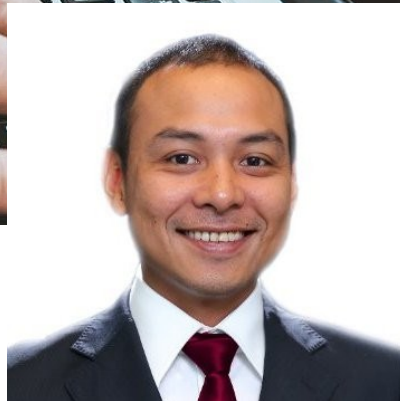




SIOW MENG SOH
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ALFIE AMIR
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The Evolution of Orange Business

From Connectivity to Digital Solutions

Advisory Report

Report Summary:

Orange Business has expanded its capabilities from connectivity to platform, cybersecurity, data analytics, AI, etc. while maintaining a strong presence in Asia-Pacific. It can now pursue a broader range of opportunities across the region.

Summary

Issue

Orange Business recently provided analysts a comprehensive update on its business and strategy in the Asia-Pacific (APAC) region. The company has been more successful than some network carriers in transforming itself to meet customer demand and stay competitive in the enterprise services market. All telcos and network carriers have been through phases of transformation and have redefined their core business. All global/regional network carriers still focus on the digital infrastructure layer, but some are developing platforms to drive automation and flexibility. However, fewer network carriers have successfully evolved their unified communications and collaboration (UC&C) and contact center solutions to keep pace with market demand, and even fewer of them have been able to capture opportunities in areas such as cloud services, business applications, and IoT globally.

Orange Business continues to enhance its infrastructure services through a platform approach. For example, its Evolution Platform delivers on-demand digital infrastructure services with a consumption model through a large ecosystem of technology partners. Moreover, Orange Business is one of the few carriers that have evolved its business to remain competitive, not just in the infrastructure layer. It has evolved its solutions to enable it to compete with system integrators and IT managed services companies for projects that involve cloud and application modernization, IoT-enabled capabilities and customer experience (CX)/employee experience (EX) solutions. Orange Business also remains committed to the APAC region while some carriers have scaled down their presence as they rationalize their businesses. This report discusses the company's enterprise business in the APAC region and its approach to stay competitive.

Key Takeaways

- Orange Business has remained very active in APAC and achieving growth through digital services.
- APAC is very diverse in terms of maturity of digital adoption and vendor preference, but there continue to be growth opportunities especially in ASEAN, China, and India despite the global economic uncertainties.
- Orange Business has made better progress than its peers in evolving legacy communications products into business solutions to address CX, EX, and operational experience (OX) requirements.
- The company is leveraging AI to enhance its solution portfolio to help customers improve employee (including contact center agent) productivity and operational efficiency.
- There are also significant opportunities in the digital infrastructure layer for Orange Business to take market share leveraging its Evolution Platform and cybersecurity capabilities.

Perspective

Current Perspective

APAC Market Momentum and Strategy

Orange Business demonstrated strong momentum in APAC in H1 2024, meeting all financial targets including revenue, free cash flow, margin, and orders. In terms of products, it saw particularly strong revenue growth during the period from Internet of Things (IoT, which grew 72% YoY), cloud (71%), and security (23%, albeit from a smaller base). The company indicated that its digital services in APAC accounted for nearly half of its total revenue, higher than many telcos. This highlights the progress the company has made in transitioning its business from the network infrastructure to digital services. Within APAC, the company structures its go-to-market into six markets/sub-regions - China, Hong Kong, ASEAN, Japan and Korea, India, and Australian and New Zealand (ANZ). In mature markets such as Singapore, Hong Kong, and ANZ, there continue to be opportunities in some areas such as public sector and financial services, and the potential to cross-sell solutions (e.g., cybersecurity) to existing customers. However, there is greater growth potential from other markets:

- **China Inbound and Outbound:** China remains the most important market for the company as it has many inbound and outbound customers. Orange Business has supported customers in the country for many years through partnerships with major telcos in the country (e.g., China Telecom and China Unicom), and uniquely it has also partnered with Alibaba and Huawei to offer cloud services supporting China inbound/outbound. Geopolitical tensions will continue to create challenges for firms as they may face supply chains disruptions, changes in tariffs, sanctions, etc. While this creates uncertainties in terms of their international expansion plans, they will need to engage partners that can enable them to meet regulatory compliance in different markets (e.g., dual technology stacks). Orange Business with its global operations is better positioned to work with China-based enterprises expanding internationally. China has a growing automotive industry including electric vehicles (EVs) - based on China Association of Automobile Manufacturers (CAAM), the country achieved a historic milestone, surpassing 30 million units in both production and sales for the first time. There are opportunities for Orange Business to continue to expand in the Internet-based business sector, as well as the EV sector particularly with its automotive IoT solutions. However, the Chinese economy is slowing down, and it faces deflationary pressures, and subdued consumer confidence. According to GlobalData, the economy is forecast to grow at a slower pace of 4.5% in 2024. The outlook is overshadowed by the ongoing weakness in the real estate sector and consistently subdued domestic demand.
- **ASEAN Beyond Singapore:** In line with its global and regional strategy, Orange Business is expanding its business in ASEAN beyond connectivity. It has a strong focus on financial services and insurance, as well as the transportation within ASEAN. Singapore is an established financial hub and many MNCs have either established their regional headquarters in the country or have a significant presence. This also opens up many opportunities for Orange Business, including local and regional enterprises. The company already has relationships with many accounts through its Singapore office, and it is able to expand these accounts from connectivity to other solutions such as CX/EX solutions, cybersecurity, and IoT. Orange Business also has a presence in Malaysia, providing a range of services to leading banks and expanding its reach there through partners. However, the company has a smaller sales operation in the country and more selective in the accounts it targets. It has not established presence in other ASEAN markets yet. Countries such as Indonesia, the Philippines, and Thailand are primed for digital adoption and have attracted various global players. There is now greater focus on developing digital talent and hyperscalers are pouring investments into these countries to develop infrastructure, services, and partner ecosystems.

- **Japan and Korea Entry:** For many providers, these markets tend to have higher barriers for entry. Orange Business has most traction in electronics and automotive sectors in these markets. The company has also achieved growth of its IoT solutions in these markets, driven by connected cars and devices; and Japanese and Korean manufacturers are key exporters of these products. These two markets are also difficult to penetrate due to the cultural and language barriers. Orange Business works closely with local partners (e.g., KDDI in Japan) to drive market penetration and scale. However, there are limitations without a strong local presence and Orange Business is more likely to face competition from system integrators, particularly those locally-based (e.g., Fujitsu, Hitachi, NEC, NTT DATA, and Samsung SDS).
- **Tapping into India's Domestic Base:** India is a dynamic growth market. Orange Business, like many technology companies have set up large-scale operations in the country tapping into the human capital. Orange Business has effectively utilized India as a service delivery hub and for supporting inbound businesses. There is now a growing focus on expanding direct business within the local market. Although the market is price-sensitive and highly competitive, with many well-established providers, Orange Business has developed business with state government organizations, transforming their services and operations through digital solutions. It also claims to have success in large enterprises.

Many network carriers have reduced their presence in APAC but Orange Business has maintained its business and continues to look for growth in the region. The company is not just supporting inbound customers, but it has progressively increased its A-end customer base, in some cases serving large enterprises within one market. Most global carriers will go after only MNCs with requirements in multiple markets. As Orange Business scales its business in non-connectivity areas, particularly in cloud services, it will need to boost its human resources to work with customers on the ground to deliver professional services. While the company has been expanding its talent pool organically, competing system integrators have been scaling up through acquisitions.

Solutions Focusing on Experience

Notably, Orange Business has evolved its solutions to align them with changing business requirements. While the company continues to sell contact center, collaboration and IoT, these are now part of its CX, EX, and OX sales value propositions. This is not a branding exercise but expanding the scope to beyond reselling vendor technologies with voice solutions. This also enables Orange Business to address the increasing demand for outcome-based solutions and enhance its propositions aligned with enterprise business needs. For EX, the focus is now on six outcomes including employee productivity, cost control, employee satisfaction, environmental impact, digital inclusion, and talent attraction. There is also now focus on leveraging data and AI to deliver these outcomes.

Leveraging Microsoft Copilot, Zoom AI Companion, Webex AI Assistant and Kore.ai, Orange Business is helping employees to be more productive, improve quality of experience, and ensure security protection for remote/nomadic workers. Within CX, Orange Business is helping to better orchestrate customer interaction through AI-enabled omni-channel customer engagement; structure digital presence leveraging real-time data, GenAI, data governance, and cybersecurity; and identify the optimal moments for human interventions by gauging emotions. The company is also developing GenAI use cases including gauging customer emotions to route calls to human agents, Agent Assist to help agents resolve customer issues quicker, and helping managers with rostering.

Orange Business has very strong global IoT capabilities (for more, please see [Global Industrial IoT Services: Competitive Landscape Assessment](#), December 20, 2023). It leverages its global network presence and digital infrastructure to provide managed global IoT connectivity in over 200 countries through 500 roaming agreements. It also supports emerging features such as eSIM, centralized management and APIs. The solution is available across multiple industries but Orange Business focuses on key verticals such as automotive, manufacturing, and healthcare in APAC.

Apart from IoT connectivity services, Orange Business goes a step further with its OX to provide managed industrial solutions as part of its OX portfolio. By combining its global network, cloud, cybersecurity, and analytics capabilities as well as industrial expertise and professional services, it is able to provide more complete solutions, while most competitors still focus on IoT connectivity. Orange Business has developed various use cases for its smart industrial solutions such as augmented worker, condition monitoring, fleet management, asset management, and quality control. It is positioned to address IT-OT convergence and enterprise operational challenges such as efficiency, productivity, worker safety, and ESG. In the IoT market, network footprint, connectivity management and cybersecurity capabilities are often similar across providers. However, Orange Business differentiates with its wide partner ecosystem across the stacks including device manufacturers and industry players, as well as its integration capabilities. This enables the provider to address the complex integration and interworking issues in enterprise IoT deployments and achieve the desired business outcomes. Besides, Orange Business also leverages its analytics and AI capabilities to develop data-driven use cases such as predictive maintenance, image analysis and virtual assistant.

Orange Business has shown solid momentum in OX business in APAC and highlighted customers across verticals including major EV makers and transportation companies. All these capabilities provide Orange Business strategic advantages when competing against carriers and system integrators for industrial solutions. [GlobalData IT Market Forecast](#) shows that the IoT market in APAC is expected to double within the next five years from \$240 billion in 2023 to \$494 billion in 2028. Enterprises will continue to digitalize their operations and expand their IoT deployments. Enterprises are also increasingly considering end-to-end solutions to address the increasing complexities (e.g., across IT and OT), but in-house and DIY deployments will remain important due to regulations and technical limitations. Orange Business' OX portfolio (managed IoT connectivity and smart industrial solutions) provides the company flexibility to address the diverse market needs in the region. Orange Business has a number of plays in OT security, industrial LAN, and cloud, edge and private cellular. The manufacturing sector is an important play in APAC, especially the markets where it hopes to increase local presence.

Winning in Digital Infrastructure with Evolution Platform and Cybersecurity

Network carriers' connectivity services have been under pressure from different fronts including technologies (e.g., SD-WAN), and competitors (e.g., hyperscalers and system integrators). However, connectivity is a key component of the digital infrastructure connecting clouds, applications, data, and AI models. The IT workloads are increasingly becoming more distributed with different connectivity requirements. Carriers now have the opportunity to layer on top of the global networks with a platform to automate and simplify the consumption and provisioning of network services. Orange Business' Evolution Platform is an example that offers network services through flexible, cloud-like consumption model, and allowing for programmability.

By integrating with the network underlay, Orange Business is able to deliver better performance (e.g., latency of 5ms between its SuperPoP and hyperscalers) and cost-effectiveness. Evolution Platform is also more complete than most competing platforms as it covers a range of services including cloud connectivity, secure service edge, virtual network function-as-a-service, a range of access technologies, ESG reporting, and more. The company also offers a range of service management options from do-it-yourself (DIY) to fully managed services. It is in final stages of engagements with many customers for pilots and production deployment. However, it will enhance Orange Business' messaging by showcasing new logos that are attracted to the platform as a new way to connect their distributed workloads. There are opportunities for the company to position Evolution Platform as a key differentiator against other network services providers, especially the system integrators that are focusing on offering SD-WAN overlays and solutions based on the SASE framework.

Another key issue for enterprises going digital has been cybersecurity, which is now one of the top priorities for many enterprise customers. Orange Cyberdefense has developed strong global capabilities partly through acquisitions (e.g., Secure Link, Secure Data, SCRT and Telsys), and it has established 15 CyberSOCs globally, including one in China and one in India. The company is also focusing on OT security which will also help to drive IoT engagements. While there are opportunities especially in cross-selling to existing accounts, Orange Business will see greater competition from global system integrators to network carriers (e.g., BT and Verizon continue to see cybersecurity as core their core business) that have global capabilities, and in-house teams for research and threat intelligence.

Recommended Actions

Vendor Actions

- Manufacturing and energy/resources (e.g., mining and oil and gas) are major sectors in APAC with high growth opportunities driven by digital transformation. While Orange Business shared various references in BFSI and transportation, it should consider developing vertical capabilities in manufacturing and energy/resources, leveraging its digital infrastructure, OX portfolio and wide partner ecosystem. Orange Business' OX is also well positioned to address the IT-OT challenges faced by these verticals. The company has 1,000 global consultants that can support projects in the region with Industry 4.0.

- Orange Business should consider strengthening its presence in Malaysia and accelerating its expansion plans in ASEAN especially in countries such as Indonesia, Thailand, and the Philippines. The digital maturity is still low but there is a growing ICT opportunity driven by rapid technological adoption. Hyperscalers are building a presence outside Singapore including Malaysia, the Philippines, and Thailand. This will drive demand and address issues around data residency and compliance; potentially enabling local MNCs in leveraging cloud services outside their home country. This development has also attracted various global players to expand into these countries to capture early opportunities.
- Orange Business' Evolution Platform is currently one of the few platforms with a broad range of capabilities to connect and secure workloads in different environments. It should capture first-mover advantage, while other carriers develop similar platforms. Orange Business should market the platform more aggressively to capture market attention. It should highlight how the platform is meeting the needs of enterprises in connecting hybrid, multi-cloud workloads, as well as the growing connectivity requirements for AI solutions. Orange Business should use the platform to open doors to new accounts, and gradually increase wallet share through cross-selling.
- BT can counter Orange Business' Evolution Platform with its Global Fabric, which also offers a range of capabilities including access to 700 data centers globally, direct connectivity into over 70% of hyperscalers PoPs (AWS, Azure, and Google Cloud), built-in DDoS protection, and sustainability-related features. However, besides the platform and its cybersecurity services, the company does not appear to have ambitions to capture opportunities in other areas. As a communications and platform business, BT should also consider developing a CPaaS platform to enable it to compete for digital workplace and contact center solutions.
- NTT DATA can potentially pose the greatest threat to Orange Business, since the combination of former NTT Communications, Dimension Data, and NTT DATA give the company capabilities spanning network and communications, system integration and business application services. NTT DATA needs to communicate more effectively the progress of the integration, its business focus and go-to-market strategy. This is to counter competitors highlighting that NTT DATA's integration process can cause uncertainties and disruption to its services.

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