IDC ITMarketScape

IDC ITMarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2016–2017 Vendor Assessment

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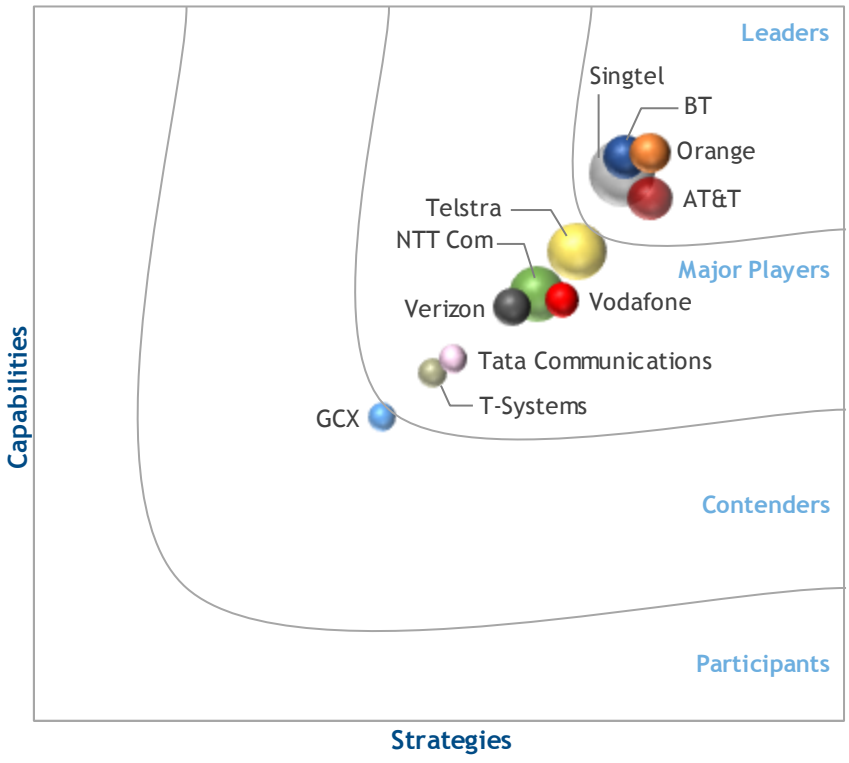
THIS IDC ITMARKETSCAPE EXCERPT FEATURES: Orange Business Services

IDC ITMARKETSCAPE FIGURE

FIGURE 1

Asia/Pacific Next-Generation Telcos: Telecom Services 2016–2017



Note: Please see the Appendix for detailed methodology, market definition, and scoring criteria.

Source: IDC, 2016

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IN THIS EXCERPT

The content for this excerpt was taken directly from *IDC ITMarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2016–2017 Vendor Assessment* (IDC #AP42353917, March 2017). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC ITMarketScape Vendor Inclusion Criteria, Essential Buyer Guidance, Vendor Summary Profiles, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This study leverages the IDC ITMarketScape framework to evaluate the leading regional and global telecommunications SPs in Asia/Pacific (AP). The primary focus of this study is to assess SPs' capabilities to meet the telecommunication and ICT needs of various customer segments. IDC identified the top 11 providers by scale and scope of operations in terms of strong regional network presence, suite of managed services offerings in the region, as well as a large base of midsized and large-sized enterprises, multinational corporations (MNCs), and government clients across Asia/Pacific. The evaluation framework consists of a large variety of parameters such as comprehensiveness of service offerings, datacenter and cloud capabilities, go-to-market strategies, growth strategies, partner ecosystems, and innovation strategies.

Some of the key differentiators for success in this market are:

- **A well-rounded portfolio of cloud services powered by secure cloud connect offerings.** Adoption of public cloud-based infrastructure and solutions has witnessed significant growth in the region over the past 12 months. As more and more enterprises move mission-critical workloads to public cloud, connectivity to third-party cloud infrastructure becomes paramount in ensuring application performance of these solutions. In addition to these third-party interconnects, carriers that can provide cloud life-cycle management services, deploy private cloud solutions, facilitate easy movement of workloads across various cloud environments, provide online portal for self-service, and have application knowledge will gain better traction with the enterprises.
- **Leveraging software-defined networking and virtual network services for internal and external efficiencies.** The benefits of software-defined networking (SDN) in the datacenter are well known; however, the expansion of SDN into disparate and often chaotic access networks is just beginning to take off. SPs need to leverage SDN technologies within their core to increase the flexibility and agility of their internal networks, drive down their cost structure significantly, and pass on some of these benefits to their customers. Although some of the SPs are well underway with their network transformation, others are still playing a waiting game. IDC predicts that 30% of the enterprises in AP will adopt SD-WAN as a critical component of their branch connectivity. Moreover, with an increased adoption of virtualized networking functions (VNFs), and increased use of software as a service (SaaS) in enterprise environments, large companies will turn to acquiring more and more of their networking capabilities using SaaS-like virtual network services (VNS) model, unlocking new revenue streams for SPs.
- **Comprehensive suite of managed security offerings.** Almost all the providers have enhanced their basic managed security services (MSS) portfolio over the past 12 months. However, advanced MSS capabilities, the delivery and onboarding flexibility, price competitiveness, security operations center (SOC) capabilities, complementary services (including forensics or training services), service-level agreements (SLAs), and self-service customer portal capabilities vastly vary from one carrier to the other. Because of the adoption of digital

technologies and cloud-based services as well as compliance and legal requirements of such technologies, the enterprise customers are revisiting their security strategies. Even though basic managed security solutions, such as threat monitoring and management, remain a significant portion of the security revenues, advanced security functions, such as managed SOC, managed virtual security offerings, and advanced cybersecurity, provide carriers with new opportunities to target existing and new customer base.

- **Network partnerships beyond standard NNI agreements.** The emergence of cloud and its inherent flexibility in compute and storage has amplified constraints in the network and connectivity services. Traditional fixed connectivity services have become table stakes today with most of the carriers providing standard SLAs (available and latency) without much differentiation. All SPs have formed multiple partnerships, mostly NNI agreements, to expand their footprints in the region and provide a fairly wide coverage. However, managing end-to-end SLAs for these partner networks can be a stiff challenge, and poor customer experience remains one of the most cited reasons by enterprises for switching SPs. SPs that can forge partnerships that go beyond the standard NNI agreements by allowing each other complete visibility into the partner networks, effectively manage customer complaints, and provide strict end-to-end SLAs and superior customer experience will fare well in the region.

IDC ITMARKETSCAPE VENDOR INCLUSION CRITERIA

For the purpose of this study, IDC defines "next-generation telcos: telecom services" as international IP VPN, international Ethernet services, and suite of managed services, which include cloud services and professional IT services (excluding support services), offered in AP for the enterprise segment. IDC defines the enterprise segment to include midsized and large-sized enterprises, MNCs, and government clients that have regional or international ICT requirements. Vendors are evaluated based on their current capabilities and strategies they set for the next three to five years for this customer segment in AP. Capabilities or strategies in the consumer, small and medium-sized enterprises (SMEs), or wholesale segments are not included as part of this vendor evaluation.

To qualify for inclusion in this IDC ITMarketScape study, SPs must have network services, multiprotocol label switching (MPLS)–based, and/or Ethernet-based international services for enterprise segment in AP. They must also have a portfolio of managed services, including managed WAN and managed security, network and application acceleration solutions, cloud services, and other ICT services targeting the enterprise segment in the region.

This year, IDC considered the following 11 global and regional telecom SPs that operate in AP:

- AT&T
- BT Global Services
- Global Cloud Xchange (GCX)
- NTT Communications (NTT Com)
- Orange Business Services (Orange)
- Singtel
- T-Systems
- Tata Communications
- Telstra
- Verizon

- Vodafone Global Enterprise (VGE)

ESSENTIAL BUYER GUIDANCE

Global telecom SPs have progressed steadily over the past few years in their worldwide capabilities. Although no one carrier aspires to be the sole enterprise provider, there is hardly any SP that focuses only on providing connectivity services to enterprises. SPs have branched out to provide cloud federation and brokerage services, managed security, unified communications and collaboration (UC&C), and other managed ICT services and solutions, leveraging their core assets.

The telco landscape is being reshaped by enterprise transformation to digital platforms. The impact of key 3rd Platform technologies and accelerators, along with the enterprise's desire to leverage those technologies to differentiate themselves in a crowded marketplace, is clearly visible. In the short term, SD-WAN and enterprise cloud connect will be important, followed by 5G, software-defined networks, and virtual network services, with a distinct focus on customer experience throughout. IDC believes that the enterprises should take note of the following:

- **Leverage 3rd Platform technologies to stay ahead.** Enterprises need to leverage digital technologies to innovate, improve processes, and respond to market changes more rapidly. As they adopt 3rd Platform technologies, such as big data, cloud, and video, they need to ensure that the network is able to deliver on-demand bandwidth, flexible security, and appropriate levels of application performance. Although MPLS IP VPN is reliable and it is still the preferred option for the corporate WAN, organizations should consider integration of hosted, private, and public cloud solutions along with SDN and network functions virtualization (NFV) capabilities to deliver a hybrid IT environment that is flexible and agile. There are many SPs active in AP and customers should evaluate provider capabilities and coverage while examining closely their road map for future network enhancements.
- **Demand for SLAs based on business objectives.** As businesses continue to evolve further and move more workloads into the cloud, their expectations from the SPs are also evolving. SLAs for enterprises that have moved applications/workloads to the cloud are less about the dedicated network bandwidth connecting to their workload but more about performance of the migrated workload, ensuring that the application can be accessed with a certain degree of latency and reliability. These requirements will continue to evolve and organizations should look to partner with SPs that can define network performance in terms of business objectives and provide SLAs, such as application performance. SPs are adopting business outcome–focused technologies, such as SDN/NFV, to offer agility, programmability, and automation as differentiating factors.
- **Cloud adoption requires a specific solution portfolio from the provider beyond connectivity.** IDC believes that the average enterprise will move from managing 3–5 cloud services in 2015 to 7–10 by 2020, and the value proposition for enterprises will not be about the number of public cloud interconnects that an SP brings to the table but about integration of workloads across different clouds, orchestration capabilities, and movability of these workloads between these cloud environments. Enterprises should look for SPs that have developed professional services and build templates that can support enterprises with optimization of their workloads.
- **Collaboration and workplace transformation are important to support digital transformation.** Digital transformation (DX) of the broader business impacts the workforce in several dimensions. Given that this is a people- and process-driven transformation, ensuring that the business has the right people in the right place and the right skills to make those decisions is key. Businesses are also under pressure to meet the increasingly vocal technology demands

of a diverse range of employees. WorkSource DX is a multidimensional journey that is needed to adapt current organizational processes, culture, and skills to the requirement of the new digital ecosystem. IDC suggests organizations assess their current state of WorkSource DX dimensions and select a suitable SP to ensure WorkSource initiatives and investments deliver the maximum value.

- **One size does not fit all.** Enterprises need to be aware that even the best-positioned telcos may not necessarily meet all their needs and IT requirements. Hence, they will have to evaluate the providers' capabilities based on specific requirements to select their preferred providers.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC ITMarketScape. Although every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and opportunities.

Orange

Orange continues to hold a leader's position in this year's ITMarketScape study.

Orange has staked out its position as the "digital transformation partner" for its customers and has initiated a wide-range overhaul of its business with a view to tap into new opportunities. These changes come within the ambit of the company's "Essentials2020" vision. Orange is placing "customer experience" at the center of its new strategic focus and has initiated an ambitious organizationwide exercise to transform itself internally. Orange has also realigned its solutions portfolio and created three pillars to execute on this strategy:

- Digital Inside leverages technology to improve internal communications and collaboration, mobilize business processes, and increase productivity. This would include services such as its enterprise mobility and UC&C offerings.
- Digital Outside acts as a strategic partner for Orange's customers to enable them to deliver new services and build new relationships with their respective customers by utilizing technologies such as big data analytics, IoT, and digital customer experience.
- Digital Enabler creates the foundation for delivering superior digital experiences, including high speed, low latency, software-defined networks and cloud infrastructure. Orange's Easy Go network-as-a-service (NaaS) offering is an example of the same.

Orange is leveraging its "dual role," as an SP and as an infrastructure company, to offer new solutions. The company has focused on SDN for years and has launched its Easy Go NaaS offering globally to 75 countries, which includes AP. It has focused on building up its offerings in security and mobility, and through the Orange Digital Ventures Fund, has invested in or acquired several start-ups. In 2016, Orange continued to make further investments in its network infrastructure with a focus on high-bandwidth networks by upgrading its backbone to 100G and integrating into its datacenters globally. It has also focused on meeting its customers' requirements through more flexible approaches. For example, although Orange offers internet connectivity in some regions, it has partnered with local providers to bridge the gap in regions where it has no presence. Orange also boasts of the largest POP coverage in AP, including its NNI partnerships — it claims to have over 350 POPs in AP when its partnerships in China, India, Vietnam, Laos, Thailand, and other regional markets are factored in.

Orange has made cybersecurity a key strategic priority for the company to ensure that it provides the necessary security services for its customers. The company acquired Lexsi, a European cybersecurity company, to incorporate threat intelligence software into its wider portfolio of cyberdefense solutions. Today, Orange is able to offer a network of six SOCs worldwide, complemented by a global cyberSOC organization with a physical presence in Europe and Asia. Specifically, Orange's cyberSOCs are based in France and Gurgaon, India and staffed with security professionals specialized in threat management. With this network of SOCs, Orange can offer continuous 24 x 7, year-round monitoring to detect, intercept, and react to threats.

Orange has also made significant progress in the IoT and applications business segments. In IoT, Orange currently operates more than 12.5 million connected devices, with a steady growth in Asia at nearly 35%. Most of these endpoints cover heavy machinery and vehicles, but there are some in consumer segments such as ehealth as well. With Datavenue, Orange has built a team of over 700 IoT and analytics experts worldwide that it is able to deploy for new customer engagements. Orange has been actively participating in various industry initiatives, such as the Global M2M Association (GMA) and the LoRa Alliance, and has also focused on building its partner ecosystem aimed at fostering collaborations between various players in the IoT value chain.

Orange is also making steady progress in other application areas, such as contact center and UC. In particular, UC as a service (UCaaS) has seen a strong worldwide growth (33% overall growth in 2016), with AP being a significant contributor. Orange is seeing growth across both Cisco and Microsoft ecosystems, with 640,000 worldwide users in total. Orange has focused its energies on offering a cloud solution and is also providing enterprise customers with the flexibility they need. For example, Microsoft and Cisco's Spark currently don't offer PSTN calling in Asia today so Orange is integrating those with its Session Initiation Protocol (SIP) trunking solutions to ensure it can meet customers' requirements.

Strengths

Strong Network Backbone and Connectivity Services

Overall, 2016 has been a strong year for Orange's network services division, growing up to 25%. Orange has continued to invest in its network backbone infrastructure worldwide, including in AP. Orange partnered with Tata Communications in India and China Mobile in China to further its network coverage in two of the fastest-growing markets in the region. It boasts of the largest POP coverage in Asia, claiming over 350 POPs, including its partner networks. Orange offers a high-capacity, low-latency, and resilient network with diverse cable paths connecting the key cities in the region to those in the United States and Europe. It now offers a direct route from Beijing to Europe, via Moscow, to target China-based companies that are expanding rapidly into international markets. With a focus on SND/NFV, Orange also launched Easy Go, its NaaS offering, in 75 countries globally, including AP, where customers can install a vCPE and integrate with best-of-breed VNS from vendors, such as Cisco, Riverbed, Fortinet, and Akamai, for application control, performance management, and application acceleration. Orange has also further consolidated its strengths in the submarine infrastructure space, in which it provides end-to-end services, from initial design and engineering to installation of submarine cables. In fact, Orange is one of the few SPs that can lay and repair submarine cables. Satellite communications continue to be an important segment for Orange, and it has made significant inroads in providing end-to-end services for industries such as shipping, mining and exploration, government foreign ministries, and others.

Depth of Cloud Services a Differentiator

Orange positions itself as its customers' DX partner rather than being perceived as just a connectivity or cloud provider. In AP, Orange offers a suite of cloud and cloud-based solutions, including IaaS (multitenanted, dedicated private, or customized offer), PaaS, storage-as-a-service, contact center–as-a-service, UCaaS, cloud-based fleet management, and telecare/telehealth solutions. The SP has restructured its multiple cloud teams across the globe into one vertical business unit, which makes it easier for Orange to break some internal barriers and leverage on global expertise for regional projects. As part of its cloud portfolio, it offers cloud brokerage and orchestration to third-party cloud services and customized applications, integrating these cloud-based applications on a single dashboard for enterprises. The single dashboard, coupled with its Business VPN Galerie, ensures that it can offer a secure and integrated hybrid cloud via multiple gateways in AP. Orange also offers Flexible Computing Advanced, its IaaS solution that allows enterprises to build virtual datacenters with scalable resources that can be managed through a self-service portal. Orange has been successful in building a cloud business, with a strong focus on MNCs. It generated nearly US$300 million in revenues in 2016, with about 30% YoY growth. Orange has been getting traction with MNC customers in Asia, including Lane Crawford and other premium brands.

Building Up a Lead in IoT Solutions and Vertical Expertise

Orange has been able to build up a significant early mover advantage in offering IoT solutions catering to specific verticals. In Asia, verticals tend to have unique requirements, given the diverse geography and topologies seen across the region. Orange has strong systems integration, customized solutions development, and managed services capabilities in its DNA, which allows it to offer end-to-end customized solutions to its customers. This adds to its M2M/IoT portfolio, in which it has its own platform and IP built around it. Thus, it can act as a one-stop shop for its customers. IoT custom solutions (specific to industry verticals) are essential to Orange's strategy, and its investments and early wins in the energy, automotive, and utilities space are gaining the company traction and credibility over their competition.

Challenges

Orange's Expertise in Network Services Will Be Challenged

As hybrid offerings based on VNS become more prominent, SPs are now offering a variety of such solutions in the market. Orange has one of the most comprehensive network coverage in AP and should work proactively to extend its VNS offering to cover the region as a whole and ensure that it offers a full suite of solutions without regional discrepancies to its enterprise customers. Orange's Easy Go NaaS, launched in November 2016, is a promising step in that direction and opens a lot more opportunities for Orange in the region.

Orange Must Continue to Build Vertical Expertise to Drive Its IoT and Vertical Solutions

As Asian economies continue to grow, and MNCs and Asian corporations expand rapidly, there will be more and more opportunities for Orange. Orange has significant in-house capabilities in its portfolio, from network infrastructure to business services and from solution conceptualization to application development. However, Orange needs to ensure that it not only has an adequate number of staff members across key markets across the region, but also further develop vertical-specific expertise to enhance its value proposition in the competitive IoT landscape.

APPENDIX

Reading an IDC ITMarketScape Graph

This IDC ITMarketScape for next-generation telcos represents IDC's opinion on vendors that are well positioned in today's market based on their current capabilities as well as the ones that are best positioned to gain market share over the next few years. For the purposes of this discussion, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the bubble in the IDC ITMarketScape represents the market share of each individual vendor within the assessed telecom services markets in the region. This market share is derived from an estimation of revenue from international MPLS- and Ethernet-based data services and managed services (excluding support services) from midsized to large enterprises, MNCs, and government segments within AP. The size of the bubbles has been scaled down to better reflect the positioning of each vendor in the chart.

IDC ITMarketScape Methodology

IDC ITMarketScape 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 users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately, vendor positions on the IDC ITMarketScape, 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 capability.

Market Definition

In the telecom services market, telcos are looking beyond just selling "dumb pipes" to enterprises. Network services are becoming more "intelligent" as SPs continue to invest in technologies within their network core to deliver more efficient, scalable, and "smarter" networks to enterprises. Beyond the network layer, telcos are also expanding their managed services portfolio to grow revenue. These can go beyond just managed networks or network-related services such as WAN acceleration, application acceleration, or network-based security services but also into cloud-based solutions, datacenter solutions, enterprisewide outsourcing, and network consultancy and integration services. The more advanced telcos are also moving deeper into the ICT stack, providing professional and consultancy services, enterprise mobility, M2M, IoT, and big data.

In this IDC ITMarketScape, the SPs are assessed on their strategies and capabilities in AP. The evaluation framework is based on a large variety of parameters, such as comprehensiveness of service offerings, datacenter and cloud capabilities, go-to-market strategy, growth strategy, partner ecosystem, and innovation strategy (complete details in the following section). These parameters are evaluated from current capabilities as well as a future strategy point of view.

LEARN MORE

Related Research

- *IDC FutureScape: Worldwide Telecommunications 2017 Predictions — APEJ Implications* (IDC #AP41460617, February 2017)
- *Telco Cloud Adoption in Asia/Pacific* (IDC #AP40897416, December 2016)
- *Asia/Pacific (Excluding Japan) Software-Defined Network/Network Functions Virtualization Trends 2016* (IDC #AP41814116, October 2016)
- *IDC ITMarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2015–2016 Vendor Assessment* (IDC #AP40627415, December 2015)

Synopsis

This IDC study is the seventh yearly assessment of next-generation telecom operators in Asia/Pacific. The primary focus of this study is to assess SPs' capabilities to meet the telecommunication and ICT needs of various customer segments and it leverages the IDC ITMarketScape framework to evaluate 11 leading regional and global telecommunications SPs in Asia/Pacific. The evaluation framework consists of a large variety of parameters such as comprehensiveness of service offerings, datacenter and cloud capabilities, go-to-market strategy, growth strategy, partner ecosystem, and innovation strategy. SPs are evaluated based on their current capabilities and the strategies they set in the next three to five years for the enterprise segment in Asia/Pacific.

"The telco landscape is being reshaped by enterprise transformation to digital platforms. The impact of key 3rd Platform technologies and accelerators, and the enterprise desire to leverage those technologies to differentiate themselves in a crowded marketplace, is clearly visible. In the short term, SD-WAN and enterprise cloud connect will be important, followed by 5G, software-defined networks, and virtual network services (VNS), with a distinct focus on customer experience throughout. Most of the SPs today have responded to these enterprise requirements by expanding into adjacent areas and providing not just the technology, but the business expertise along with it. However, they differentiate themselves based on their focus and key strategic capabilities. It's an interesting era for the telecom sector," according to Nikhil Batra, senior research manager, IDC AP Telecom.

About IDC

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