Orange Business Services
- Global Enterprise

August 22, 2018

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PRODUCT ASSESSMENT REPORT - GLOBAL WAN SERVICES
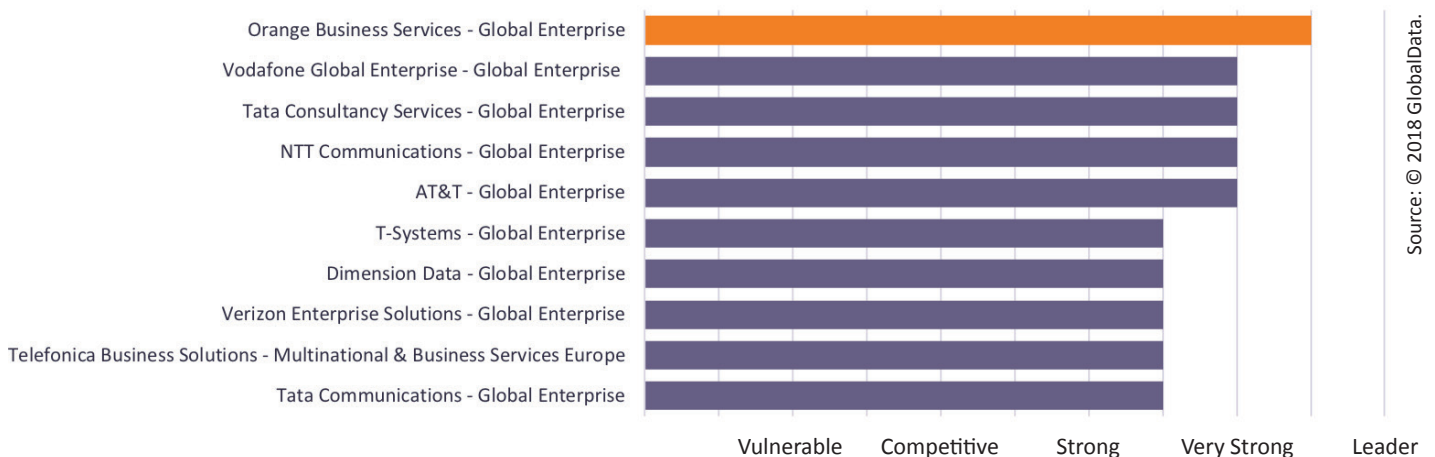
REPORT SUMMARY

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

WHAT'S NEW

- **August 2018:** Orange completed its acquisition of Basefarm Holding, a managed data center services provider with strengths in big data and presence in Norway, the Netherlands, and Germany.

- **July 2018:** Orange's H1 2018 results included continuing growth in IT & Integration (5.1%), Cloud (18%), and Security (14%) Services revenues. Total revenues for the six month period were flat but increased by 1.3% on a quarterly (year over year) basis in Q2.

- **May 2018:** Orange appointed a new CEO for Orange Business Services. Dr. Helmut Reisinger, who was previously in charge of all international business at OBS, took over from the soon-retiring Thierry Bonhomme.

- **April 2018:** OBS and Siemens announced a partnership for industrial IoT solutions, focusing initially on asset tracking and monitoring. Orange brings its global cellular connectivity, consulting, system integration, and application development skills along with its DataVenue platform; Siemens brings its MindSphere platform that focuses on IoT enablement within manufacturing.

COMPETITOR COMPARISON

Competitor Comparison
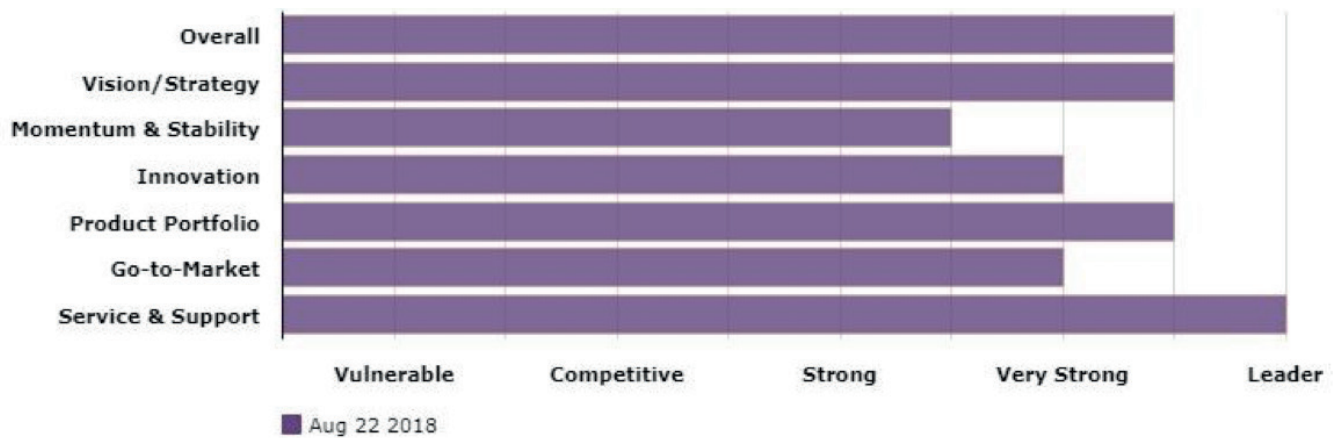GlobalData Competitive Index

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GLOBALDATA COMPETITIVE INDEX

GlobalData Competitive Index
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RATING UPDATE SUMMARY

Very Strong

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PERSPECTIVE - 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 41.1 billion in 2017.

- **Voice & Mobility:** Orange is a leader in enterprise IP telephony and UC services, and a very strong player in global enterprise mobility and M2M/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, Cloud and Security Services in 2017 and H1 2018, top line revenues in OBS remain flat.

- **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.

CATEGORY RATINGS AND JUSTIFICATION

Vision/Strategy

Rating: Very Strong

- Essentials2020, the group-wide Orange strategy, prioritizes customer experience (CE) above all else - a worthy goal but hardly unique.
- Digital transformation is the cornerstone of the enterprise strategy for OBS, which positions itself as 'Powered by data, driven by people'. It sees itself in its customers' future as an advisor and implementer of digitalization above and beyond traditional IT, enabling their "data journey".
- Orange leverages its highly distributed global footprint to differentiate on local knowledge, managing its global teams in a way that minimizes potential conflicts from local vs. global governance and control, lowering barriers to entry into emerging markets.

Momentum & Stability

Rating: Strong

- OBS 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 overall in H1 2018 at EUR 3.5 billion in revenues.
- Orange has the scale required to live up to the promises of its strategic messaging, despite difficulty in 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.
- The Essentials2020 strategic plan has prioritized investment and transformation of the following key segments: 1) Intent-Based Networking, 2) Collaboration & the agile digital workspace, 3) managing the Hybrid Cloud, 4) Extending its IoT platform, and 5) its Cyber Security portfolio. The key emphasis in 2017 and 2018 has been the enhancement of its SD-WAN value proposition.
- OBS 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, OBS and most customers agree that speed of innovation is more important than protecting intellectual property.

Product Portfolio

Rating: Very Strong

- Orange Business Services has a broad portfolio of services, including its domestic and global voice and data networks, which combined with a growing data center infrastructure 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 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), and professional services. Other newer offers include its global public cloud in partnership with Huawei, a range of digital and analytics solutions for IoT and big data, and a multi-supplier services integration and management solution.

Go-to-Market	Service & Support
Rating: Very Strong	**Rating: Leader**
- 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.	- 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	Strong

THREATS AND BARRIERS

- **Digital Repositioning:** Like many of its peers, Orange sees digital transformation as its long-term market opportunity, but its establishment of the new division Orange Applications for Business, acquisition of Business & Decision, and orchestration of those restructurings with the development of new offerings across IoT, cloud, and consulting all must be done upfront with heavy costs.

- **Industry 4.0:** OBS 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 is strong (and it has partnered with Siemens recently 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, Orange Business Services is threatened by free OTT apps penetrating the enterprise, and not just the SME segment. The company is well aware of the proliferation of WhatsApp, Viber, WeChat, and other mobile apps and is working hard to try to offer solutions delivering on value as well as innovation. Its relatively new Broadsoft-based OTT offering brings some additional differentiation.

RECOMMENDED ACTIONS

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/cyber security. 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

- **Common Vision:** Competitors can point out that Orange's bold plans around both digital transformation and customer experience are virtually the same as any number of other providers. OBS is beginning to demonstrate results, however, increasing its ability to differentiate against other providers.

- **Cloud Footprint:** Competitors such as BT, NTT, T-Systems, and IBM can point to their more widespread data center maps as proof they are more in tune with enterprise concerns about local data storage. OBS is extending capabilities through its Huawei partnership (and the vendor's telco cloud alliance) and expansion in Russia, but at the same time its cloud focus is shifting to managed and professional services around multi-cloud requirements.

Buyers

- **Streamlined Sourcing:** Large enterprises should consider using the new 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.

- **Cloud UCC:** Large enterprises should put Orange Business Services straight onto the supplier short list, due to its solid Microsoft-centric Office365 services and Cisco HCS solutions. Indeed, Orange so far has registered more than 200,000 user subscriptions for Cisco Spark (and hundreds of the popular Spark Boards) for more than 20 multinational enterprise customers. Mid-market enterprises should continue to shop around.

- **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 OBS has a proven and growing SD-WAN footprint and is realistic about serving customers through their eventual migration to virtual network services.

COMPANY DETAILS

Company Snapshot

Revenue	EUR 3.530 billion (first half of 2018); EUR 7.3 billion (full year 2017)
Employees	21,316
HQ	Paris, France
Market strengths/ solutions	Business connectivity, communications, collaboration, mobility, computing security, and digital business consulting.

NETWORK DESCRIPTION

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. Orange has strong WiFi coverage within its footprint and also leverages the iPass partnership for global customers to offer Wi-Fi connectivity in more than 64 million hotspots worldwide in over 180 countries and territories, and inflight Wi-Fi on more than 20 leading airlines. Orange Business Services resells MobileIron for mobile device management for global enterprises.
Data Centers	OBS has three major strategic data centers in France (in Reuil and Chevilly near Paris and in Normandy), plus additional data centers across French territory. Abroad, OBS has about 50 data centers for its own usage and for customers, of which ten are located in the Americas, 17 in Europe, two in South Africa, seven in Asia and two in Australia. All data centers are the equivalent of Tier 3 or Tier 3+.

KEY RECENT ANNOUNCEMENTS AND DISCLOSED STRATEGIC PLANS

June 2018	Orange co-launched a new AI-focused startup accelerator in the US in partnership with several venture funds and Silicon Valley tech companies. Fab Connect (AI) has created an ecosystem of resources for seed-stage start-ups who are building the bridge between AI and ubiquitous smart connectivity.
May 2018	In a separate announcement its own venture fund, Orange Digital Ventures, has partnered with Google to jointly evaluate investment opportunities with start-ups in the fields of new connectivities, IoT, cybersecurity, cloud, AI, fintech, as well as new business models in the Middle East and Africa.
April 2018	OBS 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.
October 2017	The company launched new headquarters of Orange Cyberdefense, a certified High Environmental Quality (HQE) facility with an overall campus capacity of 6,800m² spread over 12 levels and able to support 600 security staff.
June 2017	China Telecom and Orange Business Services extended their strategic partnership into the IoT space to enable both companies to serve their respective enterprise customers through a combined footprint across three continents - Asia, Europe, and Africa.

KEY MERGERS, ACQUISITIONS AND DIVESTMENTS

August 2018	OBS 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.