

IDC MarketScape

IDC MarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2018 Vendor Assessment

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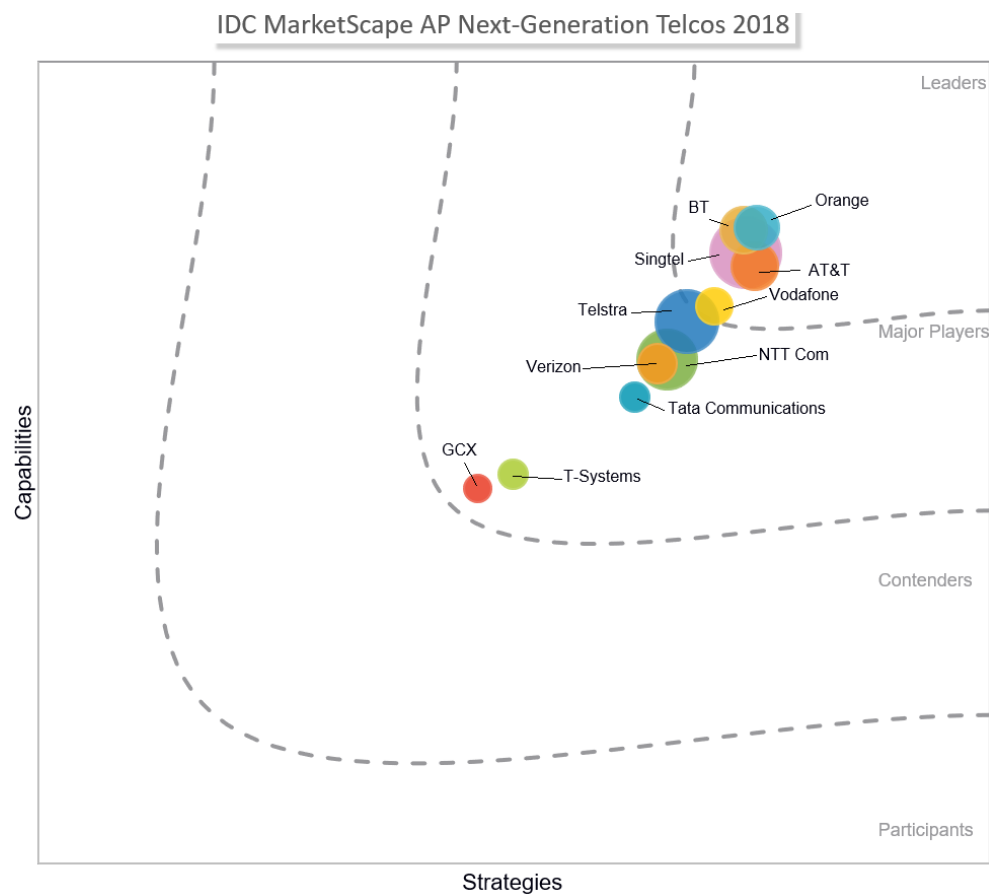
Hugh Ujhazy

THIS IDC MARKETSCAPE EXCERPT FEATURES: ORANGE BUSINESS SERVICES

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2018



Source: IDC, 2018

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

IN THIS EXCERPT

The content for this excerpt was taken directly from *IDC MarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2018 Vendor Assessment* (IDC #AP43860618, May 2018). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Buyer Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This study leverages the IDC MarketScape 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, and large base of midsize and large-sized enterprises, multinational corporations (MNCs), and government clients across AP. 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.

There are several key differentiators among the telecommunications firms assessed that IDC noted for success in this market and of which buyers should be aware.

A Comprehensive Portfolio of Software-Defined Networking and Virtual Network Services

As traditional network offerings become table stakes, Communication SPs are increasingly using software-defined networking (SDN) to differentiate themselves. The benefits of SDN in the datacenter are well known; however, the expansion of SDN into disparate and often chaotic access networks has also become prevalent now. Communication SPs have curated a wide portfolio of services, including on-demand bandwidth offerings, SD-WAN, SD-LAN, and virtual network services, such as vRouter, vFirewall, and vWAN Optimization. SD-WAN is fast becoming an integral part of enterprise network strategy with almost 65% of organizations in AP having already deployed or planning to deploy an SD-WAN solution in the next 18 months. This is not a threat, but a complimentary offering to the traditional fixed data business and carriers that align their connectivity portfolios to accelerate SD-WAN adoption by providing hybrid connectivity options should be of great interest to the enterprise.

Networks Are a Strategic Asset

Carriers are promoting the construction of the "network of the future." However, the technology is not an end in itself. Organizations around the globe need a faster, flexible, and agile network to support their digital transformation (DX) initiatives. Hence, buyers are looking for carriers that understand, from an applications standpoint, the composition of the network and its workloads, to provide a superior experience to their respective organizations and end customers. Going forward, the network itself is evolving into an intelligent platform. This gives it the ability to deliver advanced services as the market shifts from premises-based appliances to cloud environments. Enterprise CFOs and chief marketing officer (CMOs) are seeking carriers that can provide them critical insights by leveraging a new class of intelligence obtained from understanding what's happening within their networks. This network analytics and intelligence supports the evolution of the network operator from three major dimensions:

- **Customer experience.** Provide an enhanced digital experience to end users by understanding the granular details of how they are utilizing the networks.
- **Financial.** Drive wiser investment decisions to enhance the network based on exactly what and where is being demanded from it.
- **Marketing.** Create new revenue streams through internal (personalized and targeted offerings) and external monetization of data.

A Strategic Business Partner

As organizations embark on their DX journeys, they need partners that understand the business and help achieve business objectives through adoption of 3rd Platform technologies. These technologies, such as cloud, SD-WAN, mobility, and internet of things (IoT), have strong momentum behind them and impact the enterprise operational environment in multiple dimensions. Complexity of the technology landscape means that the need for strategic guidance for enterprises has never been more important. Buyers are searching for carriers that can act as a trusted advisor on their business transformation journey.

A Well-Rounded Managed Security Services Portfolio

Attacks are quickly growing in frequency and sophistication, but the talent pool of experts is not keeping up with these evolving changes. As the threat landscape evolves along with new business processes, there will be a need to acquire specialized security professionals. The ability to combine business and IT security skills is growing too slowly to meet the demand for enterprises globally.

As the landscape changes, along with DX, more companies are competing for skilled and specialized security professionals. Because of the scarcity of talent in the marketplace, the skills gap will be a larger problem in the future. Companies are already strategizing on how to grow in-house talent and looking to third-party outsourcing companies, such as telecom providers, to help provide the experts they need. Almost all the communication SPs 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. Successful communication SPs will plan ahead, will have identified new technologies and the skills labor shortages, and are prepared to work with partners to develop a well-rounded portfolio.

IDC MARKETSCAPE 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 the AP region for the enterprise segment. IDC defines the enterprise segment to include the midsize and large-sized enterprises, multinational corporations (MNCs), and government clients that have regional or international ICT requirements. Vendors are evaluated based on their current capabilities and strategies in the next three to five years for this customer segment in AP region. Capabilities and 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 MarketScape study, SPs must have network services, multiprotocol label switching (MPLS)–based, and/or Ethernet-based international services for the 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 Group Enterprise

ESSENTIAL BUYER GUIDANCE

Communication SPs operating in AP are seeking to become the ICT partner of choice for enterprises that are seeking rapid growth regionally and in their respective countries. These enterprises are embracing the 3rd Platform and initiating complex efforts for the DX of their businesses, and to this end, communication SPs are helping them achieve their goals with a portfolio of solutions and products that include SDN, hybrid cloud deployments, and managed services.

Communication SPs are attempting to go digital themselves as they transform their networks to incorporate software-defined and virtualization paradigms, investing heavily in analytics, automation, and other emerging technologies that will transform not just their network architectures but, ultimately, their business.

As the networking environment continues to evolve driven by DX and more and more businesses implement new technologies, IDC believes that the enterprises should take note of:

- **Network transformation to accelerate your DX journey.** The adoption of 3rd Platform technologies is putting a lot of strain on legacy ICT infrastructure, including networks. Cloud computing is a key pillar of the enterprise's drive toward DX. As enterprise applications move to the cloud, the WAN needs to evolve to support the new application paradigm. Enterprises worldwide are embracing hybrid and multicloud IT strategies, including the adoption of software-as-a-service (SaaS) and platform/infrastructure-as-a-service (PaaS/IaaS) offerings as a way of gaining business agility and creating operational efficiencies. Evaluate software-defined technologies, such as SD-WAN, to support your DX journey. SD-WAN is a solution that came about in response to this need and holds the promise of aligning the WAN with the application networking requirements of a digitally transformed enterprise. It also holds the promise of integrating cheaper broadband with private line-based connectivity to deliver more value out of your network investments over time. However, while evaluating technology

vendors and SPs, enterprises should evaluate the provider's capability and road map to deliver the long-term strategy of not just SD-WAN but also virtual network services.

- **Co-creation of SLAs based on business objectives.** As organizations continue to move further on their cloud journey, their expectations from 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 and more about the performance of the migrated workload, ensuring that the application can be accessed with certain degree of latency and reliability. Moreover, the cloud conversation has changed from "whether or not cloud" to "how many clouds," and enterprises are looking for solutions that provide an optimal performance of their workloads irrespective of where they are hosted. Organizations should look to partner with SPs that can define network performance in terms of business objectives and provide SLAs, such as application performance, and even link them back to the enterprise business objectives.
- **The growing importance of security.** Cyberthreats are increasing exponentially and enterprises are hard-pressed to meet the threat protection on their own. They will need to adopt best-of-breed technologies while depending on their communication SPs that have a comprehensive view of threats emanating over the network.
- **One size does not fit all.** Enterprises need to be aware that even the best-positioned telcos may not necessarily meet all their ICT needs and requirements. Hence, evaluate the providers' capabilities based on specific business requirements to select the preferred partners.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. 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 Business Services

Orange Business Services is positioned in the Leaders category in this year's Asia/Pacific Communication SP IDC MarketScape.

Orange continues to further develop its positioning as a DX partner to enterprise customers while transforming itself internally. Orange has executed well on this ambitious strategy to leverage 3rd Platform technologies in its day-to-day operations, a journey that the carrier kick-started in early 2017. Moving from a technology-led approach to a customer-experience based strategy has worked well for the SP in the last 12–18 months in the region by allowing it to broaden its conversations with its existing and prospective customers. This customer-led approach is also the driving force behind its five-point overarching "Essentials 2020" vision and strategy, in which the SP realigned its product portfolio along three strategic pillars:

- Digital Inside leverages technology to improve internal communications and collaboration, mobilizing business processes, and increasing productivity. This includes Orange Business Services' offerings, such as enterprise mobility and UC&C portfolio.
- Digital Outside acts as a strategic partner for its customers, enabling them to build new revenue streams and new relationships with its respective customers by utilizing technologies, such as big data analytics, IoT, and digital customer experience.
- Digital Enabler creates the foundation for its customers to deliver a superior digital experience through high-speed, low-latency, software-defined networks along with a robust cloud

infrastructure. Orange Business Services' Easy Go network-as-a-service (NaaS) offering for small and medium-sized businesses small-sized customers and its uCPE offering with security, router, and WAN optimization VNFs are some similar examples.

Orange prides itself on having a superior and resilient network, demonstrated by its continuing investment in its network backbone infrastructure worldwide, including the AP region. Its connectivity business continues to outperform industry averages, with over 50 new logos acquired in the last 12–18 months. A lot of these wins came from developing economies, such as India and China. Orange has also partnered with Tata Communications in India and tier-1 telcos in China to further enhance its network coverage in two of the fastest growing markets in the region. The carrier boasts one of the largest POP coverage maps in Asia, claiming over 350 POPs, including its partner networks. The network 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 also reported an increased demand in capacity for its connectivity offerings from other emerging economies, such as Vietnam, Thailand, and Indonesia, and as a result, investments in these countries have been high. 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 able to lay and repair these submarine cables.

With a focus on SDN/NFV, Orange further evolved its Easy Go portfolio, offering NaaS in 75 countries globally, including AP, where customers can install a uCPE and integrate with best-of-breed virtual network solutions from vendors, such as Cisco, Riverbed, Fortinet, and Akamai, for application control, performance management, and application acceleration. Today, Orange offers Cisco- (Viptela), Riverbed-, and Ipanema-based managed SD-WAN solutions.

Orange has recognized security as a "critical commodity" and a key digital enabler for today's enterprises. Hence, it continues to focus on building basic security elements into the network fabric itself. In 2017, it established a new dedicated business unit focused on security (Orange Cyberdefense) and integrated capabilities from its earlier acquisitions of Atheos (2014) and Lexsi (2016) to the broader product portfolio. Security offerings are segmented in five key areas based on enterprise objectives:

- Identify — consulting, audit, and compliance capabilities supported by penetration testing
- Protect — a comprehensive suite MSS for network, applications, mobile, identity and access management, and email
- Detect — security incident and event management, anti-DDoS, and universal serial bus (USB) "decontamination"
- Respond — digital forensics and incident response
- Anticipate — a combination of cybersurveillance, threat intelligence, hack, and fraud prevention

Orange Business Services' product and services portfolio is well supported by its network of eight SOCs worldwide, complemented by cyberSOCs (one in India and two in France). It brings together Orange Business Services' expertise in its data scientists and security technologies. Although the SOCs are designed to offer 24 x 7 monitoring services to detect, intercept, and react to threats, the CyberSOCs are staffed with security professionals and data scientists specializing in advanced threat protection (ATP). As the carrier continues to invest further in AI and analytics capabilities, it aims to build the Cyberdefense unit into a significant growth engine for the company in the region by 2020.

Orange Business Services' UC&C portfolio continues to perform well. The carrier reported about 30% YoY revenue growth for its collaboration portfolio (excluding contact center), with the AP region as a significant contributor. Orange Business Services' revamped positioning of "business together," projecting itself as a workplace transformation partner for its enterprise customers, has resulted in increased engagements and a healthy pipeline of its cloud and premise-based collaboration solutions heading into the next 12 months.

Strengths

Wide Cloud Portfolio to Power Enterprise DX Journey

With a strong fundamental network underlay and the heritage of an IT services company at its core, Orange Business Services' cloud portfolio continues to act as a key differentiator for the carrier in the region.

It's positioning as a flexible IT partner for enterprises to help them achieve a completely flexible application-ready environment to build, deploy, and manage their enterprise applications. This is resonating well with its customers. Its "flexible engine" offering is essentially an application programming interface (API)-driven and secure cloud platform, offering compute, storage, and network resources on a pay-as-you-go commercial model to the enterprise customers. This is powered by its comprehensive 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. As part of its cloud portfolio, it also offers cloud brokerage and orchestration to third-party public cloud services and customized applications, integrating these cloud-based applications on a single dashboard for enterprises for easy management.

Orange also offers Flexible Computing Advanced, its IaaS solution that allows enterprises to build virtual datacenters with scalable resources and can be managed through a self-service portal.

In addition to its platform capabilities, the SP provides a wide variety of professional and ICT services to enterprises on their cloud journey. In 2017, Orange restructured its multiple regional cloud teams into one vertical business unit worldwide, which has made it easier for the carrier to break down silos and tap into global expertise for regional projects. With a strong focus on MNCs, a healthy double-digit growth of its overall cloud business over the past year (worldwide), and increased investments and partnerships in further developing its cloud ecosystem, the carrier is better placed than some of its peers are to continue on its growth path in the region.

Vertical Expertise and Use Case Approach for IoT Solutions

Although some of the SPs have been solely focused on building low-power WANs, such as Sigfox, LoRa, and NB-IoT, Orange has been able to build an early-mover advantage in offering IoT solutions catering to specific verticals, including transport, Smart Cities, manufacturing, and healthcare. Through active participation in various industry initiatives, such as the Global M2M Association (GMA), the LoRa Alliance, and TM Forum, and a focus on building its local and regional partner ecosystem, the carrier currently operates over 15 million connections (over 30% YoY growth) worldwide, with most of these spanning across the manufacturing and automotive (and transport) segment. The carrier also boasts of customers such as a major domestic transport sector company in Singapore and a leading automotive manufacturer in the region. In addition, the carrier has continued to invest in growing Datavenue and its IoT and analytics solution suite, with a team of over 700 IoT and analytics experts (worldwide) working with Orange's enterprise customers to help them get the maximum value out of

their IoT investments. With a strong suite of custom solutions (vertical-specific) and integration services, Orange is gaining strong momentum in the automotive, transportation, utilities, Smart Cities, and manufacturing space in the region and is well placed to further grow its IoT business over the next 12–18 months.

Challenges

Software-Defined Offerings Neutralize Orange Business Services' Network Advantage

Regional and global network assets have always been a key differentiator and Orange Business Services' strong suite. However, as software-defined offerings level the playing field and hybrid offerings based on virtual network services become more prominent, the carrier faces a stiff challenge in maintaining its network advantage. Other communication SPs are now offering a comprehensive portfolio of software-defined and virtual network solutions in the region to challenge Orange Business Services' legacy. Having said that, Orange has done well to build a software-defined portfolio, including on-demand bandwidth, SD-WAN solutions in partnership with Cisco (Viptela) and Riverbed, and virtual network services, along with its Easy Go network as a services offering for smaller branch offices. It also has a promising road map ahead to add more virtual network services to its portfolio. However, the carrier will need to continue to evolve its offerings at a rapid pace to maintain its network advantage.

Focus on the AP Region Needs to Be Clarified

Even though AP is one of the strongest performers for Orange worldwide, it is sometimes missing from key announcements at the larger corporate level, such as the Essentials 2020 and some other recent discussions. Although the carrier shared its plans to invest further in the Middle East and Africa, in its latest annual presentations, any reference to the AP market was surprisingly missing. However, we do see that the carrier is quite active in the region and will need to ensure that it continues to have a strategic focus on the region to offer a full suite of solutions without regional discrepancies to its enterprise customers.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, 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, here and now. 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 individual vendor markers in the IDC MarketScape represent the market share of each individual vendor within the specific market segment being assessed. This market share is derived from an estimation of revenue from enterprise services, including (but limited to) fixed voice and data,

cloud, IoT, UC&C, and managed services (excluding support services) from midsize 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 MarketScape Methodology

IDC MarketScape 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 IDC experts in each market. IDC analysts base individual vendor scores, and, ultimately, vendor positions on the IDC MarketScape, 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 today's agile world, carriers are promoting software-defined networks to help their enterprise customers stay competitive in the market. Organizations around the globe are looking for a faster, flexible, and agile network to support their DX initiatives. 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. However, realizing that most of the value lies beyond the network layer, telcos continue to expand their capabilities, moving deeper into the ICT stack, providing a comprehensive portfolio of cloud, M2M, IoT, enterprise mobility, SDN, professional, and managed services.

In this IDC MarketScape, the SPs are assessed on their strategies and capabilities in the AP region. 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 and a future strategy point of view.

LEARN MORE

Related Research

- *IDC Asia/Pacific Networks and Communications Survey 2017-18: Network Transformation High on Enterprise Agenda* (IDC #AP43623218, March 2018)
- *IDC FutureScape: Worldwide Telecommunications 2018 Predictions – APEJ Implications* (IDC #AP43473418, January 2018)
- *Telecom Providers in Asia/Pacific – Protecting the Cloud Niche* (IDC #AP43031917, September 2017)
- *Surviving SD-WAN – Implications and Strategy for Carriers* (IDC #AP42893617, July 2017)
- *IDC MarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2016-2017 Vendor Assessment* (IDC #AP42353917, March 2017)

Synopsis

This IDC study is the eighth 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. It leverages the IDC MarketScape 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 have set in the next three to five years for the enterprise segment in the Asia/Pacific region.

"Communication SPs operating in Asia/Pacific are seeking to become the ICT partner of choice for enterprises that are seeking rapid growth, in their respective countries and regionally. These enterprises are embracing the 3rd Platform and initiating complex efforts for the digital transformation of their businesses, and to this end, Communication SPs are helping them achieve their goals with a portfolio of solutions and products that include software-defined networking, hybrid cloud deployments, and managed services. Communication SPs are attempting to go digital themselves as they transform their networks to incorporate software-defined and virtualization paradigms, investing heavily in analytics, automation, and other emerging technologies that will transform not just their network architectures but, ultimately, their business," says Nikhil Batra, senior research manager, IDC Asia/Pacific Telecom Practice.

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