regulatory compliance. Telcos can use their regional knowledge and experience to offer professional services to help MNCs comply with regulations in the multiple countries in which they operate.

- **MNC users in Asia-Pacific are highly mobile, but the delivery of mobile services by service providers is underwhelming.** Most solutions are restricted to providing remote access services and on-premise mobility support for users travelling between MNC branches. Despite a few basic examples, there is a lack of managed mobility offerings on a regional scale, and offerings are generally limited to customers with a very high number of mobile users.

MNCs in Asia-Pacific

Top-level MNC demand drivers

The Asia-Pacific region, including China and India, is characterized by several factors: a high proportion of its population in emerging markets; a high overall growth rate; a high level of economic and social diversity; and variable infrastructure quality and regulatory conditions. These factors distinguish it from North America and Europe, which are (on average) highly developed, slower growing, and more homogenous in their economies, infrastructure, and policies.

In Asia-Pacific, MNC enterprise technology drivers are similar to the rest of the world: IP networking, voice and data convergence, telecoms expense management, and cost control, especially over mobility. Furthermore, the growing sophistication of MNC networked applications is boosting demand in areas such as security, hosting, and network integration. Overall, the top-level MNC demand drivers in Asia-Pacific are:

- **High growth rates.** Even with the troubling macro-economic conditions, most telcos in the region didn't experience a "pause phase" or a contraction in 2009. While globalization has been happening for decades, it became a critical factor for business success during the economic downturn. As MNCs increasingly look to access new markets, outsource their manufacturing and R&D, and even seek funds in regions such as Asia-Pacific, focus turns to the reliability and robustness of supporting business systems linking headquarters to regional operations.
- **Managed services.** MNCs are in Asia-Pacific to achieve business objectives. Their focus is on managing their own business and customers, rather than managing their networks and IT systems. The global financial crisis resulted in tight financial conditions and impacted MNC communications priorities. More than ever, MNCs have looked at managed service alternatives for their telecoms and IT needs, and we believe this will continue to be the case in 2011 and beyond. However, competition has been increasing and we expect that margins for the largest contracts will continue to decline.
- **Cost reduction**. Ovum research shows that cost reduction is the primary focus for most multinationals, and capex has been frozen by the majority. This is no different in Asia-Pacific. With reduced access to cash, there are few opportunities to invest in new technologies; telepresence is one exception. WAN, access, and mobility pricing pressure remain, and MNCs are taking

advantage of falling market prices, albeit within a contracted fixed service term.

- **IP and telephony convergence**. The migration to IPT continues at a steady pace. Most MNCs have a global IPT strategy and have commenced large-scale IPT rollouts, albeit at a relatively slow pace of overall migration (driven by business needs and equipment lifecycles). MNCs are looking for telecoms systems that are scalable, reliable, and (increasingly) managed by suppliers. However, we expect that MNCs will not source all their services from one provider. Our research shows that MNCs would prefer a single global provider, but this is not practicable in most cases. Many companies are still picking the "best in class" for separate service silos – e.g. videoconferencing, mobile, and fixed communications.
- **Cloud computing**. After all the initial hype, cloud computing is finally starting to rise up the CIO/IT manager agenda, especially in the Asia-Pacific region. We are starting to see some MNCs taking cloud-based solutions for new services, initially addressing a specific area rather than large-scale deployments. Verizon Business, for example, claimed to already have 20 large customers using cloud services in the region – more than half of them in India.
- **Managed mobility**. The biggest gap between MNCs' needs and the current telco offerings in the region is probably in mobility. The vast majority of MNCs continue to manage their mobility at a country level, but more than half of CIOs intend to regionalize mobility. Our research indicates that more than one-quarter of MNCs were advancing their plans to outsource the management of their mobility. Centralizing management is recognized to be a potential source of significant mobility cost savings. However, suppliers' capabilities in the region are insufficient and not all tier-1 global telcos have expanded their managed mobility offerings into the region.

Telcos' services strategies

Network services

The network is the platform that enables most telcos' global services for MNCs. Besides just providing connectivity through international VPN services, global and regional telcos are (to varying degrees) relying on their network assets to develop services that exploit provisioning and session control systems, and deliver critical applications across multiple enterprise locations to office-bound, remote, and mobile users.

Comparing telcos' performance in delivering network services is not easy. They have different architectures and metrics, and define their services in various ways. Looking at their geographical reach and service offerings may give a good indication of their capabilities and commitments. However, the true proof point around their current regional strength is based on their market shares and services revenues, not infrastructure.

In addition, owning and operating points of presence (PoPs) is not always the best approach, and doing business and delivering services via partners is not necessarily a bad practice. Frequently, local units of many global MNCs (who often have influence over central buying decisions) may find it more attractive that a global telco is partnering with a local telco to provide their services rather than feeling that everything is run out of their international headquarters.

Lack of interconnection options hampers service development

The diversity of countries in Asia-Pacific makes providing consistent services to MNCs in the region very challenging. Despite significant investments in core networks and cable systems, most global telcos are suffering from a lack of interconnection options on the peering and access levels. While there are mature markets such as Japan, Australia, Singapore, and Hong Kong where they can find good peering support, there are also several emerging markets where the lack of competition results in a high cost of domestic connections and poor support. Furthermore, regulatory restrictions often demand that telcos use local partnerships when local investment would be preferable; this is the case in China.

Everywhere, telcos are investing to expand their MPLS and Ethernet services. Every interviewed telco offers layer-3 IP-VPNs with the full range of access methods, four or more class of service (CoS) levels, end-to-end SLAs, and managed CPE. The variation tends to be in geographical reach. *Table 1* provides an overall comparison of MPLS coverage in the region among the interviewed players. Telstra and Tata Communications have the highest number of MPLS PoPs in the region, although their coverage area is highly concentrated on their domestic markets. No less than 120 out of 158 of Tata Communication's PoPs are located in its home market in India, while Telstra has 134 nodes in Australia and 15 in New Zealand.

Table 1 **Telcos' MPLS coverage in Asia-Pacific**

Provider	**MPLS own PoPs**	**Own coverage (owned and operated PoPs)**	**Extended through partners**
AT&T	40	China, Japan, Taiwan, Hong Kong, Singapore, Malaysia, Indonesia, India, Australia, New Zealand, Korea, the Philippines, Thailand, and Vietnam	Nearly 500 MPLS service nodes to increase coverage in major markets and reach 26 smaller markets
Verizon	45*	Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Singapore, Korea, Taiwan, Thailand, Vietnam, Pakistan	Additional in-country coverage via MPLS network-to-network interface (NNI) with domestic partners in China (China Telecom and China Unicom), India (Reliance and Bharti), Japan (Softbank), Malaysia (Telekom Malaysia), and the Philippines (PLDT)
BT	30	Location of these PoPs not disclosed	Additional nine PoPs in partnerships (five in China and four in Australia). NNI in China and India
C&W	38	Australia (Sydney, Melbourne, Perth), Greater China (Beijing, Guangzhou, Shanghai, Hong Kong), Japan (Tokyo, Yokohama, Osaka), Indonesia (Jakarta), India (Delhi, Mumbai, Chennai, Bangalore, Pune), Malaysia (Kuala Lumpur), Philippines (Manila), Singapore, South Korea (Seoul), Taiwan (Taipei), Thailand (Bangkok), New Zealand (Auckland), Vietnam (Ho Chi Minh, Hanoi)	NNIs with partners in Australia, India, Malaysia, and China, allowing connections of 21 countries across Asia-Pacific
Orange Business Services	~150	This refers to IP-VPN (MPLS and IPSec) which is offered in 100 cities across 40 countries in AP. It is not disclosed which countries have MPLS PoPs	Not disclosed
Tata	158	Australia, Bangladesh, Hong Kong, India, Korea, Japan, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam	China, Indonesia, Nepal – NNI arrangement
Telstra	161	Australia, Hong Kong, Indonesia, Korea, Japan, Malaysia, New Zealand, the Philippines, Singapore, Taiwan, Vietnam, and Thailand	Total in-region coverage through partner extensions in country includes 595 PoPs in Asia
SingTel	~100	Singapore, Hong Kong, Japan, China, India, the Philippines,	Through more than 20 global partners across more

	Malaysia, Indonesia, Thailand, and Vietnam	than 100 business cities with in-country reach, including regulated markets such as Bangladesh and Pakistan.

* Some of these MPLS PoPs are fully operated by Verizon but not fully owned by Verizon.

Source: Ovum, based on information disclosed by each provider.

Ethernet is taking root across Asia-Pacific

The enterprise Ethernet services market is healthy across Asia-Pacific. Initially motivated by private line replacement, Ethernet is spreading to support any-to-any connectivity at higher bandwidths and lower costs. Unsurprisingly, all interviewed providers offer a broad range of Ethernet services, including Ethernet private line (EPL), also known as point-to-point, and Ethernet LAN (E-LAN) service types such as the Ethernet virtual private line (EVPL) variant. Some providers can already provide 10G capacity, although we are not aware of any enterprises currently using this capacity. *Table 2* gives an overview of telco Ethernet services and coverage.

Overall, the demand for layer-2 Ethernet VPN remains strong in Asia-Pacific, with many industry verticals participating. The financial sector continues to push service providers' capabilities, but new verticals are also emerging. Our forecast for Ethernet services in Asia-Pacific shows that growth will also come from oil, gas, and chemical companies, retail organizations, and the construction sector.

Table 2 **Telcos' Ethernet services in Asia-Pacific**

Provider	**Services highlight**	**Coverage***
AT&T	EVPL, VPLS, V-LAN	Australia (Sydney and Melbourne), Japan (Tokyo), Hong Kong, Singapore, Taiwan (Taipei), South Korea (Seoul), New Zealand (Auckland), the Philippines (Manila), Malaysia (Kuala Lumpur)
Verizon	EPL, EVPL, E-LAN, and VPLS	Japan (Tokyo and Osaka), Taiwan (Taipei), South Korea (Seoul), Hong Kong, Singapore, Australia (Sydney, Melbourne, Adelaide, Brisbane, Perth and Canberra), China (Shanghai), and India (Mumbai, Chennai, Bangalore, New Delhi and Hyderabad). Expansion in 2010 planned to add China (Beijing), Malaysia, New Zealand, and the Philippines
BT	EPL, EVPL, E-LAN, and VPLS	Australia, China, Hong Kong, India, Japan, Malaysia, the Philippines, Singapore, South Korea, Taiwan, and Thailand
C&W	EWL, EVPN	China (Beijing and Shanghai), Hong Kong, Japan (Yokohama and Osaka), India (Delhi, Mumbai, Chennai, Bangalore, and Pune), Malaysia (Kuala Lumpur), and Singapore
Orange Business Services	EPL, EVPL, E-LAN, and VPLS	Australia (Sydney, Melbourne, Perth, and Brisbane), Singapore, Hong Kong, India (Delhi, Mumbai, Bangalore, and Chennai), Seoul and Tokyo, China and Malaysia
Tata	EPL, EVPL, E-LAN, V-LAN, VPLS	Australia, Bangladesh, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam. China, Indonesia, Nepal are through NNI. VPLS in Australia, India, Hong Kong, Japan, Malaysia, the Philippines, Singapore, South Korea, and Taiwan
Telstra	EPL, EVPL, E-LAN, VPLS	EPL, EVPL, and VPLS on-net coverage throughout Australia, Hong Kong, Indonesia, Korea, Japan, Malaysia, New Zealand, the Philippines, Singapore, Taiwan. EPL off-net Coverage throughout China, India, and Vietnam. EVPL and VPLS off-net coverage (via NNI partners) throughout China
SingTel	EPL, EVPL, VPLS	Singapore, Hong Kong, Japan, China, India, Taiwan, Korea, Australia, and New Zealand. Extension into Malaysia, the Philippines, Thailand, Vietnam through partners

* Some of the Ethernet coverage may or may not have all of the services highlighted

Source: Ovum, based on information disclosed by each provider

UC and collaboration

Telcos' UC strategies for MNCs are normally underpinned by their networks and are based on partnerships with technology providers such as Cisco, Avaya, and Microsoft for on-premise and hosted solutions. They also rely on their own system integration capabilities and/or those of partners in the local markets.

Most global telcos are taking the cloud approach and starting to roll out cloud-based UC solutions. However, to avoid latency issues, these solutions must be hosted in facilities close to customers. This may prevent providers from releasing solutions on a global basis, which is why we expect Asia-Pacific to be included in the next phase of their plans. BT and Verizon Business, for example, have recently introduced their hosted UC services based on Cisco technology, which are delivered in the US with planned rollouts in Asia-Pacific at later stage.

High profile for high-definition video

The global financial crisis put high-definition (HD) video collaboration high on the MNC agenda. This is particularly true in the Asia-Pacific region, where the highly dispersed geography makes traveling times and costs greater than in other regions. As a result, almost all global and regional telcos currently offer telepresence services for MNCs in the region. Cisco is the preferred vendor. However, enterprises need to communicate with their counterparts regardless of the videoconferencing equipment they use or the carrier that they are connected to. This is the origin of the push for more vendor interoperability and inter-carrier partnerships.

Tata Communications, BT, and Telefonica announced a partnership to allow customers on either of their existing telepresence exchanges to establish conferences with customers on each other's video exchanges. This agreement and a similar one announced recently between BT and Time Warner Telecom are the first of many. We expect an increasing number of agreements like this to expand solutions across multiple networks on a global and pan-regional scale, and with increasing multi-vendor interoperability.

Several players have ambitions to provide international video exchange services, including Cisco itself. Global telcos are well placed for this: they own the global networks, are to some extent vendor-agnostic, and have relationships with regional and local service providers. Tata's Global Meeting Exchange, for example, already interconnects with local carriers. While we don't expect international video exchange to be dominated by any single provider, Tata's early market entry will give it the opportunity to attract more partners to its own alliance.

Tata Communications was also the first to offer public rooms, which are extended through partnerships with local telcos and hotel groups. This helps to promote adoption of the technology and extends the geographical coverage of the platform beyond the corporate network. A global network of public rooms may give MNCs a better range of options and help them to justify the investment.

Orange Business Services is an example of an operator that decided to take a multi-vendor approach. In addition to its telepresence solutions, in July 2009 it introduced its Open Videopresence service which provides a managed end-to-end videoconferencing exchange across multiple accesses (IP VPN, ISDN, Internet, or dedicated HD video including a Cisco-only telepresence link) for any video endpoint. This broad range of access choices can help Orange to address the lack of interconnection options on the peering and access levels when offering video collaboration services in the region. The solution also includes portal or concierge with automatic launch of videoconference sessions.

Cloud computing

Many telcos have offered web conferencing and other communications-based software-as-a-service (SaaS) solutions for some years, and some have also offered a SaaS model for business applications – generally for SMEs. Examples include SingTel's Marketplace and Telstra's T-Suite – online platforms for delivering business applications on demand. They are aimed at SMEs and include applications in areas such as accounting, human resources, and CRM.

Only more recently have telcos started to approach larger organizations with their cloud computing services in a coordinated fashion. We see an increasing number of MNCs taking cloud computing for greenfield applications and taking the opportunity to test and validate the model before deploying it more broadly. With an early market entry, Verizon Business is starting to see positive initial results. It claims to already have 20 large customers using cloud computing services in Asia-Pacific, with more than half of these in India, and it expects this base to reach more than 100 customer deployments by the end of 2010.

Infrastructure-as-a-service (IaaS) has also seen more recent telco adoption, with the lead coming from major global telcos. Over the last 12 months the four leading global telcos have all launched IaaS solutions: AT&T's Synaptic Compute as a Service, BT's Virtual Data Centre, Orange Business Services' Flexible Computing, and Verizon's Computing as a Service (CaaS). They all plan to extend these services into Asia-Pacific. However, in order to avoid latency issues and improve security, these services have to be supported by regional hosting facilities, which are still to be developed.

We believe telcos have a unique opportunity to position cloud computing as an extension of their managed networking solutions (such as MPLS-based VPNs), by offering "on-net" cloud computing capabilities backed up by end-to-end service-level agreements (SLAs). However, they will have to work to increase their awareness and credibility, as they are not seen as preferred providers of cloud computing by IT decision-makers.

Professional services help to introduce cloud computing to customers

Besides customer portals and online tools, telcos are also recognizing the importance of professional services, especially at the early stages of CaaS deployments, to support MNCs with their virtualization transformation and adoption of cloud computing services. MNCs are not going for "pure cloud" solutions initially but are starting with hybrid solutions (integrating cloud-based and on-premise applications), which are project-based and require more integration and consulting services. Then, when the services are up and running, they are using the cloud concept to manage and quickly allocate capacity on the fly.

Regional professional services capabilities or partnerships with local companies will be essential. This seems to be acknowledged by most telcos, who have developed professional services teams in the region. Orange Business Services, for example, has around 400 IT, professional services, and project specialists based on its regional organization.

Data centers

Global and regional service providers have invested in data centers to support new advanced services in the region, which will include cloud services. This has created a major domino effect in facility design, network, and IT infrastructure, staff skill level, and operations within data centers.

Many of the early service offerings within data centers included basic co-location and network services, with very few complex managed services. However, telcos are starting to position themselves deeper in managed services, complex hosting, security, and IT services, and the major global carriers are expanding this capability beyond their home region to address global enterprise requirements.

The current service evolution towards converged, hosted ICT, unified communications and collaboration (UC&C), application-based, and IT services are now common service elements of global carriers. With the introduction of cloud services, two basic requirements are met within the telco data center, combining a highly reliable data storage and management facility with the carrier's transport and distribution network. The data center has now become the same strategic hub for the global carrier as the wire center was for the legacy local telecoms carrier.

With plans to provide realtime and critical business applications in a cloud computing approach, the geographical location of the data center is more critical than ever. Having a limited number of large global data centers may allow providers to reach a large scale and take the greatest advantage of their pooled concentrated resources. On the other hand, placing data centers closer to customers allows providers to enforce security policies, and improve content access and network latency. Finding the optimum balance between both approaches is a dilemma that telcos are starting to face. Centralization on a regional level can be the answer.

Japan, Singapore, and Hong Kong contain most of the data centers in the Asia-Pacific region. While the facilities in Japan are mainly to support its domestic market, Singapore and Hong Kong are competing to be the preferred location for hosting the data centers that serve MNCs in the region.

As the economic hub of South-East Asia, Singapore has strategic advantages. It has a stable government that has attracted many MNCs. Sixty percent of MNCs with more than 7,000 employees have their Asia-Pacific regional headquarters in Singapore. It is also where most large software applications developers such as Google and Microsoft choose to establish their regional presence. However, it presents high real-estate costs and, unlike Hong Kong, faces serious energy supply challenges ahead.

IT services

Telcos in the region provide IT services to different degrees. Some, such as AT&T and BT, concentrate on their network strengths and use IT services as a way to complement their managed networks services. Others, such as Verizon Business and Orange Business Services, also pursue deals with a high proportion of IT services included. They all agree that providing IT services can help to create longer-term relationships with their MNC customers. The important question is – up to what point?

Over the last three years, telcos have implemented significant changes to their ICT strategies. The latest major development is the recent announcement from NTT about its plans to acquire Dimension Data. The $3.2 billion deal is unprecedented in its scale and might be a game-changing move in line with a new order of IT and telecoms convergence.

It may also rearrange relationships between telcos and IT services companies in the region. With its best-of-breed approach, Dimension Data has been successful in scoring some MNC deals against telcos in Asia-Pacific. The merger may give NTT an important advantage in outsourcing deals, but it may also restrict Dimension Data by limiting the number of network services providers it will be able to work with. In addition, there are several challenges involved in integrating an IT company. So far most telcos have failed to take full advantage of their IT acquisitions.

We expect that market conditions will still provide opportunities for mergers, acquisitions, and divestments. Telcos with IT assets need to sort out which parts of these really are contributing to earnings, and sell off those that are not. No clear model or customer requirement for end-to-end ICT services has emerged yet; if anything, telcos are showing more interest in putting services back into the network as hosted, managed applications, and cloud-based services.

Table 3 shows the highlights of selected telcos' IT services capabilities in the region in terms of how they complement their in-house portfolio through partnerships or IT company acquisitions. Except for a few examples, we haven't yet seen these IT partnerships or subsidiaries appear very active in capturing large outsourcing deals in the region.

In addition, our overall impression is that, in terms of delivering IT services globally, tier-1 global and super-regional telcos are still behind global system integrators such as HP and IBM, which have recently shown some important wins – even when there is large bulk of telecoms services required in the deal.

Table 3 **Telcos' IT services capabilities in Asia-Pacific**

Provider	IT services capabilities highlights
AT&T	ICT strategy relies on partnerships. AT&T has a global agreement with IBM which aims to complement its core competencies in managing global multi-vendor solutions.
Verizon	ICT capabilities were considerably improved with the acquisition of Cybertrust in 2007, especially in security services. The combined company counts 1,200 security professionals in more than 30 countries. It also has a partnership with Accenture and offers an end-to-end SAP application management service (professional services, infrastructure, SAP migration, and customer service).
BT	Acquired Frontline Technologies, an IT services company headquartered in Singapore, in 2008 to expand its outsourcing, networked IT, and infrastructure services capabilities, especially in Asia-Pacific.
Orange Business Services	Relies mainly on its in-house capabilities but also on partnerships and acquired companies, such as Etrali and Silicomp, for delivering specific vertical solutions. OBS's IT&L@bs (from Silicomp) has 130 professionals in Asia-Pacific delivering business consulting, network and IT consulting, project management, and client services management, including management of IT infrastructure and integration services.
Tata Communications	As part of the Tata group, Tata Consultancy Services (TCS) is the largest provider of ICT and business process outsourcing (BPO) services in India, and has presence in China, Hong Kong, Indonesia, Japan, Malaysia, Singapore, Korea, Taiwan, Thailand, and Australia. It is run as an independent company.
Telstra	Currently doesn't provide IT services for MNCs. It had an IT services subsidiary, Kaz, for its domestic market in Australia, which was sold to Fujitsu in 2009.
SingTel	Relies on partnerships and on its IT subsidiaries NCS and Alphawest (through Optus in Australia). NCS has presence in Australia, the UAE, China, Hong Kong, India, Korea, Malaysia, the Philippines, Singapore, and Sri Lanka.
NTT	Has recently (July 2010) announced plans to acquire Dimension Data. The move is expected to expand NTT's network integration, IT, and managed services capabilities, as well as the geographical reach of its global services.

Source: Ovum

Mobility services

Despite the highly mobile profile of MNC users in the region, the delivery of mobile services by service providers is underwhelming. Most solutions are restricted to providing remote access services and on-premise mobility support for users traveling between MNC branches. This includes FMC solutions such as Orange Business Services' Unik for corporate customers, and BT's Corporate Fusion; both have been offered in Asia-Pacific for more than two years, but neither has really taken off.

There is a lack of managed mobility offerings on a regional scale. Although some global telcos either refreshed or launched managed mobility services in 2009/10, most offerings have not yet extended to Asia-Pacific. One of the few exceptions is the mobile device management offering from OBS based on Sybase.

AT&T is also starting to field its Global Mobile Management (GMM) offering in the region. This is a managed mobility solution that includes global supplier management, transactions support, procurement policy enforcement, and a series of billing management features and reporting. However, customers must have at least 10,000 user lines in supported countries and sign for a minimum of three years.

We believe at least one more provider will expand its managed mobility capability in Asia in the next year, which is currently poorly served by tier-1 suppliers.

Most international roaming service offerings in the region are simply virtual arrangements to help customers deal with national carriers and their service/support structures. While these arrangements may align some contractual terms and conditions, and help customers to gain a better view on their global mobile spend, they are not the one-stop-shop for managed mobility that MNCs are looking for. Furthermore, these offerings are generally limited to customers with a very high number of mobile users.

In addition, tariff structures are inconsistent and prices are too high. Providers currently put together national offerings using various forms of partnership, ranging from full subsidiaries and investment holdings to loose alliances such as Bridge Alliance and Conexus Mobile Alliance.

Security services

Global and regional telcos are increasingly finding themselves in a good position to step further into security services. They have a substantial base of existing MNC customers that provide economies of scale to offer additional security services bundled with their network services. In addition, they are capable of heavily investing in cloud computing and building a multi-tenant, low-cost network-based cloud delivery platform for security solutions.

All the interviewed telcos have some type of security services, but offerings vary greatly in terms of services and geographical coverage. Verizon Business stands out. Its ICT and security capabilities were considerably improved with the acquisition of Cybertrust in 2007. It currently offers advanced security solutions including a risk correlation service and an in-the-cloud denial-of-service (DoS) defense solution in several countries in Asia-Pacific.

As a new entrant, Tata Communications has a portfolio that is comparable to that of the leading security provider, but it still needs to create a credible base of customer references. It has a broad range of managed security services, which include professional services, CPE-based solutions, and cloud-based solutions, such as distributed denial of service (DDoS) detection and mitigation.

Competitive landscape

Global presence

Not many telcos have the technical capabilities and global reach to satisfy MNC requirements. In the Asia-Pacific region, these telcos can be divided into three groups: US-based (AT&T and Verizon Business), Europe-based (Orange Business Services and BT), and regional telcos (Tata, SingTel, and Telstra).

All of these telcos market themselves as global providers and have targeted the MNC market. AT&T, Verizon Business, BT, Orange Business Services, and (to some extent) Tata Communications can be considered as true global providers. Despite stronger presence in their home bases, they have the capability to manage global networks almost anywhere, and uniformly regard each other as their most serious competition in a broad range of services. With a growing share of MNCs' expected investment not dominated either by the US or the European group of telcos, Asia-Pacific is likely to be a major competitive battleground for global services.

We think the regional telcos should aim to be super-regional service providers rather than international challengers, strengthening their position in the Asia-Pacific region, particularly in emerging markets, without entering into direct competition with the tier-1 global service providers. This will position them as a partner of choice for European and US telcos building services and solutions across Asia-Pacific, with backhaul and strategic connectivity supported by a global multinational service.

In addition, partnering between global and regional players will help to reinforce their global managed services efforts as MNCs entrust more of their e-commerce to telco-led service providers in the form of managed ICT contracts. As enterprises show increasing awareness that global ICT is underpinning global e-commerce, service providers have to extend their managed applications offers across regions.

Differentiation

- **Home market advantage.** Telcos with large home markets gain a competitive advantage with customers based in those markets, though this advantage is not absolute. For instance, the tendency is for US MNCs to use US-based telcos. The internationalization of Indian-headquartered MNCs, for example, has been helping Tata Communications' international growth. This tends to fragment the market and create some differentiation for telcos, and explains why telcos with small home markets have had a tough time in the global market.
- **Network coverage.** Outside the home market, the traditional differentiator has been network coverage. This will remain important to some customers as

long as different telcos have different coverage. All global and regional telcos are working to improve and globalize their coverage, through partnerships or investment or both. Customer interest in the network has revived recently, especially around IP-VPN and Ethernet services. With an increasing number of cloud-based offerings, the number and location of data centers is becoming another competitive differentiator.

- **Value-added ICT services.** Most telcos are moving into value-added ICT services, but we believe the differentiation is around network embedded services and cloud computing with provisioning of end-to-end SLAs rather than pure IT services.
- **Professional services.** There are good prospects for long-term differentiation in areas such as customer support, network integration, consulting, and outsourcing services, which build longer-term and more strategic relationships with MNC customers based on "inside knowledge" of customer requirements. Local and regional presence, support, and operations center are extremely important. This seems to be acknowledged by most telcos, who see long-term opportunities in ICT outsourcing. The stability of three-to-five-year outsourcing contracts is preferred to that of a two-year telecoms contract.

Expanding service capabilities rather than infrastructure

Service providers in the region are investing in both network expansion and service capabilities. However, while the regional players such as Tata Communications are focusing on infrastructure as a way to enable services and strengthen their position as potential regional partners for the tier-1 global service providers, some of the tier-1 players are focusing on expanding service capabilities rather than infrastructure. AT&T's announced $1 billion network investment in 2010 will focus on enhancing service capabilities on its existing network infrastructure rather than expanding that network into new areas.

In addition, when looking at cable network investment in the region, route diversity is proving to be more important than adding more capacity to the cable systems, according to most providers. Despite a burst of capacity upgrades on numerous Asian cable routes over recent years, more capacity doesn't necessarily mean more value in the network – especially in Asia-Pacific, which is particularly vulnerable to a number of natural disasters such as earthquakes, tsunamis, and typhoons.

Telcos' operating cable systems in Asia-Pacific seem to have learned their lessons from the 2006 Taiwan earthquake, which heavily impacted the sub-sea cables in the region, affecting several important links. Despite recent significant cuts on systems, most telcos manage to keep traffic flowing, albeit at slower speeds, minimizing damages.

The wholesale–retail balance

We foresee the evolution of a variety of business models including revenue-sharing and partnership/alliance models.

In order to optimize investments in network assets and services, some global and regional telcos are now looking at telco partners to wholesale their excess capacity. They are planning to use their existing relations with national telcos to wholesale services for local providers that want to deliver global services but can't afford to build a global presence. Tata Communications, for example, is rolling out some of its enterprise services such as telepresence and managed security to its wholesale customers as "white-label" solutions.

Cloud computing also provides a potential wholesale opportunity for global telcos which Verizon Business is currently considering exploring. Domestic telcos are increasingly showing interest in launching cloud computing services, including IaaS. However, while most components of cloud computing infrastructure are available off the shelf from IT vendors, building a complete cloud computing environment requires resources and skills that many don't have. For many smaller providers, this could represent an attractive solution with the benefit of faster time to market.

Regulatory issues

Asia-Pacific is one of the most complex regions for MNCs to achieve regulatory compliance. Some players are even offering professional services to support customers on this challenge; for example, Verizon Business has recently introduced a portfolio of professional services to help its customers comply with regulations in the multiple countries where they operate.

China presents one of the most challenging regulatory environments. In contrast to India, foreign telcos cannot directly offer telecoms services within China. Joint ventures are allowed, but direct investment is tightly restricted. Foreign telcos must therefore partner to deliver network services to MNC customers within China. Competition between the Chinese carriers is not always fierce, and the SLAs available do not necessarily meet global standards in some areas.

There are also regulatory restrictions on the direct provision of certain kinds of service, particularly VoIP, managed security services, and facility-based co-location services. Such restrictions are primarily an issue in China – much less so in other countries. However, some telcos downplay the significance of these restrictions in practice, since partnerships and joint ventures with the local players can overcome them. Most telcos regard them as temporary inconveniences which will be removed if the market continues to open up.