IDC MarketScape

IDC MarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2020 Vendor Assessment

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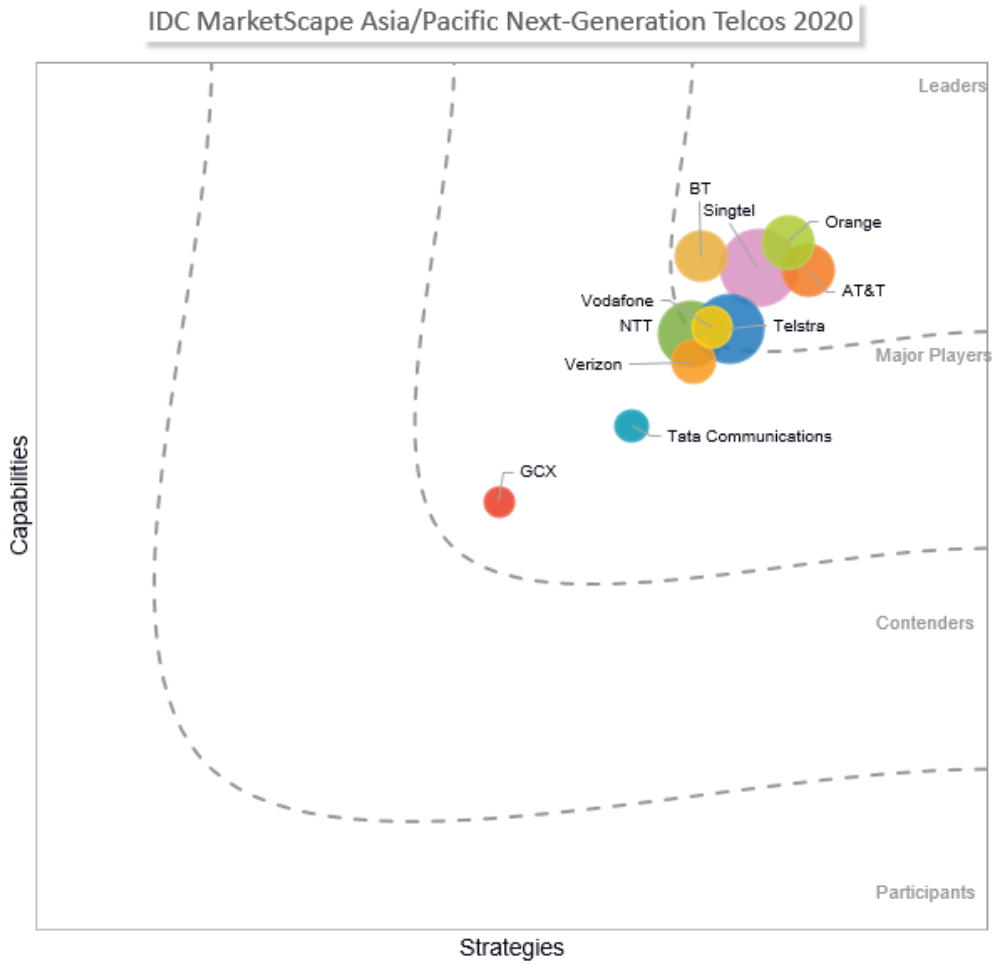
THIS MARKETSCAPE EXCERPT FEATURES: Orange Business Services

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape: Asia/Pacific Next-Generation Telcos: Telecom Services 2020



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

Source: IDC, 2020

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IDC OPINION

This study leverages the IDC MarketScape framework to evaluate the leading regional and global telecommunications service providers (SPs) in Asia/Pacific (AP). The primary focus of this study is to assess telecommunications SPs' capabilities to meet the telecommunication and ICT needs of various customer segments. IDC identified the top 10 providers by scale and scope of operations in terms of strong regional network presence, suite of managed services offerings in the region, and a 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 (GTM) strategy, growth strategy, partner ecosystem, and innovation strategy.

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

- **A wide portfolio of enterprise connectivity options with a software-defined overlay.** IDC predicts that by 2024, 60% of companies in AP will leverage all four connectivity types (fixed, cellular, low-power wide area networks [LPWAN], and Wi-Fi) throughout their daily functions, with cellular and LPWAN seeing the greatest increase in adoption. The growth of distributed WAN and hybrid multicloud networks has been a major theme in recent years and will have a profound impact on network configuration for enterprises. The growth of Internet of Things (IoT) networks and the rise of 5G will also have profound implications going forward. Software-defined WAN (SD-WAN) and edge computing are key drivers for hybrid WAN connectivity. As fiber-based broadband networks proliferate, SD-WAN becomes more popular. 5G will further drive SD-WAN by connecting remote and dispersed sites. Edge computing will bring applications closer to these sites and will allow access to cloud-based applications. IoT connectivity has been a highly competitive space, with the licensed technologies, such as narrowband IoT (NB-IoT) and category-M (CAT-M) solutions, jostling with unlicensed technologies, such as long range (LoRa) and Sigfox. However, as enterprises deploy more assets in remote and dispersed areas, they will continue to connect these assets with the best available, low-power solutions.
- **Development of edge computing platforms for next-generation applications.** The confluence of emerging technology trends, such as cloud, IoT, mobility, and analytics, is driving the rise of edge computing as the next frontier for capturing and analyzing enterprise data. New applications are being served from edge cloud locations, and the increasing adoption of software-defined networking (SDN) is pushing services from discrete appliances to edge cloud locations. The deployment of 5G will add even more capabilities to the edge cloud and boost investments that will shift more services to the edge and will create a marketplace for virtualized services. For applications that need quality of service (QoS) with guaranteed service-level agreements (SLAs) and low latency, 5G will be crucial in combination with the shift to the edge cloud in multiple locations. Developing edge capability needs to be a strategic priority for communication SPs if they are to realize their objectives of becoming true digital SPs and move further away from the "dumb pipe" scenario. Too much ground has already been lost to cloud SPs, such as Amazon Web Services (AWS) and Microsoft. The edge infrastructure will be crucial for communications SPs to support a variety of network access types and generate new revenue streams.
- **Thinking of cloud and networks as one.** Communications SPs lost the battle with hyperscale cloud providers, such as AWS, Microsoft Azure, and Google Cloud platform. Despite significant investments, they were not able to keep pace either with the ability of cloud providers to build out their networks at a large scale and across borders and geographic

regions. Although the communications SPs' community has moved away from the early ambitions to become hyperscale cloud providers, they, after a few years of experimentation, have begun to find their feet with regard to potential services that they can offer to the enterprise customer base. The multicloud and hybrid cloud landscape is quite hard and complex to manage for today's enterprise. Although cloud interconnect offerings have become table-stakes now, communications SPs are differentiating themselves further by providing cloud management and orchestration platforms, which not only provide a single-pane-of-glass view of all the cloud resources, but also weave in the network resources, along with online marketplaces, to subscribe for new virtual network services on the go. Rather, the new positioning is not only because of losing the hyperscale battle, but also because of networks and cloud becoming more and more intertwined for enterprises on their respective journeys.

- **Leveraging a new class of network intelligence.** Over the past few years, artificial intelligence/machine learning (AI/ML) has gradually been adopted by communications SPs to enhance network operations by leveraging network traffic and end-user data to refine the efficiency of network operations. On the customer-facing side, AI/ML has been used to augment customer experience (CX) and provide tools for process and sales process automation to recommend services to end users. AI/ML or machine intelligence facilitates the development of predictive and prescriptive applications that offer predictions and recommendations and automates routine functions based on predefined algorithms that also evolve with ML capabilities. It is seen that communications SPs' AI/ML have implemented intelligence in intent-based networking, security intelligence automation and network forensics, customer experience automation, and sales process automations. Carriers that implement and leverage this new class of intelligence and automation will be able to reduce churn, operational costs, and significantly improve customer experience.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

For the purpose of this study, IDC defines the "next-generation telcos" as international IP VPN, international Ethernet services, and a suite of managed services that 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 next three to five-year strategies they set for this customer segment in the AP region. 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 MarketScape 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 10 global and regional telecom SPs that operate in the AP region:

- AT&T
- BT Global
- Global Cloud Xchange

- NTT
- Orange Business Services
- Singtel
- Tata Communications
- Telstra
- Verizon
- Vodafone Business.

ADVICE FOR TECHNOLOGY BUYERS

Communications 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 are initiating complex efforts for the digital transformation (DX) of their businesses, and, to this end, communications SPs are helping them achieve their goals with a portfolio of solutions and products that include SDN, hybrid cloud deployments, and managed services.

Communications 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, driven by DX, continues to evolve and as more and more businesses implement new technologies, IDC believes that the enterprises should take a note of the following:

- **Management of a multi-WAN, multicloud ICT environment.** As organizations grapple with the complexity of a multicloud, multi-access network architecture, they should look toward their communications SPs to help them on their network transformation journey. IT and network departments struggle to manage the increasing complexity of not only the overall network, but also the connectivity mix. Some of the configurations have added complexity because of the emergence of private networks, with traffic even going through a mix of public-private networks depending on the use case. Orchestration is increasingly becoming challenging, especially because the enterprise IT departments usually do not have the requisite skills or resources in-house. Moreover, IT departments will also have to balance the sometimes conflicting need to use multiple vendors to lower dependence with the fact that multiple vendors add complexity. Enterprise should engage communications SPs to better understand their deployment plans, particularly in those coverage areas that map to assets that are deployed at the enterprise's campuses, factories, and other facilities, especially those in remote and dispersed areas. Organizations should also consider an outsourced and managed option for specific portions of the network and/or specific regions to see if it can be more cost-effective and efficient than managing through in-house teams.
- **Network transformation to accelerate the DX journey.** The adoption of 3rd Platform technologies is putting a lot of strain on legacy ICT infrastructure, including the 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 that include adoption of software as a service (SaaS) and platform as a service (PaaS)/infrastructure as a service (IaaS) offerings as a means of gaining business agility and creating operational efficiencies. Evaluating software-defined technologies, such as SD-WAN, will support the DX journey. SD-

WAN is a solution that rises 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 network investments over time. However, while evaluating technology vendors and communications 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 service-level agreements based on business objectives.** As organizations continue to move further on their cloud journey, their expectations from SPs are also evolving. SLAs for enterprises, who 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. Moreover, the cloud conversation has changed from "whether or not cloud" to "how many clouds," and enterprises are looking for solutions that provide optimal performance of their workloads, irrespective of where it is hosted. Organizations should look to partner with communications SPs who can define network performance in terms of business objectives, and provide SLAs, such as application performance, and even link it back to the enterprise business objectives.
- **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, buyers must evaluate the providers' capabilities based on specific business requirements to select the preferred partners.
- **Evaluating requirements and testing communications SPs' experience for embedded security offerings.** Evaluate and define the organization's IT infrastructure, systems, and all assets, with a view to identify which parts are highly at risk and what the risk profile may be. Subsequently, have the communications SP's managed security provider demonstrate its security expertise in a variety of organizations and determine whether the managed security SP can deliver the necessary business outcomes specific to your organization.
- **Embrace mobility.** At the start of 2020, IDC predicted that by 2022, 75% of enterprise frontline workers will be enabled with mobile devices, apps, and connectivity services as part of a prioritized effort to increase the efficiency of task-oriented workflows. It is expected to be over 85% now as the COVID-19 pandemic takes its full toll on the way people work.

VENDOR SUMMARY PROFILE

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. The description here provides a summary of the vendor's strengths and opportunities.

Orange Business Services

Orange Business Services (Orange) is positioned as a Leader in this year's IDC MarketScape study.

Orange's vision of becoming a "network-native digital services company" and orchestrating the digital value chain to enable enterprise value creation by focusing on the enterprise data journey, rightly encapsulates its strategic pivot from having a network-centric to a data-led approach to create business value for its enterprise customers. The data-led strategy had a positive impact on the performance of the global enterprise division that contributes about 20% to the group's overall revenues. The revenue for the enterprise business unit (BU) for 2019 was EUR7.8 billion in 2019, representing a year over year (YoY) growth of about 1%. In line with Orange's strategy, its IT and

Integration Services, which forms 37% of its enterprise business, outperformed the rest of the portfolio. In AP, the carrier continued its strong performance by growing double digits (YoY) in 2019, outperforming the industry average in the enterprise space.

Orange is betting its future growth on one core area: software-defined everything (SDx), together with the following four strategic technology pillars: cloud, digital and data, cybersecurity, and smart mobility services. Bringing together complex solutions requires professional services skills, and Orange draws on its large global consulting teams to deliver on the same. Orange's global consulting team, which has over 3,000 business and technical consultants, serves more than 300 customers around the world, with about 20% of them in AP. This global consulting team focuses on eight specific verticals (manufacturing, government and institutions, transport and logistics, pharmaceutical, oil and gas, finance and insurance, retail, and Smart Cities) and has been one of the areas where Orange has invested in people, tools, and processes, such as robotic process automation, data analytics and machine learning, and application programming interface (API).

Orange has witnessed consistent growth of its overall network portfolio over the past three to four years largely because of broad network transformation projects for some of its key customers across the region. The carrier has done well to build a software-defined portfolio that includes its managed SD-WAN services (flexible SD-WAN) with four partners, on-demand bandwidth, and a wide variety of underlay solutions. The carrier demonstrated significant progress in SD-WAN with several large global multinational corporation wins with a significant presence in the region, including its recent deal with Sony (for 650 sites), Siemens, and Aurecon. In addition to SD-WAN, Orange offers SD-LAN solutions (in partnership with Cisco, HPE-Aruba, Dell, and Huawei), and "visibility-as-a-service" solution (in partnership with Live Action, Thousand Eyes, and Riverbed) to provide end-to-end SDx solutions contributing toward the goal of automated and intent-driven networking. Orange is planning further enhancements to its software-defined portfolio with different engagement models, such as co-managed or fully managed, extended security VNFs, new network APIs, and edge computing. Orange takes advantage of its eight global OpenLabs that provide a mix of physical and virtual resources for development and innovation to facilitate these software-defined conversations and conducting POCs with the customers.

The carrier has merged its mobility and IoT units to create the smart mobility services (SMS) business unit with an attempt to bring together its IT and operational technology (OT) offerings in the space. Highlighting IT and OT convergence as the main driver for this integration, Orange is seeking a role to play between the IT and OT worlds, leveraging its telco assets and systems integration (SI) heritage. The SMS business unit targets three main verticals: Smart Cities, connected cars and products, and Industry 4.0. Smart Cities saw a strong growth, with revenues tripled from key projects in Australia, India, Singapore, and Hong Kong, through different engagement models with the local and federal governments. Orange has also signed agreements with leading car manufacturers to become one of the largest connectivity providers to newly registered cars in Europe in 2020. It has also developed a broad services portfolio to service the passengers, drivers, OEMs, and services providers. The carrier is also pursuing opportunities in Industry 4.0 by helping enterprises digitalize their operations and embrace new "production-as-a-service" models. Drawing on its expertise in supply chain and production management, Orange is creating IoT solutions for cross-industry requirements in several domains, such as asset tracking and fleet management, and works with partners such as Siemens MindSphere in the OT space to jointly develop the overall solution.

Strengths

Deep integration of Digital and Data Business Units

Similar to the reinvigoration of its cloud business through the purchase of Basefarm, Orange's data strategy draws on its recent acquisition of Business and Decision (B&D). The integration of its "Digital" and "Data" business units, along with the B&D acquisition, brings together the capabilities for data and DX under the same umbrella and allows Orange to deliver a data-led transformation of a customer's business.

The key priorities shaping Orange's data strategy are as follows:

- **Global reach.** Orange is widening its coverage of customers' data journeys in terms of capabilities and network reach – data acquisition and transport across local and global footprints (including the AP region), security, cloud, and analytics/AI.
- **Customer integration.** Embedding data solutions at the heart of customers' own processes is a priority; hence, the need arises to integrate closely with their ICT environment, whether on-premises or cloud-based.
- **Verticalization.** Specific use cases are targeted within selected industries, starting with industrial process optimization, industrial IoT connectivity, logistics, hospitality, tele-medicine, and IT service management dashboard and alert optimization.

Orange aims to target the enterprise customer's data and DX journey through a combination of existing tools, recent acquisitions, and its partner ecosystem, which consists of over 3,500 developers, consultants, and other subject matter experts globally.

Another critical enabler for delivering on this strategy is a close cooperation between various Orange business units. B&D's business clearly benefits from access to Orange and Basefarm's multicloud platforms, UM's big data consultancy and design skills, and application development skills from both Orange and other recent acquisitions, such as the Polish digital application development house BlueSoft. These assets and skills begin to make the whole look like more than the sum of its parts.

Although most of the groundwork for this is being laid in its home market, the carrier is actively working to ensure that it can deliver the same level of benefits to its enterprise customers in the AP region and differentiate itself in a crowded market.

Leveraging Cloud as a Platform for Enterprise Transformation

Orange's new approach to position cloud as a new mode of working that requires a shift in enterprise culture and mindset, rather than just looking at it from a technology lens, is working well for the carrier. Fueled by the idea of providing services over infrastructure, co-innovating with its customers, and positioning cloud as "the new factory," its global cloud revenue has grown by 85% in the last two years (2019 versus 2017). Although the service provider did not indicate details for AP, it highlighted that the region had outperformed significantly the group from a cloud point of view. Orange expects to triple its AP cloud business over the next two years and beyond, driven by its EUR350 million acquisition of Basefarm in July 2018. It represents an ambitious target relative to Orange's cloud performance over the past few years, and it reflects renewed confidence.

Basefarm has provided Orange with much needed capabilities in the cloud space, including multicloud automation, a comprehensive cloud management platform, a containerization approach to its cloud

architecture, and infrastructure-as-code as a design principle. Integration of cloud with its network resources allows Orange to provide an end-to-end and API-based cloud performance monitoring.

Orange's network of over 100 professionals across 10 major countries in Asia, as well as its network assets and partnerships in the region, has allowed the service provider to win deals against some of its key competitors in the region. The carrier is in a strong position to take further strides in this space.

Challenges

Software-Defined Offerings Challenge Orange's Strong Network Heritage

Comprehensive global and regional network assets have always been Orange's strong suite. Its subsea cable network, along with other fixed network infrastructure, has been a key differentiator for the carrier, and has provided it with an advantage over some of its competitors. However, as software-defined offerings level the playing field and virtual network solutions become the norm, the carrier will face a stiff challenge in maintaining that advantage. Although Orange has developed an impressive software-defined portfolio to complement its network services, it will need to evolve that at a rapid pace to maintain its leadership in the network space.

Strategic Focus on the Asia/Pacific Region at the Group Level

The AP region was once again missing from the recent Engage 2025 strategy announcement, where Orange laid out a five-year plan to grow its group revenues. Although the carrier shared its plans for the Middle East and Africa and its home market (i.e., France), any reference to the AP market was surprisingly missing. However, it is observed that a great number of solutions are launched globally now, and the average time it takes for Orange to bring a solution from its home market to the AP region has also reduced significantly. Orange will need to ensure that it continues to have a strategic focus on the region to offer a full suite of solutions with little regional discrepancies to its AP-based 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 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 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

- *Market Perspective: 2020 Technology Theme Implications for Asia/Pacific (Excluding Japan) Communication Service Providers* (IDC #AP46106320, April 2020)
- *IDC FutureScape: Worldwide Mobility and Telecommunications 2020 Predictions — APEJ Implications* (IDC #AP45221220, January 2020)
- *Carrier Cloud Business Models: Thinking of Cloud and Networks as One* (IDC #AP44533619, November 2019)

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 service providers' capabilities to meet the telecommunication and ICT needs of various customer segments. It leverages the IDC MarketScape framework to evaluate 10 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, software-defined platforms and cloud capabilities, go-to-market (GTM) strategy, growth strategy, partner ecosystem, and innovation strategy. Communications 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.

"Globally, communications SPs are undergoing a dramatic change in much the same way that most enterprises across verticals are undergoing changes. Asia/Pacific is certainly no exception, with communications SPs in this region facing the same enterprise business priorities as their counterparts in other countries, albeit with high deviations among Southeast Asian countries and mature Asia/Pacific markets. Enterprises are grappling with multiple objectives and imperatives, focusing on cost savings, new business models, customer centricity, and agility in operations. The heightened competitive intensity is forcing communications SPs to innovate, not only in operations, but also with how they engage with their customers and channel partners," says Nikhil Batra, associate research director, IDC Asia/Pacific Telecom Practice.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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