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Orange Business Services - Global Enterprise

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COMPANY ASSESSMENT

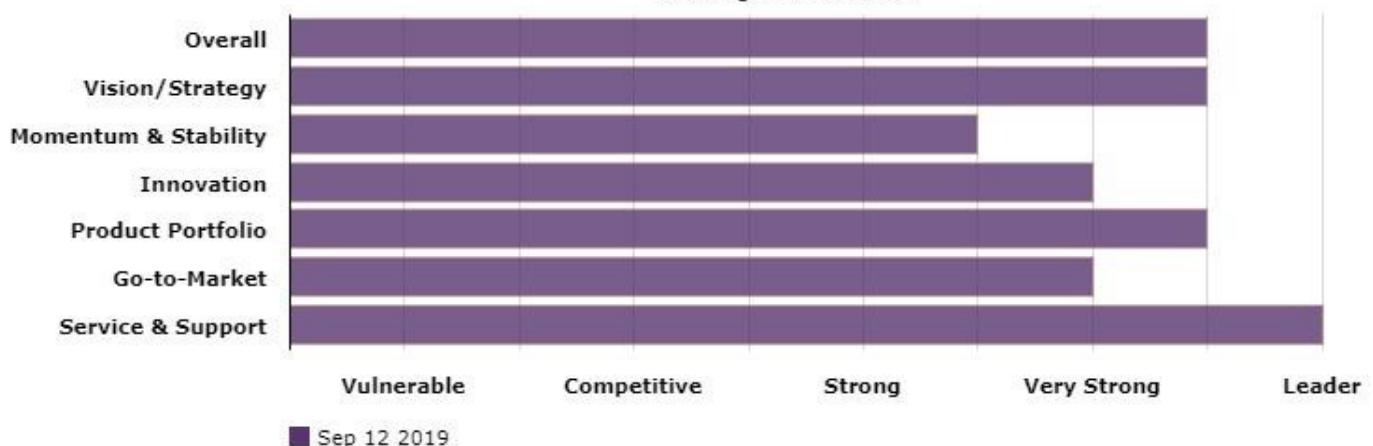
REPORT SUMMARY

Orange is advancing its B2B agenda in SDN, cloud, security, and IoT/analytics with organic growth and aggressive acquisitions. Platforms are largely in place to support what it calls its customers' 'data journey,' putting the focus on execution.

- **Security:** In the first half of 2019, Orange acquired both European security services firm SecureLink and UK-based cybersecurity service provider SecureData, adding 800 employees, a significant customer and revenue base, and local presence in numerous countries on three continents.
- **Networking:** In June 2019, Orange Business Services added Cisco to its Open Labs co-innovation program to collaborate on SD-WAN solutions design for individual customer requirements. It also launched Visibility-as-a-Service for end-to-end application performance measurement for SD-WAN and cloud migrations, a managed service based on Riverbed's SteelCentral Aternity technology.
- **IoT and Mobility:** Also in June, Orange initiated LTE-M roaming along with AT&T, KPN, and Swisscom to enable low-power connectivity across multiple networks.

GlobalData Competitive Index

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Very Strong

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ESSENTIAL ANALYSIS**Strengths**

- **Geographic Spread:** Orange has network presence in over 200 countries, and extensive local language support and presence in 166 countries, which is still difficult for competitors to match.
- **Stable Backing:** Orange Business Services benefits from the deep pockets of Orange S.A., a leading global telco with annual revenues of EUR 20.6 billion in the first half of 2019.
- **Voice & Mobility:** Orange is a leader in enterprise IP telephony and UC services, as well as a very strong player in global enterprise mobility and IoT services.
- **Customer Experience:** Orange Business Services achieves very high levels of customer satisfaction and experience with strong growth in its Net Promoter Score (NPS) in recent years.

Limitations

- **Growth Challenge:** Orange Business Services has been reliant on legacy services for too long, like most telcos. Despite continuing growth in IT & Integration (including cloud and security services) so far in 2019, top-line revenues in the enterprise segment remain flat due to steady voice revenue declines.
- **American Dreams:** The large U.S. market remains a weak spot for Orange Business Services compared to other global players and, obviously, U.S. incumbents.

VISION/STRATEGY

Rating: Very Strong

- Orange Business Services has been refining its 'data journey' concept to demonstrate the requirements of digitalization. Recently, it has been more successful in demonstrating how it can protect or increase the value of customers' data through its solutions.
- Orange's enterprise growth strategy is based on four pillars: Cloud, Digital & Data, Cyber (security), and Smart Mobility Services (including IoT). With the group making EUR 1 billion in B2B acquisitions over a recent 14-month period, it has demonstrated a strong willingness to invest in future growth.
- Orange Business Services is also pursuing development of its vision around supporting what it calls the 'Internet of Enterprises' in support of solutions delivered via a wider business ecosystem.

MOMENTUM & STABILITY

Rating: Strong

- Orange Business Services benefits from the financial muscle of Orange, S.A., one of the largest telecom providers in the world. Its parent's Enterprise segment, of which it makes up a significant part, remained steady in the first half of 2019 with EUR 3.77 billion in revenues and slight growth in EBITDA.
- Orange has the scale required to live up to the promises of its strategic messaging, despite the challenge of accelerating its overall market momentum.
- Orange has demonstrated repeatedly the will, and strength of balance sheet, to make the investments required to drive increased innovation through venture funding, mergers and acquisitions, and internal research and development.

INNOVATION

Rating: Very Strong

- Orange as a group has 8,000 people working in its Orange Labs; approximately 10% of those resources are dedicated to Orange Business Services.
- Orange has committed itself to pursuing co-innovation in developing customer solutions, with hundreds of pilots started and a number of successful case studies. When it comes to achieving digital objectives, Orange and most customers agree that speed of innovation is more important than protecting intellectual property.
- Recent proof-points include: the Open Labs co-innovation program; the Orange Business Summit, which brought together over 1,000 enterprises to test and develop 5G use cases; and Orange's internal employee co-creation program, which has three projects at the incubation stage with one ready to scale up.

PRODUCT PORTFOLIO

Rating: Very Strong

- Orange Business Services has a broad portfolio of services, including its domestic and global voice and data networks; combined with a growing data center infrastructure, it supports solutions across business connectivity, communications, collaboration, mobility, and computing.
- Its SD-WAN for hybrid networks has taken center stage, and thanks to its large customer base, Orange has been able to identify four main customer categories for which it can develop a specifically crafted approach: Internet-centric, application-centric, orchestration-centric customers, and hybrid evolution.
- Key service lines include a range of digital and analytics solutions for IoT and big data, the Flexible IT for cloud computing services, Business Together as a Service for UCC, CyberDefense managed security, IP VPN, Business VPN Galerie, Flexible Workspace, mobile device management (MDM), professional services, and a multi-supplier services integration and management solution.

GO-TO-MARKET

Rating : Very Strong

- In general, Orange Business Services claims to assign fewer accounts per sales executive than is typical in the industry. Its international salesforce includes 2,200 people in Europe, 800 in the Americas, 700 in Asia-Pacific, and 200 in the Middle East, Africa, and Russia.
- There is a tiered customer engagement model with about 3,000 MNC customers at the lowest tier, approximately 350 'strategic clients' at the next level up, and 60 very large, complex, transformational customer projects with global reach at the top tier.
- Orange also serves over two million SOHO customers in France.

SERVICE & SUPPORT

Rating : Leader

- Out of the 7,700 employees in its global customer services and operations organization, Orange has five global customer service centers staffed by 3,400 dedicated experts offering 24x7 support.
- Orange Business Services has a well-established ITIL V3 best-practice support framework with global coordination of central processes along with local autonomy in regional support centers. It has 800+ ITIL-certified employees globally.
- As part of its digital transformation efforts, Orange has increased the breadth of services available from the web for its customers, now including quotations, change management, incident management, reporting, and monitoring.

Segment Ratings

Market	Perspective
Business Network and IT Services- Global Enterprise/MNC	Very Strong
Collaboration and Communications	Leader
Data Center and Cloud Services	Strong
Industrial Internet of Things	Very Strong
Mobility	Very Strong
Network Access and VPNs	Very Strong
Security	Very Strong

- Digital Repositioning:** Like many of its peers, Orange sees digital transformation as its long-term market opportunity, but despite the establishment of the Orange Applications for Business division and the acquisition of Business & Decision, its data monetization strategy is still in the early stages. While the 'data journey' for customers is clearer than ever, demonstrating where Orange can add value along the steps in the journey from data connectivity, storage, and protection, Orange's related 'Internet of Enterprises' concept is still coming together.
- Industry 4.0:** Orange is discovering that key initial opportunities in digital services are coming from industrial environments, but SAP and operational technology (OT) are not among its strengths. While its IoT position, especially in managed connectivity, is strong (and it has partnered with Siemens in this domain), Orange could be vulnerable to key competitors when pitching its 'Industry Cloud' messaging or proposing solutions for OT security.
- Over-the-Top (OTT) Threat:** As a leader in enterprise unified communications (UC), Orange Business Services is threatened by free OTT apps penetrating the enterprise, and not just the SME segment. It must also respond to the capabilities inherent in AI for communications and to the customization possibilities of UC as a service and communication platform as a service (CPaaS).

Vendor

- Lead with Security:** Orange should use its fastest-growing service portfolio to jumpstart new business as enterprises plan all new budgets for coping with IT/cybersecurity. With its depth in both advisory services and incident response, it can leverage its consulting, analytics, and forensic strengths to demonstrate global managed security services capabilities and potential for market leadership.
- SD-WAN Progress:** Orange should show customers the strong progress it has made in automating network resources by signing them up for trial access to its Easy Go Network solution, making sure they understand that advanced features for voice and remote user access options and access to Orange cloud services are next in the pipeline. Comparing its installed base of PoPs and customers to less advanced competitors will help to retain traditional network customers as they migrate from MPLS to SDN/NFV-based services.
- Happy Customers:** To win in the U.S., Orange should highlight its high levels of customer satisfaction and loyalty measured against other global operators.

Competitors

- **Data Value:** All competitors are focusing on digital opportunities and imperatives, but some are stronger than others in their approach. They can learn from Orange's focus not just on data, but on the value of that customer data which they protect, analyze, and help to create and share.
- **Execution Needed:** Competitors should note Orange Business Services' aggressive acquisition spree has contributed significantly to the growth it has reported in IT and integration (including cloud, digital, and analytics) services. Orange still needs to execute on its strategy to drive organic growth, giving competitors an opportunity to challenge it directly as it takes on considerable business integration challenges.

Buyers

- **Streamlined Sourcing:** Large enterprises should consider using the Orange Multi-Sourcing Integration Services solution for end-to-end management of multiple service providers, process standardization, e-bonding with existing systems, and integration into a single customer-facing IT interface, especially since Orange is likely to add support for additional services beyond network and mobility management.
- **Global Needs:** Expanding U.S. and APAC-based MNCs with extensive global MPLS needs should consider Orange, one of a handful of carriers with direct global on-the-ground presence, with enhanced coverage of India through its Tata Communications partnership. Organizations should note that Orange Business Services has a proven and growing SD-WAN footprint and is realistic about serving customers through their eventual migration to virtual network services.

Company Snapshot

Market	Perspective
Revenue	EUR 3.77 billion (first half of 2019); EUR 7.3 billion (full-year 2018)
Employees	21,316
HQ	Paris, France
Market strengths/ solutions	Business connectivity, communications, collaboration, mobility, computing security, and digital business consulting
Fixed/Wireline Network	Global MPLS-based IP network with direct reach to 1,500+ MPLS PoPs in 900+ cities and 220 countries. Partnerships (NNI, Ethernet, xDSL) extend coverage. Core includes Cisco 12000, 7600, and 10000 series. Investments ongoing to upgrade with Cisco 7600 routers and 10000 Edge Service Routers.

Mobile/Wireless Network

Orange offers mobile connectivity in 106+ countries via its own network and partners of FreeMove & Bridge Alliance. All seven European Orange countries- Belgium, France, Poland, the UK, Spain, Romania, and Slovenia- offer near 100%, or total, population coverage of GPRS and GSM 900/1800. 3G/3G+ is available in 17 countries and Orange has now deployed 4G services in all its European countries. In 2018, it launched LTE-M in France and Belgium, and planned to launch in Romania and Spain by the end of the year. Orange has strong WiFi coverage within its footprint and also leverages the iPass partnership for global customers to offer WiFi connectivity in more than 64 million hotspots worldwide in over 180 countries and territories, as well as inflight WiFi on more than 20 leading airlines. Orange Business Services resells MobileIron for mobile device management for global enterprises.

Data Centers

Orange has three major strategic data centers in France (in Reuil and Chevilly near Paris and in Normandy). Outside of France, cloud-ready data centers are established in Germany, Russia, Hong Kong, Singapore, Sydney, and the U.S., with partner locations and planned Orange locations in Poland, Brazil, Romania, and the UK. All of these data centers are Tier 3 or Tier 3+. In 2018, Orange gained 11 additional data centers in Europe through its acquisition of Basefarm.

Date

Data

July 2019

Orange Business Services made several executive-level and business line changes to support its transformation to a digital provider. A new Smart Mobility Services entity includes IoT, 5G, and enterprise mobility, and a new Chief Marketing and Digital Officer role will encompass responsibility for customer experience, digital, innovation, marketing, and communication.

November 2018

Orange announced the commercial launch of its LTE-M network in France and that networks in Romania and Spain would also be launched by the end of 2018. Orange Business Services is now able to offer LTE-M technology to companies in French cities that have subscribed to its 4G IoT offer.

April 2018

Orange and Siemens announced their cooperation in IoT in the industrial sector by simplifying integration and promoting IoT innovation. The initial focus will be to develop solutions around asset tracking and asset monitoring to optimize the supply chain and improve efficiencies, as well as to develop digitally enhanced products to increase customer satisfaction and create new business models.

July 2019

Orange completed its acquisition of SecureLink, for an enterprise value of EUR 515 million. With more than 660 employees, SecureLink reported revenues of EUR 248 million in 2018. It serves more than 2,100 customers.

February 2019

Orange acquired SecureData, a UK-based cybersecurity service provider with EUR 50 million in annual revenues and 200 employees in the UK and South Africa, and its consulting subsidiary SensePost.

August 2018

Orange Business Services acquired Basefarm Holding AS for EUR 350 million. The Oslo-based provider has 550 employees and operates in Norway, Sweden, the Netherlands, Austria, and Germany. Its data center services range from management of infrastructure, applications, and data to advanced big data solutions as well as security, hybrid cloud implementation and management, and other professional and managed services.

October 2017

Orange signed an agreement to acquire a majority of shares in Business & Decision in order to accelerate Orange Business Services' growth in data services integration. It plans to acquire the remaining shares in 2018.